CLARIANT

Annual Report 2013

what is precious to you?

Financial
SUMMARY

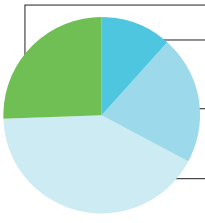
KEY FIGURES in CHF m

	2013	2012[1]
Sales[2]	**6 076**	6 038
EBITDA before exceptionals[2]	**858**	817
EBITDA margin before exceptionals[2] (%)	**14.1**	13.5
EBIT before exceptionals[2]	**574**	546
Net income[2]	**323**	203
Basic earnings per share[2]	**0.98**	0.68
Operating cash flow	**301**	468
Investment in property, plant and equipment	**292**	311
Research & Development costs[2]	**199**	175
Total assets	**8 174**	9 467
Equity	**2 780**	2 666
Equity ratio (%)	**34.0**	28.2
Net debt	**1 500**	1 789
Gearing ratio (%)	**54**	67
Employees	**18 099**	21 202

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

SALES BY BUSINESS AREA in CHF m

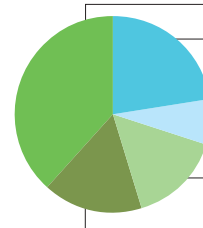
Total 2013: 6 076



Care Chemicals	**1 561**	**25.7%**
Catalysis & Energy	**713**	**11.7%**
Natural Resources	**1 281**	**21.1%**
Plastics & Coatings	**2 521**	**41.5%**

SALES BY REGION in CHF m

Total 2013: 6 076



Europe	**2 321**	**38.2%**
Asia/Pacific	**1 376**	**22.6%**
Middle East & Africa	**452**	**7.5%**
Latin America	**931**	**15.3%**
North America	**996**	**16.4%**

Performance.Growth.Innovation.
WHAT MAKES CLARIANT SPECIAL?

1.

WE HAVE A BALANCED COMPANY PORTFOLIO WITH HIGH PROFITABILITY, LOW CYCLICALITY, AND SIGNIFICANT GROWTH POTENTIAL

CARE CHEMICALS

Sales 2013 in CHF m	**1561**
Growth potential	**+4–5% p.a.**
EBITDA* margin 2013	**16.8%**

CATALYSIS & ENERGY

Sales 2013 in CHF m	**713**
Growth potential	**+6–7% p.a.**
EBITDA* margin 2013	**22.3%**

NATURAL RESOURCES

Sales 2013 in CHF m	**1281**
Growth potential	**+6–7% p.a.**
EBITDA* margin 2013	**15.2%**

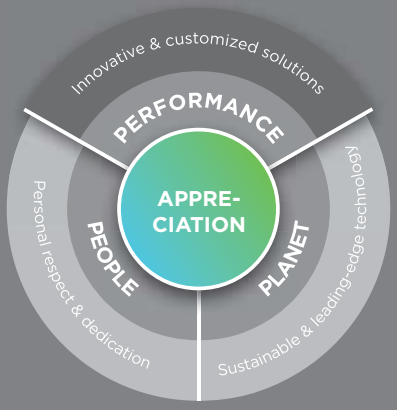
PLASTICS & COATINGS

Sales 2013 in CHF m	**2521**
Growth potential	**global GDP**
EBITDA* margin 2013	**14.1%**

* before exceptional items

2.

WE APPLY A VALUE SYSTEM WITH A FOCUS ON PERFORMANCE, PEOPLE, AND PLANET



Sustainable company successes and value generation can only be realized in a corporate culture that is embraced by everyone involved, and which achieves a balance between business performance, social interests, and environmental targets.

WHERE WE WANT TO GO – OUR VISION

We aim to be the global leading company for specialty chemicals and to stand out through 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

3.

WE HAVE A CLEARLY DEFINED CORPORATE STRATEGY BASED ON FOUR CENTRAL PILLARS

4.

WE MEASURE OUR PROGRESS BASED ON SPECIFIC TARGETS FOR THE FUTURE

Clariant's key performance indicators (KPIs):

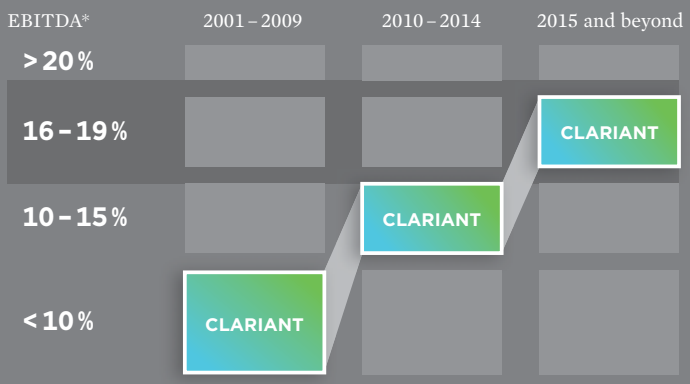
MIDTERM TARGETS

Organic sales growth	**> global GDP growth**
EBITDA* margin	**16 – 19 % (2015 and beyond)**
ROIC	**> peer group average**

* before exceptional items

Our aim is to make Clariant one of the most profitable specialty chemicals companies by continuously improving the EBITDA margin.

FROM AVERAGE TO THE TOP – ADVANCING INTO THE TOP TIER IN SPECIALTY CHEMICALS



* before exceptional items, as reported

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ANNUAL REPORT 2013

»The Clariant Story IS A STORY OF VALUES«

Mr. Kottmann, in last year's annual report you said: »We'll deliver on our promises«. What's your assessment of the 2013 financial year in view of this statement?

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HARIOLF KOTTMANN We have done exactly what we set out to do. Our EBITDA margin is at its highest level in ten years. We have made progress in all areas of strategic importance and we now rival the world's biggest specialty chemical companies.

—

RUDOLF WEHRLI ... and not many would have expected that of Clariant a few years ago, especially since the economic conditions during this period were anything but ideal. Given that this was also the case in 2013, we can be pleased with our results.

You mentioned progress in areas of strategic importance. What exactly are you referring to?

—

RUDOLF WEHRLI We are achieving our goal of creating a new Clariant, as is already evident in the modern way in which we present ourselves to the public. We have laid the foundations for a new corporate culture that is pointing the way forward for everyone. A process of renewal is underway at Clariant, based on clearly defined corporate values, and nothing is taboo. This process, which centers on the three key values of »performance«, »people« and »planet«, is increasingly bearing fruit.

—

HARIOLF KOTTMANN May I just add here that, as regards »Performance«, the EBITDA margin increased to 14.1 % in 2013. Thanks to Clariant Excellence, we have established a culture of continual improvement, with all parts of the Excellence program interacting efficiently with one another. As regards »People« – i.e. our employees – we have successfully and as planned put the right people with the right skills in the right places, worldwide. Our employees are proud of what they do and Clariant is considered to be a very attractive employer in the industry, which was not always the case. Our customers have also noticed the change and are increasingly realizing that, not just on paper but through the increased implementation of our Commercial Excellence project, Clariant has moved from a focus on products to become a provider of tailored solutions for customers and markets.

—

RUDOLF WEHRLI And everyone in the company has learned that success and profitability do not come without a sustained and active focus on the environment – in other words the »Planet«. We assess ourselves against clearly defined environmental targets for 2020 and our efforts in this area have not gone unnoticed: We reached an important milestone in September 2013 when we were included in the prestigious Dow Jones Sustainability Index. This was a great success for all of us.

In addition to the cultural transformation, have you also extensively restructured your portfolio over the last few years?

—

HARIOLF KOTTMANN A key strategic pillar for Clariant's further development is active portfolio management with the goal of targeting those markets in which we are growing and where we can shape prices. In February 2012 we announced our intention to strategically review five businesses. Less than two years later, we have successfully completed four of the five announced divestments; the fifth will take place this year. The rationale behind these transactions is clear: we want to achieve excellent results in everything we do. This is why we are selling units with sales of more than CHF 1.8 billion – they were making returns of less than 8 %. In their place, we have acquired a real treasure in the form of Süd-Chemie, which generates turnover of over CHF 1.4 billion and a return of over 17 %.

—
RUDOLF WEHRLI
Chairman Board of Directors

—
HARIOLF KOTTMANN
Chief Executive Officer

»The new Clariant is taking shape more and more. The cultural transformation and the process of renewal across all levels is increasingly bearing fruit.«

Rudolf Wehrli

—

RUDOLF WEHRLI Moreover, we have also been able to significantly reduce our sensitivity to economic swings as well as to swap moderate development opportunities – thanks to the additional innovative strength and sustainability achieved – for above-average growth potential. We have performed very well in this respect. In this regard, we cannot ignore our small and selective acquisitions in growth areas and regions; in 2013 alone there were five such acquisitions.

You seem to be extremely confident. What can we expect in the future?

—

HARIOLF KOTTMANN Of course we can be confident, but we must not become complacent. As mentioned, we have made great progress: We have built a firm foundation for sustainable, profitable growth. Nevertheless, in all our efforts, we must not fail to achieve our goals over the long term as well. Above all, it is important that we deliver what we promise.

How does this look now, at the start of the new year?

—

RUDOLF WEHRLI Despite all the uncertainties, we are cautiously optimistic when we consider the global economy. But there is a big »but«, which I will come to shortly. In Europe there are signs of a modest consolidation. North America will benefit from cheaper energy prices and the central bank's low interest rate policy. Our excellent market position is helping us in South America. That is why we have paid special attention to Brazil, one of our growth regions, in this annual report. And in Asia – China in particular – we contin-

ue to see great potential for the coming years, even though the growth registered there is no longer as dynamic as in previous years. This region will continue to determine Clariant's future.

You mentioned a big »but«?

—

RUDOLF WEHRLI It would be a huge mistake to be euphoric given the continued massive indebtedness of key industrial nations and the still rather cautious reform process underway in many countries. As a company with a responsibility for many thousands of employees, we need to be prepared for all eventualities; the global economy is still far from being on a sustainable recovery path. 2014 is therefore by no means a sure-fire success.

Against this background, what are your targets for 2014?

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HARIOLF KOTTMANN Given our strategically well-positioned portfolio, together with the efficiency improvements we have already introduced, we expect to see a further improvement in our profitability in 2014 and low to mid single-digit sales growth in local currencies.

From a cost perspective, haven't all the »low hanging fruits« already been picked?

—

HARIOLF KOTTMANN Actually, we are already seeing positive results from our systematic cost management. This year we will need to adjust our structures to the company's new focus on four Business Areas, staying true to the equation: leaner company, lower costs. We will of course also continue with the strict cost management process established as part of Clariant Excellence.

»The rationale behind our portfolio transactions is clear: We want to achieve excellent results in everything we do.«

Hariolf Kottmann

With regard to your balance sheet, you have started to reduce your debts. What's next and what is the target?

—

HARIOLF KOTTMANN Over the last few years, we have already started to manage our resources and investments centrally and to allocate them to where they promise the largest returns. Resources being used in a less efficient way have been systematically redirected. Free cash flow will be a central performance indicator for the coming years. Thanks to our improved results, optimal use of resources and corresponding improvement in net working capital, we expect to see a significant improvement in this indicator already in 2014. We will use the resources that are freed up to reduce debt levels as well as to provide our shareholders with an attractive dividend.

The capital markets are already looking beyond 2014; presumably you are too?

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HARIOLF KOTTMANN Our strategy is geared towards sustainable and long-term profitable growth. Our goal for the medium term continues to be to move into the second quartile of specialty chemical companies worldwide in terms of profitability, i.e. to be among the top companies. To achieve this, we need to improve our EBITDA margin to 16 – 19 %. Our target for 2014 is clearly taking us in the right direction and in 2015 – depending, of course, on global economic developments – we want to take it up another notch.

In 2013 the Clariant share price rose by 30 %. Now you are raising the operational bar for 2014 and beyond. What can your shareholders expect?

—

RUDOLF WEHRLI Performance, growth, innovation – our motto for 2013 will drive the strategic agenda in the new financial year as well. At Clariant, we are always striving to generate added value. And this doesn't only apply to our shareholders, who were as pleased as us with the positive developments of 2013. We also strive to create value for our employees by offering secure and attractive jobs. We want to generate value for our customers, whom we offer the best possible solutions, as well as for all other stakeholders who should benefit from our decisions. That's why our core wish is for the Clariant story to be considered a story of values.

HARIOLF KOTTMANN

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

RUDOLF WEHRLI

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

One CLARIANT

One woman's path. We begin with a quotation. It is attributed to Katharine Hepburn, and is as if tailor-made for our protagonist. »Today's women«, the Hollywood icon is supposed to have said, »don't wait around for miracles – they arrange their miracles themselves.« It is a wonderfully apt description of Marcia Regina da Silva Rios, and as you read on you will see why.

Concept and photography by Jo Röttger

Text by Hans Borchert

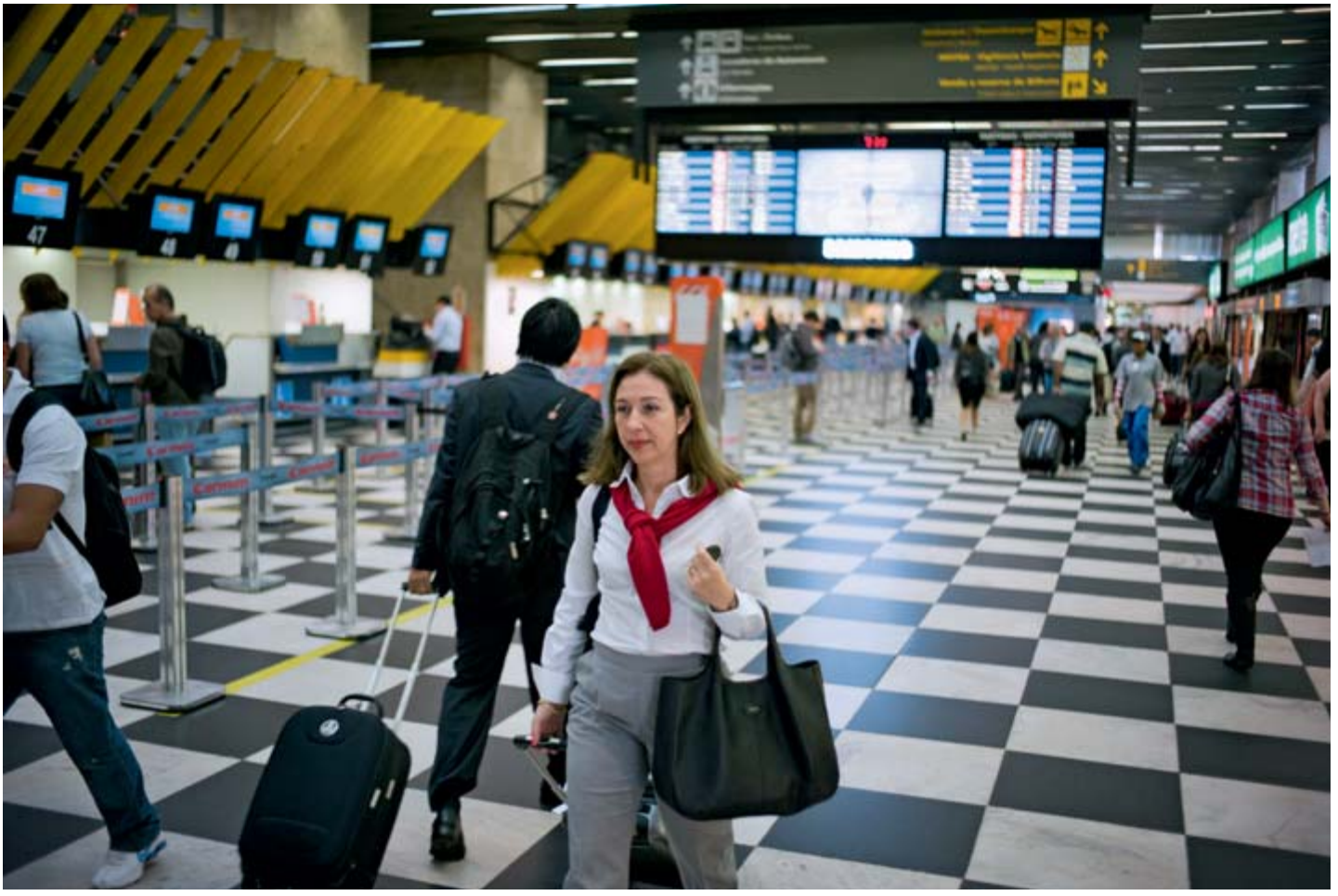
Let's zoom in from Google Earth. The scene is Latin America. What an immense continent, what an economic melting-pot. Her domain.

Over 500 million people in an area of around 20 million square kilometers – from the Río Grande in the north down to the ice-covered needlepoint of the Cerro Torre peak in the south. Let's take an imaginary flight around to get an overview. Up the Pacific coast and back down the Atlantic.

We start our trip at the naval base of Valparaíso in Chile. Then we continue along the Andes. We pass by Bolivia, Peru, Ecuador and Colombia, lined up like a string of pearls. Central America: The Panama Canal, Costa Rica, Honduras, Guatemala. Elegant Acapulco and the industrial city of Monterrey. And then back down again: along the Gulf of Mexico with its oil rigs towards Venezuela. Maracaibo, Caracas. Paramaribo in Suriname, Kourou and the Ariane space station in French Guyana, finally Belém on the Amazon delta in Brazil. After Brazil there is still Paraguay, Uruguay and Buenos Aires, the diva of Argentina. But for now we have reached the places that all football fans (and not only them) yearn to be in this World Cup™ year of 2014: Fortaleza and Recife, Salvador, Rio de Janeiro with its Sugar Loaf Mountain and Maracanã Stadium, and then finally the mega metropolis to beat all others: »SP«, or São Paulo. A vast city that is both beautiful and terrible at the same time.

Coming to this city of 12 million for the first time is a bit like being punched in the stomach. Where are the suburbs, where is the center? Every day, millions of cars stick together like leeches on ten-lane highways and creep bumper to bumper along the Rio Pinheiros and Rio Tietê. Motorbike riders – known locally as moto-boys – dart between them, staging kamikaze races at 100 kilometers per hour. There are more helicopters in the air than in any other city in the world. Poor Marcia Rios, you would think before you first meet her, what sort of a life is this?

But there is not just this one São Paulo. Instead there are a whole series of them. Poor quarters, favelas, people washed up by life. But also the gleaming, nouveau riche Morumbi and the discreet old money villas in the Jardins district. There are the mirror glass skyscraper facades in the new business district on Faria Lima. The picturesque old Centro with Niemeyer's Edificio Copan on Avenida Ipiranga. An area that has come down in the world, yet still retains a certain grandeur.



A new type of female manager: »I try to be as gentle as possible, but I am also able to struggle to win the challenges when required. I can show my feminine side most when I am dealing with my closest staff.«

There is the old station, converted into the Sala São Paulo, one of the most important concert halls in South America. The business, shopping and public demonstration street of Avenida Paulista, including the famous Museu de Arte de São Paulo (MASP) right opposite the Parque Trianon. Not far away is the covered Mercado Municipal with its myriad delicacies, the huge Catedral Metropolitana, and last but not least the Parque do Ibirapuera, a last, giant haven of nature, sport and leisure in the urban jungle. Early each morning at around 5.30 am, Marcia Rios puts on her running shoes here and runs for all she's worth. »Running is a form of meditation for me«, says the veteran of eight marathons. »I solve my problems while I'm out there.«

Her team appreciates her leadership style: Concentrated and focused, tough but also resilient and humane.

Marcia is such a history buff: »Sometimes I feel our country is a faint echo of earlier times.«

Welcome to the day-to-day world of Marcia Rios, 53. Home address: Vila Sofia. We meet her, her husband Fabio, 48, daughter Georgia, 16, son Caio, 20, and dog Lucky at home on the eighth floor of a modern apartment complex. Hermetically sealed off, protected round the clock by video cameras and security personnel. A double gate when you drive into the underground parking lot and then the elevator takes you straight into the residential part of the building.

Marcia is a »paulista« through and through, born and raised in the megalopolis. She likes to appear in tasteful attire, carefully chosen – serious and tough. Classic outfits, silky blouses, tasteful handbags and shoes, and tailored trouser suits are her feminine statement. This is how she greets us, her shoulder-length hair tied up with a band. Some may believe in chance, but the fan of Leo Tolstoy and Jorge Amado is dismissive: »Nothing happens of its own accord, and everything has a deeper significance.« With pride and ambition she adds: »I want to be an example in my career, particularly as a woman.«

She occupies a high-ranking position in Clariant's organizational structure. Since 2010 she has been responsible for the Industrial Applications segment for Latin America within the Business Unit Industrial & Consumer Specialties (ICS). This segment includes products from the Construction, Paints & Coatings, Industrial Lubricants and Special Applications areas.

It is by no means an everyday occurrence for a woman to be in such a position, but a look at her curriculum vitae soon explains it: degree in chemical engineering in 1983, then postgraduate qualifications in administration (1987) and marketing (1992). This was followed by a master's degree in mechanical engineering (2002) and – the icing on the cake – the MBA International Executive at the Fundação Instituto de Administração (FIA) at the University of São Paulo in 2009. Learning is a theme of her life. »If I am not furthering my education, I don't feel stretched«, admits Marcia Rios, who has been working for Clariant since 2002.

Looking at her career and professional environment, the label of »pioneer« is certainly justified in her case. Throughout her life she has often been the first and only woman, and it is perhaps for that reason that she describes herself as »a representative of a generation that paved the way for women's rights and is still working to create an environment for the next generation of young women, where men and women are able to work together successfully on equal terms.

A priceless treasure for Marcia is the former gold-mining heart of Brazil – the town of Ouro Preto in the state of Minas Gerais. Framed by its steep hills, it is a site of pilgrimage that looks like a Baroque painting, with more than twenty Baroque churches and chapels.

Not only in Brazil, women of her ilk are thin on the ground. Moreover, chemistry has traditionally been the poor cousin of emancipation. There have only ever been four female winners of the Nobel Prize for Chemistry: Marie Curie and her daughter Irène, Dorothy Crowfoot Hodgkin, and the Israeli Ada Yonath. Margaret Thatcher, in fact, obtained her bachelor's degree in chemistry at Somerville College, Oxford, but then embarked on a political career and became Britain's »Iron Lady«.

It is a nice parallel, as Marcia Rios could have a similar reputation in the Clariant world in Latin America. Referring to her work, she says: »I can be very determined.« In her view, a technical term can be used to describe the interpersonal process. »I have calibrated myself«, she says. »I try to be as gentle as possible, but I am also able to struggle to win the challenges when required. I can show my feminine side most when I am dealing with my closest staff«.

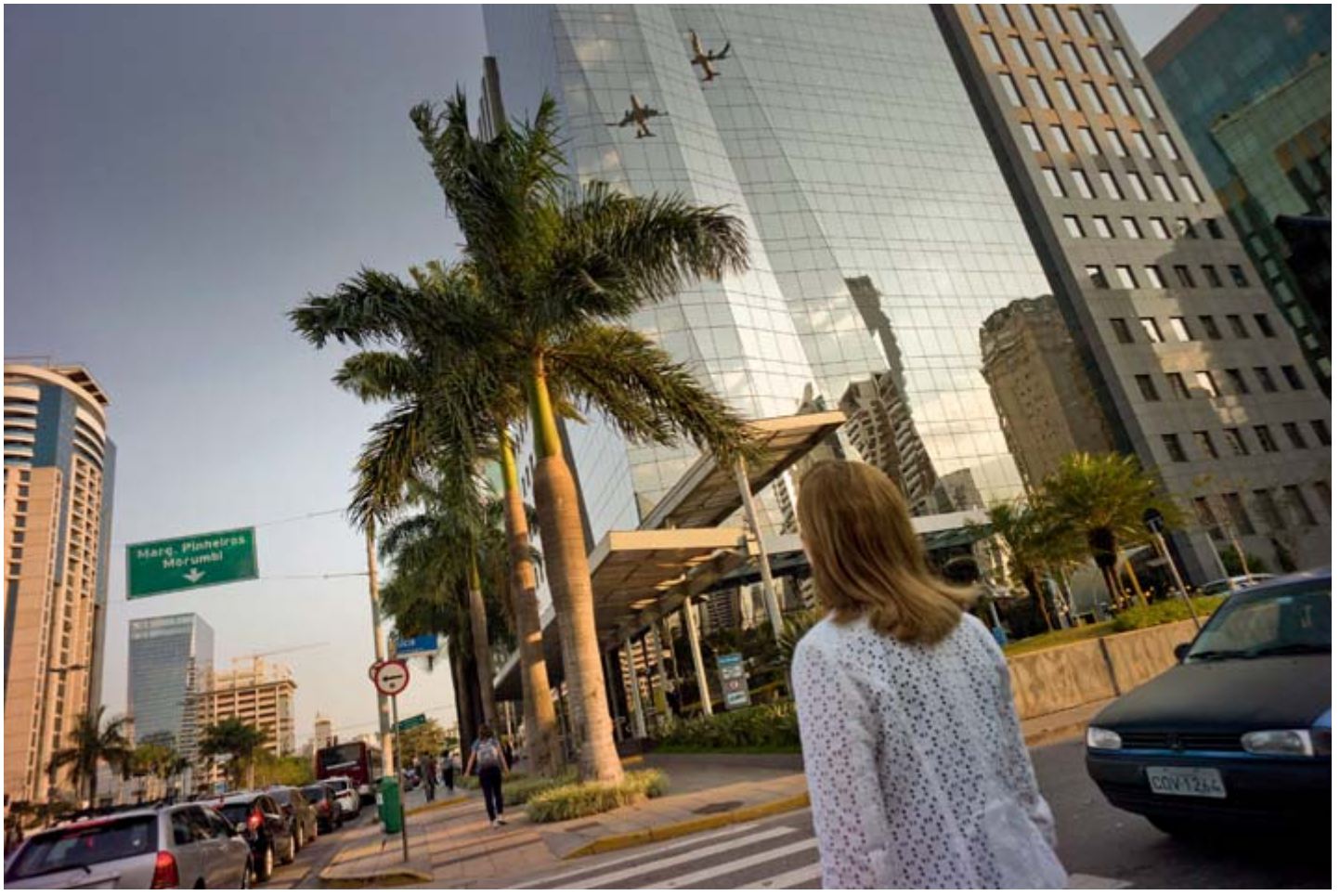
From their perspective, Marcia Rios is more a charismatic leader than a boss. Tania Valeria Nascimento (Sales Construction Brazil) says: »She is concentrated and focused, speaks clearly, is a good listener, and is not afraid to discuss things openly. She makes us all feel important, and the focus is always on the team, the WE.«

And Pedro Dellabarba (Chemist of the Application Lab) puts it this way: »Her effort is for us to become better. She doesn't just give guidance, but has a helpful approach and always gives feedback. That is a huge motivator, because we all have freedom in how we reach our objectives. She is certainly tough, but also resilient and humane, calm, ambitious and decisive. She never loses temper.«

It's Monday. At 10 am sharp, Marcia Rios meets her staff in the conference room of Clariant's Latin American headquarters on Avenida das Nações Unidas in the São Paulo district of Santo Amaro. On the agenda are the results for the third quarter and preparations for the ABRAFATI 2013 paints & coatings fair in São Paulo. In front of her is a sheet of paper with the issues to be covered at the meeting. She quickly runs through the list, and after a brief response, calm discussion, or scheduling of a further meeting, she announces her agreement to each with »Tá Bom«. It's ticked off, and then on to the next.

Every week starts with a period of intense reflection on her family, friends, and colleagues. »Happiness is a fragile commodity«, says Marcia, a practicing Catholic. »In prayer I find peace.«

The buildings in South America are often attacked by the damp equatorial climate. The walls, which are supposed to be whitewashed, are speckled with black mould. But the chemist Marcia knows the solution.



»Set yourself goals and stand on your own two feet«, Marcias father said.

Later, looking back on this meeting, she will praise the competence of her staff, but by then we are already on our way to the northeast of the country – on route to the sugar cane fields and their ethanol-producing customers in the state of Pernambuco.

And because Marcia Rios is such a history buff, on the three-hour flight to Recife she takes us back a little into Brazil's past. She spins a tale of bearded sailors on previously unexplored seas. These were the original pioneers, who sailed into the unknown and were finally washed up on distant, foreign shores.

The Portuguese explorer Pedro Álvares Cabral makes landfall. It is the year 1500, and henceforth a new name appears on what is still an incomplete globe – Terra Brasilis. There is much mixing of bloodlines in those early days, but just as much blood – if not much more – is spilled. It is a raging world of conquest, military campaigns, lust for treasure, and exploitation. Brazil finally achieves its sovereignty and proclaims an independent land in 1822. Moving forward to 1889, Emperor Dom Pedro II is overthrown by the military and flees the country.

Marcia and four-years-younger Vania: the sisters are very close.

»Sometimes I feel our country is a faint echo of those days.« She says this at the dawn of a new day on Carneiros beach near Porto de Galinhas. She looks out to sea, as if expecting rough-hewn adventurers or sinister slave dealers to appear over the horizon.

Like most of her compatriots, Marcia Rios has very diverse roots. They came to Brazil from everywhere: Europe and Africa, Asia, North America. »We Brazilians have a multifaceted identity and are a happy and always creative mixture from all corners of the world.« Skin color, face shape – you will find all types here. Her mother Luiza came from Italy. She began to work in a textiles factory in São Paulo. Her father Moises, born in northern Portugal, came to Brazil as a 16-year-old boy. He attended a technical school, was hired by Sachs Engineering as a mechanic, worked his way up, studied, and ultimately became an authority in the field of optical light systems. The two met while out walking in the beautiful park of the Museu do Ipiranga, and became a couple.

Marcias shopping paradise: the covered Mercado Municipal with its myriad delicacies.


Levi queijos

Her parents' meeting place now decorates a whole wall of her apartment in the form of a black-and-white photograph. This is how important the memory of her parents is to her, particularly her mother, who died of cancer in 1976. Marcia was 16 and immediately became responsible for her sister Vania, four years younger than her, and buried her first dream. She had actually wanted to become an athlete, as she was a talented 400-meter runner, but that was over now. From that point on there were other duties as well as her obligations to her pragmatic father, who told her: »Set yourself goals and stand on your own two feet. You need your own career, your own money, and your independence.«

She became a chemist, and was always first in her class. We see her, the young woman she was then, taking her first steps in the professional world. To begin with, in a laboratory far outside of São Paulo. To enable her to work during the day and continue studying at night, she buys a motorbike and braves the São Paulo traffic. She marries, has her first child, supports her husband, is expecting Georgia, her second child, and is now working as a sales representative and covering thousands of kilometers in her car every year. A difficult time, but that is far from the end of it. She applies to do a master's degree in mechanical engineering, and is the only woman to be awarded one of the highly sought-after places. However, her professor makes her promise that she will complete all eight exams with the highest marks. She says: »That's not fair«, but then agrees: »OK, I'll do it.«

At Clariant, people first noticed Marcia Rios in 2002. She was working for a customer, and was hired to turn the company's special lubricant for the metal-working industry into a success. Michael Pronin, Region Head of Clariant Latin America, says. »Marcia has essentially been one of our company's top female for a decade now. She is part of a new generation of female managers, and to put it simply: she is a very positive example. Known to everyone, successful, and exemplary in every respect.«

Pronin is an energetic and dynamic man, a former Chilean naval officer. A picture of a ship in heavy seas hangs in his office, underlining in a very visible way one of his other sayings: »In Latin America we are familiar with crises and will not shrink before any storm.«

A chemistry set for advanced hobbyists could hardly be more exciting and explosive than this socially, politically – and particularly economically – diverse region of the world. In Pronin's eyes, Chile stands among other things for an »excellent

Marcia's team showcases an encapsulation technology for biocides for exterior paints at the paintings and coatings fair ABRAFATI in São Paulo.

educational system and major copper deposits.« With a population of 50 million, Colombia has metal ores and produces both coal and increasing amounts of oil. The same applies to Mexico, with the added rider of »rising personal consumption«. Argentina is the powerhouse of the agricultural industry, besides strong presence of oil and gas segment. Peru counts with mining sector as an important driver of its economy, and Venezuela, meanwhile, is extremely rich in oil. Brazil is taking something of a breather after an unbroken five-year economic boom in the years running up to the 2014 Football World Cup™ and the 2016 Olympic Games, but offers the most exciting prospects for Oil & Mining Services and ICS.

»With 12 production sites and laboratories with the best facilities, we have a powerful footprint in the region and are among the top international specialty chemicals companies in all relevant markets. In Latin America we manufacture around 80 % of our sales ourselves and account for 15 % of the Group's total worldwide sales – with 7 % in Brazil alone«, says Pronin.

A multi-faceted woman, who arranges her own miracles.

And something else that is important to him: »Due to rising educational standards we recruit the majority of our highly qualified staff in the region – and also generate talents to Clariant worldwide. Our staff come from our own linguistic and cultural sphere. Argentinians work in Colombia, Mexicans in Peru, or Chileans like me in Brazil. English is the corporate language, but there is also an informal mixture of Spanish and Portuguese – which we call Portuñol.«

Marcia Rios speaks all of these languages. She certainly knows Latin America like the back of her hand, travelling tirelessly, visiting customers and staff. She chairs meetings, leads projects in the production plants, and personally manages some global key accounts. Lubricants producers for automotive industry and huge car factories in Betim near Belo Horizonte, is just one example.

The visit there offers an unexpected case study in crisis management. Over the phone she hears about the resignation of an important employee of her staff, and also of operational problems at Clariant's important Suzano factory near São Paulo. »Black Monday«, she says.

Her expression changes completely. There is no longer even a hint of a smile, just complete concentration. And immediate action: conversations via mobile phone and via e-mail on her tablet computer. In the car, on the road in front of the World Cup™ stadium in Belo Horizonte (with its products, Clariant is an important supplier of raw materials to the cement and building materials industry), even at lunch in the restaurant.

Marcia Rios is hard on herself at such times, but remains friendly and calm when dealing with her staff. Her personal motto is as follows: »If something looks impossible, I try to make it possible anyway. The focus is on the problem and not the person. To put it another way, I try to help my staff overcome obstacles.«

This is exemplary behavior. Particularly within the context of the Clariant Group, whose guidelines she has completely taken on board. »We are an innovative and at the same time democratic company, have transparent procedures when selecting staff, and promote a variety of talents. Expectations and values are clearly formulated, and promotion is entirely on merit. I am extremely proud to be part of Clariant.«

A reminiscence of her parents: a picture of the beautiful park, where they first met, decorates the apartement.

She represents a generation that paved the way for women's rights, still working on it for the next generation.

A priceless treasure for Marcia Rios is the former gold-mining heart of Brazil – the town of Ouro Preto in the state of Minas Gerais. Framed by its steep hills, it is a site of pilgrimage that looks like a Baroque painting, with more than twenty Baroque churches and chapels. The cobblestones of the road that was once reserved for the Emperor are still there, as is the Matriz Nossa Senhora do Pilar church, decorated with over 400 kilograms of precious metals.

Time has gnawed away on these and most other buildings. Their walls, which are supposed to be whitewashed, are now speckled with black mould. »But in future« – now speaks the chemist – »we can change that.« Nipasafe Syn is the answer. And that in fact goes for all the buildings in South America that are attacked by the damp equatorial climate. An environmentally compatible, highly efficient specialty chemical – devised, developed and made ready for the market in her Clariant laboratory. The world premiere will be at the ABRAFATI in São Paulo, and despite the inevitable exhaustion that comes with a trade fair she really is looking forward to it like a small child.

A multi-faceted woman, then, who arranges her own miracles. In the final scene we see her, a practicing Catholic, in her church of Paróquia Sant'Ana as she is every Sunday. She holds the hand of her sister Vania, who even today still views her like a mother – the two women deep in silent prayer. Each new week begins like this. With a period of intense reflection on her family, friends and colleagues. »Happiness is a fragile commodity«, says Marcia Rios. »In prayer I find peace.«

»Nothing happens of its own accord, and everything has a deeper significance«, Marcia relies on.

One Clariant

UMA MULHER QUE FEZ O SEU CAMINHO

The Clariant Story
HAS ONLY JUST BEGUN

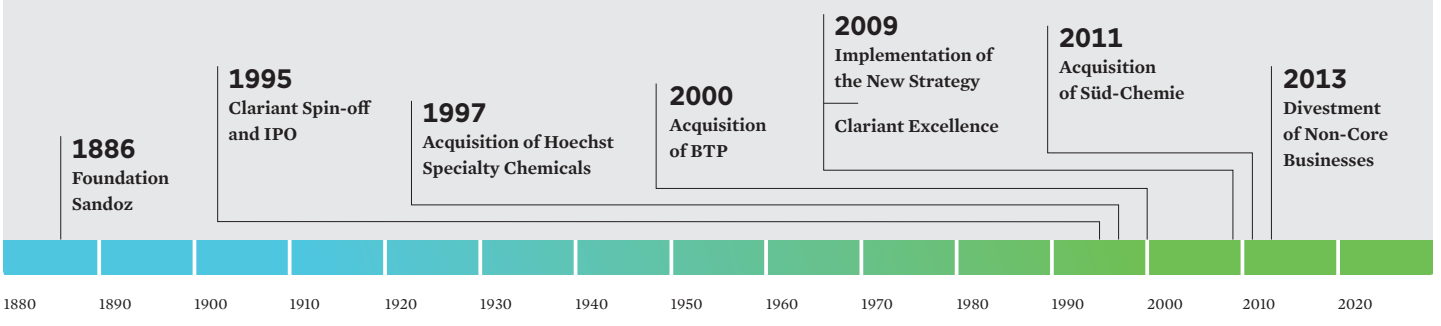
While Clariant's historical roots stretch back 127 years, the change process launched five years ago is crucial in terms of bridging the gap to the leading global companies in the specialty chemicals industry.

A new leadership style and a new corporate strategy were established following the change in top management in 2008. After years of restructuring, the objective was to plot a path toward sustainable and profitable growth. Group structures were consistently optimized as a result, and programs initiated to facilitate continuous improvement at all levels. A new brand presence paved the way toward a uniform corporate culture; the portfolio was streamlined and focused on profitability. The innovation process was redefined and sustainability became a key component of the company. All of these optimization processes are well advanced, thereby creating a solid foundation for future growth and generating value. The Clariant story has only just begun.

WHAT DOES CLARIANT STAND FOR TODAY?

Only a healthy corporate culture leads to business success

Clariant aims to become the global leading company for specialty chemicals. To achieve this objective, all stakeholders of the company, especially customers, employees, and shareholders with their individual needs and desires, must be reached. Only in this way can the company differentiate itself from others and ensure the targeted above-average value generation. This is all the more important because there was no uniform corporate culture or corporate identity during the years of restructuring and portfolio changes. Clariant effected the switch to a new corporate culture, a change in mindset, in 2012 by introducing a new brand and value system.



—
THE CLARIANT Story

Performance. Growth. Innovation. These three areas have shaped the thinking and actions of Clariant ever since. Clariant is to be seen in the specialty chemicals industry as being synonymous with business with above-average profitability (Performance) in attractive and fast-growing markets (Growth), and with innovative technologies, products, and applications (Innovation). They are the driving forces of sustainable success, which ultimately benefits customers, employees, the environment, and shareholders. Striking the right balance between business performance, social interests, and environmental objectives is crucial for achieving an optimal environmental, economic, and social performance. This claim is reflected in the corporate vision and mission of the company:

Our vision

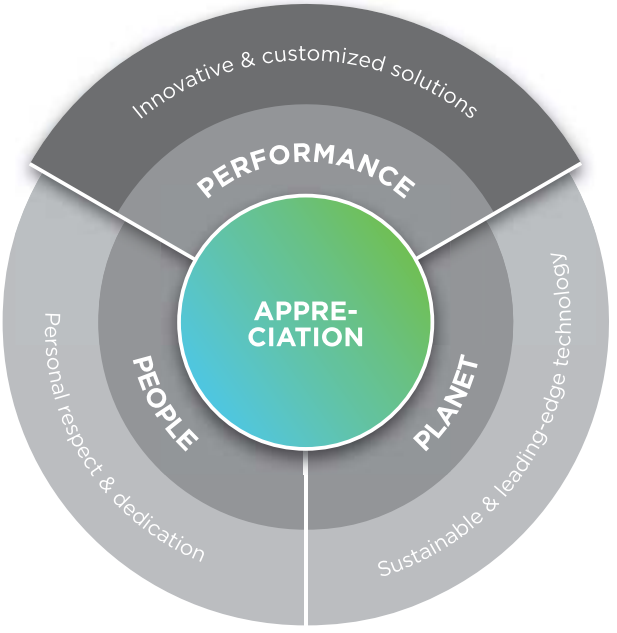
We aim to be the global leading company for specialty chemicals and to stand out through above-average value creation for all of our stakeholders.

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 and consistently embracing our corporate values
- Our environment – by acting sustainably at all levels
- Our shareholders – by achieving above-average returns

THE CORE BRAND AND BRAND VALUES of Clariant



Appreciation

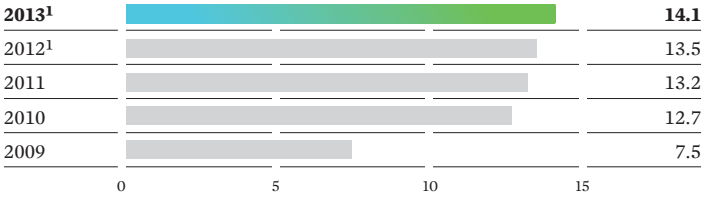
The core of the Clariant brand is appreciation. This applies in all areas that the company is active in and can influence: Performance, People, Planet.

Brand value Performance –
Creating value through trust in operating strengths.
Clariant has succeeded in recent years in taking profitability to a new level. On the one hand, a sustainable reduction was achieved in the profit threshold that was increased by optimizing all structures and implementing continuous improvement programs (Clariant Excellence). On the other hand, a transformation process was launched in the corporate portfolio in 2011 with the acquisition of Süd-Chemie, with the aim of ensuring fast-growing, innovative, and highly profitable activities. This process was driven forward in the year under review with the already completed divestment of

three out of five businesses (Detergents & Intermediates closed effective as of 1 January 2014, Leather Services is planned to close in 2014) with below-average growth and EBITDA margins. This created a solid basis for reaching the next profitability level. The target EBITDA margin range for 2015 is 16 – 19 %. Reaching this figure will bring Clariant closer to its objective of joining the group of top tier companies in the industry.

Attaining this objective is subject to Clariant making a significant contribution to the business success of its customers by developing and realizing innovative, customized, and high-quality solutions. Speed to market, leading technologies, a competitive product line, flexibility, an emphasis on research and development, and innovation are all catalysts for success.

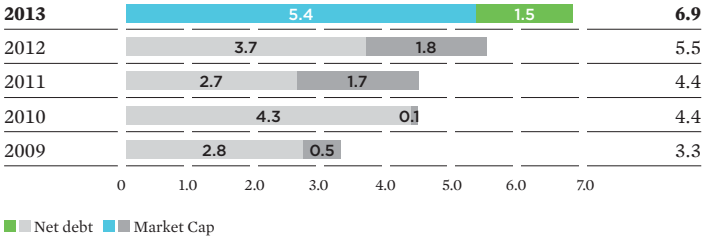
EBITDA* MARGIN in %



* Before exceptional items, as reported [1] Continuing operations

The correctness of the strategy adopted and the operational improvements are already well demonstrated in the value generated since 2009.

ENTERPRISE VALUE in CHF m

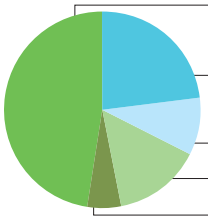


Brand value People – Appealing to the best in the industry. Clariant's business success is based on its employees. More than 18 099 people work for the Group worldwide. In order to achieve the objective of a uniform corporate culture in over 200 locations and more than 60 countries, active appreciation of employees is crucial. Respect, transparency, and sincerity are therefore essential and shape Clariant's everyday work.

The world is constantly changing; this permanent transformation process must also be reflected in the thoughts and actions of staff. This is only possible through constant dialog as well as sharing needs and expectations. Only this way can each individual understand their specific importance to the success of the Group as a whole. Clariant's success is based on the performance of each individual as well as all employees together, from research through production to sales and marketing.

Only by offering optimal working conditions, a work-life balance, constant opportunities to improve, high-quality training, good career opportunities for everyone, an international focus, and intercultural expertise will the company have an optimal personnel structure and be appealing to the most sought-after people in the industry.

EMPLOYEES BY REGION 2013



Europe	8552	47.3%
Asia / Pacific	4224	23.3%
North America	1708	9.4%
Latin America	2589	14.3%
Middle East & Africa	1026	5.7%

To achieve its objective of becoming the leading specialty chemicals company in the world, the Group is reliant on well-trained and highly motivated employees. To this end, Clariant established the Clariant Academy in 2006. During the comprehensive realignment of the company's portfolio, the Academy was recently adapted to the broader set of duties, restructured, and the range of training courses was significantly widened. A large number of these adjustments were completed in the 2013 financial year. Training of management skills and techniques, development and improvement of business and organizational skills, optimization of core business processes (Functional Excellence), and change management are coordinated under the umbrella of the Clariant Academy. In this way, the Academy is integrating its courses with further, comprehensive training and development programs at Clariant, on the topic of People Excellence, for example.

In 2013, more than 11 000 participants took part in around 112 000 training hours at Clariant. Almost one-third of this was attributable to the Clariant Academy, approximately one-quarter to communication and languages, and the remainder to various training and development courses, such as management skills training.

Brand value Planet –
Economy and environment go hand in hand.

As a global company, total commitment to environmental sustainability is an ethical obligation for Clariant, which aims to number among the leading providers in the specialty chemicals industry. Appreciation is therefore also reflected in our responsible approach to all resources and the environment. Product sustainability has become a key decision-making criterion for consumers. This is why Clariant strives to set new benchmarks by employing sustainable, leading-edge technologies and developing innovative solutions to improve environmental standards.

This is also revealed in the 2020 environmental objectives set in 2011:

- Reduce energy consumption by 30 %
- Reduce direct CO_2 emissions by 45 %
- Reduce direct and indirect greenhouse gas emissions by 35 %
- Reduce water consumption by 25 %
- Reduce waste water by 40 %
- Reduce waste by 45 %

Clariant included in the European Dow Jones Sustainability Index

Clariant's strong commitment to sustainability was rewarded by the inclusion in the European Dow Jones Sustainability Index (DJSI Europe) in September 2013. In taking this step the analysts of RobecoSAM have confirmed that when it comes to sustainability, Clariant is among the leading companies in Europe in the chemical industry. In order to be listed in the DJSI, the company had to record an outstanding and sustainable performance in the economic, environmental, and social dimensions. This index evaluates the sustainability performance of companies in Europe. It is the best reputed sustainability benchmark and has become the key reference point in sustainability investing for investors and companies alike.

Strategy and goals
PERFORMANCE.GROWTH.INNOVATION. DRIVING FORCES FOR THE FUTURE

Clariant has set itself the goal of joining the ranks of the specialty chemicals companies earning better-than-average returns within only a few years.

In 2008, Clariant generated an EBITDA margin before exceptionals of less than 10 %, making it one of the least profitable companies in the sub-sector. In 2013, it has already managed to reach the third quartile of companies earning margins of 10 – 15 %. For 2015 and beyond, Clariant's management has adopted the goal of an EBITDA margin range before exceptionals of 16 – 19 % and a return on invested capital (ROIC) that is higher than the industry average in order to achieve the next level of profitability.

2013 – A YEAR OF TRANSITION WITH VISIBLE PROGRESS

In light of the difficult economic conditions around the world and the comprehensive transformation of our portfolio, the 2013 reporting year was one of transition. Nevertheless, Clariant again managed to increase profitability to an EBITDA margin of 14.1 %.

The progress reflects the previous accomplishments from implementing the company strategy based on four pillars:

- Increase profitability
- Foster Innovation and R&D
- Intensify growth
- Reposition portfolio

WHAT SPECIFIC MEASURES WILL BE TAKEN TO ACHIEVE THE 16 – 19 % MARGIN RANGE TARGET?

Roughly half of the gap to our target EBITDA margin range before exceptionals of 16 – 19 % in 2015 will be closed by exploiting the organic growth potentials Clariant has already identified within the four Business Areas. The remaining part will be contributed by continued high efforts to improve cost efficiency and additional synergies from the completed integration of Süd-Chemie.

CLARIANT MEASURES ITSELF AGAINST THESE

KPIs*

Organic sales growth	> global GDP growth
EBITDA margin range[1]	16 – 19 % (2015 and beyond)
ROIC	> peer group average

*Key Performance Indicators [1]before exceptional items

CONTINUITY BEYOND 2015

Clariant has already aligned its strategy well beyond 2015 and is aiming for sustainable and profitable growth. Central growth drivers are:

- The ability to anticipate and respond to current and future customer needs
- A high degree of competence in developing innovations and technology platforms
- An investment focus on emerging areas within selected markets, and
- Ongoing, strict cost discipline

The long-term goals have been established accordingly:

- Growth of Group sales above global GDP growth
- Sustainably high profitability

As a guiding motto for our entrepreneurial thoughts and actions we have established:

PERFORMANCE.GROWTH.INNOVATION.

Increase profitability
CONTINUOUS IMPROVEMENT BY PERFORMANCE MANAGEMENT ON ALL LEVELS

Challenge: »Clariant is aiming to increase the EBITDA margin of the existing portfolio by a couple of percentage points.«

Steps in achievement:
- **Continuous performance management**
- **Improvements through Clariant Excellence**
- **Additional earnings effect from the integration of Süd-Chemie**

The foundation for the successful implementation of the strategy parameters set by »Performance.Growth.Innovation.« was laid in 2009 and 2010. At this time, the company used »Project Clariant« to initiate a paradigm shift focused on cash generation, cost reduction, and reducing complexity. The project was also designed to bring about change in and alter the mindset of employees, an indispensible step in reaping the fruits of years of transformation, some of it rather painful. As a result of the Global Asset Network Optimization program (GANO), Clariant completed the closure of 20 locations by mid-2012. Together with a variety of measures this reduced personnel costs by a total of CHF 180 million. This streamlined the Group structure considerably, and significantly lowered the break-even point, positioning Clariant perfectly for future growth.

EXCELLENCE IN EVERYTHING CLARIANT DOES

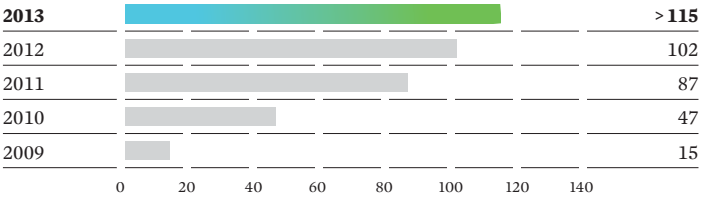
While »Project Clariant« concentrated on weaknesses in structural and cost areas, end of 2009 simultaneously we introduced Clariant Excellence (CLNX) – a long-term initiative with a focus on continuous improvement and reinforcing cultural change. With the LeanSigma approach to improving efficiency and quality management at its core, the mission of Clariant Excellence is to enhance our competitive edge through gains in efficiency and by creating added value for the customer. Clariant Excellence is the cornerstone of a new corporate culture that embraces entrepreneurial thinking and that will position Clariant at the top performance levels of the specialty chemicals industry. The four areas of the Clariant Excellence concept are: Operational Excellence, Commercial Excellence, Innovation Excellence, and People Excellence.

THE CHANGE IN THINKING IS CRUCIAL

The success of Clariant Excellence is both tangible and transparently documented. Within the four years to the end of 2013, benefits have amounted to more than CHF 350 million, over CHF 115 million of which in the reporting year itself. Additional benefits of CHF 60 – 100 million are targeted for 2014 and each of the years thereafter. There were more than 1 900 projects running in 2013 alone. More than 5 000 employees – representing over 25 % of the Group headcount – have been trained in Clariant Excellence programs to date.

Responsibility for planning and implementing continuous improvement 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.

BENEFITS THROUGH CLARIANT EXCELLENCE* CHF m



*Continuing operations

BENEFITS*

> CHF 350

million through Clariant Excellence (CLNX) in 5 years

TRAINING

> 5 000

employees trained in Clariant Excellence (CLNX)

INTEGRATION IMPACT

> CHF 100

million in synergies through the rapid integration of Süd-Chemie since 2011

*Continuing operations

FUTURE CHALLENGE: SYSTEMATICALLY CHANGING CLARIANT INTO A MARKET- AND CUSTOMER-ORIENTED COMPANY

Numerous measures across all activities addressing the four areas of Clariant Excellence are aimed at supporting the company even more in the coming years in its realignment towards the relevant markets and the necessary customer focus along the entire value chain. This is impacting the innovation process from strategy to commercialization just as much as the process of defining lucrative markets and establishing leading market positions all the way to product delivery and efficient cash management. The critical parameter for sustainable success is motivating and empowering staff at all levels to create value as targeted.

SÜD-CHEMIE INTEGRATION HAPPENING FASTER THAN PLANNED

The period of profitable growth was heralded at Clariant in 2011 when it acquired Süd-Chemie AG. After successfully restructuring the company and implementing Clariant Excellence, concentration is turning towards optimizing the company portfolio and focusing on markets with good prospects for the future and healthy growth potentials, as well as fields of activity where the company has a leading competitive edge and greater price-setting power. Süd-Chemie was fully integrated by the end of 2013. The success of Clariant is demonstrated by the fact that is has already managed to realize more than CHF 100 million synergies since the acquisition.

> »Clariant Excellence is the key driver for cost efficiency.«
>
> **BERND HÖGEMANN, HEAD OF THE CLARIANT EXCELLENCE INITIATIVE**

Foster Innovation and R&D
INNOVATION AS KEY DRIVER FOR FUTURE SUCCESS

Challenge: »Improve our rate of innovation and generate 1 – 2 percentage points additional sales by introducing innovative products«

Steps in achievement:
- **Efficiency of the innovation chain**
- **Tapping into sales potential of more than CHF 1 billion through a multitude of projects**

Wednesday, 31 October 2013, was an important date for Clariant. It was the day the company opened its new global center for research and development (R&D) in Frankfurt am Main, Germany, after nearly three years of planning and construction. The Clariant Innovation Center (CIC), a 100-million-euro investment, serves as Clariant's global competence center for both, the chemical research and the process technology platforms. Equipped with application laboratories for several businesses and modern analysis technology, the CIC also hosts part of our Intellectual Property Management and New Business Development departments. The CIC is the main piece of Clariant's global R&D network, which includes global R&D centers with laboratories in Europe, America, India, and China. Located in Clariant's largest production site worldwide, the CIC benefits from the excellent infrastructure and Clariant's industrial and academic contacts in the Rhine-Main region. The new facility offers space for about 500 employees working in R&D, application technology, and other functions.

EVERY FRANC IS WELL INVESTED

Altogether, the Group employs around 1 000 people in the field of research and development. The annual expenses – which came to CHF 199 million in 2013 – are well invested. After all, the objective is to generate 1 – 2 percentage points additional sales per year by means of a high innovation rate.

To do so, Clariant is focusing on the current global megatrends: environmental protection, globalization and urbanization, and the efficient use of resources and energy. The topic of sustainability sets the tone for this focus. After all, the purchase decisions of consumers are increasingly influenced by concerns about sustainability. This makes also Clariant and its customers dependent on how sustainable products and production processes are.

CLARIANT'S ASPIRATION: LEADERSHIP IN FOUR TECHNOLOGY PLATFORMS

R&D is the basis of profitable growth. Clariant interprets innovation as the transformation of knowledge into money, i.e. to begin with know-how obtained on our own or through partnerships and to use it to develop new products and market them profitably. Clariant bases the success and efficiency of its innovation process, from generating ideas to successfully launching new products on the market, on four technology platforms: Chemicals & Materials, Biotechnology, Catalysis, and Process Technology.

The Chemicals & Materials technology platform consists of four competence centers: Surfactants, Specialty Polymers, Interface & Formulation Technology and Colorants & Functional Chemicals. These are supplemented by a project center for Advanced Materials. The technology platform works closely with Clariant's businesses and their customers to determine and understand their needs and requirements and translate these into innovative chemical products.

The Biotechnology platform is commercializing their sunliquid® technology used to manufacture second generation bioethanol from cellulose and in developing organically based chemicals. It further works on developing new enzymes for a multitude of applications.

The Catalysis technology platform assists in the development of new catalysts, which make it possible to produce many chemicals and petrochemicals industrially or minimize the environmental impact

CLARIANT INVESTED

CHF 199 m

in R&D in 2013, continuing operations

POTENTIAL

> CHF 1 bn

additional sales from ongoing innovation projects

of chemical processes. By using energy-efficient and resource-saving solutions, Clariant helps its customers respond to the increasing global challenges and regulations revolving around the issue of environmental protection.

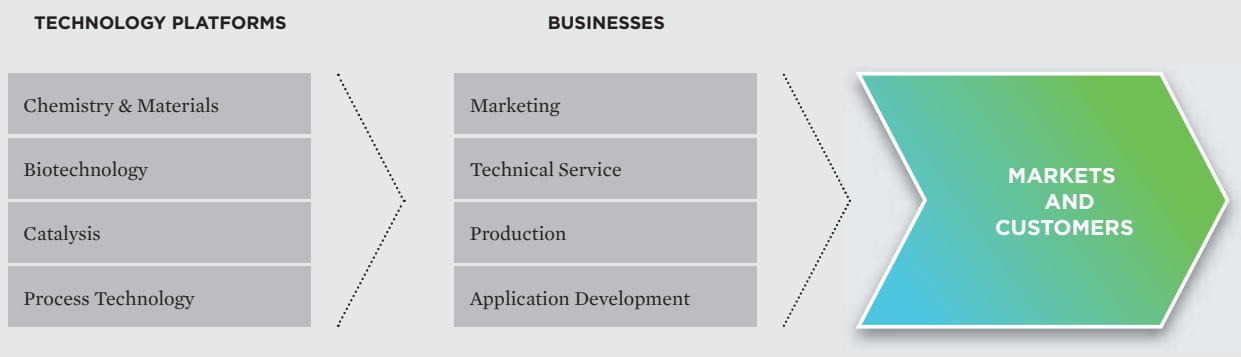
The fourth technology platform, Process Technology, works hand-in-hand with Clariant's Businesses to ensure that production processes are innovative, efficient, and sustainable. It further promotes the development of state-of-the-art processes for manufacturing new products competitively with the required level of quality. This begins in the research lab and continues through the pilot plant until it reaches the stage of mass production.

SECRET OF SUCCESS: EFFICIENCY OF THE INNOVATION CHAIN

The key to success for every research and development function is the greatest possible efficiency across the entire innovation chain. The research and development personnel are assisted in their efforts by Clariant Innovation Excellence. This strategic initiative concentrates on the development of processes and tools for systematically determining which customer and market needs are not being met yet. Once understood, they are then translated into new, tailored products and services that allow customers to solve their individual problems quickly and efficiently. Consequently, Innovation Excellence helps to fill Clariant's innovation pipeline. Innovation »black belts«, specially trained employees, ensure professional management of the innovation projects.

Clariant is currently working intensively on around 260 promising innovation projects in different phases of completion along the innovation chain. These should generate additional sales of more than CHF 1 billion, after they will have reached maturity.

CLARIANT'S INNOVATION CHAIN LINKS »TECHNOLOGY PUSH« WITH »MARKET PULL«



Intensify growth
GROWTH DRIVEN BY DYNAMICS IN EMERGING MARKETS

Challenge: »Expansion of the leading market position in emerging markets«

Steps in achievement:

- **Increase market presence in Asia and Latin America**

Globalization, especially in regard to the emerging markets of Asia and Latin America is a fact. Companies that fail to align their structures and market presence to the increasingly more dynamically changing world will be unsuccessful in the long term. Clariant has done its homework on this topic. It has always had a healthy market position in Latin America thanks to its footprint in the core country of Brazil. In line with its strategy the Group has recently increased the investment into its market presence in Asia, especially in China and the member states of ASEAN. At the end of 2013, the Group was already generating 38 % of sales in the emerging markets of Asia/Pacific and Latin America. With a considerable 38 % of Group headcount and over 50 sites in these regions, their increasing significance for Clariant is also clear.

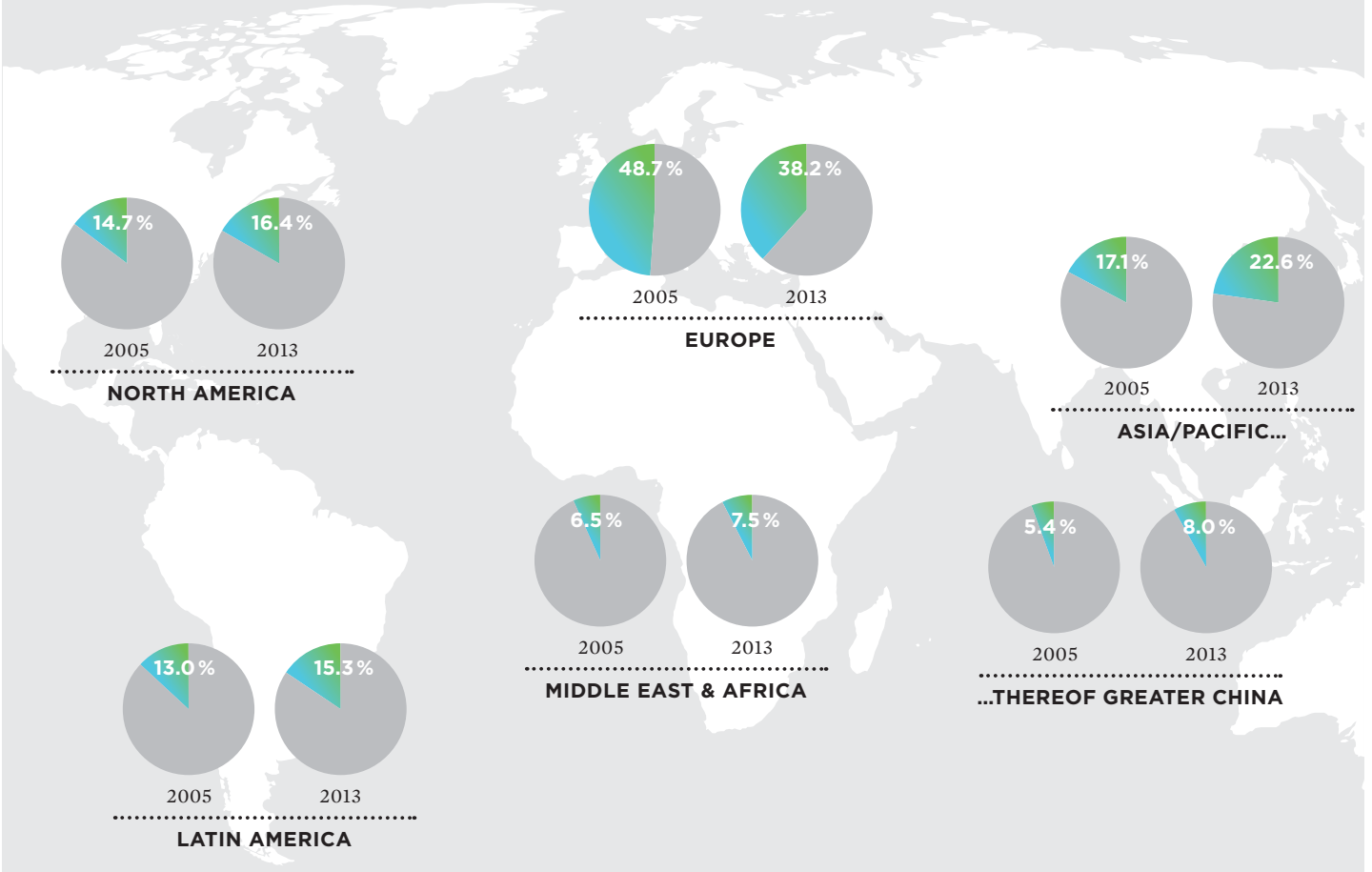
ON-SITE EXPERTISE IS CRITICAL

To better respond to specific customer and market needs, Clariant is placing ever greater importance on having research and development sites in growth regions. The Group's first R&D center in Latin America was opened in 2013 in Suzano, Brazil. In the Far East, the company has R&D centers in Shanghai, China, and Mumbai, India, as well as other R&D sites in Singapore and Japan. In 2013, a research institute for the Oil Services business was opened in Kuala Lumpur, Malaysia. Clariant has also recognized that success in these areas depends very heavily on recruiting the right employees and managers, motivating and incentivizing them correctly, and providing the right working conditions and opportunities for personal development. The Clariant People Excellence program therefore launched numerous initiatives and projects for optimizing these topics in the company in 2013. These will be continued and others implemented in 2014.

IMPORTANCE OF ASIA/PACIFIC AND LATIN AMERICA INCREASING

	Headcount	Locations
Asia/Pacific	4 224	36
Latin America	2 589	16
Percentage sales of Clariant Group	38 %	

SALES SHIFT TO EMERGING MARKETS CONTINUES



»We'll systemically expand our positions in the Far East and Latin America in order to reach our growth targets.«

RUSMIR NIKSIC, HEAD OF CORPORATE PLANNING AND STRATEGY

Reposition portfolio
PERFORMANCE AND GROWTH THROUGH PORTFOLIO MANAGEMENT

Challenge: »Active portfolio management to establish leading market positions in highly profitable growth markets«

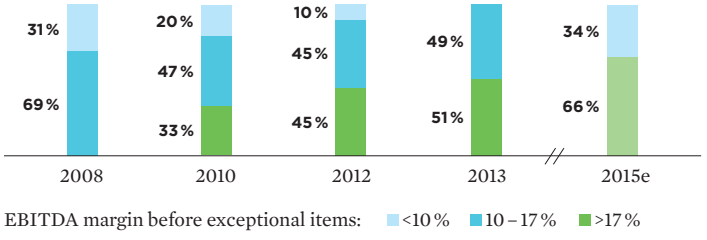
Steps in achievement:
- **Acquisitions with strong profit and growth potential**
- **Divestment of areas with low profit and growth potential**

Portfolio management at Clariant has two priorities. The first is to improve portfolio quality in terms of profitability. The other is to review whether the work areas can be considered markets with strong future prospects and high growth rates and whether the businesses have a leading competitive position and strong ability to set prices. Clariant adhered to these principles when it acquired Süd-Chemie in 2011 and when it chose five businesses to divest in 2013, three of which are already completed. The purchase of Süd-Chemie brought in additional sales of more than CHF 1.4 billion and an EBITDA margin before exceptional items of more than 17 %. This is offset by sales totaling CHF 1.8 billion for the nearly completely divested areas, which showed an EBITDA margin of less than 8 %.

LESS CYCLICALITY, MORE GROWTH, HIGHER PROFITABILITY

Furthermore, the acquired Süd-Chemie segments Process Catalysts (within the Business Area Catalysis & Energy) and Adsorbents (within the Business Area Natural Resources) were ideal because they supported the transformation to less cyclical activities. These Business Areas have a healthy research and development pipeline for new areas of business with growth potential for important megatrends such as environmental protection, energy efficiency, energy storage, and renewable energies. The segments have been fully integrated into Clariant end of 2013.

QUALITY OF EARNINGS CONSIDERABLY IMPROVED BY PORTFOLIO RESTRUCTURING



DIVESTMENT OF FIVE BUSINESSES AS PROJECTED – A TIMELINE

15 February 2012
Announcement that strategic options for Textile Chemicals, Paper Specialties, Emulsions, Detergents & Intermediates, and Leather Services were being reviewed.

27 December 2012
Agreement signed to divest Textile Chemicals, Paper Specialties, and Emulsions to SK Capital. Transaction concluded on 30 September 2013.

15 October 2013
Agreement signed to sell Detergents & Intermediates to the International Chemical Investor Group (ICIG). Transaction closed in January 2014.

30 October 2013
Announcement of the planned sale of Leather Services to the Dutch company Stahl Holdings. Transaction expected to conclude in the first half of 2014.

Summary
The divestments, representing 20 % of the group sales, were implemented within 20 months. The restructuring led to a swift portfolio improvement and is a significant success.

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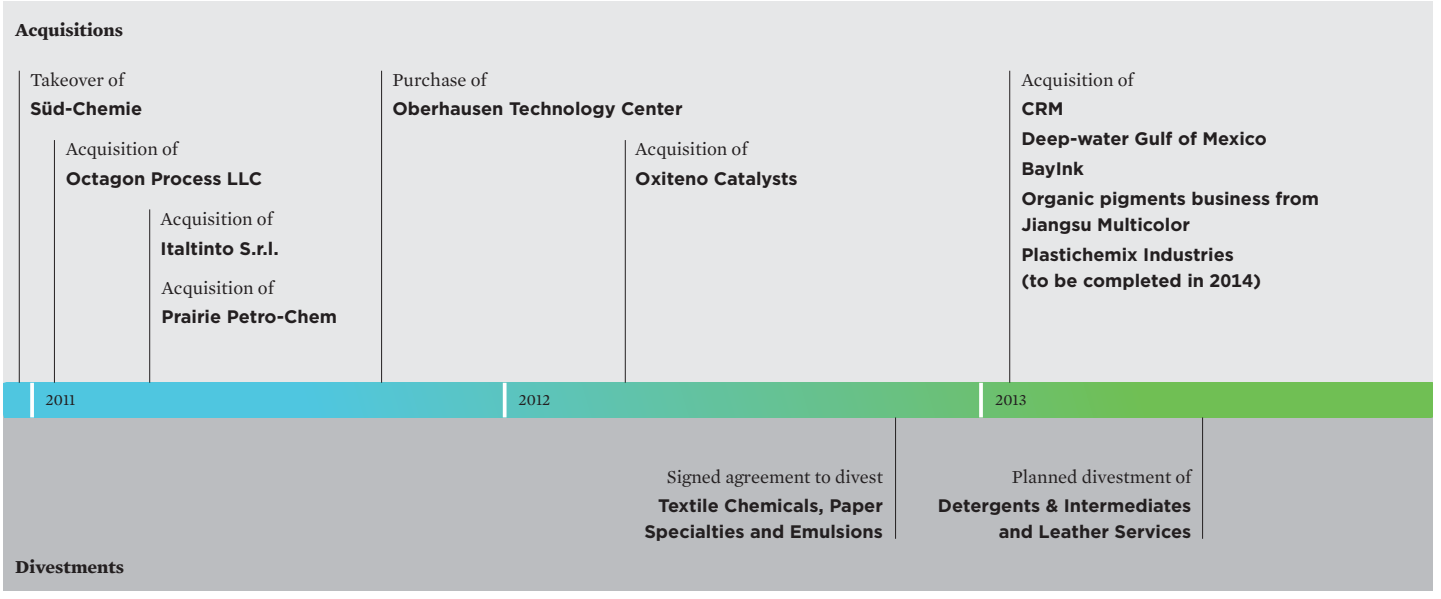
CLARIANT 2013 – strategically realigned



ENHANCEMENTS IN THE PORTFOLIO

Aside from selective, larger portfolio measures, Clariant is mainly focused on smaller acquisitions that enhance market access and expand added value. Along these lines, it has concluded a total of eleven transactions since 2011. In 2011, these were Octagon Process LLC (USA, Care Chemicals), Prairie Petro-Chem (Canada, Natural Resources), Italtinto (Italy, Plastics & Coatings), and Oberhausen Technology Center GmbH (Germany, Care Chemicals). In the 2012 financial year, the company acquired the catalyst business of the Brazilian company Oxiteno for the Business Area Catalysis & Energy.

In the 2013 reporting year, five acquisitions were made to further strengthen the portfolio. CRM International SAS, a French manufacturer of natural ingredients based on olive oil for the cosmetics industry, was acquired by the Business Area Care Chemicals. Significant potential is also anticipated from the takeover of the chemical service plant of Champion Technologies for the offshore and deep-sea oil and gas production of Ecolab Inc. in the Gulf of Mexico. Plastics & Coatings was expanded in the reporting year through the acquisition of Jiangsu Multicolor Fine Chemical's organic pigments business in the growth market of China. New Business Development acquired Bayer's Nano-Silver Ink Technology, which opens up new applications in the area of printed electronics, e.g. circuit boards and photovoltaic modules. Towards year-end Clariant announced plans to acquire the pioneer in the masterbatches business in India: Plastichemix Industries.

WE HAVE THE RIGHT PARTNERS

To further rapidly expand our presence in new markets and areas it is essential to seek the right cooperation partner whose expertise enhances our own and who can help us create synergies. Clariant managed to do so in 2013 in the following projects:

The Middle East

Clariant and Tasnee established a joint venture for masterbatches in Saudi Arabia to develop new products for the plastics market.

Asia and Europe

A joint venture begun with Wilmar, a leading Asian agricultural group, to create a single global platform for the production and sale of amines.

United States

Long-term cooperation agreement signed with Lummus Novolen Technology from CB&I for the construction of a polypropylene catalyst production plant.

China

Long-term cooperation agreement signed with Foster Wheeler and Wison Engineering (USA) for new methanation technology to manufacture substitute natural gas.

Operational imple-mentation

IN THE FOUR BUSINESS AREAS

NEW STRUCTURE AIMED AT OPTIMAL EFFICIENCY AND CLIENT FOCUS

Reflecting the repositioning of the company portfolio, Clariant established the structure of its Business Areas at the beginning of 2013. The strategic focus comprised two aspects: concentration on markets where outlook and growth are strong, and competitively positioned businesses with significant pricing power. This brought together similar end markets and growth drivers, yielding a clear, transparent, and efficient structure facilitating optimal service for our clients.

The result is a new Clariant reporting structure based on the four Business Areas Care Chemicals, Catalysis & Energy, Natural Resources, and Plastics & Coatings. Each of these areas enjoys above-average profitability and will therefore contribute to our attainment of the financial targets for 2015.

CARE CHEMICALS unites Industrial & Consumer Specialties (ICS) with the operations of New Business Developments (primarily food additives) and the future-oriented Biotechnology business.

CATALYSIS & ENERGY represents Catalysts and Energy Storage. One aspect of these operations is the production of catalysts for chemical and fuel processes, including those which enable the use of alternative raw materials such as natural gas, coal, and biomass. Another aspect is the development and sale of innovative materials for energy storage.

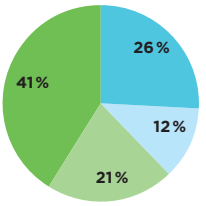
NATURAL RESOURCES comprises of Oil & Mining Services and Functional Minerals. This Business Area offers products and services for the oil, refinery, and mining industry and functional minerals for use in processes such as edible oil purification.

PLASTICS & COATINGS comprises of Additives, Pigments and Masterbatches. The products are designed for clients in a wide range of industries including packaging and mobile communications, consumer goods, medical technology, textiles, transport, agriculture, and paints & coatings.

DIVESTMENT OF LESS PROFITABLE BUSINESSES IMPLEMENTED AS PLANNED

On the way to creating a sustainably profitable company, Clariant has met all the key milestones in 2013. Sales of the businesses Textile Chemicals, Paper Specialties and Emulsions were completed in October 2013. October also saw a sales agreement signed for Detergents & Intermediates, completed effective 1 January 2014. The sale of Leather Services was announced on 30 October 2013 and will take place in 2014.

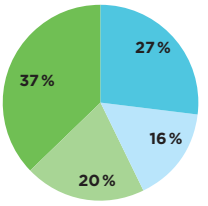
SALES BY BUSINESS AREA*



- Care Chemicals
- Catalysis & Energy
- Natural Resources
- Plastics & Coatings

* Group sales in 2013 CHF 6 076 m

EBITDA BY BUSINESS AREA**



- Care Chemicals
- Catalysis & Energy
- Natural Resources
- Plastics & Coatings

** Group EBITDA (before exceptional items) in 2013 CHF 858 m, % values excl. corporate costs

Care Chemicals – IN THE TREND OF GLOBALIZATION AND LIFESTYLE

Business Area
CARE CHEMICALS

Care Chemicals focuses on lifestyle megatrends. Driven by the consequences of an ever-more dynamic process of globalization, in this Business Area, Clariant benefits particularly from global population growth, rising incomes, and urbanization, both in the traditional, but increasingly also in the expanding economies of the emerging markets. In addition to this, the company's image is reinforced by the broad range of innovative, environmentally friendly, and sustainable products from Care Chemicals.

A BROAD SELECTION OF PRODUCTS, RANGING FROM PERSONAL CARE TO AIRCRAFT DE-ICING

The lion's share of Care Chemicals' CHF 1.5 billion sales is generated in the area of **Industrial & Consumer Specialties (ICS)**. ICS produces at 14 locations and has five research and development centers. It is divided into three central work areas, each of which manufactures different products. All three, however, make use of the same technologies and shared production capacities. One of the focal points of ICS is the particularly attractive, high-margin area of consumer care with specialty chemicals for personal care, household, and agriculture, all of which demonstrate a lower level of cyclicality. In addition, industrial markets are supplied with lubricants, additives for paints and coatings, as well as de-icing fluids for the aviation industry. Feedstocks such as amines are produced by the global amines company in Singapore, a Clariant – Wilmar joint venture.

Amazing how plant residues can be put to good use

The activities of Care Chemicals also include growth areas in **Biotechnology** such as second-generation bioethanol made from plant residues and cellulose, and the development of innovative and sustainable products for industrial applications. In addition, special food supplements such as fats and oils, special carbohydrates, preservatives, antioxidants, and sweeteners are sold to the dairy, baking, and meat industries under the lead of **New Business Development**.

CORE FINANCIAL FIGURES

1 561 — Sales in CHF m

+ 8 % — in local currencies

263 — EBITDA* in CHF m

+ 10 % — in local currencies

16.8 — EBITDA* margin in %

* before exceptional items

BIOTECHNOLOGY
Clariant´s Biotech & Renewables Center in Munich is focused on innovations for a sustainable use of renewable resources.

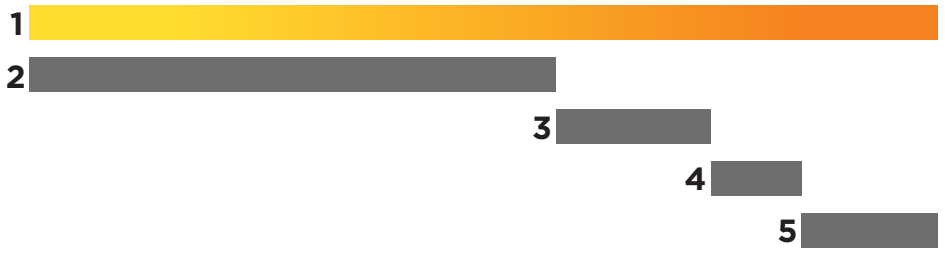
STRATEGY

Responding to customer needs with innovation and setting new trends

The targeted annual growth of 4 – 5 %, which is above the market rate, is being achieved by strengthening market positions in the traditional European and North American markets through strong customer retention and the corresponding innovation pipeline. There is an increased focus on participating clearly in the anticipated growth in emerging markets, particularly in Latin America, India, and China, where the rise in disposable income among the middle classes is increasing demand for Consumer Care products. This will, however, only be possible through the expansion of our market presence in these locations in the future.

The work areas of New Business Development and Biotechnology act as incubators for new business ideas. The focus is on innovations with significant growth potential: The use of renewable raw materials and residues for new and sustainable products represents a focal point of research by the Clariant Biotech & Renewables Center.

OVERALL PERSONAL CARE MARKET in EUR



1	2	3	4	5
Overall Personal care market	Skincare	Hair Care	Fragrances	Other
360 billion	**208.8 billion**	**61.2 billion**	**36 billion**	**54 billion**
100 %	58 %	17 %	10 %	15 %

SOURCE: EUROMONITOR/RETAIL VALUE

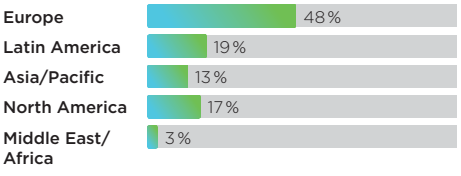
»We have taken a key position on one of the future megatrends by focusing on innovations to use renewable raw materials most efficiently.«

ANDRE KOLTERMANN,
Head of Group Biotechnology

SALES BY REGION

1561

CHF m total in 2013



Europe	754 CHF m
Latin America	303 CHF m
Asia/Pacific	200 CHF m
North America	261 CHF m
Middle East/Africa	43 CHF m
Total	**1561 CHF m**

GROWTH AND EARNINGS DRIVERS

+ 4 – 5 %

Growth target for Care Chemicals p.a.

Global trends
- Global population growth: 8.3 billion people by 2030
- Increasing prosperity and purchasing power in emerging markets
- Urbanization: two-thirds of people living in towns and cities by 2030
- Growing lifestyle trends: demand for convenience due to rising standard of living
- Longer life expectancy thanks to improved healthcare
- Less arable land per person by rising demand for food
- Growing awareness of environmental protection and sustainability

>18 %

EBITDA margin target 2015

Growth drivers
- Higher demand for personal care, household, and convenience products
- Increasing need for sustainable and efficient pesticides
- A trend towards chemicals from renewable raw materials
- The promising future market of biotechnology
- Increasing demand for sustainable construction materials

MARKET POSITIONS

No. **1** **Aviation (De-Icing)**

No. **2** **Agriculture**

No. **3** **Construction Industry**

No. **4** **Personal Care**

—
PRESERVATIVE-FREE
Clariant enables preservative-free personal care products

—
TEXCARE SRA 300F
improves the cleaning and whitening power of washing powders

PRODUCT HIGHLIGHTS

Personal Care: Aristoflex® Velvet

- An innovative EO (ethylene oxide) free and preservative free polymer which delivers a soft, velvety skin feel to formulations while also providing excellent stabilizing properties
- Compatible with a wide range of preservatives and a high amount of organic solvents
- Provides excellent suspending properties in a variety of products that allows stabilization of colorful beads, exfoliating scrubs, microcapsules, sparkling pearls, shimmering particles, etc.

Personal Care: New preservative alternatives

- Due to regulatory restrictions, there is a strong need for new preservatives and a preservative booster as some manufacturers desire to make »paraben free« claims
- Clariant has responded to this market demand with the development of its new Nipaguard® Zero range, an innovative alternative to previously used ingredients such as parabens, halogens and formaldehyde donors based on its novel 100 % renewable preservative booster, Velsan® SC.

Crop Solutions: Synergen® OS

- A homogeneous mixture of methylated seed oil and polymeric surfactant
- Composed of 97 % renewable raw materials
- Increases the leaf penetration of broad leaf herbicides and other actives at least fivefold within one day
- Reduces find droplets in spray application and minimizes drift to non-target areas
- Enables farmers to achieve greater efficiency of their agro-chemicals

Personal Care: Plantasens®

- The natural ingredients of Plantasens® come from the product range of recently acquired CRM International
- Suitable for natural products due to the plant-based active ingredients, unique emulsifiers, and a wide selection of plant oil-based emollients

Home Care: Texcare® SRA 300F

- Innovative polymer for washing powder, stain removal, and improved dirt resistance
- Meets customer needs and improves the cleaning and whitening power
- Particularly suitable for application to polyester and polyester-cotton mixtures

JANUARY

CONTINUED GROWTH

ICS in Latin America – Mexico

- Clariant opens a new production facility for the Business Unit ICS in Coatzacoalcos (Mexico)
- Mexico plays a key role for business in Latin America
- Investment of over USD 20 million

JANUARY

SUSTAINABILITY VITAL FOR MORE AND MORE CONSUMERS

- Purchase of CRM International SAS, a French manufacturer of natural ingredients based on olive oil for the cosmetics industry
- Innovative solutions in response to the increasing demand for sustainable and renewable products in the consumer care market

JULY

FURTHER PROGRESS

Amine business

- Start of the 50:50 joint venture »The Global Amines Company« between Clariant and Wilmar as the first fully integrated player in the value chain of the amine business
- Global platform for the production and sale of fatty amines and selected amine derivatives
- Headquarters in Singapore, own production capacity in Germany and China, access to additional capacity in Brazil and Mexico

SEPTEMBER

PIONEERING ROLE

Development of sustainable biofuel

- Clariant receives International Sustainability & Carbon Certification (ISCC) for its sunliquid® pilot plant
- Certification of the plant opened in Straubing in July 2012 for the sustainable production of cellulosic ethanol from agricultural waste

»For us, Mexico is the ideal location for the North and South American markets, with a high cost efficiency that also benefits our customers.«

MANLIO GALLOTTI, Head of ICS Latin America

»On track for further growth«

—
MATHIAS LÜTGENDORF
Member of the Executive Committee

Mr. Lütgendorf, was 2013 a good year for ICS?

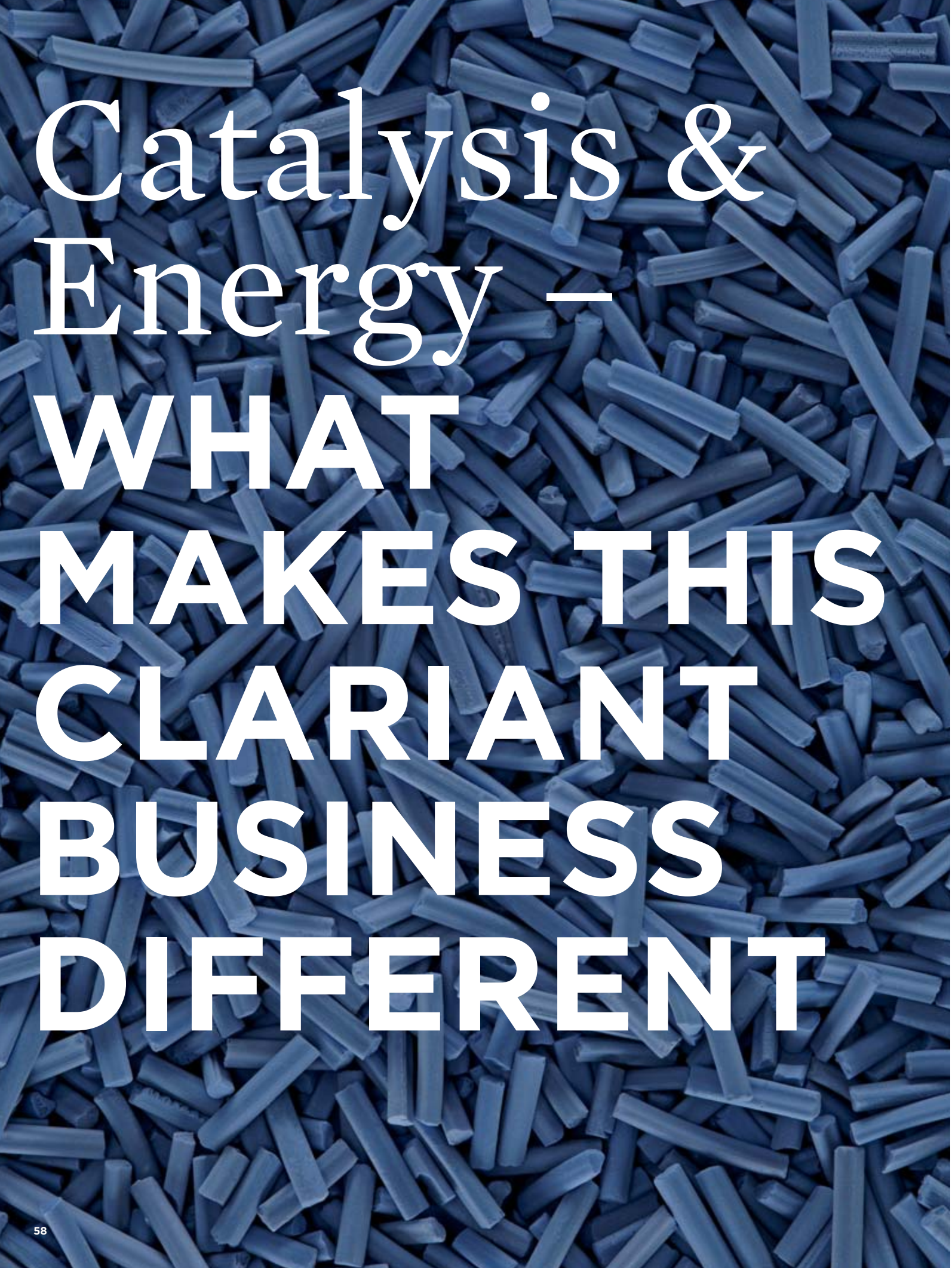
—
MATHIAS LÜTGENDORF Growth of 8 % in sales and 10 % in EBITDA, both local currency, is not a bad result. With an EBITDA margin of 16.8 %, we are already inside the Group margin target range of 16 – 19 % for 2015, with further upside potential.

Where does your optimism come from?

—
MATHIAS LÜTGENDORF ICS is benefiting from a large number of global megatrends: Resource efficiency and environmental protection as well as globalization and urbanization are driving growth in our business. You only need to look at the potential created by the increasing possibilities offered by the rapidly growing middle classes in emerging Asian markets.

What are your concrete targets?

—
MATHIAS LÜTGENDORF If the economy allows, ICS aims to achieve a sales increase of 4 – 5 % per year, a higher rate than the market as a whole. The EBITDA margin has the potential to rise to above 18 % in 2015.



Catalysis & Energy – WHAT MAKES THIS CLARIANT BUSINESS DIFFERENT

Business Area **CATALYSIS & ENERGY**

CORE FINANCIAL FIGURES

713	**– 2 %**
Sales in CHF m	in local currencies
159	**+ 5 %**
EBITDA* in CHF m	in local currencies
22.3	
EBITDA* margin in %	

* before exceptional items

Catalysis & Energy is comprised of the businesses Catalysts and Energy Storage. This Business Area is the smallest within Clariant in terms of sales but is highly profitable with solid fundamental growth drivers and relatively low cyclicality. Catalysis & Energy develops, manufactures and sells a wide range of catalysts for the petrochemical, plastic, chemical, and refining industries and offers a competitive cathode material for the electric automotive and energy storage industry.

CATALYSTS ENABLE OUR LIFE STYLE

The **Catalysts** business provides solutions to a wide range of industries including the petrochemical (producers of petrochemical intermediates and polymers), chemical (producers of bulk and specialty chemicals), refining (refineries for the production of clean fuels), and environmental (off gas treatment for chemical plants and stationary engines) industry. 90 % of all chemical products require catalysts.

The main drivers of catalyst business are improving chemical process efficiency, enabling the use of alternative feedstocks (natural gas, coal and biomass) and developing environmentally compatible catalytic solutions.

The businesses were added to the Clariant Group with the acquisition of Süd-Chemie in 2011.

Efficient energy storage will soon leave the realm of science fiction

The rising concerns about pollution and global warming have urged stakeholders to move toward a greener energy landscape. **Energy Storage** produces cathode materials to make batteries safer and give them a longer life cycle than today's batteries. Its flagship product line, Life Power®, offers high-performance materials for electric vehicles and energy storage systems. This promising business is still in the start-up phase in many aspects, similar to most of its customer industries.

—
POWER-TO-GAS FACILITY
using Clariant's SNG catalyst, operated by Audi

STRATEGY

Innovation and customer focus remain a key strategic pillar

The Catalysts business aims to be the preferred provider of innovative catalytic solutions to key markets while striving for strong growth. This is achieved by implementing the following four strategic pillars.

Maintain innovation leadership & customer focus culture

To remain a leader in innovation, the business is committed to develop cutting-edge solutions with the intent to maximize customer value creation and target cooperation with leading techno-logy licensors.

Provide solutions for markets driven by regional trends

A global approach with a regional solution is chosen by building a global network in production, sales & marketing and R&D with a strong and long-term presence in emerging regions, as well as by developing solutions specific to regional requirements and needs.

Focus portfolio and clear technology roadmap

Catalysts strives to keep a clear focus on Petrochemicals, Syngas and Specialty Catalysts with a structured portfolio, technology and partnership road map.

Drive productivity

The continuous maximization of efficiency in production, R&D and sales is one of the core objectives for the business.

GROWTH AND EARNINGS DRIVERS

>20 %

EBITDA margin target 2015

>6 – 7 %

Catalysis & Energy growth target

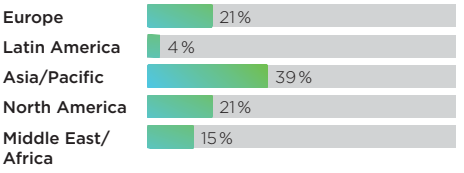
Global trends
- More efficient use of feedstock and energy
- Change in feedstock supply and demand
- Emerging market growth and continued urbanization
- Need for larger, more efficient energy storage and batteries

Growth drivers
- Targeting higher yield and more energy efficient catalytic solutions
- Base feedstock changes (shift to shale gas, growing importance of coal, alternative feedstocks for chemicals and energy are required)
- Reindustrialization of developed countries and rising need for catalysts in emerging markets

SALES BY REGION

713

CHF m total in 2013



Europe	153 CHF m
Latin America	26 CHF m
Asia/Pacific	278 CHF m
North America	152 CHF m
Middle East/Africa	104 CHF m
Total	**713 CHF m**

MARKET POSITIONS

No. **1** **Petrochemicals catalysts**

No. **1** **Lithium-iron-phosphate cathode material**

No. **2** **Syngas and chemical catalysts**

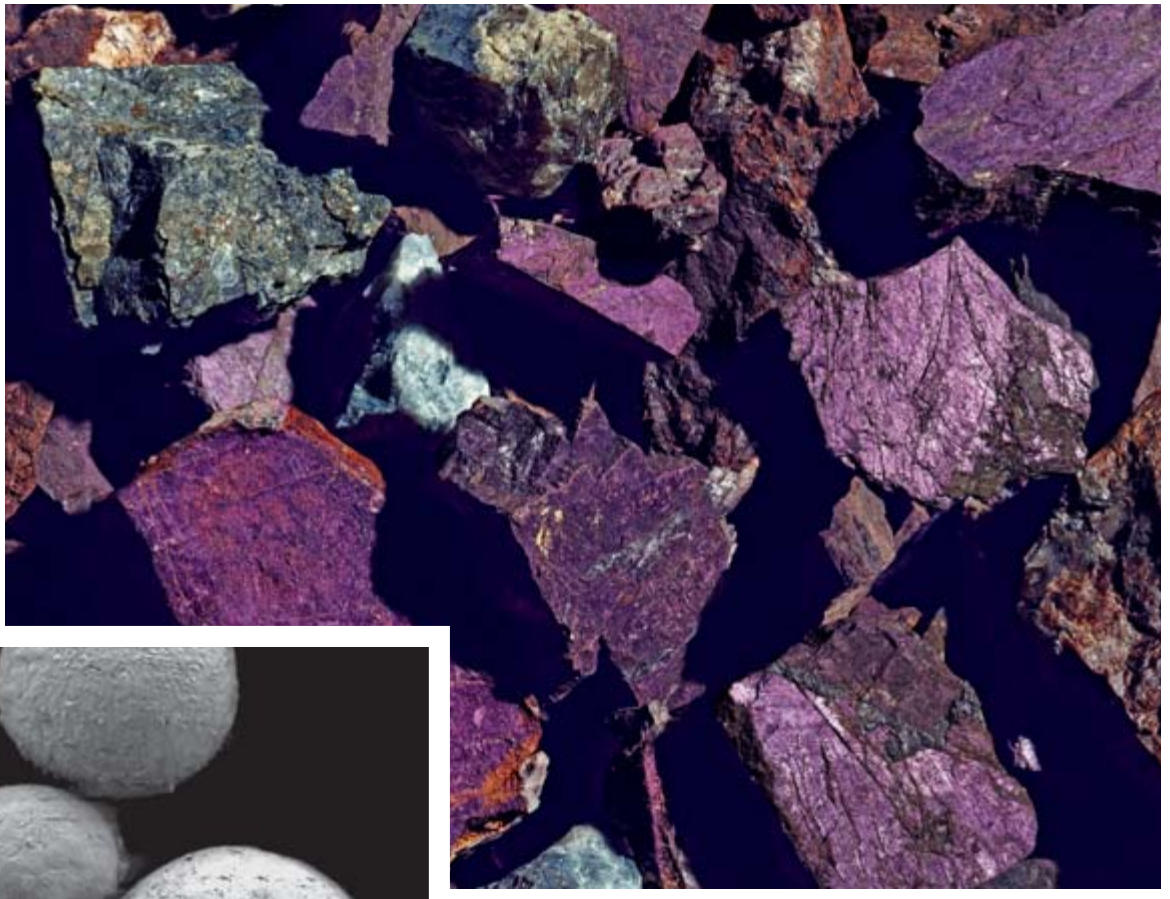
No. **4** **Olefin polymerization catalysts**

»Our project with Audi is the perfect flagship project for us. It proves what can be achieved together with customers in terms of environmental protection.«

HARIOLF KOTTMANN, Chief Executive Officer

—
ENERGY STORAGE
Lithium iron phosphate is the key raw material for cathodes used in batteries for electric cars

—
CATALYSTS
C-MAX: one catalyst for the whole product range of polypropylene



PRODUCT HIGHLIGHTS

Catalysts: Acrylomax®

Acrylomax® is a prime example of Clariant's innovative technology. It allows a more profitable and efficient production of Acrylonitrile (ACN), which is an important intermediate in the value chain of plastics and synthetic fibers for the automotive and textile industries. ACN is produced from propylene, ammonia and air in contact with a catalyst. The worldwide installed-production capacity of ACN is of more than 6 million tons per year. The catalyst can deliver up to several percent gains in ACN yield in comparison to current catalysts. This gain directly translates into a financial benefit for ACN producers. In addition the significant increase in ACN productivity enables a proportional saving of fossil fuels-derived feedstock with a positive impact and improvement of environmental sustainability.

Catalysts: C-MAX®

Polypropylene (PP) is one of the most important and fastest growing polymers in the world. The global demand for polypropylene in 2013 amounts to more than 55 million tons with more than 5 % annual growth rate.

Clariant entered the polypropylene catalyst business in 2006 via an acquisition in China and started marketing its own Ziegler-Natta catalyst C-MAX® in 2007. Now the PP catalysts are successfully implemented in all major process platforms, i.e. bulk loop, gas phase and slurry technologies. Year 2013 also marked another important milestone in Clariant's PP catalyst business. Through a newly formed close R&D and commercial partnership with Lummus Novolen Technology, Clariant will become an integrated PP catalyst supplier.

Energy Storage: Life Power® P2

- Life Power® P2 is currently the only inherently safe cathode material for car batteries
- Benefits of Life Power P2: more cost-effective, long life cycle, rapid charging time, high storage capacity, temperature resistance, lower health risks, and lower risk of fire
- Future-proof because it is based on raw materials found in abundance on the planet

OCTOBER

NEW HOUDRY® DEHYDROGENATION CATALYST CAPACITY

- Shale gas development drives strong on-purpose propylene catalyst demand
- CATOFIN® Catalysts used in CB&I's propane dehydrogenation (PDH) process
- New capacity on-stream mid October 2013

AUGUST

MAJOR PARTNERSHIP FOR POLYPROPYLENE CATALYSTS

- Long-term cooperation agreement with major polypropylene technology licensor CB&I's Lummus Novolen Technology
- Enhanced polypropylene catalyst technology by joint R&D
- Joint investment into new world-scale polypropylene catalyst plant

By leveraging the successful licensing and process design experience of Lummus Novolen and the strong catalyst R&D capabilities of Clariant, the two companies expect to further strengthen their joint position in polypropylene catalysts.

OCTOBER

COOPERATION WITH AUDI: POWER-TO-GAS

- First commercial CO_2 methanation plant
- Power-to-gas facility converts hydrogen from renewable power with CO_2 to Substitute Natural Gas (SNG)
- Strengthening Clariant's position in CO_2 conversion as well as in SNG technologies

»Our Life Power® P2 technology provides unique advantages to help boost electro mobility«

ENGHENG KHOO, Head of Energy Storage

»Maintaining leadership in innovation.«

—
STEFAN HEUSER
Head of Catalysts

Mr. Heuser, how would you evaluate the 2013 performance of Catalysts?

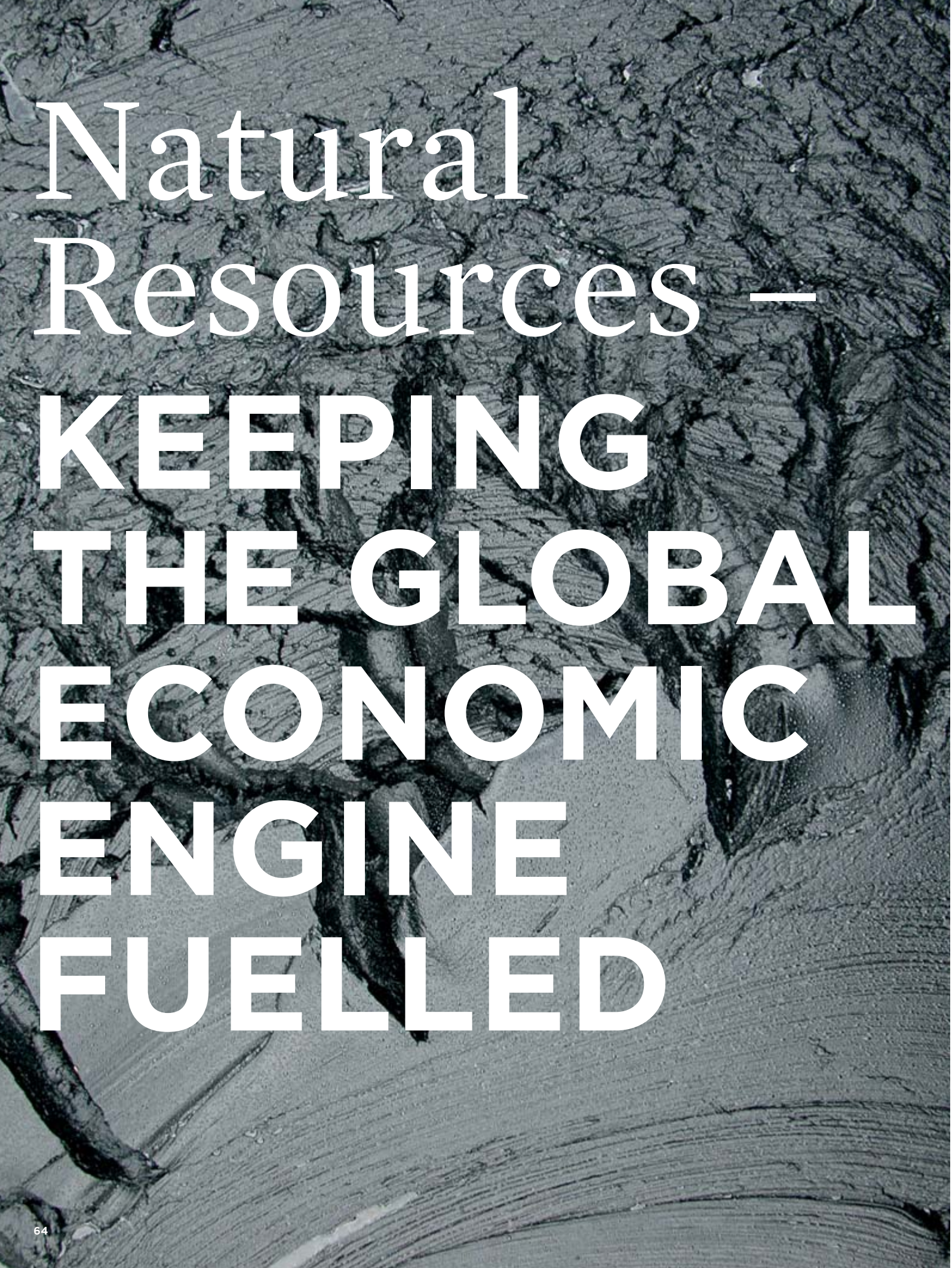
—
STEFAN HEUSER It was a mixed year with positive development on EBITDA margin but a lower top line for Catalysts.

What happened?

—
STEFAN HEUSER We had reduced refill activities in the middle east due to the change out cycle, the lower rare earth raw material price also affected the top line negatively. We continued our growth momentum in North America and China, and were able to increase our EBITDA margin.

How do things look from 2014 onward?

—
STEFAN HEUSER Market fundamentals as well as our portfolio and technology position for the catalyst business remain very solid. We'll maintain our leadership in innovation and continue to provide benefits to our customers through high performing catalysts. Our order book therefore indicates a positive development in 2014.



Natural Resources – KEEPING THE GLOBAL ECONOMIC ENGINE FUELLED

Business Area
NATURAL RESOURCES

CORE FINANCIAL FIGURES

1 281	**+ 5 %**
Sales in CHF m	in local currencies
195	**+ 21 %**
EBITDA* in CHF m	in local currencies
15.2	
EBITDA* margin in %	

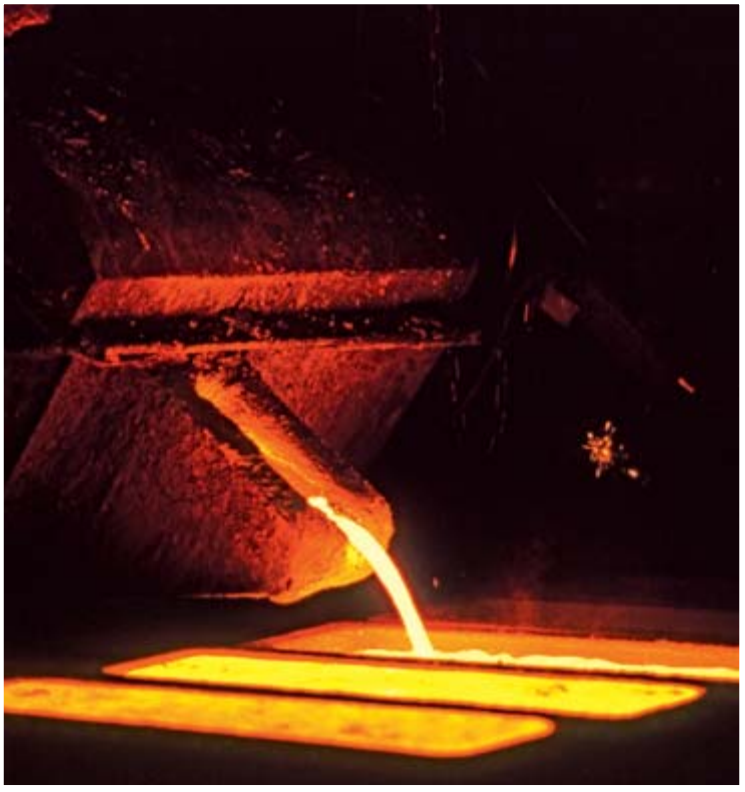
* before exceptional items

Global oil production is expected to rise to more than 100 million barrels per day by 2025. Accessing these ever scarcer resources requires more and more sophisticated technology. The same holds true for mining, for example iron ore. The Business Area Natural Resources creates special chemicals specifically for our customer industries to help keep this global economic engine fuelled.

PRODUCTS FOR DEEPWATER DRILLING AND EDIBLE OILS UNDER ONE UMBRELLA

Accommodating the global appetite for raw materials, more difficult and riskier production conditions, and greater environmental protection requirements: This complex balancing act is the daily business of Oil & Mining Services (OMS) and Functional Minerals (FM), under the umbrella of Natural Resources. **Oil & Mining Services** is one of the leading providers of products and services to the oil, refinery and mining industries. Managed from its headquarters in The Woodlands (Greater Houston) Texas, USA, OMS ensures that customers are supplied with highly sophisticated special chemicals which make production easier and cost-efficient. The unit has a broad array of special products and services for the oil, gas, and refinery industries, as well as mining and fertilizers.

Functional Minerals, headquartered in Munich, is a global leading provider of bentonite-based specialty products and solutions for various areas of application. The key markets of Functional Minerals include the purification of edible oils (bleaching earth), foundry applications (green sand additives), and additives for drilling mud applications in the area of construction and tunneling. In addition, the business offers solutions for animal feed additives, stabilizers for the plastics industry, export packaging, and flocculation additives for wastewater treatment. Functional Minerals covers a fully integrated value chain from exploration through mine operation to refinement of the natural mineral bentonite for industrial and customer-specific solutions.



—
COPPER MINE
Operators in Chile increased their copper production with the assistance of Clariant

—
FOUNDRY
Reduction of casting defects and increase of productivity by Clariant green sand foundry additives

STRATEGY

The more complex the challenge, the more innovative the products and solutions. In harmony with the corporate strategy of Clariant and the driving forces of the future, »Performance.Growth.Innovation.« are the strategic goals of the Business Area Natural Resources:

Oil Services

Market leadership in the provision of technologies and services for:

- Deepwater production
- Unconventional oil and gas production (shale oil, shale gas)
- Enhanced oil recovery (EOR)
- Innovation: focused on extended performance and environmental technologies
- Well Service Additives for drilling and exploration

Mining solutions

- Market leadership in the area of froth flotation and developing new markets in emerging mining regions
- Improving price competitiveness
- Focus on innovation

Refinery Services

- Expanding market position and portfolio of customized chemical and service solutions along the entire supply chain

Functional Minerals

- Strengthen market leadership in the area of bentonite-based industrial and customer solutions
- Ensure the global supply of bentonite
- Adjust the cost basis, particularly in saturated markets
- Focus on growth regions and industries such as animal feed additives through continuous innovation

GLOBAL TRENDS ARE MAIN GROWTH AND EARNINGS DRIVERS FOR NATURAL RESOURCES

+ 6 – 7 %

Natural Resources growth target p.a.

> 15 %

EBITDA margin target 2015

Global trends
- Population growth: increasing efficiency in agriculture
- Greater technological challenges in oil and gas business and in mining
- Demand for raw materials, like Iron Ore
- Increased demand for energy of petroleum derivatives

Growth drivers
- Increasingly complex construction projects and technologies
- Growing need for palm oil
- Increasing use of organic fuels
- More alternatives for oil and gas production (e.g. deepwater drilling)
- Growing demand for complex mining solutions

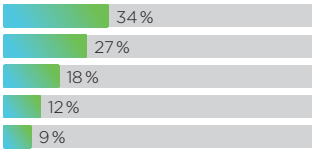
»Oil reserves are getting harder and harder to reach. More than ever, our customers look to us for technology innovation and reliable service to support these production challenges, including deep-water and enhanced oil recovery. «

JOHN DUNNE,
Head of Oil & Mining Services

SALES BY REGION

1 281

CHF m total in 2013



Europe	436 CHF m
Latin America	346 CHF m
Asia/Pacific	235 CHF m
North America	146 CHF m
Middle East/Africa	118 CHF m
Total	**1 281 CHF m**

MARKET POSITIONS

No. **3** **Oil Services products and services**

No. **4** **Mining Services products and services**

No. **2** **Refinery Services products and services**

No. **1** **Adsorbents**

PRODUCT HIGHLIGHTS

Clariant assists copper mine operators in Chile

Two copper mines in Chile dramatically increased their copper production with the assistance of Clariant. Clariant technicians were able to make the necessary adjustments to the customer's filter systems to optimize the use of Clariant's high performance Floticor® FA 7057 filter aid. This greatly improved the filters' efficiency allowing higher volumes of copper concentrate to be processed. The resulting increase in production increased profits for the customer and allow avoided a capital expansion of the filter plant.

North America far ahead in terms of alternative oil production

The US is undergoing an absolute energy boom. New production methods like fracking are tapping hitherto unproduceable natural gas and crude oil reserves.
Boosted by these new methods, which also make difficult to reach reserves accessible, production in the US climbed by around 14 % in 2012. Natural gas production also hit new heights. As early as 2011, Clariant announced its market presence in North America with the purchase of the Canadian oil service company Prairie Petro-Chem. Historically, North America is the most important market for OMS. The acquisition further strengthened our market position there. It allowed us access to one of Canada's and North America's largest producing basins, the Baaken.

Deep Water Special: DepFlux®

DepFlux® is an example of the competence and innovative power of the Deep Water Clariant R&D Excellence Centers in Rio de Janeiro, Brazil, The Woodlands, USA, and Aberdeen, Great Britain. This is an innovative range of deepwater applications, focusing on flow assurance and integrity management ranging from hydrate prevention, anticorrosion to asphaltene technologies. Every product in this area is customized to meet the unique challenges of extreme deepwater production. The use of pressure and temperature-tolerant chemicals for production and their great compatibility with other chemicals allows operators to increase production volumes with reduced risk.

Functional Minerals: Toxisorb® Premium

Innovative solution for the removal of mycotoxins from animal feed for improving animal health and increasing meat production and efficiency. Mycotoxins are metabolic products of molds in animal feed and pose a growing threat in the meat production industry. According to the Food and Agriculture Organization (FAO), approximately 25 % of global animal feed production is contaminated, resulting in significant economic losses. Toxisorb® Premium absorbs the harmful substances in the animal's digestive tract, thereby preventing transfer in the bloodstream and thus helping to improve the health of the animal.

—
DEEP WATER SPECIAL: DEPFLUX®
Customized to meet the unique challenges of extreme deepwater production

—
TOXISORB®
Innovative solution for the removal of mycotoxins from animal feed

»We have ambitious goals for the future«

—
SVEN SCHULTHEIS
Head of Functional Minerals

Mr. Schultheis, for you and your colleagues from Functional Minerals, which feeling was stronger in 2013: satisfaction or...?

—
SVEN SCHULTHEIS That's it. We're satisfied, given the not exactly easy economic conditions we faced. Functional Minerals as a whole posted flat sales in local currencies but significantly improved profitability based on optimized processes and actively managed product portfolio.

What was special about the last fiscal year?

—
SVEN SCHULTHEIS Strong growth in the Adsorbents, Cargo & Device Protection and Foundry Additives businesses offset the continued weak sales in our Water Treatment Activities which we will divest as announced on 11 February. We improved our global footprint, product offering and innovation pipeline as a solid foundation for sustainable profitable growth in the bentonite business.

Would you agree that your goals for the future are ambitious?

—
SVEN SCHULTHEIS That's how they have to be. We focus our strategy on global market leadership through an integrated value chain in the bentonite business, to deliver what is precious to our customer, product solutions which create value.

MAY 2013

CLARIANT INVESTS IN CRUDE OIL PRODUCTION OPTIMIZATION TECHNOLOGIES

- Investment in Ultimate EOR Services, USA
- Product range expanded to include technologies developed by the Center for Petroleum and Geosystems Engineering at the University of Texas in Austin to achieve better crude oil extraction results
- Services include reservoir analysis and modelling for improved production, and the continuing optimization of oil production

2013

FUNCTIONAL MINERALS EXPANDS IN INDONESIA

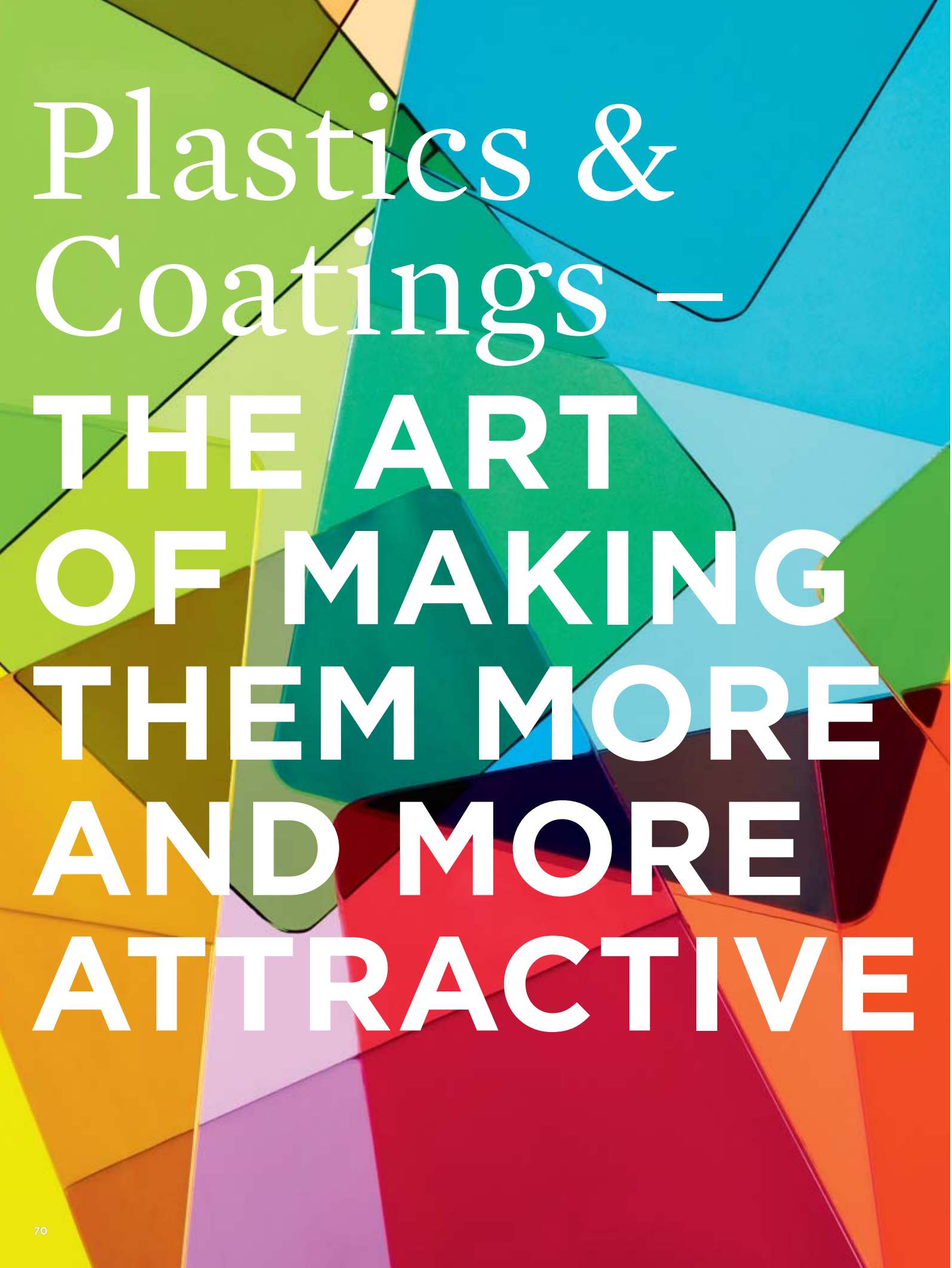
By developing specific solutions to meet market requirements, Functional Minerals managed to grow in Indonesia by more than 30 % in 2013. A large part of this was due to the introduction of a new bleaching earth product, one of the areas Functional Minerals is focusing on in the growth market of South East Asia.

SEPTEMBER 2013

OMS HAS NEW GLOBAL HEADQUARTERS IN THE US

- New global headquarters of OMS opened in The Woodlands, Texas, near Houston
- HQ houses the Oil Services Center of Excellence, a regional center of mining technologies and a training facility for customers and employees

—
OMS NEW GLOBAL HEADQUARTERS
The Woodlands, Texas



Plastics & Coatings – THE ART OF MAKING THEM MORE AND MORE ATTRACTIVE

Business Area
PLASTICS & COATINGS

CORE FINANCIAL FIGURES

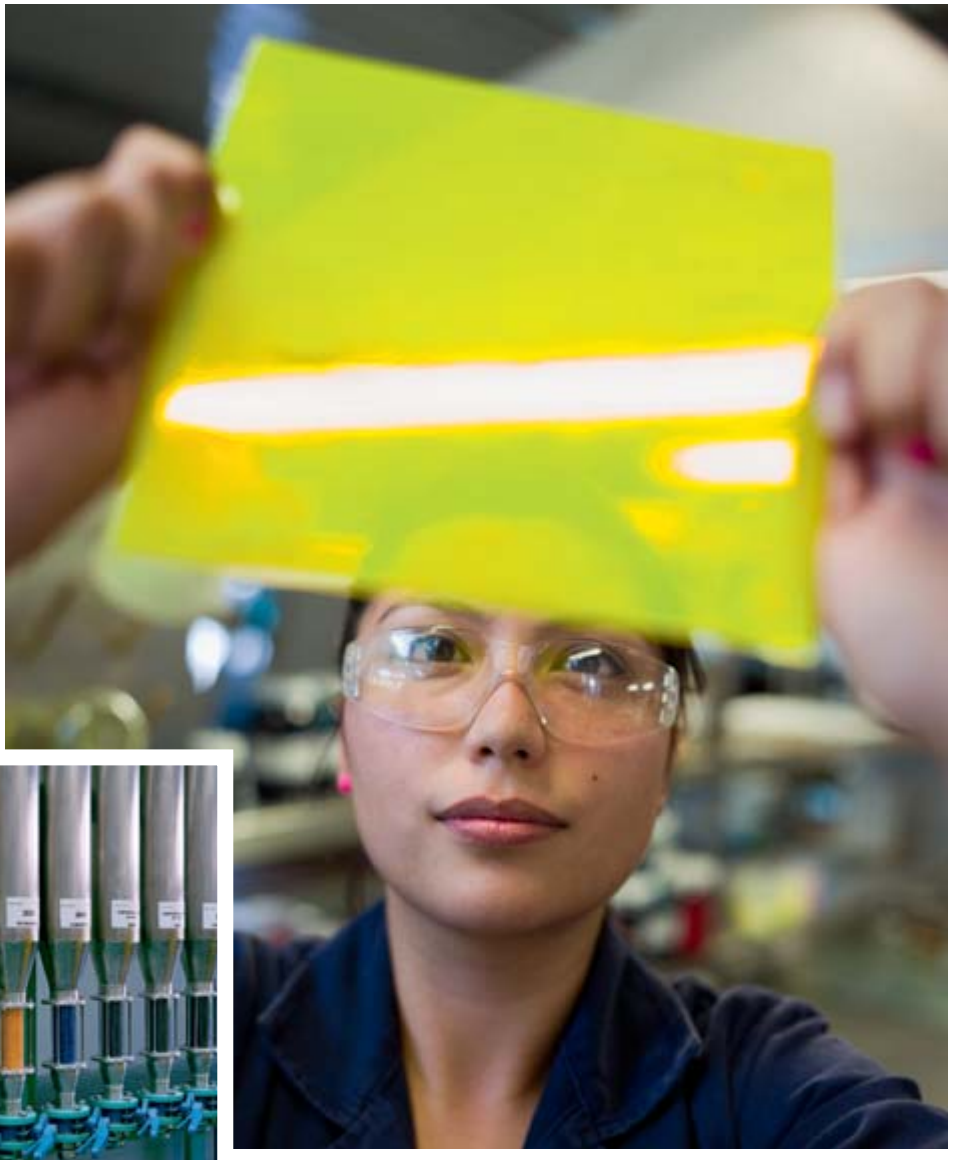
2 521	**+ 2 %**
Sales in CHF m	in local currencies
356	**– 7 %**
EBITDA* in CHF m	in local currencies
14.1	
EBITDA* margin in %	

* before exceptional items

Take a peek behind the curtain and you'll often find that there is amazing innovation behind seemingly mundane products. This for example is true for plastics where nowadays also complex requirements for medical technology and automobile and industrial construction have to be addressed. The same is true for paints and coatings where quality plays a decisive role for buying cars. Plastics & Coatings, the Business Area at Clariant with the strongest sales, is in the position to provide customers tailored solutions for this purpose thanks to its global setup and strong ability to innovate.

BROADLY DIVERSIFIED PORTFOLIO FOR A MULTITUDE OF INDUSTRIES

Plastics & Coatings consists of: Masterbatches, Additives and Pigments. **Masterbatches** is a global leader in color and additive concentrates and technical composites for the plastics industry. It serves the markets for packaging, consumer goods, medicine and pharmaceuticals, textiles, transport, and agriculture. With more than 50 production sites, Masterbatches has a unique, global footprint and the competitive advantages to go with it. **Additives** is a major supplier of products for functional effects in plastics, coatings, printing inks, and in specialized applications, such as hot melts. Its innovative products such as non-halogenated flame retardants provide environmentally compatible protection for electric and electronic equipment or intumescent coatings. The business also produces waxes for plastic applications, hot-melt adhesives, polishes, and protective coatings. Polymer additives improve the heat, light, and weather resistance of plastics and coatings. **Pigments** is a leading global provider of organic pigments, pigment preparations, and special dyes used in coatings, printing inks, plastics and other special applications. Its broad portfolio includes high-performance pigments and dyes to meet the exacting demands of industrial, automotive, and architectural coatings, as well as special applications for the plastics industry and colors, e.g. for ink jet and laser printers.



—
PRODUCT QUALITY
is key for the pigment production at the Clariant Site in Santa Clara / Mexiko

—
MASTERBATCHES
Development lab for prototype colors

STRATEGY

Support customers' growth through innovation

In line with the corporate strategy of Clariant and the driving forces of the future, »Performance.Growth.Innovation.«, Plastics & Coatings has defined several goals for the individual businesses. The overriding goal is to anticipate customer needs and to develop suitable products and services to meet them.

Goals of Masterbatches

- Regional growth and focus on the most attractive market segments
- Expansion of global infrastructure and capacities to stabilize its strong market position
- Improve efficiency of internal processes and procedures
- »Bringing Life to Plastics and Plastics to Life«

Goals of Additives

- Expand emerging market presence
- Focus on key market segments with specific value propositions
- Offer innovative and sustainable products and solutions focusing on functionality and performance
- Leverage existing co-operations with key technology providers and original equipment manufacturers to create a pull-effect in the market

Goals of Pigments

- Strengthen position as a leading innovative provider of color products
- Improve cost and operating efficiency using Clariant Excellence
- Invest strategically in growth markets and expand in emerging markets

»Our Masterbatches perform very well in Latin and North America, Greater China and India. The weaker demand in Europe is addressed by measures out of our Operational Excellence Initiative.«

HANS BOHNEN, Head of Masterbatches

GROWTH AND EARNINGS DRIVERS

> 17 %

EBITDA margin target 2015

Global trends
- Growing middle class with higher disposable income
- Growth of emerging markets and urbanization
- Stricter legal rules and regulations for plastics, colors, and coatings
- Increased environmental awareness

GLOBAL GDP GROWTH

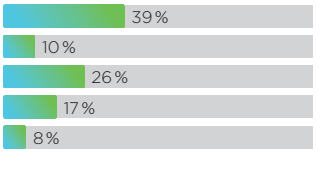
Plastics & Coatings growth target

Growth Drivers
- Increasing use of special plastics for a multitude of industries
- Growing demand for environmentally compatible products for plastics, coatings, and printing inks
- Stronger demand for non-halogenated flame retardants

SALES BY REGION

2 521

CHF m total in 2013



Europe	978 CHF m
Latin America	256 CHF m
Asia/Pacific	663 CHF m
North America	437 CHF m
Middle East/Africa	187 CHF m
Total	**2521 CHF m**

MARKET POSITIONS

No. **1**

Masterbatches
Architectural coatings
Flame retardants (non-halogenated)

R&D CENTERS

76

»The trend towards sustainability and environmentally compatible products will help us to achieve our growth targets.«

MICHAEL GROSSKOPF, Head of Additives

CUSTOMIZED SOLUTIONS
Clariant enables tailormade solutions for specific client requirements

PRODUCT HIGHLIGHTS

Pigments: Non-halogenated pigments for electronic applications

Pigments is the first and only manufacturer in the world to provide customers with a portfolio of 15 non-halogenated pigments for electronic applications. Pigments also offers a broad range of high-quality pigments and dyes with low halogen values. These products meet all of the legal and environmental standards and guidelines pertaining to the use of halogens in consumer goods.

Additives: AddWorks® for better solutions

- Developed to offer tailored and innovative solutions for particular applications in defined industry segments, such as automotive, electric and electronic, packaging, agriculture, textile and fibre, and construction
- The AddWorks® range enables among others energy savings, improved productivity and processing, and gives polymer protection during manufacturing and end use

Clariant's new Integrated System for Liquid Masterbatches: Hiformer®

A custom blend dosed by easy to use and precise dosing- and handling-units. Hiformer® carrier technologies are easy to incorporate into the polymer matrix and the integrated system shows excellent performance with a low total cost of ownership (TCO).
It was designed to enhance product properties and process parameters for customers, as well as to fulfill their international service needs, while further extending Clariant's already developed applications.

»The expansion in China is the perfect reflection of our strategy to increase the presence of the attractive Pigment segments in the growing Asian market.«

MARCO CENISIO, Head of Pigments

MARCH

CLARIANT EXOLIT® FLAME RETARDANT RECOGNIZED BY EU

- European Union study ENFIRO confirms the significant environmental and health-related benefits of using the non-halogenated flame retardant Exolit® in smartphones, laptops, and other electric and electronic devices

SEPTEMBER

EXPANSION

Organic pigments in growth market of China

- Acquisition of Jiangsu Multicolor Fine Chemical's organic pigments business
- Investment in new global-scale plant in Jiangsu Province
- Expansion to meet growing demand in the region and for export

OCTOBER

FIRST »PROJECT HOUSE« FOR INNOVATIVE MASTERBATCHES OPENED

- Investment in research for pioneering concepts and solutions for Masterbatches products and processes in Pogliano, Italy
- Focus on future functional packaging
- »Project House« concept for next level of innovation being expanded globally

DECEMBER

PLASTICHEMIX

Expansion of global footprint with acquisitons in emerging markets

- Intention to acquire Indian masterbatch producer Plastichemix Industries
- Leading supplier of black, white, filler and color masterbatches, additive masterbatches, flushed pigments and mono-concentrates as well as engineering plastics compounds with three production sites
- Synergies in product portfolio and customer base to boost masterbatch business

»Cost efficiency will be the key towards improved margins«

—
CHRISTIAN KOHLPAINTNER
Member of the Executive Committee

Mr. Kohlpaintner, has Plastics & Coatings performed as anticipated in 2013?

—
CHRISTIAN KOHLPAINTNER By and large, it has. We've seen nice growth in Pigments in Asia and Latin America, Masterbatches was robust and we're gradually noticing that flame retardants are recovering in Additives.

And in terms of earnings?

—
CHRISTIAN KOHLPAINTNER In this regard we've suffered from weaker business in Japan and negative currency effects, which caused the profitability to go down to 14.1 % from 15.3 % in 2012.

How do you plan to find your way back to rising margins?

—
CHRISTIAN KOHLPAINTNER Cost efficiency will be the key here. Resources will be shifted to the regions and markets where future growth is to be found. Our considerable investment in Asia and the Middle East this year is our proof of this strategy.

Financial **REVIEW**

Clariant posted a solid operational performance despite difficult economic conditions. As expected, Group sales grew in local currencies and profitability was improved further through efficient cost management and portfolio restructuring.

BUSINESS PERFORMANCE REVIEW 2013

Summary statement for business year 2013

Clariant had to cope with tough economic conditions in 2013. The European and Asian economies remained sluggish, but the company's results were driven by strong growth in the Latin American and a good contribution from the North American region. The increase in volumes was almost completely offset by the negative currency effects, bringing Group sales from continuing operations to CHF 6 076 million, a 4 % rise year-on-year in local currencies (1 % increase in Swiss francs). Clariant increased earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations before exceptional items by 5 % to CHF 858 million thanks to increased cost efficiency, and favorable product mix. Consequently, the EBITDA margin improved to 14.1 % from 13.5 %. The streamlining of the portfolio through the sale of five businesses is scheduled to be completed in 2014; the divestments will improve Group results considerably. The anticipated organic growth in emerging markets and innovative strength of the four core Business Areas combined with selective acquisitions and ongoing profitability improvements through the Clariant Excellence programs will allow Clariant to consistently improve results in 2014. Starting 2015 and beyond, Clariant expects to advance to an EBITDA margin before exceptional items range of 16 – 19 % and a return on invested capital (ROIC) above peer group average. This is in line with the mid-term target to position Clariant in the top-tier of the specialty chemicals sector.

Business operations

Group structure

On 1 January 2013, Clariant regrouped the seven Business Units (BU) into four Business Areas for reporting purposes: Care Chemicals (BU ICS), Catalysis & Energy (BU Catalysts, Business Line Energy Storage), Natural Resources (BU Oil & Mining Services, BU Functional Minerals), and Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments). Medical Specialties has been transferred from BU Functional Minerals to BU Masterbatches. The disposals of the businesses Emulsions, Detergents & Intermediates, Leather Services, Paper Specialties, and Textile Chemicals have either been completed or will be concluded in 2014. These activities are reported as discontinued operations.

Corporate strategy and targets to 2015

Clariant is maintaining the targets for 2015 that it set in 2011 although these targets are challenging under the current and projected economic conditions. Its aim is to improve the EBITDA margin

(calculated from earnings before interest, tax, depreciation, and amortization) to a range of 16 – 19 % by 2015 and beyond and, in addition, to generate a return on invested capital (ROIC) above peer group average. Assuming comparatively stable global economic development, Group sales should exceed GDP growth. With a view to achieving these objectives, Clariant's corporate strategy is based on four pillars:

- Increase profitability
- Foster Innovation and R&D
- Intensify growth
- Reposition portfolio

Clariant intends to meet the target EBITDA margin of 16 – 19 % by 2015 by implementing the following measures:

- Margin increase of 1 – 2 percentage-points by exploiting the new structures and specific efficiency gains already implemented in the Business Areas
- Further potential of 1 – 2 percentage points by further increasing cost awareness in all areas of the Group

Clariant's business management is built around a number of key performance indicators and operational targets. The company intends to reduce net debt significantly by generating long-term positive free cash flow. Alongside the improvement in operating income, Clariant is concentrating on optimizing cash flow and efficient management of net working capital, which should correspond to less than 20 % of Group sales.

General conditions

Marked slowdown in global economic growth in 2013

According to International Monetary Fund (IMF) figures, the global economy grew just 3.0 % in 2013, with several downward corrections to forecasts during the year. That represents a decline from 3.1 % in 2012 and indicates that global economic growth continued to slow in 2013. This weakness was linked to ongoing economic difficulties in some eurozone countries, slower growth in emerging markets, and a slowdown in the United States. Although experts were cautiously optimistic about the outlook for the eurozone by the end of the year, economic output actually declined 0.4 % in 2013. Germany put in a modest performance in 2013, recording growth of 0.5 %, but Italy, Spain, and other southern EU states remained in recession.

Clariant assumptions remained the same: no significant growth contributions from North America and Europe, and 4 – 5 % growth from emerging markets, all of which materialized with the exception of North America, where the US economy was hit by uncertainties surrounding public spending, but still grew with 1.9 % (2.8 % recorded in 2012). Economic growth in developing and emerging markets was 4.7 %, still well above the industrialized world (average growth: 1.3 %), but continued to weaken. At 7.7 %, China retained its leading position among the fastest-growing countries, but even this constituted a slowdown and fell short of forecasts issued at the start of the year. Better performances had also been anticipated for the other BRIC countries – Brazil (+ 2.3 %), Russia (+ 1.5 %), and India (+ 4.4 %).

»Despite adverse conditions, we have increased profitability in 2013 and substantially improved our portfolio for the future.«

Patrick Jany, Chief Financial Officer

Increased volatility in currency markets

In September of 2011, the Swiss National Bank (SNB) took measures to halt the rapid appreciation of the Swiss franc, primarily against the euro. The SNB set a floor of CHF 1.20, which proved successful, with the CHF/EUR exchange rate remaining stable with a slight depreciation of the Swiss franc over the last two years. In contrast, several of Clariant's key currencies significantly lost ground against the Swiss franc in 2013: The Japanese yen dropped 20 %, the Brazilian real declined 16 %, and the Indian rupee fell 14 % with the devaluation of those currencies accelerating in the second half of the year.

Muted growth in the chemical industry in 2013

At the start of the year, the chemical industry predicted that business would not pick up significantly in 2013 despite a number of promising trends. Emerging markets remained buoyant, with most growth stemming from the ongoing process of industrialization and infrastructure expansion. There is renewed optimism concerning the re-industrialization of the US associated with the shale gas boom, the chemical sector in the United States was an important contributor to global growth (US chemical production: + 1.6 %). In contrast, growth in Europe was slightly negative in 2013 reflecting the prevailing economic trends. Low international demand affected the German chemical industry, although higher domestic demand for chemical products linked to the automotive and construction segments increased chemical production in Germany only slightly by 0.5 % in 2013.

Results of operations, financial position, and net assets

KEY FIGURES FOR CONTINUING OPERATIONS CHF m

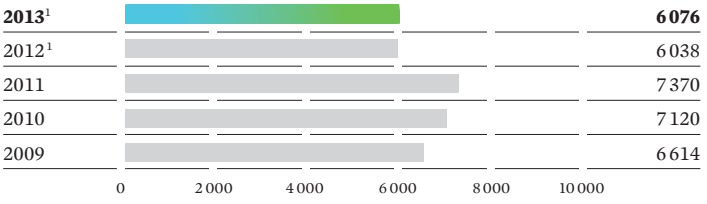
	2013	2012[1]	Change in %
Sales	**6 076**	6 038	1
Gross profit on sales	**1 744**	1 745	0
EBITDA before exceptional items	**858**	817	5
Margin (%)	**14.1**	13.5	
EBIT before exceptional items	**574**	546	5
Margin (%)	**9.4**	9.0	
EBIT	**470**	411	14
Financial result	**– 125**	– 176	– 29
Income before taxes	**345**	235	47
Net income	**323**	203	59
Basic earnings per share	**0.98**	0.68	44

[1] restated for IAS 19 (revised)

Volume-driven sales growth curbed by negative currency effects

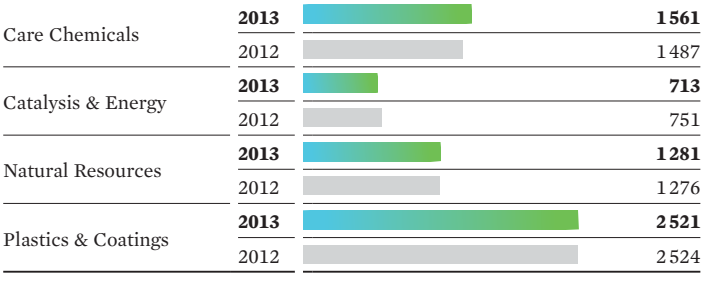
After a slow start, sales in Clariant's traditional markets stabilized during the year. Emerging markets in Latin America posted strong growth throughout 2013, compared with stable to slowing growth in Asia. Sales in local currency increased 4 %, impacted by negative currency development, the Swiss franc gain amounted to 1 %. The sales increase to CHF 6 076 million (from 6 038 million in 2012) was mainly driven by a positive volume development (4 %). Positive contribution came from Latin America, Asia, North America, and Europe. The positive volume development can in part be explained with the low comparable base in Europe for the second half 2013. Volumes slightly recovered in Europe, but still remain on a low level. Sales prices and raw materials prices remained stable in all Business Areas.

GROUP SALES: FIVE-YEAR OVERVIEW CHF m



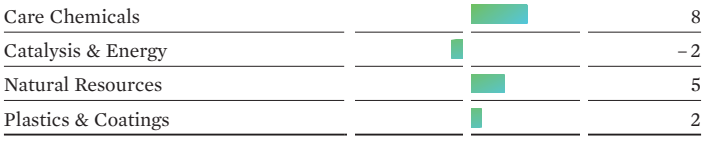
[1] excluding discontinued operations

SALES BY BUSINESS AREA CHF m



Sales in the individual businesses varied considerably in 2013. Sales in the Business Area Care Chemicals rose an impressive 5 % (+ 8 % in local currencies), buoyed by strong demand in the Consumer Care and Industrial segments. In the Business Area Catalysis & Energy, project delays and weakness in Petrochemicals led to lower sales (– 5 %, or – 2 % in local currencies). Sales were stable in the Business Areas Natural Resources (0 % growth, or + 5 % in local currencies) and Plastics & Coatings (0 % growth, or + 2 % in local currencies), although trends varied in the individual segments.

SALES GROWTH BY BUSINESS AREA Local currencies, change in %



Strong growth in Latin America

Regional sales performance was heavily shaped by currency effects in 2013. Clariant posted healthy growth of 16 % in local currencies in Latin America in 2013, but after translation into Swiss francs, growth came in at a modest 3 %. This figure mainly reflects the massive depreciation of the Brazilian real against the Swiss franc. In North America, growth was 6 % in local currencies, which translated into a 4 % growth in Swiss francs, indicating that exchange rates only marginally influenced sales in this region. Growth in Europe was 2 % in local currencies, driven by a relatively solid performance in Germany and an easier comparable base for the second half. Project delays left sales in the Middle East & Africa region down 16 % year-on-year. Sales in Asia were hit by the weak yen and rupee, falling 3 % in Swiss francs, but were positive (3 %) in local currencies. In contrast, sales increased 10 % in local currency in the key Chinese market.

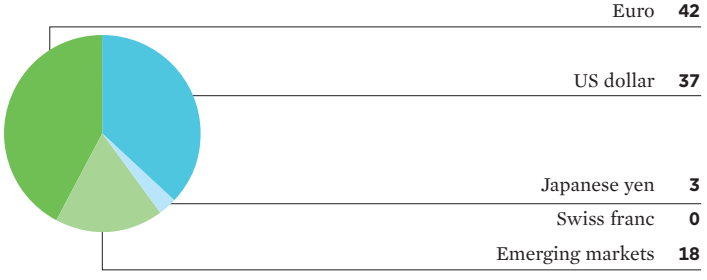
Due to currency factors, the proportion of Group sales generated in the developing and emerging markets declined slightly from just under 48 % in 2012 to 46 % in the year under review.

SALES BY REGION – CONTINUING OPERATIONS CHF m

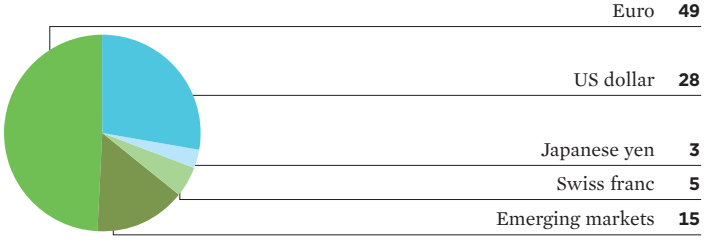
	2013	2012	Change in %	Change in LC[2] in %
Europe	**2 321**	2 228	4	2
MEA[1]	**452**	537	– 16	– 14
North America	**996**	956	4	6
Latin America	**931**	903	3	16
Asia / Pacific	**1 376**	1 414	– 3	3

[1] Middle East & Africa
[2] LC = local currencies

SALES STRUCTURE BY CURRENCY 2013 in %



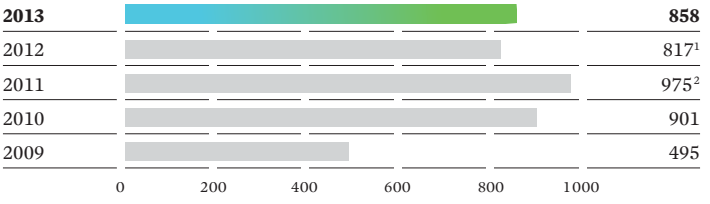
COST STRUCTURE BY CURRENCY 2013 in %



Improved gross and EBITDA margins

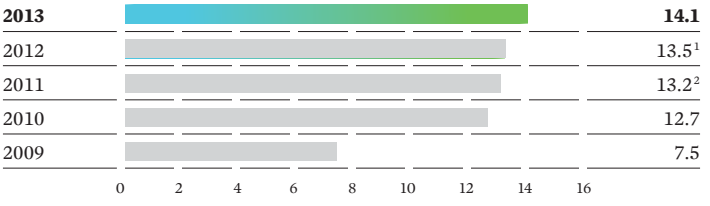
Clariant's gross margin for continuing operations remained stable at 28.7 % (2012: 28.9 %). The adverse currency developments offset the positive effect from a good product mix, higher volume, and the result from the successfully implemented Clariant Excellence efficiency improvement program. Raw materials prices remained fairly stable.

EBITDA BEFORE EXCEPTIONAL ITEMS – FIVE-YEAR OVERVIEW CHF m



[1] restated for IAS 19 [2] as reported

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



[1] restated for IAS 19 [2] as reported

As a result of lower costs, Group earnings before interest, tax, depreciation, and amortization (EBITDA) before exceptional items rose 5 % from CHF 817 million to CHF 858 million. EBITDA increased 9 % in local currencies. Consequently, the EBITDA margin rose from 13.5 % to 14.1 %.

EBITDA BEFORE EXCEPTIONAL ITEMS BY REPORTING SEGMENT CHF m

	2013	2012	Change in CHF	Change in local currencies
Care Chemicals	**263**	245	7	10
Catalysis & Energy	**159**	162	– 2	5
Natural Resources	**195**	171	14	21
Plastics & Coatings	**356**	386	– 8	– 7

EBITDA before exceptional items improved in the Business Areas Care Chemicals (+ 7 %, or + 10 % in local currencies) and Natural Resources (+ 14 %; + 21 % in local currencies). In contrast, Catalysis & Energy posted a 2 % decline (a 5 % increase in local currencies), while Plastics & Coatings fell 8 % in Swiss francs (– 7 % in local currencies) against 2012. Measured against the EBITDA margin before exceptional items, profitability remained high. Plastics & Coatings was the only Business Area to post a drop in earnings, which was mainly linked to a slowdown in the electronics market in Japan.

EBITDA MARGIN BEFORE EXCEPTIONAL ITEMS BY REPORTING SEGMENT in %

	2013	2012
Care Chemicals	**16.8**	16.5
Catalysis & Energy	**22.3**	21.6
Natural Resources	**15.2**	13.4
Plastics & Coatings	**14.1**	15.3

The bulk of improvements in operating income before exceptional items stemmed from reduced selling, general, and administrative expenses (SG&A costs), which were cut from 17.8 % of sales to 17.0 % – or from CHF 1 077 million to CHF 1 034 million – as a result of lower project and integration costs following the completed integration of the activities of the former Süd-Chemie in 2013 and favorable contributions from one-time effects. Clariant's ongoing focus on innovation through the Innovation Excellence program, plus increased expenses, such as the Corporate Innovation Center in Frankfurt am Main, brought the total R&D costs to CHF 199 million in the year under review. As a result, EBIT (earnings before interest and tax) before exceptional items rose by 5 % (+ 10 % in local currencies) from CHF 546 million in 2012 to CHF 574 million in 2013.

In line with projections, exceptional restructuring costs for predominantly European locations, write-downs on site closures, and final integration expenses of the former Süd-Chemie businesses, were reduced significantly from CHF 134 million to CHF 123 million. Consequently, operating income (EBIT) rose by 14 % compared with 2012, to CHF 470 million (2012: CHF 411 million). As anticipated, corporate cost were cut from CHF 147 million in 2012 to CHF 115 million in the year under review. Excluding central administrative costs and focusing solely on Business Unit income, EBITDA before exceptional items came to CHF 973 million (2012: CHF 964 million).

Clariant's financial result was helped by the repayment of a EUR 600 million bond and by using its issuer call option within the CHF 300 million convertible bond. 100 % of the bondholders made use of their conversion rights. This reduced net financial expenses, which came in at just CHF 125 million in the year under review, compared with CHF 176 million in 2012. The financial result for 2013 was influenced by negative currency effects totaling CHF 6 million. Pre-tax profit improved to CHF 345 million (2012: CHF 235 million). One-off tax effects linked to the capitalization of deferred tax assets on tax losses carried forward and the reversal of tax provisions resulted in a partial offset and a total tax burden of CHF 22 million (2012: CHF 32 million).

Significant increase in net profit from continuing operations

In 2013, better operating result, a positive tax effect and a better financial result led to higher net profit from continuing operations of CHF 323 million (CHF 203 million). Earnings per share came to CHF 0.98 (2012: CHF 0.68), calculated using a weighted average number of shares outstanding, which rose from 281 075 365 to 312 611 085 in 2013 following the use of Clariant's issuer call option of the 3 % convertible bond 2009 – 2014. Write-downs, disposal results, project and separation costs, and currency effects dragged down net income from discontinued operations, which came to CHF 318 million in 2013 (2012: CHF 25 million). In the wake of these losses, Clariant Group reported a small net income of CHF 5 million (including discontinuing operations) for the year under review (2012: CHF 228 million), which represents a basic earning per share for Clariant shareholders of CHF 0.98 (2012: CHF 0.68) on continuing operations and CHF – 0.06 (2012: CHF 0.74) on the total result of the Group.

As the company performed well in 2013, Clariant's Board of Directors has decided to propose the AGM to increase the distribution per share from CHF 0.33 to CHF 0.36. A motion will be put to the 19th Annual General Meeting on 24 March 2014.

Segment analysis

Performance of the Business Areas

Care Chemicals

CARE CHEMICALS KEY FIGURES CHF m

	2013	2012
Sales	**1 561**	1 487
EBITDA before exceptional items	**263**	245
Margin (%)	**16.8**	16.5
EBIT before exceptional items	**219**	201
Margin (%)	**14.0**	13.5
Headcount	**1 850**	1 775

- Double-digit increase in sales in Latin and North America
- Profitability remains high despite unfavorable currency effects

Sales of the Business Area Care Chemicals rose 8 % in local currencies and 5 % in Swiss francs in 2013. On a comparable basis – adjusting for sales from the amines business, which is no longer consolidated and was transferred to the joint venture with Wilmar in July 2013 – growth was even higher. The Global Amines Company, a 50:50 joint venture with Wilmar, began its operations in the third quarter of 2013.

Most regions registered significant sales growth year-on-year in local currencies. Sales in Latin America and North America increased by more than 10 %. The Asia / Pacific region posted more moderate growth, buoyed up by robust demand in China and Indonesia, but partly offset by the Japanese market and the weakness of the yen. Demand was healthy in Europe, also contributing significant growth. Both Consumer Care and Industrial Applications posted solid growth, the latter was driven by growth in Industrial Applications from the Paints & Construction business.

Higher volumes and an improved product mix increased the EBITDA margin before exceptional items slightly year-on-year to 16.8 % (2012: 16.5 %), despite adverse currency effects, lower margins in basic chemicals. The Business Area Care Chemicals expects growth to continue, driven mainly by innovations and new product launches in Personal Care and Crop Solutions.

Catalysis & Energy

CATALYSIS & ENERGY KEY FIGURES CHF m

	2013	2012
Sales	**713**	751
EBITDA before exceptional items	**159**	162
Margin (%)	**22.3**	21.6
EBIT before exceptional items	**91**	94
Margin (%)	**12.8**	12.5
Headcount	**1 918**	2 005

- Project delays in Asia and low refill cycle in Middle-East lead to a decline in sales
- Strong focus on profitability brings EBITDA margin to 22.3 %

Delays in a number of customer projects, mainly in China and Southeast Asia, as well as weakness in the refill cycle in Middle-East, resulted in a decline in annual sales in the Business Area Catalysis & Energy of 2 % in local currencies (– 5 % in Swiss francs). Throughout the period under review, sales were depressed by lower prices for non-precious metals and rare earths, margins were not influenced negatively due to cost efficiency improvements. The regional breakdown reveals double-digit growth in local currencies in Europe and North America. Sales were considerably lower year-on-year in all other regions. Specialty Catalysts posted robust growth, but was unable to offset the predicted decline in demand for petrochemical catalyst refills in the Middle East and syngas project delays in China. However, ammonia and methanol, the main growth drivers for the syngas segment remained stable. Sales in the Energy Storage start-up were better on a low level compared to 2012.

Improved product mix and integration synergies were able to overcompensate lower volumes and the strongly dilutive effects of the Energy Storage business on EBITDA margin. The profitability for the Business Area Catalysis & Energy improved to 22.3 % from 21.6 %.

Outlook for 2014 is solid, helped by returning refills in the Middle East, new projects in North America linked to the positive shale gas developments and continuous expansion of the product range. 2013 was notable for the strategic expansion in polypropylene catalysts in North America: The Business Area signed a long-term cooperation agreement with CB&I's Lummus Novolen Technology to construct a state-of-the-art production plant. The new production facility is planned to go on stream in 2015.

Natural Resources

NATURAL RESOURCES KEY FIGURES CHF m

	2013	2012
Sales	**1 281**	1 276
EBITDA before exceptional items	**195**	171
Margin (%)	**15.2**	13.4
EBIT before exceptional items	**151**	127
Margin (%)	**11.8**	10.0
Headcount	**3 012**	3 504

- Solid growth dented by currency effects
- Profitability up significantly

Good performances in Oil & Mining Services business contributed to sales growth for the Business Area Natural Resources of 5 % in local currencies. Sales in Swiss francs remained flat. OMS experienced a slow-down in Q3 but returned back to growth towards the end of the year. Refinery Services and Oil Services posted solid growth, while most of the local currency advancements were wiped away due to strong currency effects.

Functional Minerals sales remained flat in local currencies with double-digit growth from North America. Strong growth in Adsorbents, Cargo & Device Protection, and Foundry Additives offset the continued weak sales in the Water Treatment segment.

The EBITDA margin before exceptional items for the Business Area Natural Resources rose from 13.4 % in 2012 to 15.2 % in 2013. The increase was driven by higher volumes and a better product mix in Functional Minerals, as well as stable Oil & Mining Services margins, which were helped by a valuation gain linked to the acquisition of deepwater operations in the Gulf of Mexico. Profitability improved, but was dented slightly by lower returns from the ASK joint venture in Functional Minerals.

Looking ahead, Oil Services should benefit from the acquisition of the deepwater operations in the Gulf of Mexico, which will further enhance Clariant's presence in the United States. In September 2013, Clariant opened the new global OMS headquarters in The Woodlands, Texas. The campus includes the Oil Services Center of Excellence, a mining technology center, and a customer and employee training facility. The center will provide customers in North America with cutting-edge industry services and solutions.

Plastics & Coatings

PLASTICS & COATINGS KEY FIGURES CHF m

	2013	2012
Sales	**2 521**	2 524
EBITDA before exceptional items	**356**	386
Margin (%)	**14.1**	15.3
EBIT before exceptional items	**273**	306
Margin (%)	**10.8**	12.1
Headcount	**6 307**	5 871

- Growing business in the second half
- Underlying profitability improved

Volume growth in all businesses of the Business Area Plastics & Coatings resulted in a growth of 2 % in local currencies. Due to currency developments, however, sales denominated in Swiss francs barely changed. Pigments generated strong growth in local currencies in Latin America, Asia/Pacific, and Middle East compensating for the ongoing weakness of the Japanese market. Slight recovery, compared to a very weak 2012, was also recorded in Europe. The Coatings, Plastics, and Special Applications segments posted positive performances compared to the lower sales of the previous year, but Printing was again affected by the weak trends on the Japanese market.

Sales in local currencies for Masterbatches rose thanks to significant growth in Latin America and Asia/Pacific. However, sales were lower in Europe and in the Middle East & Africa region. As part of the »European Operational Excellence« initiative, Masterbatches implemented measures to adapt to the lower demand in Europe,

which is expected to continue in the next few years. Besides a streamlining of the production network, these measures ensure that Masterbatches can offer its customers a superior service.

The Additives business recorded growth in all regions after a weak 2012. Flame retardants saw a demand pick-up, as the European electric industry began to recover in the second half of the year.

At 14.1 %, the EBITDA margin was below last year's figure of 15.3 %, as higher volumes coupled with the better sales mix were unable to compensate fully for the negative currency factors and the lower contribution to Japan earnings. Plastics & Coatings will continue to focus on improving efficiency and adjusting the cost base to the falling demand in Europe. Resources are being switched to regions and markets where growth is stronger. Examples here include the establishment of a joint venture for Masterbatches in Saudi Arabia as well as the acquisition of an organic pigments business and an investment into a new global-sized specialty pigment plant, both in China.

Discontinued operations

Discontinued operations consist of the following businesses: Emulsions, Detergents & Intermediates, Leather Services, Paper Specialties, and Textile Chemicals.

DISCONTINUED OPERATIONS KEY FIGURES in CHF m

	2013	2012
Sales	**1 457**	1 744
EBITDA before exceptional items	**100**	135
Margin (%)	**6.9**	7.7
EBIT before exceptional items	**100**	91
Margin (%)	**6.9**	5.2

Sales for discontinued operations fell compared to the corresponding figure in the previous year. Especially Detergents on account of the challenging business environment. Trends in the individual regions across the different businesses were disparate. The EBITDA margin worsened compared to the previous year. Textile Chemicals, Detergents & Intermediates as well as Paper Specialties remained below 8 % for the year as a whole. Separation costs and currency translation effects related to the disposal of three out of five businesses (Detergents & Intermediates closed effective as of 1 January 2014, Leather Services is planned to close in 2014) had a negative impact on the operating result and net profit of discontinued operations. After taxes and including disposal results, a loss of CHF 318 million (2012: CHF 25 million) was recorded.

Progress with divestment: On 30 September 2013, the transaction to sell the Business Units Textile Chemicals, Paper Specialties, and Emulsions to SK Capital was closed. Consequently, these three businesses were deconsolidated from Clariant's balance sheet at the end of September 2013. On 30 October 2013, Clariant announced the planned sale of Leather Services to Stahl. Dutch company Stahl Holdings B.V. is part of the Wendel Group. Clariant will receive 23 % of the shares in Stahl along with a cash payment of around CHF 85 million for its leather business as part of the planned transaction. Subject to the necessary regulatory approvals and employees consultations, the transaction is expected to be finalized in 2014. On 7 January, 2014 Clariant announced the closing of the sale of its Detergents & Intermediates business to International Chemical Investors Group (ICIG), effective as of 1 January 2014.

CONSOLIDATED BALANCE SHEETS

	31.12.2013 in CHF m	in %	31.12.2012[1] in CHF m	in %	01.01.2012[1] in CHF m	in %
Assets						
Non-current assets						
Property, plant and equipment	2041		2103		2494	
Intangible assets	1549		1584		1786	
Investments in associates and joint ventures	608		572		563	
Financial assets	27		17		28	
Prepaid pension assets	43		–		–	
Deferred income tax assets	245		308		273	
Total non-current assets	**4513**	**55.2**	**4584**	**48.4**	**5144**	**56.9**
Current assets						
Inventories	846		887		1151	
Trade receivables	905		857		1134	
Other current assets	482		346		341	
Current income tax receivables	60		35		41	
Near cash assets	147		295		35	
Cash and cash equivalents	770		1372		1199	
Total current assets	**3210**	**39.3**	**3792**	**40.1**	**3901**	**43.1**
Assets held for sale	**451**	**5.5**	**1091**	**11.5**	**2**	**–**
Total assets	**8174**	**100.0**	**9467**	**100.0**	**9047**	**100.0**
Equity and liabilities						
Equity						
Share capital	1228		1094		1183	
Treasury shares (par value)	–49		–59		–51	
Other reserves	881		979		1047	
Retained earnings	654		566		497	
Total capital and reserves attributable to Clariant shareholders	**2714**		**2580**		**2676**	
Non-controlling interests	66		86		93	
Total equity	**2780**	**34.0**	**2666**	**28.2**	**2769**	**30.6**
Liabilities						
Non-current liabilities						
Financial debts	1830		2444		1835	
Deferred income tax liabilities	120		180		296	
Retirement benefit obligations	669		814		737	
Provision for non-current liabilities	223		206		257	
Total non-current liabilities	**2842**	**34.8**	**3644**	**38.4**	**3125**	**34.5**
Current liabilities						
Trade and other payables	1227		1178		1327	
Financial debts	589		1032		1139	
Current income tax liabilities	274		339		323	
Provision for current liabilities	334		365		364	
Total current liabilities	**2424**	**29.7**	**2914**	**30.8**	**3153**	**34.9**
Liabilities directly associated with assets held for sale	**128**	**1.5**	**243**	**2.6**	**–**	**–**
Total liabilities	**5394**	**66.0**	**6801**	**71.8**	**6278**	**69.4**
Total equity and liabilities	**8174**	**100.0**	**9467**	**100.0**	**9047**	**100.0**

[1] Restated - see note 1.03 in the Financial Report

Marked improvement in balance sheet quality

Total assets as at 31 December 2013 fell sharply from CHF 9 467 million to CHF 8 174 million, owing in particular to the disposal of three businesses in 2013. In addition, cash, cash equivalents, and near-cash assets were used to reduce liabilities. Cash and cash equivalents as at year-end 2013 fell from CHF 1 372 million to CHF 770 million, due primarily to the repayment of a EUR 600 million bond during the year. The total cash position including near-cash assets thus remains at a comfortable CHF 917 million (2012: CHF 1 667 million) at year-end.

Assets held for sale decreased from CHF 1 091 million to CHF 451 million thanks to the successful divestment of the businesses Textile Chemicals, Paper Specialties, and Emulsions. This figure is based on assets of the Detergents & Intermediates and Leather Services businesses.

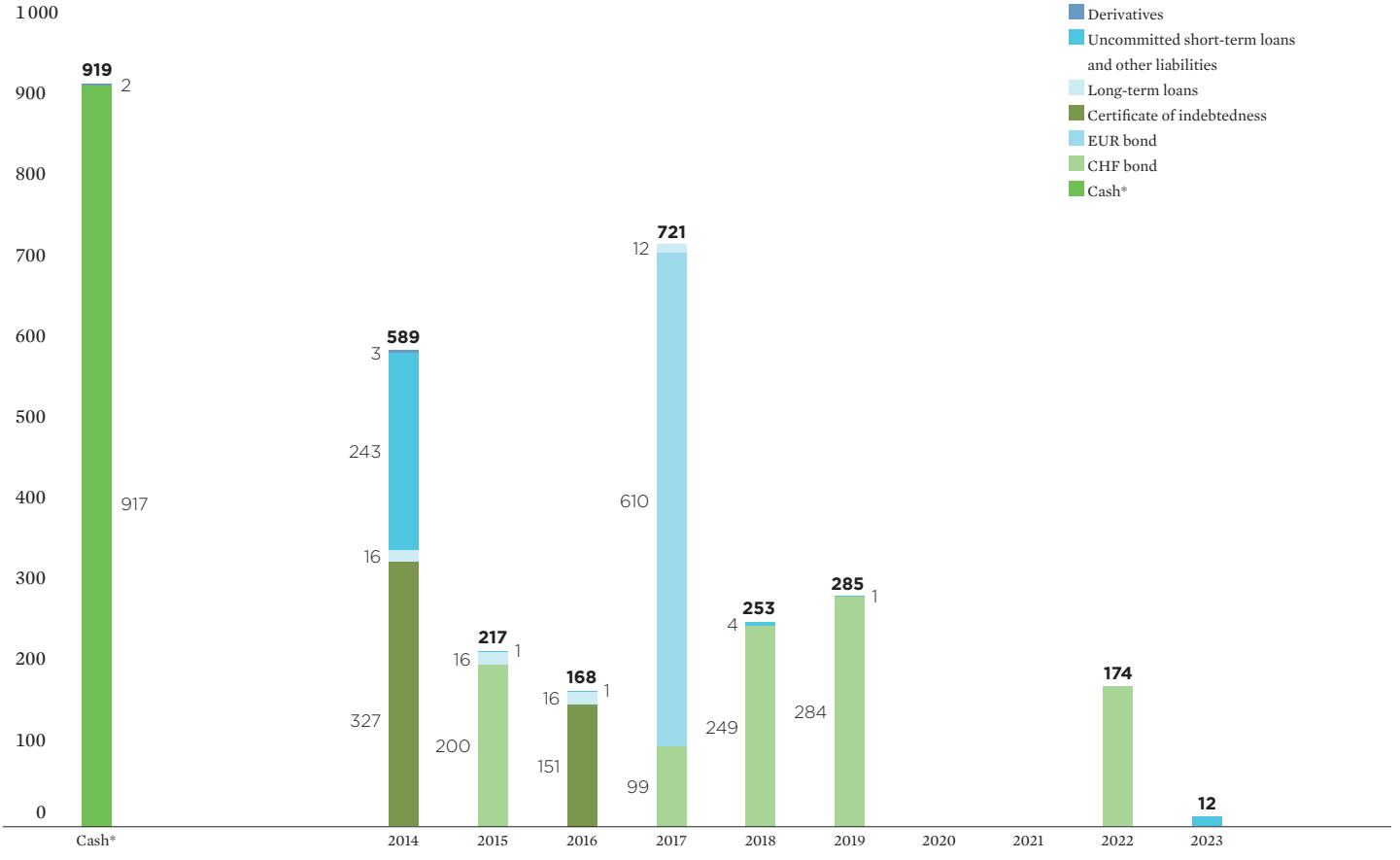
The rise in share capital following the early conversion of the convertible bond amounting to CHF 284 million, overcompensated the currency translation effects of CHF 160 million, which resulted in an increase of Clariant's equity from CHF 2 666 million to CHF 2 780 million over the year. The Group result of CHF 5 million was affected by the CHF 318 million net loss recorded by discontinued operations. Equity was also affected by the distribution out of capital contribution reserves for 2012, amounting to CHF 105 million. The equity ratio was 34.0 %, higher than the previous year (2012: 28.2 %).

Net debt was reduced from CHF 1 789 million to CHF 1 500 million thanks to the proceeds from the divestments. This figure includes 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 54 %, compared with 67 % one year ago.

Stable liquidity structure based on long-term maturity profile

Clariant's financial position remained strong at the end of 2013. The company maintains a broadly diversified maturity structure at financing conditions which remain favorable to Clariant. In 2013, the focus was primarily on reducing gross and net debt by redeeming a EUR bond, as well as the early conversion of the convertible bond maturing in 2014.

CASH POSITION & DEBT MATURITY PROFILE AS OF 31 DECEMBER 2013 CHF m



* incl. near-cash assets and financial instruments with positive fair values reported under other current assets

Extract of cash flow statement

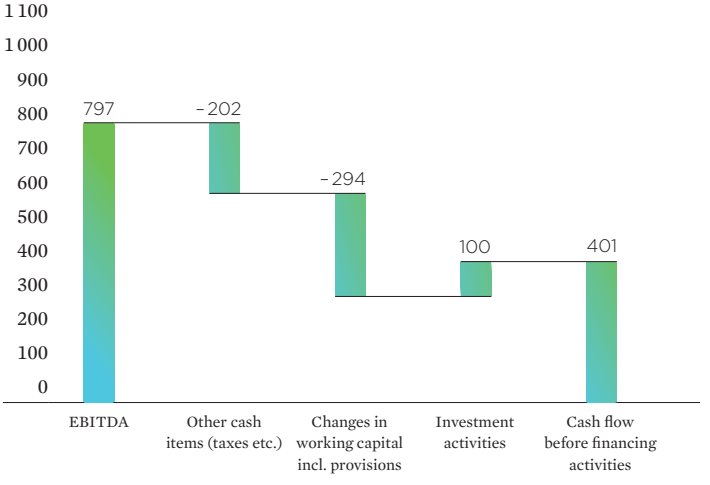
in CHF m	31.12.2013	31.12.2012
Net income/loss	**5**	**228**
Reversals of non-cash items	819	563
Cash flow before changes in net working capital and provisions	595	545
Operating cash flow	**301**	**468**
Cash flow from investing activities	100	– 592
Cash flow from financing activities	– 974	305
Net change in cash and cash equivalents	**– 602**	**173**
Cash and cash equivalents at the beginning of the period	**1 372**	**1 199**
Cash and cash equivalents at the end of the period	**770**	**1 372**

Two credit rating agencies maintain credit ratings for all six bonds issued by Clariant. Moody's assigned a long-term rating of Ba1 with a stable outlook; Standard & Poor's long-term rating is BBB– with a stable outlook, while the short-term rating is A–3. The most up-to-date ratings can be found on the following website: www.clariant.com/creditratings.

Cash flow marked by portfolio measures and debt reduction

2013 was marked by the reduction of net debt and divestments. Increased profitability meant that cash flow from operating activities before changes in net working capital increased from CHF 545 million to CHF 595 million, in spite of the relatively small disclosed net income figure. Payments for restructuring came to CHF 133 million in 2013 (2012: CHF 150 million), the bulk of which was linked to the fast-track integration of Süd-Chemie, redundancy measures, and site optimizations. Net working capital changes including provisions amounted to CHF – 294 million (2012: CHF – 77 million). However due to currency fluctuations the ratio of net working capital to sales dropped from 17.9 % to 17.1 %. This is below the key Group target of 20 %. Cash flow from operating activities came in at CHF 301 million, below the previous year (2012: CHF 468 million). The divestment of the businesses meant that investing activities generated a cash inflow of CHF 100 million after an outflow of CHF 592 million in the 2012 financial year. Cash flow before financing activities at the end of 2013 totaled CHF 401 million after CHF – 124 million in the 2012 financial year. Cash flow from financing activities of CHF – 974 million (2012: CHF 305 million) reflects the fact that no major financing measures were implemented in the reporting year, in contrast to 2012; rather there was a significant reduction in debt.

CASH FLOW 2013 CHF m

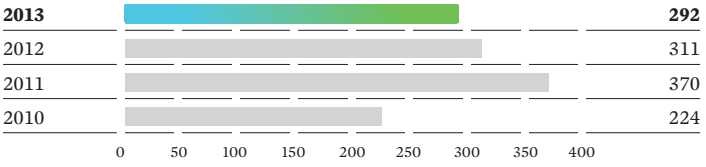


After adjustments for these effects, the Clariant Group's total cash balance (including near-cash assets) fell from CHF 1 667 million to CHF 917 million as at 31 December 2013.

Investments

Investments in property, plant, and equipment fell from CHF 311 million to CHF 292 million in the year under review.

INVESTMENTS 2010 TO 2013 CHF m

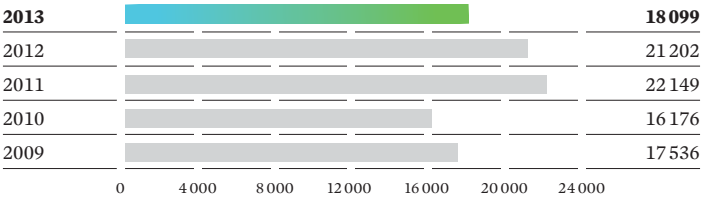


Employees

Number of Group employees falls ~15 % owing to portfolio measures

After HR management in the two previous years focused on integrating Süd-Chemie employees, a process that was successfully completed by the end of 2013, the main emphasis in 2013 was on personnel measures connected to the divestment of the three businesses Textile Chemicals, Paper Specialties and Emulsions. These businesses had approximately 2 800 employees or 13 % of the 2012 Clariant Group headcount. Further measures will come from the Detergents & Intermediates disposal (transaction closed on 1 January 2014) and the planned disposal of Leather Services. Both mentioned businesses are therefore still included in Clariant's 2013 workforce. Headcount reductions were required under the Clariant Excellence initiatives and other programs to increase efficiency. These were implemented in a socially responsible manner and in close consultation with the relevant employee representatives. All told, the largest portion of the employee decline can be explained with disposal-related reductions. The number of people employed by the Clariant Group declined from 21 202 to 18 099 as at 31 December 2013.

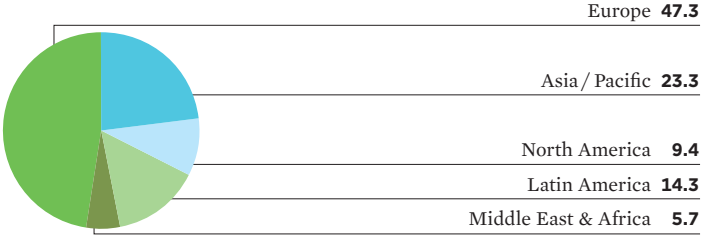
TREND IN FTES including discontinued operations



Ratio of employees in emerging countries 43 % and rising

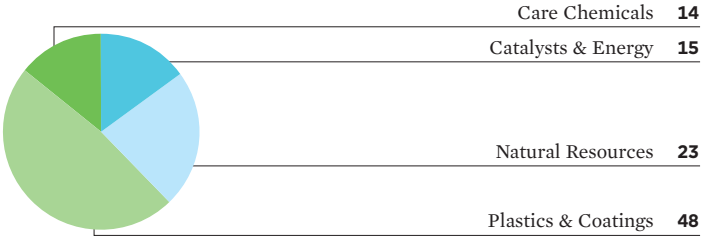
Taking a regional view, the European workforce still accounts for the largest proportion at 47 %. The second-largest region in terms of the number of employees was Asia with 23 %, followed by Latin America with 14 %, and North America with 9 %.

EMPLOYEES BY REGION 2013 in %



Among the Business Areas, Plastics & Coatings had the highest headcount with 6 307 employees, accounting for 48 % of the total workforce assigned to the Business Areas. Natural Resources is the second largest Business Area with 3 012 employees (23 % of the workforce), followed by Catalysis & Energy with 1 918 or 15 %. Care Chemicals is the smallest Business Area in terms of headcount, with 1 850 employees or 14 %.

EMPLOYEES BY BUSINESS AREA IN 2013 in %



In 2013, Clariant spent CHF 1 407 million on salaries, social welfare contributions, and exceptional personnel costs for its continuing operations employees (2012: CHF 1 434 million). When costs for external or temporary staff are included, personnel expenses in 2013 totaled CHF 1 459 million. The corresponding figure for 2012 was CHF 1 501 million.

CLARIANT STOCK

Positive performance of global stock markets in 2013

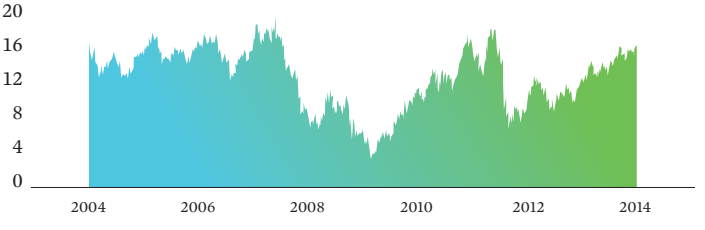
The global stock indices broke records in many regions in 2013. The low-interest environment, which should counteract the sluggish growth in economic output, contributed to investors increasingly preferring stocks as their investment vehicle.

During the year, however, the markets were volatile. Indications from the US Federal Reserve (Fed) and the European Central Bank (ECB) regarding a sustained period of relaxed monetary policy fueled the stock markets at the start of the year. Throughout the rest of the year, falling prices again reflected the possible implications of a change in monetary policy in the United States in particular, but also in Europe. These reductions in stock prices were countered following statements by the central banks on both sides of the Atlantic that underlined the continuation of an expansionary policy. Toward the end of June, fears of a looming liquidity squeeze in the Chinese banking system exerted a negative impact on the stock markets, which proved to be unfounded in the rest of the year. The stock markets were constrained in the fall by fears of insolvency in the United States as a result of the budget dispute. The discussions and associated uncertainty have been put off for the time being, meaning that with a renewed reduction in the eurozone interest rate to 0.25 % in November, there was nothing standing in the way of a year-end rally. Thus the leading exchanges ended 2013 having made significant gains (Euro Stoxx 50: + 14.7 %, German DAX: + 22.8 %, Swiss SMI: + 16.8 %).

Significant Clariant share price gains

The development in the Clariant share price mirrored the benign stock market environment and the positive development of profitability performance, growth potential, and strategic progress of the company during the year. Accordingly, the lowest share price came right at the beginning of the year, at CHF 11.98 on 14 January. The corporate news and updates that followed in connection with portfolio optimization and the encouraging profit trends, for example, resulted in an increase in the share price to almost CHF 15. The temporary fall in the share price at the end of March/beginning of April was attributable to profit taking. Following the presentation of innovative new products as well as targeted investments and stable business development in the first quarter, the share price rose again until mid-May, resulting in a share price gain of more than 8 % for the first six months.

CLARIANT STOCK PRICE 2004 – 2014 in CHF



Starting with the Capital Market Day at the end of June, which focused on further value generation for shareholders, and defining the outlook in more detail, and supported by the higher half-year results, more encouraging corporate news, and the inclusion in the Dow Jones Sustainability Index, the share price peaked at CHF 16.34 on 16 September. As the year progressed, it managed to maintain this high level, meaning that the Clariant share was 32 % up on the previous year at the end of 2013 and easily outperformed the leading Swiss indices, the SMI (2013: + 16.8 %) and the SPI (2013: + 21.1 %). Clariant's market capitalization also advanced to CHF 5.4 billion as at 31 December 2013, while the Enterprise Value (EV) amounted to roughly CHF 6.9 billion. The number of shares rose to 331 939 199.

Distribution policy

Clariant usually makes distributions as a way of allowing shareholders to participate in the Group's successes while keeping the credit ambition (solid investment grade) on its radar. In view of the solid operating performance, the Board of Directors and Executive Committee of Clariant AG have decided to propose the distribution of CHF 0.36 per share to the Annual General Meeting on 24 March 2014 for the 2013 financial year. Based on the closing price for Clariant shares of CHF 16.31 as at 31 December 2013, this constitutes a distribution yield of 2.2 %.

KEY FIGURES FOR CLARIANT SHARES

	2013	2012
Closing price on 31 December (CHF)	**16.31**	12.35
Peak price (CHF)	**16.56**	13.48
Lowest price (CHF)	**11.98**	8.62
Number of shares on 31 December (million)	**331.94**	295.75
In free float (%)	**100.00**	100.00
Average daily trading volume (SIX)	**1 741 859**	2 334 334
Market capitalization on 31 December (CHF m)	**5 414**	3 652
Basic earnings per share (CHF)	**0.98** [1]	0.68 [1]
Distribution per share (CHF)	**0.36** [2]	0.33 [2]

[1] Continuing operations [2] Payout from capital contribution reserves

You can find more detailed information about Clariant on the Group website: www.clariant.com
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Tel.: + 41 61 469 67 45, Fax: + 41 61 469 67 67

RISK MANAGEMENT

For information about financial risks, please refer to page 141 of the Financial Report.

Enterprise Risk Management (ERM): identification, assessment, and management

For detailed information, please refer to page 112 of the section on Corporate Governance.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 14 October 2013 Clariant signed an agreement with ICIG to divest its Detergents & Intermediates business for a total consideration of CHF 58 million. The sale became effective on 1 January 2014. The activities sold comprise sites mainly in Germany and France. Worldwide 660 employees were affected by the transaction.

On 11 February 2014 Clariant announced the signing of an agreement to divest the Water Treatment business in Africa to AECI, domiciled in South Africa. The total consideration of the sale amounts of CHF 34 million in cash at closing. Closing is expected by the end of the second quarter of 2014. The transaction is subject to certain conditions precedent, as well as regulatory approvals. In 2013 the Water Treatment business pertaining to the Business Area Natural Resources reported approximately CHF 41 million in sales. In total 210 employees in Africa are affected by the transaction.

CHANGES IN THE REPORTING STRUCTURE AND RESTATEMENTS FROM 1 JANUARY 2013

From 1 January 2013, Clariant adjusted its reporting structure from seven Business Units into four Business Areas: Care Chemicals (BU Industrial & Consumer Specialties), Catalysis & Energy (BU Cata-

lysts, Business Line Energy Storage), Natural Resources (BU Oil & Mining Services, BU Functional Minerals), and Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments). Medical Specialties has been transferred from BU Functional Minerals to BU Masterbatches. The 2012 figures have been restated accordingly.

The Group has applied IAS 19 (revised) Employee Benefits with effect from 1 January 2013; prior figures have been restated accordingly.

The businesses Textile Chemicals, Paper Specialties, Emulsions, Detergents & Intermediates, and Leather Services have been reported as discontinued operations in accordance with International Financial Reporting Standard 5 (IFRS 5) with the publication of Q4 2012 result. The 2012 figures have been restated accordingly to reflect the new reporting structure. For more details, see the consolidated financial statements starting on page 129 of this report.

IAS 19 (revised) Employee Benefits

The Group has applied IAS 19 (revised) Employee Benefits with effect from 1 January 2013; the prior figures have been restated accordingly. After adjustments of 2012 financial statements for IAS 19 (revised), income from both current and discontinued operations improved, with both EBITDA and EBIT increasing CHF 18 million. In contrast, adjusted net profit decreased by CHF 10 million.

OUTLOOK

Economic environment

More stable global growth expected in 2014

In their latest outlook from January 2014, the experts at the International Monetary Fund (IMF) forecast global economic growth of 3.7 %. While there are still uncertainties regarding the effectiveness of measures to resolve the sovereign debt crises in various eurozone countries and the consequences of the budget dispute in the United States, and these contributed in the course of 2013 to repeated downward corrections in the IMF's 2014 global growth forecasts, the experts now assume that trends will pick up slightly. Thus, the economies of the industrialized countries are set to grow by 2.2 %, and those of the eurozone by 1.0 %, while the recessions in some countries particularly affected by the debt crisis could gradually taper off (Italy + 0.6 %, Spain + 0.6 %). Growth in Germany is expected to come in at + 1.6 %. As many experts anticipate increasing reindustrialization in the country, the US economy is expected to grow by 2.8 %, while GDP growth in Japan should remain at the same level (+ 1.7 %). The IMF forecasts for developing and emerging countries are for slightly accelerated growth of 5.1 % compared to 2013, with China again likely to post the strongest figure (+ 7.5 %). Solid growth is forecast for the economies in Brazil (+ 2.3 %), India (+ 5.4 %), and Russia (+ 2.0 %) in the coming year.

Outlook for the chemical industry cautiously optimistic

Growth expectations for the chemical industry are closely linked to the wider global economy. Consequently, moderately high growth of 3.8 % is predicted for the chemical industry in comparison to 2013.

The North American chemical industry in particular is set to grow strongly by 2.5 %, due among other things to the ongoing trend for shale gas production. Demand from emerging countries and Eastern European nations should also remain high. In the European chemical industry, by contrast, growth in chemical production is expected to total just 0.8 %, while the German industry is likely to benefit in particular from dynamic growth in car production as well as favorable trends in private consumption. Consequently, the German Chemical Industry Association (VCI) expects an increase in regional chemical sales of 1.5 %.

Outlook: Clear targets to 2015 and beyond

Clariant succeeded in increasing its profits in 2013 to an EBITDA margin of 14.1 %, in spite of the challenging economic conditions. In light of the measures already introduced and those planned for 2014, Clariant confirms its objective of an EBITDA margin before exceptionals in the range of 16 – 19 % for 2015 and beyond and a return on invested capital (ROIC) above peer group average. This is in line with the mid-term target to position Clariant in the top tier of the specialty chemicals sector.

In the **2014 financial year**, therefore, Clariant is expecting a low to mid single-digit sales growth in local currencies and an EBITDA margin before exceptional items above full-year 2013.

To this end, Clariant is continuing to pursue the existing corporate strategy, which is based on **four strategic pillars**:

1. Increase profitability
2. Foster Innovation and R&D
3. Intensify growth
4. Reposition portfolio

Clariant intends to meet the target EBITDA margin of 16 – 19 % by 2015 by implementing the following measures:

- Margin increase of 1 – 2 percentage-points by exploiting the new structures and specific efficiency gains already implemented in the Business Areas
- Further potential of 1 – 2 percentage points by further increasing cost awareness in all areas of the Group

The profitability of the existing portfolio will be constantly monitored. Targeted bolt-on acquisitions to expand the value chain, feed into the product pipeline, and enhance the company's regional presence are still being pursued.

Alongside its margin target, Clariant has defined further **performance indicators** for 2015 and beyond, by which the company will measure itself:

TARGET	
Organic sales growth	**> global GDP growth**
EBITDA* margin range	**16 – 19 % (2015 and beyond)**
ROIC	**> peer group average**

* before exceptional items

Profitable growth beyond 2015

Clariant has already aligned its strategy well beyond 2015 and is aiming for sustainable and profitable growth. The company will promote four central growth drivers:

- The ability to anticipate and respond to current and future customer needs,
- A high degree of competence in developing innovations and technology platforms for customers,
- An investment focus on emerging areas within specialty chemicals, and
- Ongoing, strict cost discipline.

THE EXECUTIVE COMMITTEE

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

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

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

—
MATHIAS LÜTGENDORF
Responsibilities:
Emulsions, Detergents & Intermediates, Industrial & Consumer Specialties, Leather Services, Oil & Mining Services, Paper Specialties, Textile Chemicals Business Units, Purchasing, Logistics, Operational 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 Ordinance Against Excessive Compensation in Listed Stock Corporations, 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, 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 188 to 191).

The Group conducts its business through seven Business Units: Additives, Catalysts, Functional Minerals, Industrial & Consumer Specialties, Masterbatches, Oil & Mining Services and Pigments. Which are reported in four Business Areas. 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). Until 30 October 2013, the company also owned 75 % of Clariant (Pakistan) Ltd, based in Karachi, Pakistan, and listed on the Karachi Stock Exchange (ISIN PK007670101) at which time the entire participation in Clariant (Pakistan) Ltd was divested as part of the divestment of the Textile Chemicals, Paper Specialties and Emulsion businesses to SK Capital (see page 49 and page 85).

Significant shareholdings of 3 % or more of total share capital

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2013 the following shareholders held more than 3 % of voting rights in Clariant:

Shareholders	Voting rights
Dr. Dolf Stockhausen 6373 Ennetbürgen (Switzerland) and Konstantin Winterstein, 80333 München (Germany) (Lock-up Group II) [1]	4.11 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld 1, 82064 Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld 1, 82064 Grossdingharting (Germany) [2]	3.73 %
Credit Suisse Funds AG, Zurich (Switzerland)	3.28 %
UBS Funds Management (Switzerland) AG, Basel (Switzerland)	3.09 %

1 Dr. Dolf Stockhausen, 6373 Ennetbürgen, Switzerland, and Konstantin Alfred Winterstein, 80333 München, Germany, form a lock-up group and held 4.11 % as at 31 December 2013. The lock-up group was formed in connection with the acquisition of the Süd-Chemie AG by Clariant in April 2011 and will expire on 18 April 2014.

2 According to a disclosure notification published on 18 January 2013, a group consisting of Konstantin Winterstein, 80333 München, Germany and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 München, Germany holds 3.73 % partially through Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany).

Disclosure notifications during the financial year 2013 notified to the Stock Exchange Disclosure Office pursuant to Art. 20 of the Stock Exchange Act can be found on the SIX Swiss Exchange reporting platform: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html

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 were affiliated with each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

According to a disclosure notification to SIX Exchange Regulation dated 21 October 2013, they are no longer considered a single group any more.

According to a new disclosure notice to SIX Exchange Regulation dated 11 February 2014 former shareholders of Süd-Chemie AG formed a group again, holding 13.3 % of Clariant shares.

CROSS-SHAREHOLDINGS

There are no cross-shareholdings.

CAPITAL STRUCTURE

Capital

As of 31 December 2013, the fully paid nominal share capital of Clariant Ltd totaled CHF 1 228 175 036.30 and was divided into 331 939 199 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 16.31 on 31 December 2013, the company's market capitalization at year-end amounted to CHF 5 414 million.

Conditional capital

A CHF 300 million senior unsecured convertible bond was issued on 2 July 2009 with a conversion price of CHF 8.29 and a coupon of 3 % per annum and maturing on 7 July 2014. On 31 December 2012, the conditional capital consisted of 39 998 831 shares, thereof 36 186 971 allocated to this CHF 300 million senior unsecured convertible bond. As a consequence of the company making use of its rights under an issuer call option the bond was subsequently converted into equity, the company's conditional capital was reduced by 36 186 971 shares, hence the company's share capital may be increased by no more than CHF 14 103 978.20 by issuing the remaining 3 811 886 registered shares each with a par value of CHF 3.70. 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

Distribution of capital reserves

In the 2013 calendar year, a distribution of CHF 0.33 per share from capital reserves was decided by the Annual General Meeting. The total amount of CHF 105 173 516.58 was paid out on 4 April 2013. A table with additional information on the distribution of capital reserves can be found on page 158 (Note 15) of this Annual Report.

Transferability of shares

The transfer of registered shares requires the approval of the Board of Directors, that 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 on 2 July 2009, maturing 9 July 2014, which was early redeemed and converted into equity in March 2013.

After the Clariant option program for employees was discontinued for financial reasons in 2009, options were once again issued in 2010, 2011 and 2012. This option program was terminated in 2013. Details of the option program can be found on page 183 (Note 29, »Employee Participation Plans«)

Further information on the Clariant share can be found on page 91 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 18th Annual General Meeting held in Basel on 26 March 2013, Prof. Peter Chen was reelected for a term of three years.

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 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: member of the Board of Trustees of Avenir Suisse and till September 2013 he served as Chairman of the economic umbrella organization »economiesuisse«.

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 2004 he became CEO of the Management Board of Süd-Chemie AG in Munich and held this position until 31 March 2012.

On 1 April 2012, Mr. von Au joined the Board of Directors at Clariant Ltd and has, since then, acted as Vice Chairman of the Board of Directors.

Other activities: Member of the Supervisory Board of Bayernwerk AG; member of the Advisory Committee of Gebr. Röchling KG; member of the Shareholder Committee at Pfeifer & Langen KG, Cologne; Chairman of the Board of Directors of the Bavarian Chemical Industry Association, Munich; member of the Senate of the Fraunhofer Society and Vice President of the German Institute of Economic Research in Cologne.

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 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 has been a member of the Board of Directors of Clariant Ltd since April 2008 and became CEO of Clariant on 1 October 2008.

Other activities: Board of Directors / Supervisory Board mandates: Plansee AG.

Activities on behalf of companies and representative functions: Member of the Board of Trustees of ETH Foundation Zürich; Member of the Board of Trustees of Aventis Foundation, Frankfurt; Member of the Executive Committee of scienceindustries; Member of the Board of CEFIC (European Chemical Industry Council) and Member of its Executive Committee and Chairman of the Product Stewardship Program Council; Member of the Board of ICCA (International Council of Chemical Associations).

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. He has been a member of the Board of Directors of Clariant Ltd since 2006.

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 and since 2013 also member of the Executive Board; 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 for a LL.M. 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. He has been a member of the Board of Directors of Clariant Ltd since 2004.

Other activities: Board of Directors mandates: Schulthess Group AG, Bubikon, and other smaller companies.
Activities on behalf of companies and representative functions: Member of the Board of Trustees of the University of Zurich Foundation.

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. He has been a member of the Board of Directors of Clariant Ltd since 2008.

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). He has been a member of the Board of Directors of Clariant Ltd since 2008.

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.«). He has been a member of the Board of Directors of Clariant Ltd since 2011.

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 in 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. He has been a member of the Board of Directors of Clariant AG since 2011.

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 have so far been elected for terms of up to three years. As of 2014 all members of the Board of Directors will stand for reelection for one year terms as a consequence of the implementation of the Ordinance Against Excessive Compensation in Stock Listed Corporations. In addition, the Chairman of the Board of Directors of Clariant Ltd as well as the members of the Compensation Committee will be elected individually for a term of one year by the Annual General Meeting. Only the members of the Board of Directors are eligible.

Board of Directors	Year of birth	First elected	Elected until
Peter R. Isler	1946	2004	2014
Peter Chen	1960	2006	2016
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 2010 and 2013 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
  (elected by the Annual General Meeting as of 1 January 2014)
- Audit Committee
- Technology and Innovation Committee

BOARD OF DIRECTORS – COMMITTEE RESPONSIBILITIES

Member of the Board of Directors	Chairman's Committee	*	Audit Committee	*	Compensation Committee	*	Technology and Innovation Committee	*
Rudolf Wehrli	■ since 27 March 2012	5			▪ since 10 April 2008	4		
Peter Chen							■ since 7 April 2006	4
Peter R. Isler	▪ since 27 March 2012	5	■ since 27 March 2012	7				
Dominik Koechlin			▪ since 10 April 2008	6	■ since 27 March 2012	3		
Hariolf Kottmann								
Carlo G. Soave	▪ since 27 March 2012	3			▪ since 27 March 2012	4	▪ since 10 April 2008	4
Dolf Stockhausen							▪ since 27 March 2012	4
Konstantin Winterstein			▪ since 27 March 2012	6				
Günter von Au	▪ since 27 March 2012	5					▪ since 27 March 2012	4

■ Chairman
▪ Member
*= Number of meetings attended in 2013

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	5	4 – 8	Yes	
Audit Committee	7	3 – 4	CFO	Auditors, Risk Management, Internal Audit and General Counsel
Compensation Committee	4	2 – 3	No	Head of Group Human Resources
Technology and Innovation Committee	4	3	CEO	Head of Technology

The **Board of Directors** appoints the Chairman 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.
As of January 2014 the Annual General Meeting elects the Chairman of the Board of Directors as well as all members of the Compensation Committee.

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 reelection 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. The majority of the members shall be non-executive members of the Board of Directors. The CoC meets at least three times 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 and dismissal regulations with the CEO, members of the EC, Heads of Global Functions and Global Business Units, and Regional Presidents.
www.clariant.com/committees.

As of January 2014 the members of the Compensation Committee will be individually elected for a one year term by the Annual General Meeting. The responsibilities and duties of the CoC will be amended to the Articles of Association upon approval of the Annual General Meeting on 24 March 2014.

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 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 of the Group;
- 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 2013 the Board of Directors held six meetings in person at the Corporate Center in Pratteln or at other locations, mainly in Switzerland, and also three meetings by phone. All nine board meetings were attended by all board members. 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 September meeting the Board of Directors met in Murten, Switzerland, and for the October meeting, the Board of Directors visited the Tarragona site in Barcelona, Spain. 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 seven 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 reporting of financial information, an internal team reviews the information 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 112 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 2013, 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 member of the Executive Committee and Head of the Organic Chemicals BU. In April 2001, he was appointed 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 Corpora-

tion. 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 member of the DyStar management board. On 1 April 2009, he was appointed 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 99.

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.

Compensation, shareholdings and loans
Please refer to the Compensation Report and Note 12 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 114.

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 or by a legal representative, or an independent proxy (unabhängiger Stimmrechtsvertreter), but since January 2014 not anymore by a representative of one of Clariant's governing bodies (Organvertreter) 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 2015 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 20th Annual General Meeting. Items to be included on the agenda – with regard to the 2014 financial year – for the 20th Annual General Meeting on 31 March 2015 must be submitted no later than 13 February 2015. 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 2014 financial year, this applies as of Thursday, 26 March 2015. Shareholders who have been entered into the share register by Wednesday, 25 March 2015, may exercise their right to vote at the Annual General Meeting on 31 March 2015. 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 183 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, 4133 Pratteln, investor-relations@clariant.com, Phone + 41 61 469 67 66, Fax + 41 61 469 67 67.

The results for the 2014 financial year will be published as follows:

- Interim Report on the first quarter of 2014: 30 April 2014
- Interim Report on the first half of 2014: 30 July 2014
- Interim Report on the third quarter of 2014: 30 October 2014

The Annual General Meeting for the 2014 financial year will take place on the following date:

31 March 2015

Weblinks:

Clariant website:
www.clariant.com

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

Adhoc 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 5.9 million for auditing the 2013 financial statements (2012: CHF 6.0 million).

Additional fees

PricewaterhouseCoopers received a total fee of CHF 4.0 million for additional services (2012: CHF 3.0 million). These services comprise audit-related services of CHF 0.3 million, consulting services of CHF 1.5 million and tax services of CHF 2.2 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 reelection. 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 2013 seven joint meetings were held with the external auditor's representatives. These meetings lasted three to four hours on average, and were attended by 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, Service Units, and Regions deliver 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 during meetings with each Business Unit. 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 Business Units, 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, Corporate Sustainability & Regulatory Affaires (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 and issues concerning competitors, 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.

Compensation **REPORT**

The compensation philosophy of Clariant aims at promoting and reinforcing the quality and commitment of its 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 199 to 202, 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 Heads, 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 related issues with the CEO, members of the EC, Heads of Global Functions, Global Business Units and Regional Heads.

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 2013, the CoC met four 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.

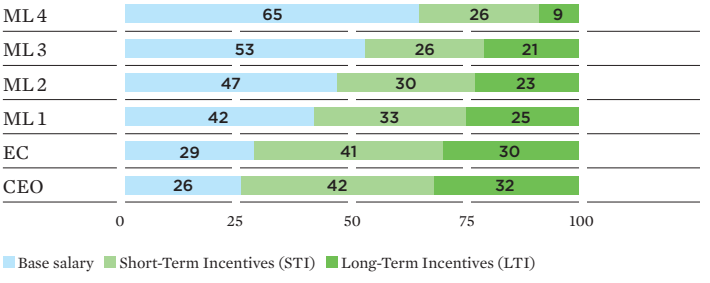
POSITIONING STATEMENT

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

b) The structure of total remuneration should be highly performance- and success-oriented in order to ensure that shareholder and management interests are aligned. Clariant also defines in the global pay mix that with increasing responsibilities also the part for Short-Term and Long-Term Incentives will be increased. Success, in terms of bonus payouts, will generally be measured only in relevant financial Group Performance Indicators. Only if Clariant is successful can profits be shared with our employees. Details are 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.

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



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.

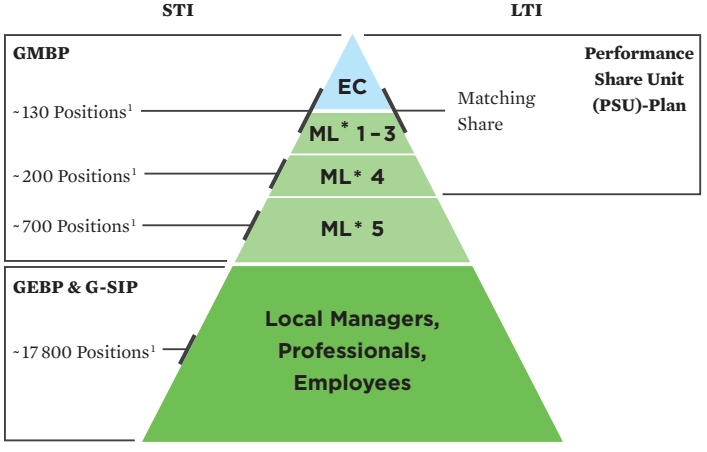
In order to uphold these principles, the CoC analyzes and discusses market developments at regular intervals and considers the implications of these developments for Clariant. The new articles – which will be proposed to the AGM 2014 – will therefore reflect Clariant's commitment to market practice.

3. Overview of existing bonus plans

During the last four 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:

BONUS LANDSCAPE of Clariant



[1] Number of positions as at 31.12.2013
*ML: Management Level

STI: Short-Term Incentive Plans (cash bonus)

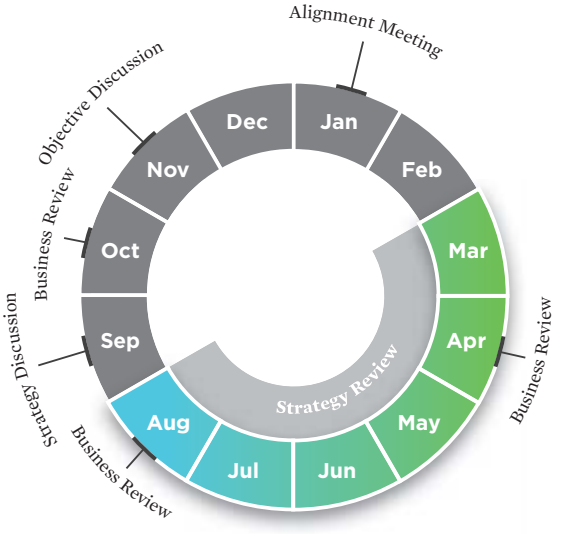
a) Group Management Bonus Plan (GMBP) – started in 2010
b) Group Employee Bonus Plan (GEBP) – started in 2010 / 2011
c) Global Sales Incentive Program (G-SIP) – started in 2011

LTI: Long-Term Incentive Plans

a) Performance Share Unit (PSU) Plan – newly introduced in 2013
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 –started in 2012

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.

GENERIC PERFORMANCE CYCLE of Clariant



3.1. Short-Term Incentive Plans (cash bonus)

a) The **Group Management Bonus Plan (GMBP)** is 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 the Group; financial results of Business Units; and defined top priorities (Group Performance Indicators and strategic projects).

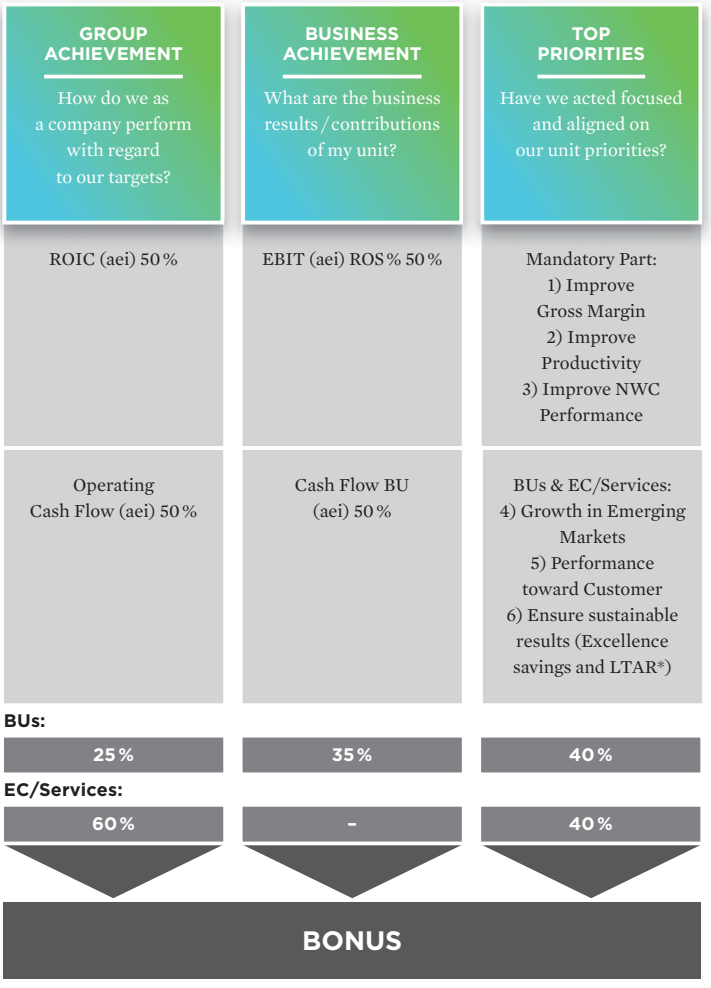
As Clariant Performance Cycle agreements with each Business Unit lead to challenging business-specific target settings, and in order to exclude any »windfall profiting« or »hidden buffers«, the maximum bonus payout is explicitly capped at 100 % (= target). These target settings have been defined in the fourth quarter of 2012 and there was no change and no amendment during the year. 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.

The bonus-relevant achievement for 2013:

- Group Achievement: 100 %
- BU Achievements: 82 % to 100 %
- Top Priorities: 40 % to 100 %

The corresponding bonus payout for continued businesses ranges between 71 % and 100 %.

GMBP 2013 – Three pillars to balance Bonus Plan



Measurement ■ Percentage *Example: EC/Services

Glossary:
ROIC = Return on invested capital
EBIT = Earnings before interest & tax
aei = After exceptional items
ROS % = Return on Sales in %
NWC = Net working capital
BUs = Business Units
LTAR = Lost Time Accident Rate

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. Since 2012, an 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 started, and already in 2012, approximately 1 100 employees from every region were included. Employees can participate only in one global bonus plan (G-SIP or GMBP / GEBP).

3.2. Long-Term Incentive Plans

Clariant uses equity-based income components for approximately 330 of its senior managers worldwide (EC and ML 1 – 4).

a) The **Performance Share Unit (PSU)** Plan was newly introduced in 2013 for all senior managers and replaced the former Tradable Option Plan (**»TOP@Clariant«**). Key objective is a strong commitment to a higher profitability for Clariant and therefore to achieve our 2015 strategic targets.

The term of Clariant's Performance Share Unit Plan is a three year vesting period. The vesting is conditional upon achievement of the performance target (check in 2016). The relevant underlying Key Performance Indicator is EBITDA bei (before exceptional items) in % of sales and the performance target is to be **at or above median** of a defined peer group. If vesting and performance targets are achieved, 1 PSU will be converted to one Clariant share. The first PSUs were granted on 1 September 2013 and in Summer 2016 performance criteria will be checked (vesting in September 2016).

Membership is limited to the Executive Committee and selected senior managers of ML 1 – 4 (approximately 1.7 % of employees). Eligible participants will receive a fixed number of PSUs, in accordance with an underlying share price defined over a 10 days trading period. Eligibility and endowment will be reviewed each year that the scheme is in operation. For 2013, it was decided in March to grant PSUs for 2013. The underlying share price was CHF 13.74. The grant was endorsed on 1 September 2013.

If an employee should voluntarily leave Clariant before the vesting period (three years) expires, all rights to shares which have not yet been transferred at that point in time become invalid. In case of retirement, disability or death of the participant, the employees (respectively the estate and /or heirs of the participant in case of death) will receive an immediate vesting on a pro-rata basis, in accordance with published regulations. The vested PSUs remain subject to the performance condition and will be allocated only at the end of the vesting period.

LIST OF RELEVANT PEERS		
WR Grace	Du Pont	Schulman
EMS	Symrise	H & R
Lanxess	Sherwin Williams	Borealis
ICL	Altana	Dow
Celanese	Solvay	Shinetsu
Croda	Umicore	Akzo
Rockwood	West Lake Chem	DSM
Lyondell Basell	LG Chemicals	Wacker
BASF	Huntsman	Lonza
Albermarle	HB Fuller	Braskem
Evonik	Eastman	DIC
Polyone	Cytec	Ashland
PPG	AZ Electronics	Kraton
Honeywell	Omnova	Mitsui
Johnson Matthey	Chemtura	Kemira
Axiall	Mitsubishi	Ferro
Valspar	Cabot	

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 have to invest part 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.

For the performance year 2013 no more guarantee of variable pay (out of the GMBP) is granted, because after the initial phase 2010 to 2012 new participants will now have six years to catch up to the required investment thresholds.

Under the plan, eligible senior managers are entitled to receive a certain fixed percentage (investment quota of 20 %) of their annual cash bonus for the respective bonus year in the form of investment shares. 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 (with minimum level at 40 % of target cash bonus) and the eligibility to participate in any Long-Term Incentive Programs (including PSU Plan).

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 share plan introduced in 2012 allocates shares of Clariant Ltd to members of the Board of Directors. 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	CHF 100 000
Vice Chairman	CHF 150 000
Chairman of the Board	CHF 200 000

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 2013.

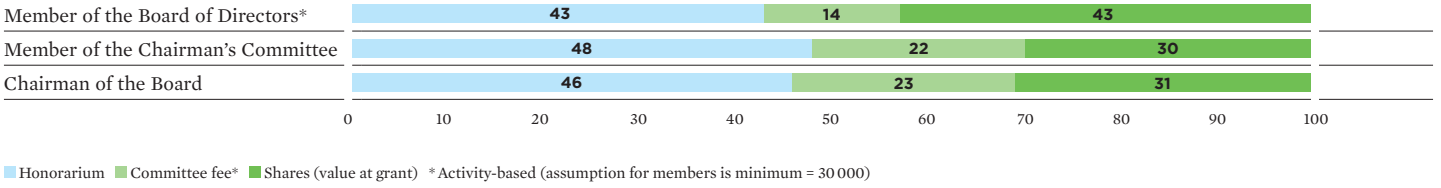
According to the aforementioned guidelines, remuneration of members of the Board of Directors is made up of the following components:

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

Since the performance year 2012, the Board of Directors has decided to abandon option-based compensation for non-executive directors. It was 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 1 April 2012, which focuses more on a stronger acknowledgment of responsibilities and activities inside the committees.

The following graph illustrates the relative structure of the three components for 2013:

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



ANNUAL COMPENSATION OF THE BOARD OF DIRECTORS (STRUCTURAL OVERVIEW ONLY) in CHF

	Chairman of the Board	Vice Chairman of the Board	Member of the Board of Directors	**Total 2013**	Total 2012
Cash compensation					
Honorarium[1]	300 000	200 000	100 000	**1 100 000**	1 225 000
Committee fee[1]	According to individual activity (see table below)			**730 000**	612 500
Social contribution					
Relevant amount	According to individual situation[2]				
Shares					
Value (at grant)	200 000	150 000	100 000	**950 000**	950 000

[1] The fees are paid in cash, in equal parts in March and September.

[2] Actual details 2013 see table page 122

COMMITTEE FEE

	Chair	Member
Chairman's Committee	120 000	60 000
Audit Committee	80 000	40 000
Compensation Committee	60 000	30 000
Technology & Innovation Committee	60 000	30 000

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 (IFRS2) in CHF

	Rudolf Wehrli	Günter von Au	Peter Isler	Peter Chen	Dominik Koechlin	Carlo G. Soave	Hariolf Kottmann[1]	Dolf Stockhausen	Konstantin Winterstein	Former BoD[2]	**Total 2013**	Total 2012
Cash compensation												
Honorarium	300 000	200 000	100 000	100 000	100 000	100 000	0	100 000	100 000	–	**1 100 000**	1 225 000
Committee fee	150 000	90 000	140 000	60 000	100 000	120 000	0	30 000	40 000	–	**730 000**	612 500
Social contribution												
Relevant amount	43 053	29 742	20 242	19 017	20 889	22 307	0	12 993	0	–	**168 243**	128 468
Options/shares												
Fair value (IFRS)	215 627	150 002	112 501	112 501	112 501	112 501	0	100 001	100 001	–	**1 015 635**	1 296 978
Total 2013 (Fair value allocation to 2013 accord. IFRS2)	708 680	469 744	372 743	291 518	333 390	354 808	0	242 994	240 001	–	**3 013 878**	
Total 2012 (Fair value allocation to 2012 accord. IFRS2)	663 975	340 848	352 812	302 504	328 223	343 932	0	209 831	210 006	510 815		3 262 946

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	Former BoD[2]	**Total 2013**	Total 2012
Total 2013 (Total fair value at grant date in 2012)	693 053	469 742	360 242	279 017	320 889	342 307	0	242 993	240 000	–	**2 948 243**	
Total 2012 (Total fair value at grant date in 2011)	638 971	378 348	318 416	268 108	293 827	309 536	0	234 825	235 000	238 937		2 915 968

[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

Please find on the opposite page 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 2013[3]	Number of shares granted for 2012[4]	Number of shares within vesting period for 2013	Number of shares within vesting period for 2012	Number of privately held shares for 2013	Number of privately held shares for 2012
Rudolf Wehrli	12 500	14 384 (correction of 16 667)	0	0	26 874	12 490
Günter von Au	9 375	10 788 (correction of 12 500)	0	0	18 288	7 500
Peter Isler	6 250	7 192 (correction of 8 334)	0	0	56 746	29 554
Peter Chen	6 250	7 192 (correction of 8 334)	0	0	12 923	5 931
Dominik Koechlin	6 250	7 192 (correction of 8 334)	0	0	18 292	11 100
Carlo G. Soave	6 250	7 192 (correction of 8 334)	0	0	22 292	15 100
Hariolf Kottmann	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]
Dolf Stockhausen	6 250	7 192 (correction of 8 334)	0	0	11 783 396	11 776 204
Konstantin Winterstein	6 250	7 192 (correction of 8 334)	0	0	5 985 040	5 000
Total	**59 375**	**68 324 (correction of 79 171)**	**0**	**0**	**17 923 851**	**11 862 879**

OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of options granted for 2013	Number of options granted for 2012	Number of options within vesting period for 2013	Number of options within vesting period for 2012	Number of privately held options for 2013	Number of privately held options for 2012
Rudolf Wehrli	0	0	0	30 120	61 870	71 750
Günter von Au	0	0	0	0	0	0
Peter Isler	0	0	0	24 096	47 946	43 850
Peter Chen	0	0	0	24 096	47 946	43 850
Dominik Koechlin	0	0	0	24 096	47 946	43 850
Carlo G. Soave	0	0	0	24 096	47 946	43 850
Hariolf Kottmann	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]
Dolf Stockhausen	0	0	0	0	[0]	0[2]
Konstantin Winterstein	0	0	0	0	0	0
Total	**0**	**0**	**0**	**126 504**	**253 654**	**247 150**

[1] See EC overview on page 127. [2] Ownership of 20 700 options to sell [3] Number of shares will be defined in March 2014. Underlying assumption here is a share price of CHF 16.00. [4] Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 12.00. Final allocation of shares with CHF 13.905, therefore the numbers of shares are different.

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 199 – 202.

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 2013 we conducted selected market benchmarks regarding the chemical peers for the EC and the Board of Directors and enlarged our survey activities for all global positions around the world. In our Individualized Chemical Benchmark analysis, we focused on companies which are defined in our relevant peer group of the newly introduced Performance Share Unit (PSU) Plan (see page 118).

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

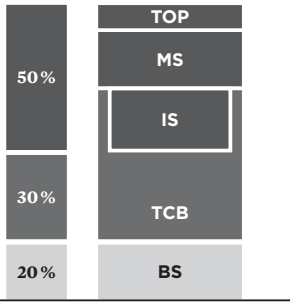
The bonus amounts of the total compensation packages are paid out in relation to the achieved results for a particular financial year. The actual bonus amounts may vary between zero and target (= 100 %) values in the financial year in question.

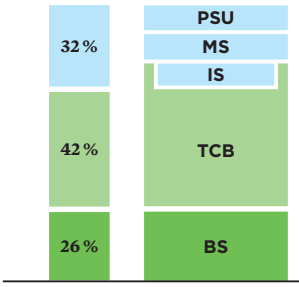
Base salary and variable remuneration

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, Performance Share Unit Plan and the GSM-LTIP.

REMUNERATION STRUCTURE of the Clariant Executive Committee

CEO COMPENSATION

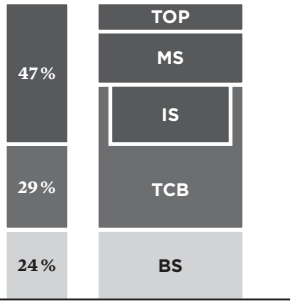


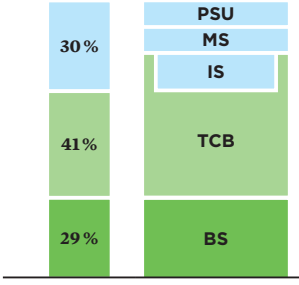


TOP	CHF 500 000
MS	CHF 1 000 000
TCB, thereof IS (40 % Invest)	CHF 2 500 000 (CHF 1 000 000)
BS	CHF 1 000 000

PSU	CHF 500 000
MS	CHF 480 000
TCB, thereof IS (20 % Invest)	CHF 2 400 000 (CHF 480 000)
BS	CHF 1 200 000

EC COMPENSATION





TOP	CHF 250 000
MS	CHF 560 000
TCB, thereof IS (40 % Invest)	CHF 1 400 000 (CHF 560 000)
BS	CHF 700 000

PSU	CHF 250 000
MS	CHF 280 000
TCB, thereof IS (20 % Invest)	CHF 1 400 000 (CHF 280 000)
BS	CHF 800 000

Legend:

BS = Base salary

TCB = Target Cash Bonus

IS = Investment Share
investment (mandatory 20 %) from actual cash Bonus into three years blocked shares (value at grant)

MS = Matching Shares
1:1 match of investment shares after three years vesting period (value at grant)

TOP = Tradable Option Plan
Two years vesting period (value at grant)

PSU = Performance Share Unit
Three years vesting period with defined performance hurdle (value at grant)

As an outcome of the benchmarking exercise, the remuneration structure of the EC was adjusted in 2013 (after a fixation of terms in 2011 and 2012) to the following general structure. Key trigger was a shift inside the pay-mix (see chart above). For 2014 the proposals to AGM on the CEO and EC compensation will be again lower.

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 642 400 per annum. The maximum insured income under the pension plans therefore stands at CHF 842 400 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 target 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). Although the performance target was achieved the CEO voluntarily waived the second special payment in 2013.

During the year 2013, there was no personnel change within the Executive Committee.

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 (IFRS2)

	Hariolf Kottmann	Others	**Total 2013** (CHF) (fair value allocation to 2013 accord. IFRS2)	**Total 2012** (CHF) (fair value allocation to 2012 accord. IFRS2)
Base salary	**1 200 000**	**2 400 000**	**3 600 000**	**3 450 000**
Cash bonus[1]	**1 766 400**	**3 091 200**	**4 857 600**	**4 153 600**
Share-based bonus[1]				
Fair value (IFRS)	1 157 257	1 959 602	3 116 859	4 258 416
Option-based bonus				
Fair value (IFRS)	312 540	468 810	781 350	1 252 222
Other benefits[2]	1 816 146	1 272 021	3 088 167	2 380 349
Total	**6 252 343**	**9 191 633**	**15 443 976**	**15 494 587**
Exceptional compensation				
Other cash payments	0	0	0	1 500 000
Payments to leaving members of the Executive Committee	0	0	0	2 397 000
Total	**6 252 343**	**9 191 633**	**15 443 976**	**19 391 587**

ANNUAL COMPENSATION TO THE MEMBERS OF THE EXECUTIVE COMMITTEE (TOTAL FAIR VALUE AT GRANT)*

	Hariolf Kottmann	Others	**Total 2013** (CHF) (Total fair value at grant date in 2013)	**Total 2012** (CHF) (Total fair value at grant date in 2012)
Base salary	**1 200 000**	**2 400 000**	**3 600 000**	**3 450 000**
Cash bonus[1]	**1 766 400**	**3 091 200**	**4 857 600**	**4 153 600**
Share-based bonus[1]				
Fair value at Grant	1 322 421	2 197 895	3 520 316	4 583 608
Option-based bonus				
Fair value at Grant	0	0	0	1 500 240
Other benefits[2]	1 816 146	1 272 021	3 088 167	2 380 349
Total	**6 104 967**	**8 961 116**	**15 066 083**	**16 067 797**
Exceptional compensation				
Other cash payments	0	0	0	1 500 000
Payments to leaving members of the Executive Committee	0	0	0	2 397 000
Total	**6 104 967**	**8 961 116**	**15 066 083**	**19 964 797**

[1] Mandatory to invest 20 % of cash bonus into shares. Cash bonus displayed is already without the mandatory investments, which are included in the share-based bonus.
Assumptions: share price at grant = CHF 16 (not fixed yet, final share price will be fixed in April 2014 and therefore the numbers of shares can change); cash bonus payout = 92 %

[2] Other benefits include contributions to pension funds and accrued pension benefits (65 %) and social security (35 %).

* Further details for Executive Committee members are displayed in Note 12 on pages 199 – 202. Financial statement of Clariant Ltd

EXPLANATION OF NUMBERS OF SHARES GRANTED

	Hariolf Kottmann	Patrick Jany	Christian Kohlpaintner	Mathias Lütgendorf	**Total**
Number of investment shares[2]	27 600	16 100	16 100	16 100	**75 900**
Number of matching shares[2]	27 600	16 100	16 100	16 100	**75 900**
Number of performance share units	36 391	18 196	18 196	18 196	**90 979**
Total number of shares	91 591	50 396	50 396	50 396	**242 779**

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of shares granted for 2013[2]	Number of shares granted for 2012[1]	Number of shares within vesting period for 2013	Number of shares within vesting period for 2012	Number of privately held shares for 2013	Number of privately held shares for 2012
Hariolf Kottmann	91 591	134 106 (correction of 146 668)	205 489	186 045	521 098	554 045
Patrick Jany	50 396	75 100 (correction of 82 134)	114 559	75 613	221 880	167 530
Christian Kohlpaintner	50 396	75 100 (correction of 82 134)	114 559	58 813	158 019	130 469
Mathias Lütgendorf	50 396	75 100 (correction of 82 134)	114 559	74 563	305 613	252 313
Total	**242 779**	**359 406 (correction of 393 070)**	**549 166**	**395 034**	**1 206 610**	**1 104 357**

OPTIONS HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of options granted for 2013	Number of options granted for 2012	Number of options within vesting period for 2013	Number of options within vesting period for 2012	Number of privately held options for 2013	Number of privately held options for 2012
Hariolf Kottmann	0	263 200	263 200	383 682	263 382	270 900
Patrick Jany	0	131 600	131 600	191 841	290 241	330 000
Christian Kohlpaintner	0	131 600	131 600	191 841	50 241	40 000
Mathias Lütgendorf	0	131 600	131 600	191 841	120 241	60 000
Total	**0**	**658 000[3]**	**658 000**	**959 205**	**724 105**	**700 900**

[1] Correction needed due to adjustments of final share price at grant: Allocation of shares with CHF 13.12. IFRS booking done with CHF 13.12 (investment shares) and CHF 12.17 (matching shares), therefore the numbers of shares and IFRS cost allocation are slightly different.

[2] Number of shares only estimated (underlying assumption CHF 16 per share and 92 % bonus payout), will need correction in next year's Annual Report.

[3] Excludes 131 600 options granted for Hans-Joachim Müller in 2012.

Consolidated Financial Statements
OF THE CLARIANT GROUP

CONSOLIDATED BALANCE SHEETS

at 31 December 2013 and 2012	Notes [1]	**31.12.2013** in CHF m	in %	31.12.2012 [2] in CHF m	in %	01.01.2012 [2] in CHF m	in %
Assets							
Non-current assets							
Property, plant and equipment	5	2041		2103		2494	
Intangible assets	6	1549		1584		1786	
Investments in associates and joint ventures	7	608		572		563	
Financial assets	8	27		17		28	
Prepaid pension assets	17	43		–		–	
Deferred income tax assets	9	245		308		273	
Total non-current assets		**4513**	**55.2**	**4584**	**48.4**	**5144**	**56.9**
Current assets							
Inventories	10	846		887		1151	
Trade receivables	11	905		857		1134	
Other current assets	12	482		346		341	
Current income tax receivables		60		35		41	
Near cash assets	13	147		295		35	
Cash and cash equivalents	14	770		1372		1199	
Total current assets		**3210**	**39.3**	**3792**	**40.1**	**3901**	**43.1**
Assets held for sale	**22**	**451**	**5.5**	**1091**	**11.5**	**2**	**–**
Total assets		**8174**	**100.0**	**9467**	**100.0**	**9047**	**100.0**
Equity and liabilities							
Equity							
Share capital	15	1228		1094		1183	
Treasury shares (par value)	15	–49		–59		–51	
Other reserves		881		979		1047	
Retained earnings		654		566		497	
Total capital and reserves attributable to Clariant shareholders		**2714**		**2580**		**2676**	
Non-controlling interests		66		86		93	
Total equity		**2780**	**34.0**	**2666**	**28.2**	**2769**	**30.6**
Liabilities							
Non-current liabilities							
Financial debts	16	1830		2444		1835	
Deferred income tax liabilities	9	120		180		296	
Retirement benefit obligations	17	669		814		737	
Provision for non-current liabilities	18	223		206		257	
Total non-current liabilities		**2842**	**34.8**	**3644**	**38.4**	**3125**	**34.5**
Current liabilities							
Trade and other payables	19	1227		1178		1327	
Financial debts	20	589		1032		1139	
Current income tax liabilities		274		339		323	
Provision for current liabilities	18	334		365		364	
Total current liabilities		**2424**	**29.7**	**2914**	**30.8**	**3153**	**34.9**
Liabilities directly associated with assets held for sale	**22**	**128**	**1.5**	**243**	**2.6**	**–**	**–**
Total liabilities		**5394**	**66.0**	**6801**	**71.8**	**6278**	**69.4**
Total equity and liabilities		**8174**	**100.0**	**9467**	**100.0**	**9047**	**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 2013 and 2012

	Notes [1]	2013 in CHF m	in %	2012 [2] in CHF m	in %
Sales	21	6 076	100.0	6 038	100.0
Costs of goods sold		– 4 332		– 4 293	
Gross profit		**1 744**	**28.7**	**1 745**	**28.9**
Selling, general and administrative costs		– 1 034		– 1 077	
Research and development		– 199		– 175	
Income from associates and joint ventures	7	63		48	
Gain from the disposal of activities not qualifying as discontinued operations	23	19		4	
Restructuring, impairment and transaction related costs	25	– 123		– 134	
Operating income		**470**	**7.7**	**411**	**6.8**
Finance income	26	14		22	
Finance costs	26	– 139		– 198	
Income before taxes		**345**	**5.7**	**235**	**3.9**
Taxes	9	– 22		– 32	
Net result from continuing operations		**323**	**5.3**	**203**	**3.4**
Attributable to:					
Shareholders of Clariant Ltd		306		190	
Non-controlling interests		17		13	
Net result from discontinued operations	**22**	**– 318**		**25**	
Attributable to:					
Shareholders of Clariant Ltd		– 326		17	
Non-controlling interests		8		8	
Net income/loss		**5**		**228**	
Attributable to:					
Shareholders of Clariant Ltd		– 20		207	
Non-controlling interests		25		21	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	27	0.98		0.68	
Discontinued operations	27	– 1.04		0.06	
Total		**– 0.06**		**0.74**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	27	0.98		0.64	
Discontinued operations	27	– 1.04		0.05	
Total		**– 0.06**		**0.69**	

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

[2] restated – see note 1.03

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2013 and 2012	Notes [1]	**2013** in CHF m	2012 [2] in CHF m
Net income		**5**	**228**
Other comprehensive income:			
Remeasurements:			
Actuarial gain/loss on retirement benefit obligations	17	51	– 240
Return on retirement benefit plan assets, excluding amount included in interest expense	17	77	92
Deferred tax on remeasurements	9	– 32	34
Total items that will not be reclassified to profit and loss		**96**	**– 114**
Net investment hedge	28	– 18	5
Currency translation differences		– 160	– 75
Share of other comprehensive income of associates and joint ventures	7	– 11	–
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		19	– 5
Total items that may be reclassified subsequently to profit and loss		**– 170**	**– 75**
Other comprehensive income for the period, net of tax		**– 74**	**– 189**
Total comprehensive income for the period		**– 69**	**39**
Attributable to:			
Shareholders of Clariant Ltd		– 78	25
Non-controlling interests		9	14
Total comprehensive income for the period		**– 69**	**39**
Total comprehensive income attributable to shareholders of Clariant Ltd arising from:			
Continuing operations		263	48
Discontinued operations		– 341	– 23
Total comprehensive income attributable to shareholders of Clariant Ltd		**– 78**	**25**

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

Changes in fair value of financial assets classified as available for sale amount to less than CHF 1 million in 2013 and 2012.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2013 and 2012

				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 as of 31 December 2011	1183	– 51	1647	– 600	1047	754	2933	93	3026
Effects of restatement						– 257	– 257		– 257
Balance 1 January 2012 [1]	**1183**	**– 51**	**1647**	**– 600**	**1047**	**497**	**2676**	**93**	**2769**
Net income						207	207	21	228
Net investment hedge				5	5		5		5
Remeasurements:									
Actuarial gain/loss on retirement benefit obligation (see note 17)					–	– 240	– 240		– 240
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 17)					–	92	92		92
Deferred tax on remeasurements					–	34	34		34
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities				– 5	– 5		– 5		– 5
Currency translation differences				– 68	– 68		– 68	– 7	– 75
Total comprehensive income for the period [1]	**–**	**–**	**–**	**– 68**	**– 68**	**93**	**25**	**14**	**39**
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]	**1094**	**– 59**	**1647**	**– 668**	**979**	**566**	**2580**	**86**	**2666**
Net income/loss						– 20	– 20	25	5
Net investment hedge				– 18	– 18		– 18		– 18
Remeasurements:									
Actuarial gain/loss on retirement benefit obligation (see note 17)					–	51	51		51
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 17)					–	77	77		77
Deferred tax on remeasurements					–	– 32	– 32		– 32
Share of other comprehensive income of associates and joint ventures (see note 7)					–	– 11	– 11		– 11
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities				19	19		19		19
Currency translation differences				– 144	– 144		– 144	– 16	– 160
Total comprehensive income for the period	**–**	**–**	**–**	**– 143**	**– 143**	**65**	**– 78**	**9**	**– 69**
Increase of share capital (see note 15)	134		150		150		284		284
Dividends to non-controlling interests					–		–	– 15	– 15
Distributions			– 105		– 105		– 105		– 105
Change in non-controlling interests as a result of the disposals					–		–	– 13	– 13
Acquisition of non-controlling interests (see note 15)					–	– 1	– 1	– 1	– 2
Employee share & option scheme:									
Effect of employee services					–	25	25		25
Treasury share transactions		10			–	– 1	9		9
Balance 31 December 2013	**1228**	**– 49**	**1692**	**– 811**	**881**	**654**	**2714**	**66**	**2780**

[1] restated – see note 1.03

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2013 and 2012

	Notes [1]	**2013** in CHF m	2012 [2] in CHF m
Net income		**5**	**228**
Adjustment for:			
Depreciation of property, plant and equipment (PPE)	5	220	255
Impairment and reversal of impairment	25	121	12
Amortization of intangible assets	6	64	61
Impairment of working capital		64	70
Income from associates and joint ventures	7	– 64	– 49
Tax expense		4	43
Net financial income and costs		150	184
Gain from the disposal of activities not qualifying as discontinued operations	23	– 19	– 4
Loss on disposal of discontinued operations	22	307	–
Other non-cash items		– 28	– 9
Total reversal of non-cash items		819	563
Dividends received from associates and joint ventures	7	30	38
Income taxes paid		– 126	– 134
Payments for restructuring		– 133	– 150
Cash flow before changes in net working capital and provisions		**595**	**545**
Changes in inventories		– 111	– 97
Changes in trade receivables		– 163	– 46
Changes in trade payables		103	25
Changes in other current assets and liabilities		– 168	– 113
Changes in provisions (excluding payments for restructuring)		45	154
Cash flow from operating activities		**301**	**468**
Investments in PPE	5	– 292	– 311
Investments in financial assets, associates and joint ventures		– 7	– 1
Investments in intangible assets	6	– 27	– 41
Changes in current financial assets and near cash assets		126	– 256
Sale of PPE and intangible assets		24	17
Acquisition of companies, businesses and participations	24	– 18	– 5
Proceeds from the disposal of discontinued operations	22	293	–
Proceeds from the disposal of activities not qualifying as discontinued operations	23	1	5
Cash flow from investing activities		**100**	**– 592**
Reduction of share capital to the shareholders of Clariant Ltd	15	–	– 84
Distribution from the reserves to the shareholders of Clariant Ltd	15	– 105	–
Acquisition of non-controlling interests	15	– 2	– 12
Purchase of treasury shares		– 17	– 60
Sale of treasury shares		32	4
Proceeds from financial debts		188	1 605
Repayments of financial debts		– 913	– 1 057
Dividends paid to non-controlling interests		– 15	– 15
Interest paid		– 157	– 98
Interest received		15	22
Cash flow from financing activities		**– 974**	**305**
Currency translation effect on cash and cash equivalents		– 29	– 8
Net change in cash and cash equivalents		**– 602**	**173**
Cash and cash equivalents at the beginning of the period	**14**	**1 372**	**1 199**
Cash and cash equivalents at the end of the period	**14**	**770**	**1 372**

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

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 17 February 2014. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 24 March 2014.

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. These affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as 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 outcomes may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant to the consolidated financial statements, are disclosed under note 4.

1.03 – Standards, interpretations and amendments effective in 2013

The Clariant Group adopted for the first time in 2013 the revised IAS 19, Employee Benefits. The application of this revised standard, starting on 1 January 2013, entails the elimination of the corridor approach: all actuarial gains and losses are recognized in the balance sheet immediately with a charge or credit to other comprehensive income, as they occur. Additionally, all past service costs are immediately recognized in the income statement when a plan is amended. Finally, interest costs and expected return on plan assets are replaced by a net interest amount that is calculated by applying the discount rate to the net of the defined benefit liability and the respective pension assets. The impacts of the implementation of the revised IAS 19 can be summarized as follows:

CHF m	Restated	Reported	Change
As of 1 January 2012:			
Total equity	2 769	3 026	– 257
Retirement benefit obligations	737	538	199
Prepaid pension assets	0	139	– 139
Deferred income tax assets	273	192	81
As per 31 December 2012:			
Total equity	2 666	3 040	– 374
Retirement benefit obligations	814	498	316
Prepaid pension assets	0	176	– 176
Deferred income tax assets	308	190	118
Net income 2012	228	238	– 10
Basic earnings per share (total, CHF/share)	0.74	0.77	– 0.03

The 2012 financial statements have been restated accordingly.

Clariant also adopted, starting on 1 January 2013, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. The adoption of these new standards did not have any impact for the Group.

IFRS 12, Disclosures of Interests in Other Entities and IFRS 13, Fair value Measurement were also adopted in 2013 without any significant impact for the Group.

1.04 – Standards, interpretations and amendments not yet effective

Amendment to IAS 36, Impairment of Assets, addresses the disclosure on information about the recoverable amount of impaired assets if that amount is valued at fair value less costs of disposal. This amendment. effective as of 1 January 2014, was early adopted by Clariant in 2013.

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

1.05 – Scope of consolidation

- **Subsidiaries:** Subsidiaries in accordance with IFRS 10, Consolidated Financial Statements are those entities over which the Group has control. This is the case when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These entities are fully consolidated from the date on which the control is transferred to the Group and they are deconsolidated from the date the control ceases, as per the requirements of IFRS 10.

- **Associates:** Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at the acquisition costs and subsequently using the equity method as per IAS 28, Investments in Associates and Joint Ventures.

- **Joint arrangements:** Under IFRS 11, Joint Arrangements, joint arrangements are arrangements over which two or more parties have joint control. Joint control is a contractually agreed sharing of control which exists only when relevant decisions require the unanimous consent of the parties. As per IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Clariant has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method as per IAS 28.

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

1.06 – 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.

1.07 – Revenue recognition

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

1.08 – 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.

1.09 – 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 or production or qualifying property, plant and equipment are capitalized as a part of the costs of these assets.

1.10 – Intangible assets

Goodwill is recognized as per the requirements of IFRS 3, Business Combinations, IAS 38, Intangible Assets and IAS 28, Investment in Associates and Joint Ventures. 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 as follows:

· Technology	3 to 15 years
· Customer relationships	12 to 20 years
· Tradename	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 at the latest. 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 two phases of the registration were completed in 2010 and 2013 respectively, the corresponding costs capitalized as intangible assets are amortized starting from 2011 for the first phase and will be amortized from 2014 for the second phase on a straight-line basis to the income statement over their estimated useful lives of twelve years.

1.11 – Impairment of assets

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

1.12 – 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 of disposal, as per the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

1.13 – 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.

1.14 – Trade receivables

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

1.15 – 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.

1.16 – Derivative financial instruments and hedging

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

1.17 – Leasing

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

1.18 – 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.

1.19 – 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 on 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.

1.20 – Employee benefits

Group companies operate various post-employment schemes, including both defined benefit and defined contribution pension plans, post-employment health care plans and other benefits. Obligations for employee benefits are determined and recorded in line with the requirements of the revised 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 liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the obligation at the end of the reporting period less the fair value of plan assets.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

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 method 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 equity in other comprehensive income in the period in which they arise.

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 service. 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 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.

1.21 – Provisions

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

1.22 – 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 new key 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.

1.23 – 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.

As of 30 September 2013, Clariant divested the Business Units Textile Chemicals, Paper Specialties and Emulsions to SK Capital. On 14 October 2013, Clariant signed an agreement to divest the Detergents & Intermediates business to International Chemical Investors Group (ICIG). And on 30 October 2013, an agreement was signed with the Dutch group Stahl to sell the Leather Services business. For these reasons, since 2012, all these Business Units are reported as discontinued operations in the financial report. Effective 1 January 2013, Clariant has regrouped its seven remaining Business Units (BU) for external reporting purposes into four Business Areas (BA) (reportable segments), in accordance with IFRS 8, Operating Segments:

- Care Chemicals (BU ICS);
- Catalysis & Energy (BU Catalysts, Energy Storage business);
- Natural Resources (BU Oil & Mining Services, BU Functional Minerals);
- Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments);

In addition the Medical Specialties business has been reallocated from BU Functional Minerals to BU Masterbatches. Restatements of the 2012 figures have been made accordingly.

These four business areas have full responsibility for their operating results. The business areas can be described as follows:

The Business Area **Care Chemicals** comprises the Industrial & Consumer Specialties (ICS) BU, food additives as well as the future Industrial Biotechnology business. It demonstrates a clear focus on highly attractive, high margin, and low cyclicality segments. The BA follows a lifestyle-driven megatrend and strengthens Clariant's image of being a supplier of green and sustainable products.

The Business Area **Catalysis & Energy** develops, manufactures, and sells a wide range of catalyst products for the chemical, fuel and automotive industries and produces materials for electric vehicles and energy storage systems. The BA is the smallest within Clariant but is highly profitable with low cyclicality.

The Business Area **Natural Resources** comprising BUs Oil & Mining Services and Functional Minerals, is characterized by high growth and low cyclicality as well as strong megatrend orientation. Main drivers are the rising demand for high-value added specialty chemicals used in the oil, mining, food and packaging industries, and increased consumption of oil, gas and base metals, driven by the fast-growing economies.

The Business Area **Plastics & Coatings** comprises the BUs Additives, Pigments and Masterbatches. The BA has a large exposure to Europe and, as such, is subject to lower growth and to economic cycles. Main drivers are the increasing use of plastics with tailormade properties in applications such as mobile phones, cars, construction, as well as the rising consumption of plastics in line with increasing wealth.

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 areas.

The Group's business areas are operating segments offering 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 operating segments.

Segment revenue is revenue reported in the Group's income statement 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 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).

1.24 – 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.

- **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.

1.25 – 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.

1.26 – Financial debt

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

1.27 – 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 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 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 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 the 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 Union'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 to some extent 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 putting in place the appropriate hedging actions.

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

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 2013.

  At 31 December 2013, if the euro had strengthened/weakened by 5 percent (2012: 5 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 16 million higher/lower (2012: CHF 15 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 from third parties. Equity would have been CHF 54 million lower/higher (2012: CHF 51 million), arising mainly from foreign exchange gains/losses on translation of the euro-denominated hedging instruments.

  At 31 December 2013, if the US dollar had strengthened/weakened by 8 % (2012: 13 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 12 million higher/lower (2012: CHF 20 million) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash and cash equivalents 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 2013 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 2013, 100 % of the net financial debt was at fixed rates (2012: 100 %).
-

- **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 2013 and end of 2012).

  At 31 December 2013, if the euro interest rates on net current financial debt issued at variable interest rates had been 6 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.3 million lower/higher (2012: CHF 3.1 million for a euro interest rate shift of 130 basis points).

Other price risk

With regard to the financial statements as per 31 December 2013 and 2012, 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 deposits of cash and cash equivalents, from entering into derivative financial instruments and from deposits with banks and financial institutions, as well as from 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 2013, the Group had a diversified portfolio with more than 56 000 active credit accounts (2012: 60 000), 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	31.12.2013	31.12.2012
Not due yet	87%	89%
Total overdue	13%	11%
– less than 30 days	11%	8%
– more than 30 days	2%	3%

Net trade receivables per group internal risk category – continuing operations	31.12.2013	31.12.2012
A – low credit risk	24%	28%
B – low to medium credit risk	35%	34%
C – medium to above average risk	29%	19%
D – high credit risk	10%	8%
N – customers awaiting rating*	2%	11%

* 2012 refers to the former Süd-Chemie customers, for which the rating determination process was under harmonization as of end 2012.

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+ (2012: »A+« rated) by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date 72 % (2012: 76 %) of the total cash and cash equivalents were held with six banks, each with a position between CHF 45 and 235 million (2012: between CHF 130 and 250 million). All of these banks are rated »A-« (2012: A) and better.

The table below shows in percent of total cash & 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	31.12.2013
Bank 1	A+	20%
Bank 2	A-	9%
Bank 3	A+	7%

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

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 borowing 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 2013, the Group held money market funds of CHF 355 million (2012: CHF 355 million), thereof money market funds of CHF 147 million with an initial tenor of more than 90 days (2012: CHF 295 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 2013 CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	585	218	1 142	470
Interest on borrowings	80	71	143	22
Finance lease liabilities	2	2	4	23
Trade and other payables	1227	–	–	–
Derivative financial instruments	10	–	–	–

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	–	–

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 2013: CHF 917 million vs. 31 December 2012: CHF 1667 million), uncommitted open cash pool limits and bank credit lines of the Corporate Treasury (31 December 2013: CHF 166 million vs. 31 December 2012: CHF 188 million), additional uncommitted net working capital facilities and through issuance of capital market instruments.

3.2 – Fair value measurement

IFRS 13, Fair Value Measurement, 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).

Valuation methods

As per 31 December 2013, all open transactions of the derivative financial instruments are classified as »Level 2«, concerning the following transactions and valuation methods:

Forward exchange rate contracts: The valuation of forward exchange rate contracts are based on the discounted cash flow model, using observable inputs as interest curves and spot rates.

Exchange rate Options: FX Options are valued based on a Black-Scholes model, using major observable inputs as volatility and exercise prices.

Interest Rate Swap: The valuation of interest rate swap contracts are based on the discounted cash flow model, using observable inputs as interest curves.

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2013 and at 31 December 2012 respectively:

At 31 December 2013 CHF m	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	–	–	–	–
Derivative financial instruments*	–	2	–	2
Total assets	–	2	–	2
Liabilities				
Derivative financial instruments*	–	2	–	2
Total liabilities	**–**	**2**	**–**	**2**

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**

* 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 a capital structure suitable 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.

Invested capital for the Group was as follows on 31 December 2013 and 2012 respectively:

CHF m	**2013**	2012**
Total equity	2 780	2 666
Total current and non-current financial liabilities	2 419	3 476
Estimated operating lease liabilities	417	479
Less cash and cash equivalents and near cash assets *	–917	– 1 667
Cash needed for operating purposes	122	156
Invested capital	**4 821**	**5 110**

* Near cash assets represent deposits over 90 days.
** restated – see note 1.03.

At the end of 2013, 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 Minerals and Catalysis & Energy, for which the recoverable amount is determined using fair value less costs of disposal.

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 – 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 a tax loss 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 (revised), 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 and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 17).

4.5 – 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 notes 1.12 and 22). In distinguishing between the assets and liabilities pertaining to continuing operations and those pertaining to discontinued operations judgment 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. The signed contracts were used as a basis. The allocations made may have to be adjusted when the disposals are actually consummated.

Judgments 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 construction	**Total 2013**
Cost						
As per 1 January	458	1772	2950	355	113	5648
Additions	–	51	66	23	152	292
Acquired in business combinations	–	–	7	–	–	7
Change in the scope of consolidation	–	–5	–9	–1	–3	–18
Reclassifications	3	137	30	10	–180	–
Reclassified to held for sale (see note 22)	–	–7	–11	–	–	–18
Disposals	–	–	–84	–16	–	–100
Exchange rate differences	–6	–46	–32	–22	–6	–112
At 31 December	**455**	**1902**	**2917**	**349**	**76**	**5699**
Accumulated depreciation and impairment						
As per 1 January	–125	–1157	–1987	–261	–15	–3545
Change in the scope of consolidation	–	2	4	1	–	7
Reclassifications	–	–70	70	–	–	–
Disposals	1	–	57	14	–	72
Depreciation	–	–49	–139	–32	–	–220
Impairment	–	–7	–10	–1	–	–18
Reversal of impairment	1	–	–	–	–	1
Exchange rate differences	–2	22	19	6	–	45
At 31 December	**–125**	**–1259**	**–1986**	**–273**	**–15**	**–3658**
Net book value	**330**	**643**	**931**	**76**	**61**	**2041**

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	**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**

Impairment recognized in 2013 and 2012 arose as a result of the restructuring measures and the entailing site closures (see also note 25).

As at 31 December 2013, commitments for the purchase of property, plant and equipment totalled CHF 32 million (2012: CHF 49 million).

As per 31 December 2013 property plant and equipment acquired by way of finance lease with a cost of CHF 31 million (2012: CHF 37 million) and a net book value of CHF 15 million (2012: CHF 18 million) was recorded.

In a number of cases Clariant companies act as lessors in operating lease arrangements. This concerns exclusively land and buildings, mainly in Germany and Switzerland. The net book value of land and buildings subject to such arrangements amounted to CHF 192 million on 31 December 2013. Leasing income in the reporting period amounted to CHF 18 million. Expected minimum lease payments vary between CHF 16 million and CHF 17 million per annum for the next five years and amount to CHF 65 million in total for later periods.

6. Intangible assets

in CHF m	Goodwill	Technology	Customer relation-ships	Trade names	Other	**Total 2013**
Cost						
As per 1 January	1 305	173	184	81	272	2 015
Additions	–	–	–	–	27	27
Acquired in business combinations (see note 24)	14	9	14	–	–	37
Disposals	–	–	–	–	– 2	– 2
Reclassified to held for sale (see note 22)	–	–	– 19	– 12	– 2	– 33
Exchange rate differences	11	– 3	– 1	–	1	8
At 31 December	**1 330**	**179**	**178**	**69**	**296**	**2 052**
Accumulated amortization and impairment						
As per 1 January	– 209	– 31	– 17	– 16	– 158	– 431
Disposals	–	–	–	–	1	1
Reclassified to held for sale (see note 22)	–	–	6	3	–	9
Amortization	–	– 20	– 10	– 9	– 25	– 64
Impairment (see note 25)	–	–	– 23	–	–	– 23
Exchange rate differences	1	1	1	–	2	5
At 31 December	**– 208**	**– 50**	**– 43**	**– 22**	**– 180**	**– 503**
Net book value	**1 122**	**129**	**135**	**47**	**116**	**1 549**

in CHF m	Goodwill	Technology	Customer relation-ships	Trade names	Other	**Total 2012**
Cost						
As per 1 January	1 455	174	188	82	263	2 162
Additions	–	–	–	–	41	41
Acquired in business combinations	–	–	–	–	3	3
Reclassified to held for sale	– 141	–	–	–	– 19	– 160
Exchange rate differences	– 9	– 1	– 4	– 1	– 16	– 31
At 31 December	**1 305**	**173**	**184**	**81**	**272**	**2 015**
Accumulated amortization and impairment						
As per 1 January	– 209	– 13	– 8	– 6	– 140	– 376
Reclassified to held for sale	–	–	–	–	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	**1 096**	**142**	**167**	**65**	**114**	**1 584**

Amortization is allocated to the line in the income statement, which represents the function to which the intangible asset pertains.

As of end 2013, before reclassification to held for sale, other intangible assets include costs in the amount of CHF 49 million (2012: CHF 54 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 Units which are for external reporting purposes reported under the corresponding business areas (reportable segments, see note 1.23).

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2013**	31.12.2012 [2]
Industrial & Consumer Specialties	34	35
Masterbatches [2]	177	177
Pigments	33	19
Functional Minerals [1,2]	161	158
Catalysis & Energy [1]	699	688
Oil & Mining Services	18	19
Leather Services	141	141
Total net book value of goodwill	**1263**	**1237**
Reclassified to held for sale:		
Leather Services	– 141	– 141
Total as reported in the balance sheet	**1122**	**1096**

[1] The CGUs Functional Minerals and Catalysis & Energy were added following the acquisition of Süd-Chemie.

[2] Restated as a result of the reallocation of Medical Specialties business from Functional Minerals to Masterbatches (see note 21)

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. Beyond this five-year period growth in accordance with market growth is assumed. 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 11.78 % for all cash generating units (2012: 11.33 %).

For all CGUs tested with the value-in-use method 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 Minerals and Catalysis & Energy which were joined to the Group with the acquisition of Süd-Chemie, is determined based on fair value less costs of disposal. 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 method for these businesses. The cash flow projections beyond this period are extrapolated using a growth rate of 2.8 % (2012: 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 11.78 % (2012: 11.33 %). Costs of disposal are estimated and are deducted in determining the recoverable amount. The recoverable amount of the CGUs Functional Minerals and Catalysis & Energy exceeds the carrying amount of the net assets allocated to these CGUs.

The estimated recoverable amount of the CGU Functional Minerals on a fair value less costs of disposal basis exceeds its carrying amount including goodwill by CHF 247 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 1.1 %, or alternatively, if the operating margin was reduced by 3.8 % of sales.

Discontinued operations

The estimated recoverable amount of the CGU's classified as discontinued operations was determined on the basis of the sales agreements signed for these Business Units less costs of disposal, which were estimated based on past experience. Based on these calculations, the fair value less costs of disposal of the CGU Leather exceeds its book value. The book value of the CGU Detergents & Intermediates was reduced by CHF 80 million based on this calculation. For further details on discontinued operations, see note 22.

7. Investments in associates and joint ventures

in CHF m	**2013**	2012
As per 1 January	**572**	**563**
Change in the scope of consolidation	4	–
Additions	5	1
Share of profit [1]	64	49
Share of other comprehensive income of associates and joint ventures	– 11	–
Dividends received	– 30	– 38
Exchange rate differences	4	– 3
At 31 December	**608**	**572**
Thereof Joint Ventures	346	333

[1] Thereof CHF 1 million reported under discontinued operations in 2013 and 2012.

The key financial data of the Group's principal associates is as follows:

INVESTMENTS IN ASSOCIATES:

in CHF m	Country of incorporation	Total Assets	Total Liabilities	Revenue	Profit/ (Loss)	Dividends received	Book Value	Interest held %
2012								
Associates:								
Infraserv GmbH & Co. Höchst KG	Germany	1 165	838	1 294	14	– 17	113	32
Infraserv GmbH & Co. Gendorf KG	Germany	263	169	265	18	– 8	47	50
Infraserv GmbH & Co. Knapsack KG	Germany	141	45	205	17	– 3	19	21
Others		177	86	181	22	– 3	60	
Total		**1 746**	**1 138**	**1 945**	**71**	**– 31**	**239**	
2013								
Associates:								
Infraserv GmbH & Co. Höchst KG	Germany	1 250	884	1 174	52	– 8	119	32
Infraserv GmbH & Co. Gendorf KG	Germany	220	119	286	18	– 7	50	50
Infraserv GmbH & Co. Knapsack KG	Germany	161	66	214	15	– 3	19	21
Others		338	202	278	9	– 3	74	
Total		**1 969**	**1 271**	**1 952**	**94**	**– 21**	**262**	

The Infraserv companies were set up by the former Hoechst group to cater to the infrastructure needs of its subsidiaries in Germany prior to 1997. The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products.

On December 31, 2013, accumulated unrecognized losses as at the balance sheet date amounted to less than CHF 1 million (2012: 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)	Divi-dends received	Book Value	Interest held %
2012										
ASK Group	Germany	225	281	113	134	642	16	–	162	50
Scientific Design Company Inc.	USA	64	13	17	11	90	11	– 3	104	50
Süd-Chemie India Pvt Ltd.	India	100	13	49	3	76	17	– 4	67	50
Total		**389**	**307**	**179**	**148**	**808**	**44**	**– 7**	**333**	
2013										
ASK Group	Germany	195	289	108	117	592	14	–	159	50
Scientific Design Company Inc.	USA	89	31	26	20	78	14	– 6	109	50
Süd-Chemie India Pvt Ltd.	India	108	11	49	2	91	23	– 3	78	50
Total		**392**	**331**	**183**	**139**	**761**	**51**	**– 9**	**346**	

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. Clariant owns a 50 % stake in these joint ventures, which are consolidated at equity.

ASK Group is a German-based supplier of additives and supplies for the foundry industry. It has around 1 800 employees in the Americas, Asia and Europe. Co-owner is the US-based Ashland group.

Scientific Design Company Inc. is a producer of ethylene and oxide catalysts with headquarter in the US and has around 140 employees. Co-owner is the Saudi Arab-based Sabic Group.

Süd-Chemie India Pvt Ltd. is a producer of syngas, air purification and refinery catalysts. It has around 400 employees and is headquartered in India. It is co-owned by private investors based in India.

8. Financial assets

in CHF m	**2013**	2012
As per 1 January	17	28
Exchange rate differences	–	– 1
Additions	10	1
Reclassified to other current assets	–	– 11
At 31 December	**27**	**17**

Financial assets include a number of small scale participations in companies, mostly in Germany, engaged in activities closely related to the ones of Clariant.

In 2012, foreign exchange forwards with maturity in 2013 were reclassified to »Other current assets«. No such reclassification was made in 2013.

Financial assets are denominated in the following currencies:

in CHF m	**31.12.2013**	31.12.2012
EUR	16	15
USD	6	–
GBP	1	–
CHF	1	1
Other	3	1
Total	**27**	**17**

9. Taxes

in CHF m	**2013**	2012 [1]
Current income taxes	– 39	– 165
Deferred income taxes	35	122
Total taxes	**– 4**	**– 43**
Thereof reported under discontinued operations	– 18	11
Total continuing operations	**– 22**	**– 32**

[1] restated – see note 1.03

The main elements contributing to the difference between the Group's overall expected tax expense/rate and the effective tax expense/rate are:

in CHF m	**2013**	in %	2012 [1]	in %
Income before taxes from continuing operations	345		235	
Income before taxes from discontinued operations	– 336		36	
Income before taxes total	**9**		**271**	
Expected tax expense/rate [2]	**– 3**	**33.3**	**– 76**	**28.0**
Effect of taxes on items not tax-deductible	– 99	1 100.0	– 75	27.7
Effect of utilization and changes in recognition of tax losses and tax credits	50	– 555.6	– 3	1.1
Effect of tax losses and tax credits of current year not recognized	– 17	188.9	– 16	5.9
Effect of adjustments to taxes recognized in prior periods	16	– 177.8	57	– 21.0
Effect of tax exempt income	51	– 566.7	59	– 21.8
Effect of other items	– 2	22.2	11	– 4.1
Effective tax expense/rate	**– 4**	**44.4**	**– 43**	**15.9**
Thereof reported under discontinued operations	– 18	5.4	11	30.6
Effective tax expense/rate continuing operations	**– 22**	**6.4**	**– 32**	**13.6**

[1] restated – see note 1.03
[2] 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**
Net deferred tax balance at 31 December 2011	– 361	69	190	– 2	– 104	–	– 104
Effects of restatement	–	81	–	–	81	–	81
Net deferred tax balance at 1 January 2012	**– 361**	**150**	**190**	**– 2**	**-23**	**–**	**-23**
Deferred tax assets at 1 January 2012	41	150	190	140	521	– 248	273
Deferred tax liabilities at 1 January 2012	– 402	–	–	– 142	– 544	248	– 296
Net deferred tax balance at 1 January 2012	**– 361**	**150**	**190**	**– 2**	**-23**	**–**	**-23**
Charged/credited to income from continuing operations	93	–2	– 37	68	122		
Charged/credited to other comprehensive income	–	34	–	–	34		
Exchange rate differences	7	– 7	– 3	– 2	– 5		
Net deferred tax balance at 31 December 2012 [1]	**– 261**	**175**	**150**	**64**	**128**	**–**	**128**
Deferred tax assets at 31 December 2012	40	178	150	118	486	– 178	308
Deferred tax liabilities at 31 December 2012	– 301	– 3	–	– 54	– 358	178	– 180
At 1 January 2013	**– 261**	**175**	**150**	**64**	**128**	**–**	**128**
Charged/credited to income from continuing operations	7	– 3	1	22	27		
Effect of disposals	10	– 1	–	– 1	8		
Total charged/credited to income statement	**17**	**– 4**	**1**	**21**	**35**		
Charged/credited to other comprehensive income	–	– 32	–	–	– 32		
Exchange rate differences	6	2	– 5	– 9	– 6		
Net deferred tax balance at 31 December 2013	**– 238**	**141**	**146**	**76**	**125**	**–**	**125**
Deferred tax assets at 31 December 2013	60	141	146	111	458	– 213	245
Deferred tax liabilities at 31 December 2013	– 298	–	–	– 35	– 333	213	– 120
Net deferred tax balance at 31 December 2013	**– 238**	**141**	**146**	**76**	**125**	**–**	**125**

[1] restated – see note 1.03

Of the deferred tax assets capitalized on tax losses, CHF 9 million refer to tax losses of the Italian subsidiaries (2012: CHF 10 million), CHF 14 million to tax losses of the Spanish subsidiaries (2012: CHF 4 million), CHF 21 million to tax losses of the Swiss subsidiaries (2012: CHF 21 million) and CHF 82 million to tax losses of the US subsidiaries (2012: CHF 101 million). 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 463 million at 31 December 2013 (CHF 605 million at 31 December 2012).

Deferred income tax liabilities have not been established for 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 totaled CHF 2 269 million at the end of 2013 (2012: CHF 2 677 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 %), in China (with a tax rate of 25 %) and in Luxemburg (with a tax rate of 28.9 %). At present their recoverability cannot be reliably demonstrated.

Tax losses on which no deferred tax assets were recognized are as follows:

in CHF m	**31.12.2013**	31.12.2012
EXPIRY BY:		
2013	–	5
2014	5	9
2015	57	39
2016	169	169
2017	63	–
after 2017 (2012: after 2016)	252	267
Total	**546**	**489**
CHF m	**31.12.2013**	31.12.2012
Unrecognized tax credits	**11**	**14**

Tax credits in the amount of about half a million expire between 2014 and 2017 (2012: Tax credits in the amount of less than a million expire between 2013 and 2016). The remaining tax credits of CHF 11 million expire in and after 2018 (2012: The remaining tax credits of CHF 14 million expire in and after 2017).

10. Inventories

in CHF m	**31.12.2013**	31.12.2012
Raw material, consumables, work in progress	398	476
Finished products	524	679
Total	**922**	**1155**
Reclassified to held for sale (see note 22)	– 76	– 268
Total as reported in the balance sheet	**846**	**887**

in CHF m	**2013**	2012
Movements in write-downs of inventories		
As per 1 January	42	33
Additions	35	31
Reversals	– 34	– 18
Exchange rate differences	– 1	– 4
Effect of disposals	– 7	–
At 31 December	**35**	**42**
Thereof reclassified to held for sale	–	10

As at 31 December 2013, no inventories were pledged as collateral for liabilities (2012: CHF 18 million).

In 2013, the cost for raw materials and consumables recognized as an expense and included in »Costs of goods sold« amounted to CHF 2 637 million (2012: CHF 2 273 million) for continuing operations.

11. Trade receivables

in CHF m	**31.12.2013**	31.12.2012
Gross accounts receivable – trade	1 033	1 172
Gross accounts receivable – associates and joint ventures	9	8
Less: provision for impairment of accounts receivable	– 27	– 40
Total trade receivables – net	**1 015**	**1 140**
Reclassified to held for sale (see note 22)	– 110	– 283
Total as reported in the balance sheet	**905**	**857**

The following summarizes the movement in the provision for doubtful accounts receivable:

in CHF m	**2013**	2012
As per 1 January	– 40	– 41
Charged to the income statement	– 16	– 16
Amounts used	12	8
Effect of disposals	7	–
Unused amounts reversed	8	8
Exchange rate differences	2	1
At 31 December	**– 27**	**– 40**
Thereof reclassified to held for sale	– 5	– 19

Of the total provision for impairment, the following amounts concerned trade receivables that were individually impaired:

in CHF m	**31.12.2013**	31.12.2012
Trade receivables aged up to six months	– 7	– 7
Trade receivables aged over six months	– 16	– 24
Total provision for impairment	**– 23**	**– 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 balance sheets for trade receivables is equal to their fair value.

The maximum credit risk on trade receivables is equal to their fair value.

Collaterals are only required in rare cases (2013: CHF 2 million, 2012: CHF 5 million).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

in CHF m	**31.12.2013**	31.12.2012
Currency		
CHF	3	1
EUR	420	419
USD	240	294
JPY	39	56
BRL	55	69
CNY	81	66
INR	19	21
Other	158	214
Total trade receivables – net	**1 015**	**1 140**
Reclassified to held for sale (see note 22)	– 110	– 283
Total as reported in the balance sheet	**905**	**857**

As of 31 December 2013, »Total trade receivables – net« includes an amount of CHF 185 million (2012: CHF 168 million) that was past due, but not impaired, relates to a number of customers for which there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

in CHF m	**31.12.2013**	31.12.2012
Up to three months past due, but not impaired	168	142
Three to six months past due, but not impaired	12	13
More than six months past due, but not impaired	5	13
Total	**185**	**168**

12. Other current assets

Other current assets include the following:

in CHF m	**31.12.2013**	31.12.2012
Other receivables	363	263
Current financial assets	74	38
Prepaid expenses and accrued income	49	50
Total	**486**	**351**
Reclassified to held for sale (see note 22)	– 4	– 5
Total as reported in the balance sheet	**482**	**346**

Other receivables include staff loans, advances, advance payments, VAT and sales tax receivables. In 2013, it also includes receivables in connection with the disposal activities of Clariant.

Current financial assets comprise securities, notes receivable and derivative financial instruments with positive fair value.

Securities are classified as available for sale, notes receivable 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 balance sheets 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 2013 and 2012.

Other receivables are denominated in the following currencies:

in CHF m	**31.12.2013**	31.12.2012
CHF	27	12
EUR	114	92
USD	33	15
JPY	16	18
BRL	32	24
CNY	27	11
INR	11	7
Other	103	84
Total	**363**	**263**
Thereof reclassified to held for sale	4	5

Current financial assets are denominated in the following currencies:

in CHF m	**31.12.2013**	31.12.2012
CHF	5	24
EUR	3	2
CNY	22	3
INR	1	6
USD	39	3
Other	4	–
Total	**74**	**38**

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	**31.12.2013**	31.12.2012
CHF	31	10
EUR	–	206
USD	36	9
GBP	80	68
Other	–	2
Total	**147**	**295**

14. Cash and cash equivalents

in CHF m	**31.12.2013**	31.12.2012
Cash at bank and on hand	562	1 312
Short-term bank deposits	208	60
Total	**770**	**1 372**

Cash and cash equivalents are denominated in the following currencies:

in CHF m	**31.12.2013**	31.12.2012
CHF	204	846
EUR	217	214
USD	194	145
JPY	10	5
BRL	6	8
CNY	12	12
INR	39	35
Other	88	107
Total	**770**	**1 372**

The effective average annual interest rate on short-term bank deposits in Swiss francs was 0.18 % (2012: 0.31%); these deposits have an average maturity of 12 days (2012: 29 days).

The effective average annual interest rate on short-term bank deposits in euro was 0.17 % (2012: 0.61 %); these deposits have an average maturity of 44 days (2012: 52 days).

The effective interest rate on short-term bank deposits in US dollars was 0.26 % (2012: 0.50 %); these deposits have an average maturity of 70 days (2012: 30 days).

There were no material short-term bank deposits denominated in currencies other than the Swiss franc, the euro and the US dollar.

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 (2012: CHF 3.70)	**Number of shares 2013**	**Par value 2013** in CHF m	Number of shares 2012	Par value 2012 in CHF m
Share capital as per 1 January	**295 752 254**	**1 094**	**295 752 254**	**1 183**
Capital increase	36 186 945	134		–
Nominal value reduction				– 89
Share capital at 31 December	**331 939 199**	**1 228**	**295 752 254**	**1 094**
Treasury shares	– 13 204 851	– 49	– 16 070 280	– 59
Outstanding share capital at 31 December	**318 734 348**	**1 179**	**279 681 974**	**1 035**

Treasury shares (number of shares)	**2013**	**2012**
Holdings as per 1 January	16 070 280	12 622 649
Shares purchased at market value	1 208 444	4 502 452
Shares purchased on exercise of put options	–	500 000
Shares sold to counterparty out of options (management options 2008)	– 2 067 500	–
Shares sold at market value	– 507 944	– 325 950
Shares transferred to employees	– 1 498 429	– 1 228 871
Holdings at 31 December	**13 204 851**	**16 070 280**

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.

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2013 the following shareholders held more than 3 % of voting rights in Clariant: Dr. Dolf Stockhausen, Ennetbürgen (Switzerland) and Konstantin Winterstein, München (Germany) (Lock-up Group II) [1], 4.11 %; Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany) [2], 3.73 %; Credit Suisse Funds AG, Zurich (Switzerland): 3.28%; UBS Funds Management (Switzerland) AG, Basel (Switzerland): 3.09 %.

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 were affiliated with each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

[1] Dr. Dolf Stockhausen, Ennetbürgen (Switzerland), and Konstantin Alfred Winterstein, München (Germany), form a lock-up group and held 4.11 % as at 31 December 2013. The lock-up group was formed in connection with the acquisition of the Süd-Chemie AG by Clariant in April 2011 and will expire on 18 April 2014.

[2] According to a disclosure notification published on 18 January 2013, a group consisting of Konstantin Winterstein, München (Germany) and Elisabeth Prinzessin zu Sayn-Wittgenstein, München (Germany) holds 3.73 % partially through Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany).

According to a disclosure notification to SIX Exchange Regulation dated 21 October 2013, they are no longer considered a single group any more.

According to a new disclosure notice to SIX Exchange Regulation dated 11 February 2014 former shareholders of Süd-Chemie AG formed a group again, holding 13.3 % of Clariant shares.

In addition, at 31 December 2012, 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 (United States), 3.097 %, Credit Suisse Funds AG, Zurich (Switzerland): 3.28%; UBS Funds Management (Switzerland) AG, Basel (Switzerland): 3.09 %. No other shareholder was registered as holding 3 % or more of the total share capital.

Changes in share capital

On 6 February, 2013 Clariant made use of it's issuer call option within the CHF 300 million, 3 % convertible bond 2009 – 2014. By the end of March 2013 100 % of the bondholders had made use of their conversion rights. Consequently 36 186 945 registered shares were issued in 2013 as a result of the conversion representing a share capital increase of CHF 134 million and an increase in reserves of CHF 150 million.

On 26 March 2013 the Annual General Meeting of Clariant AG approved a distribution from the confirmed capital contribution reserves of CHF 0.33 per share, thus reducing the capital contribution reserves by CHF 105 million.

Non-controlling interests

In 2013 the Group increased its stake in Clariant Industrial Minerals (Korea) Co. Ltd (operating in South Korea) to 100 %. The remaining non-controlling interests with the total carrying amount of CHF 1 million were purchased for a total consideration of CHF 2 million. The excess consideration paid to acquire those non-controlling interests over their carrying amount was recognized directly in equity.

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.

Currently non-controlling interests reported are primarily made up of those of the three following companies. They amount to more than 85 percent of the minority shares reported:

Clariant Huajin Catalysts (Panjin) Ltd, reported sales in the amount of CHF 43 million in the reporting period and total assets in the amount of CHF 43 million as per 31 December 2013. The non-controlling interest of 40 % of the shares outstanding is held by Northern Huajin Chemical Industry Group Co. Ltd.

Clariant Chemicals (India) Ltd reported sales in the amount of CHF 193 million in the reporting period and CHF 130 million of total assets as per 31 December 2013. The non-controlling interest of 36.6 % of the shares outstanding is traded on the Bombay Stock Exchange (BSE) in Mumbai.

Clariant Catalysts (Japan) K.K. reported sales in the amount of CHF 139 million in the reporting period and CHF 110 million of total assets as per 31 December 2013. The non-controlling interests of 38.6 % of the shares outstanding are held by Nissan Industries Ltd.

16. Non-current financial debts

in CHF m	Interest rate in %	Term	Notional amount	**Net amount 31.12.2013**	Net amount 31.12.2012
Straight bond	4.375	2006–2013	600 EUR m	–	711
Convertible bond	3.000	2009–2014	300 CHF m	–	287
Certificate of indebtedness	mixed	2011–2014	242 EUR m	297	292
Certificate of indebtedness	mixed	2012–2014	25 EUR m	30	30
Straight bond	2.750	2011–2015	200 CHF m	200	199
Certificate of indebtedness	mixed	2011–2016	123 EUR m	151	149
Straight bond	5.625	2012–2017	500 EUR m	610	599
Straight bond	3.125	2011–2017	100 CHF m	99	99
Straight bond	2.500	2012–2018	250 CHF m	249	249
Straight bond	3.250	2012–2019	285 CHF m	284	284
Straight bond	3.500	2012–2022	175 CHF m	174	173
Total straight bonds and certificates of indebtedness				**2 094**	**3 072**
Liabilities to banks and other financial institutions				**50**	**69**
Obligations under finance leases				**13**	**14**
Subtotal				**2 157**	**3 155**
Less: current portion				**– 327**	**– 711**
Total				**1 830**	**2 444**
The value of the liability part of the convertible bond recognized in the 2012 balance sheet is calculated as follows:					
Face value				–	300
Equity component				–	– 31
Liability component on initial recognition on 2 July 2009				–	269
Transaction cost				–	– 3
Interest expense				–	48
Interest paid				–	– 27
Total				**–**	**287**
Breakdown by maturity			2014	–	631
			2015	217	217
			2016	168	166
			2017	721	711
			2018	253	–
			after 2018 (2012: after 2017)	471	719
Total				**1 830**	**2 444**
Breakdown by currency			CHF	1 006	1 292
			EUR	820	1 151
			Other	4	1
Total				**1 830**	**2 444**
Fair value comparison (including current portion)					
Straight bonds				1 742	2 422
Certificate of indebtedness				478	472
Convertible bond				–	430
Others				63	81
Total				**2 283**	**3 405**
Total net book value of assets pledged as collateral for financial debts				**–**	**42**
Total collateralized financial debts				–	15

On 6 February, 2013 Clariant made use of it's issuer call option within the CHF 300 million, 3 % convertible bond 2009 – 2014. By the end of March 2013 100 % of the bondholders had made use of their conversion rights (see note 15).

On 5 April 2013 the 4.375 % straight euro-bond with a nominal value of EUR 600 million, launched in 2006, reached maturity and was repaid.

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 %.

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 were 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, was included in shareholder's equity in share premium reserve.

Fair Values of straight bonds and convertible bond are determined by quoted market prices (level 1 in the fair value hierarchy).

Certificate of indebtedness and other financial debts are recorded at notional amounts, which are a reasonable approximation of the fair values.

Covenants. There are no financial covenants for non-current financial debts as of end of 2013.

Exposure of the Group's borrowings to interest rate changes

- Bonds: the interest rates of all bonds are fixed.
- Certificates 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 fixed interest rates.

Collateral. In 2012, certain Asian subsidiaries pledged trade receivables and inventories as a security for bank overdraft facilities. In case the subsidiaries default on their obligations, the borrowers had the right to take possession of these assets and receive the cash flows resulting from them. The assets were 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.

Pension assets for funded defined benefit pension plans are managed principally according to local rules and legislation in each country. The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. For this purpose Asset Liability Matching studies are conducted by third party experts on a regular basis to ensure that investment strategies for pension assets are in line with the structure of the plan members of the pension plan concerned.

In all countries with funded defined benefit plans the body governing the investment policy is constituted in accordance with local legal requirements. To the extent legally permitted Clariant Corporate exercises influence to ensure that the investment policy is set in a way to serve best the needs of the pension plan and its members.

The largest defined benefit plans are operated in Switzerland, UK, US and Germany. These plans make up more than 90 % of the total defined benefit obligation of Clariant.

The most important 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. Contributions are made primarily by the employer and vary depending on the salary level of the plan members. Employees contribute to the plan up to 2 % of pensionable earnings on a voluntary basis, to which the employer contributes an equal amount on top of the regular contributions. Benefits are paid out as annual pensions amounting to 20 % of total contributions. Lump sum payments are possible to the extent of the voluntary contributions. In addition there exists a smaller, similarly structured funded defined benefit plan for former employees of the Süd-Chemie group, acquired in 2011. 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. Contributions are made by employees as a fixed percentage of their pensionable earnings, varying in dependence of their salary levels, while the employer covers the difference to the costs of the plan determined in accordance with legal requirements. In general the employer covers more than 90 % of the total plan contributions. Benefits are paid out as lifetime pensions determined based on a career average calculation. The UK pension plan is marked by a shrinking operating basis and a resulting smaller number of active plan members as compared to deferred and retired plan members. The pension plan is currently underfunded according to legal requirements. As a result the parent company Clariant Ltd. has agreed to cover the financing gap with additional contributions between GBP 5 million and 7 million per annum until 2017, when the funding deficit is expected to be covered.

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. Contributions are paid by the employer exclusively. Benefits are paid out as lifetime pensions determined based on a career average calculation. Staff members who joined on 1 January 2001 or later 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. The US pension plan is currently underfunded according to local legal requirements. Additional funding measures in the amount of up to USD 70 million are scheduled for the next seven years.

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.

Both the employer and the employees contribute to the plan, the employer paying two thirds of the total contributions. The pension plan provides lifetime pensions determined based on cumulative savings of the individual plan member and converted into an annual pension at a fixed conversion rate. Lump sum payments are possible to up to 40 percent of the total individual cumulative savings.

The Swiss pension plan is marked by a shrinking operating basis and as a result an increasing share of retired members. While this has not resulted in any underfunding, additional contributions by the employer may be necessary in the mid-term future.

For members of management whose annual salaries exceed the amount of CHF 200 000, 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.

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)	
	2013	2012 [1]	**2013**	2012 [1]
Beginning of the year	2 355	2 180	98	89
Change in the scope of consolidation	5	– 3	–	1
Current service cost	52	50	2	2
Past service costs (gains) including curtailments	– 32	5	–	–
Losses (gains) on settlements	5	–	– 1	–
Interest costs on obligation	76	84	4	4
Contributions to plan by employees	13	13	–	–
Benefits paid out to personnel in reporting period	– 110	– 123	– 4	– 5
Remeasurements:				
Actuarial losses (gains) arising from changes in demographic assumptions	55	–	– 4	–
Actuarial losses (gains) arising from changes in financial assumptions	– 62	216	– 3	24
Actuarial losses (gains) due to experience adjustments	– 30	–	– 7	–
Reclassified to held for sale	– 24	– 35	8	– 15
Effect of liabilities extinguished on settlements	– 54	– 23	–	–
Exchange rate differences	– 1	– 9	3	– 2
End of the year	**2 248**	**2 355**	**96**	**98**

[1] restated – see note 1.03

Changes in the fair value of plan assets:

in CHF m	**2013**	2012 [1]
Beginning of the year	1 649	1 544
Interest income on plan assets	49	57
Contributions to plan by employees	13	13
Contributions to plan by employer	98	61
Benefits paid out to personnel in reporting period	– 87	– 102
Remeasurements:		
Return on plan assets (excluding amount included in interest income)	77	92
Effect of assets distributed in settlements	– 45	– 9
Reclassified to held for sale	– 17	–
Exchange rate differences	– 19	– 7
End of the year	**1 718**	**1 649**

[1] restated – see note 1.03

As at 31 December 2013 and 2012, the pension plan assets did not include any directly held registered shares or bonds issued by Clariant Ltd.

The amounts recognized in the balance sheets:

in CHF m	Defined benefit pension plans		Post-employment medical benefits		Total	
	31.12.2013	31.12.2012[1]	**31.12.2013**	31.12.2012[1]	**31.12.2013**	31.12.2012[1]
Present value of funded obligations	– 1 687	– 1 838	–	–	– 1 687	– 1 838
Fair value of plan assets	1 718	1 649	–	–	1 718	1 649
Overfunding / Deficit	**31**	**– 189**	**–**	**–**	**31**	**– 189**
Present value of unfunded obligations	– 561	– 517	– 96	– 98	– 657	– 615
Net liabilities in the balance sheet	**– 530**	**– 706**	**– 96**	**– 98**	**– 626**	**– 804**

Thereof recognized in:

in CHF m	**31.12.2013**	31.12.2012[1]	**31.12.2013**	31.12.2012[1]	**31.12.2013**	31.12.2012[1]
Retirement benefit obligations	– 573	– 706	– 96	– 98	– 669	– 804
Prepaid pension assets	43	–	–	–	43	–
Net liabilities in the balance sheet for defined benefit plans	**– 530**	**– 706**	**– 96**	**– 98**	**– 626**	**– 804**

The amounts recognized in the income statement and in other comprehensive income are as follows:

in CHF m	**2013**	2012[1]	**2013**	2012[1]	**2013**	2012[1]
Current service costs	– 52	– 50	– 2	– 2	– 54	– 52
Net interest cost	– 27	– 27	– 4	– 4	– 31	– 31
Past service (costs) gains including curtailments	32	– 5	–	–	32	– 5
(Losses) gains on settlements	– 5	–	1	–	– 4	–
Components of defined benefit expense reported in the income statement	**– 52**	**– 82**	**– 5**	**– 6**	**– 57**	**– 88**
Actuarial (losses) gains arising from changes in demographic assumptions	– 55	–	4	–	– 51	–
Actuarial (losses) gains arising from changes in financial assumptions	62	– 216	3	– 24	65	– 240
Actuarial (losses) gains due to experience adjustments	30	–	7	–	37	–
Return on plan assets (excluding amount included in interest income)	77	92	–	–	77	92
Components of defined benefit expense reported in other comprehensive income	**114**	**– 124**	**14**	**– 24**	**128**	**– 148**
Total defined benefit income/expense	**62**	**– 206**	**9**	**– 30**	**71**	**– 236**

in CHF m	**2013**	2012	**2013**	2012	**2013**	2012
Actual return on plan assets	**126**	**149**	**–**	**–**	**126**	**149**

[1] restated – see note 1.03

Reconciliation to prepaid pension asset and retirement benefit obligations reported in the balance sheets:

in CHF m	**31.12.2013**	31.12.2012 [1]	01.01.2012 [1]
Defined benefit obligation	– 669	– 804	– 725
Defined contribution obligation	–	– 11	– 12
Defined contribution obligation – reclassified to held for sale (see note 22)	–	1	–
Retirement benefit obligation	**– 669**	**– 814**	**– 737**
Prepaid pension plan asset	**43**	**–**	**–**
Net retirement benefit obligation recognized	**– 626**	**– 814**	**– 737**

[1] restated – see note 1.03

The major categories of plan assets as a percentage of total plan assets:

	31.12.2013 in %	31.12.2012 in %
Equities	34	29
thereof based on quoted market prices	*34*	*29*
Bonds	36	40
thereof based on quoted market prices	*30*	*33*
Cash	6	5
thereof based on quoted market prices	*6*	*5*
Property	14	16
thereof based on quoted market prices	*10*	*11*
Alternative investments	10	10
thereof based on quoted market prices	*–*	*2*

The principal actuarial assumptions at balance sheet date in percent:

		2013 in %					2012 in %				
		Group	**Most important countries**				**Group**	**Most important countries**			
		Weighted average	Switzer-land	United Kingdom	United States	Germany	Weighted average	Switzer-land	United Kingdom	United States	Germany
Discount rate		3.4	2.3	4.6	5.1	3.5	3.2	2.0	4.3	4.2	3.8
Expected inflation rate		1.5	–	3.5	2.5	2.0	1.5	–	2.9	3.0	2.0
Future salary increases		2.8	2.0	4.8	3.0	2.5	2.9	2.0	4.2	4.0	2.5
Long-term increase in health care costs		6.7	–	–	8.5	–	7.5	–	–	9.5	–
Current average life expectancy for a 65 year old male	in years	19	20	23	21	19	18	19	22	21	19
Current average life expectancy for a 65 year old female	in years	22	22	25	23	23	21	21	25	23	23

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	16	– 13

A 25 basis point change in discount rate would have the following effects on the obligation for pension plans:

in CHF m	25 basis point increase	25 basis point decrease
Effect on defined benefit obligation	– 76	78

Expected increase in defined benefit obligation if life expectancy increases by one year:

in CHF m	1 year increase in life expectancy
Effect on defined benefit obligation	63

Defined contribution post-employment plans. In 2013, CHF 27 million were charged to the income statements of the Group companies as contributions to defined contribution plans (2012: CHF 25 million).

In Germany, approximately 5 000 active 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 2013, the pension fund's obligations are fully funded. Also for 2014 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 this must be compensated by the employer according to German legislation.

In the case the pension plan were unwound the remaining funds would be distributed among the plan members. In case there are no plan members left, the remaining funds would be transferred to social institutions. If Clariant withdrew from the pension fund, all rights and obligations of the employer against the pension plan would remain in force as long as the pension plan continues to render pension services to the group's plan members. Based on the number of plan members (active and passive) Clariant's share in the pension plan amounts to approximately 6 percent.

Clariant contributions to this pension plan amounted to CHF 17 million in 2013 (CHF 13 million in 2012) and is expected to be CHF 18 million in 2014.

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.

in CHF m	Pension plans	Post-employment medical benefits
Clariant Group regular and supplemental contributions (employer's contributions):		
Actual contributions in 2013	98	–
Estimated contributions in 2014	52	–
Estimated contributions in 2015	56	–
Estimated contributions in 2016	55	–
Estimated contributions in 2017	56	–
Estimated contributions in 2018	57	–
Payments to beneficiaries:		
Actual payments in 2013	– 110	– 4
Estimated payments in 2014	– 105	– 4
Estimated payments in 2015	– 105	– 5
Estimated payments in 2016	– 106	– 5
Estimated payments in 2017	– 110	– 5
Estimated payments in 2018	– 114	– 5
Weighted average duration of the defined benefit obligation at the end of reporting period (in years):		
At 31 December 2013	16.0	12.2
Allocation of defined benefit obligation to plan members (in CHF m):		
Active members	699	54
Deferred members	258	2
Retired members	1 291	40
Total funded and unfunded obligations at 31 December 2013	**2 248**	**96**

18. Movements in provisions

in CHF m	Environ-mental provisions	Personnel provisions	Restruct-uring provisions	Other provisions	**Total provisions 2013**	Total provisions 2012
As per 1 January	126	173	166	106	571	621
Additions	15	168	96	169	448	451
Reclassified to held for sale (see note 22)	–	– 21	1	– 1	– 21	– 23
Amounts used	– 19	– 162	– 133	– 64	– 378	– 421
Unused amounts reversed	– 1	– 4	– 34	– 14	– 53	– 49
Changes due to the passage of time and changes in discount rates	3	–	–	1	4	5
Exchange rate differences	– 3	– 7	1	– 5	– 14	– 13
At 31 December	**121**	**147**	**97**	**192**	**557**	**571**
Of which						
– Current portion	10	138	84	102	334	365
– Non-current portion	111	9	13	90	223	206
Total provisions	**121**	**147**	**97**	**192**	**557**	**571**
Expected outflow of resources						
Within 1 year	10	138	84	102	334	365
Between 1 and 3 years	52	4	7	51	114	109
Between 3 and 5 years	14	–	4	19	37	26
Over 5 years	45	5	2	20	72	71
Total provisions	**121**	**147**	**97**	**192**	**557**	**571**

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 2013 concern site closures and headcount reductions in various countries with the largest amounts incurred in Switzerland, Germany and France.

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	**31.12.2013**	31.12.2012
Trade payables	735	793
Payables to associates and joint ventures	49	25
Accruals	321	368
Other payables	205	161
Total trade and other payables	**1310**	**1347**
Reclassified to held for sale (see note 22)	– 83	– 169
Total as reported in the balance sheet	**1227**	**1178**

The amount recognized for trade payables is equal to their fair value.

20. Current financial debts

in CHF m	**31.12.2013**	31.12.2012
Banks and other financial institutions	262	321
Current portion of non-current financial debts	327	711
Total	**589**	**1 032**

Breakdown by maturity:

in CHF m	**31.12.2013**	31.12.2012
Up to three months after the balance sheet date	171	226
Three to six months after the balance sheet date	43	774
Six to twelve months after the balance sheet date	375	32
Total	**589**	**1 032**

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.

The short-term portion of the long-term financial liabilities includes two certificates of indebtedness with a nominal value of EUR 267 million expiring in 2014. These borrowings have a term of 2.8 years (EUR 25 million) and 3 years (EUR 242 million), with partially fixed and float coupons.

The interest payable on the certificates of indebtedness is based on the six months Euribor (variable tranche) or on the mid-swap (fixed tranche), respectively, plus a credit margin premium (spread).

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

Effective as of 1 January 2013 Clariant has regrouped its seven Business Units (BU) into four Business Areas (reportable segments) for external reporting purposes: Care Chemicals (BU ICS), Catalysis & Energy (BU Catalysts, Energy Storage business), Natural Resources (BU Oil & Mining Services, BU Functional Minerals) and Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments). In addition the Medical Specialties business has been reallocated from BU Functional Minerals to BU Masterbatches. Restatements for 2012 were made accordingly.

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 Units Textile Chemicals, Paper Specialties and Emulsions. The disposal was consummated on 30 September 2013. In October 2013 contracts were signed to sell the Business Units Leather Services and Detergents & Intermediates in separate transactions. These are expected to be consummated in the first quarter of 2014. For these reasons all these Business Units are reported as discontinued operations in the financial report.

SEGMENTS in CHF m	Care Chemicals		Catalysis & Energy		Natural Resources	
	2013	2012	**2013**	2012	**2013**	2012
Segment sales	1 568	1 491	713	751	1 287	1 285
Sales to other segments	– 7	– 4			– 6	– 9
Total sales	**1 561**	**1 487**	**713**	**751**	**1 281**	**1 276**
Operating expenses	– 1 350	– 1 295	– 644	– 677	– 1 138	– 1 163
Income from associates and joint ventures	8	9	22	16	8	13
Gain from the disposal of activities not qualifying as discontinued operations	20				– 1	
Restructuring, impairment and transaction related costs	– 6	– 1	– 10	– 6	– 44	– 10
Operating income	**233**	**200**	**81**	**84**	**106**	**116**
Finance income						
Finance costs						
Income before taxes						
Taxes						
Net result from continuing operations						
Discontinued operations:						
Result from discontinued operations						
Net income						
Segment assets	880	865	1 698	1 736	1 103	1 297
Segment liabilities	– 200	– 178	– 79	– 75	– 114	– 133
Net operating assets	**680**	**687**	**1 619**	**1 661**	**989**	**1 164**
Segment assets reported as assets held for sale					38	
Corporate assets reported as assets held for sale						
Segment assets of discontinued operations reported as assets held for sale						
Assets held for sale					**38**	
Segment liabilities of discontinued operations reported as liabilities associated with assets held for sale						
Segment liabilities reported as liabilities associated with assets held for sale					– 6	
Liabilities directly associated with assets held for sale					**– 6**	
Corporate assets without cash						
Corporate liabilities without financial liabilities						
Net debt [3]						
Total net assets	**680**	**687**	**1 619**	**1 661**	**1 021**	**1 164**
Thereof:						
Investments in PPE and intangibles for the period	51	54	24	35	39	29
Investments in associates and joint ventures	61	51	197	180	181	177
Operating income	233	200	81	84	106	116
Add: systematic depreciation of PPE	41	40	42	42	28	29
Add: impairment	1		7	3	34	
Add: amortization of intangible assets	3	4	26	26	16	15
EBITDA [1]	**278**	**244**	**156**	**155**	**184**	**160**
Add: restructuring, impairment and transaction related costs	6	1	10	6	44	10
Less: impairment (reported under restructuring and impairment)	– 1	–	– 7	– 3	– 34	–
Less: gain from the disposal of activities not qualifying as discontinued operations	– 20	–	–	–	1	–
Add: Additional charge to COGS in connection with the acquisition and integration of former Süd-Chemie				4		1
EBITDA before exceptional items	**263**	**245**	**159**	**162**	**195**	**171**
Operating income	233	200	81	84	106	116
Add: restructuring, impairment and transaction related costs	6	1	10	6	44	10
Less: gain from the disposal of activities not qualifying as discontinued operations	– 20	–	–	–	1	–
Add: Additional charge to COGS in connection with the acquisition and integration of former Süd-Chemie	–	–	–	4	–	1
Operating income before exceptional items	**219**	**201**	**91**	**94**	**151**	**127**

[1] EBITDA is earning before interest, tax, depreciation and amortization.

[2] restated – see note 1.03

Plastics & Coatings		Total segments continuing operations		Corporate		Total Group	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012[2]
2545	2546	6113	6073		–	6113	6073
– 24	– 22	– 37	– 35		–	– 37	– 35
2521	**2524**	**6076**	**6038**	**–**	**–**	**6076**	**6038**
– 2273	– 2228	– 5405	– 5363	– 160	– 182	– 5565	– 5545
25	10	63	48			63	48
	4	19	4			19	4
– 17	– 17	– 77	– 34	– 46	– 100	– 123	– 134
256	**293**	**676**	**693**	**– 206**	**– 282**	**470**	**411**
						14	22
						– 139	– 198
						345	**235**
						– 22	– 32
						323	**203**
						– 318	25
						5	**228**
1806	1676	5487	5574			5487	5574
– 236	– 213	– 629	– 599			– 629	– 599
1570	**1463**	**4858**	**4975**	**–**	**–**	**4858**	**4975**
		38				38	–
				3	3	3	3
						410	1088
		38		**3**	**3**	**451**	**1091**
						– 122	– 243
		– 6				– 6	–
		– 6		**–**	**–**	**– 128**	**– 243**
				1317	1115	1317	1115
				– 2218	– 2483	– 2218	– 2483
				– 1500	– 1789	– 1500	– 1789
1570	**1463**	**4890**	**4975**	**– 2398**	**– 3154**	**2780**	**2666**
75	100	189	218	102	93	291	311
164	162	603	570	5	2	608	572
256	293	676	693	– 206	– 282	470	411
73	72	184	183	36	28	220	211
1		43	3	–	5	43	8
10	8	55	53	9	7	64	60
340	**373**	**958**	**932**	**– 161**	**– 242**	**797**	**690**
17	17	77	34	46	100	123	134
– 1	–	– 43	– 3	–	– 5	– 43	– 8
–	– 4	– 19	– 4	–	–	– 19	– 4
		–	5			–	5
356	**386**	**973**	**964**	**– 115**	**– 147**	**858**	**817**
256	293	676	693	– 206	– 282	470	411
17	17	77	34	46	100	123	134
–	– 4	– 19	– 4	–	–	– 19	– 4
–	–	–	5	–	–	–	5
273	**306**	**734**	**728**	**-160**	**-182**	**574**	**546**

[3]

Calculation of net debt

in CHF m	**31.12.2013**	31.12.2012
Non-current financial debt	1830	2444
Add: current financial debt	589	1032
Less: cash and cash equivalents	– 770	– 1372
Less: Near cash assets	– 147	– 295
Less: Financial instruments with positive fair values	– 2	– 20
Net debt	**1500**	**1789**

Reconciliation of segment assets to total assets

in CHF m	**31.12.2013**	31.12.2012
Segment assets	5487	5574
Segment assets reported as assets held for sale	38	–
Corporate assets reported as assets held for sale	3	3
Segment assets of discontinued operations reported as assets held for sale	410	1088
Corporate assets without cash	1317	1115
Cash	770	1372
Near cash assets	147	295
Financial instruments with positive fair values	2	20
Total Assets	**8174**	**9467**

GEOGRAPHIC INFORMATION

in CHF m	Sales [1]		Non-current assets [2]	
	2013	2012	**31.12.2013**	31.12.2012
EMEA	2 773	2 765	2 779	2 756
of which Germany	*863*	*835*	*2 083*	*2 182*
of which Switzerland	*49*	*46*	*297*	*161*
of which MEA	*452*	*537*	*83*	*93*
North America	996	956	864	884
of which USA	*884*	*839*	*785*	*778*
Latin America	931	903	252	277
of which Brazil	*429*	*404*	*138*	*159*
Asia / Pacific	1 376	1 414	330	359
of which China	*484*	*435*	*152*	*158*
of which India	*118*	*110*	*29*	*22*
Total	**6 076**	**6 038**	**4 225**	**4 276**

[1] Allocated by region of third-party sale's destination.

[2] Non-current assets exclude deferred tax assets and pension plan assets.

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.

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 disposal was consummated on 30 September 2013.

On 14 October 2013, Clariant signed an agreement to divest its Detergents and Intermediates business to the Luxembourg based International Chemical Investors Group (ICIG). The total consideration of the sale amounts to CHF 58 million. The transaction was closed effective as of 1 January 2014.

On 30 October 2013, Clariant announced that it plans to sell its Leather Services business to Stahl. Stahl Holdings B.V., majority-owned by Wendel Group, is a Dutch company. In the proposed transaction, Clariant would receive 23 % of the shares of Stahl and a cash payment of approximately CHF 85 million in exchange for the sale of its business to Stahl. Subject to the necessary regulatory approval and employees consultations, the transaction could be finalized in 2014.

For these reasons all these Business Units are reported as discontinued operations in the financial report and were reclassified to assets held for sale in the balance sheet.

For a description of the Business Units see note 1.23.

Other assets held for sale: An amount of CHF 3 million relates to assets in the United States and in China (2012: CHF 3 million).

In addition, as a result of the ongoing portfolio adaptations the activities related to Water Treatment business line, which is a part of Business Unit Functional Minerals reported in the Business Area Natural Resources, were reclassified as held for sale. After the remeasurement charge for fair value less costs of disposal of CHF 23 million, the remaining assets with a carrying value of CHF 38 million and liabilities with a total value of CHF 6 million were reported as assets held for sale and liabilities associated with assets held for sale respectively.

DISCONTINUED OPERATIONS in CHF m	Activities sold on 30 September 2013 [1]		Performance Chemicals [2]		Corporate		Total discontinued operations	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012 [3]
Sales	901	1 190	556	554			1 457	1 744
Operating expenses	– 843	– 1 132	– 515	– 522			– 1 358	– 1 654
Income from associates and joint ventures	1	1					1	1
Restructuring and impairment	– 7	2	– 9		– 2	– 17	– 18	– 15
Remeasurement to fair value less costs of disposal on reclassification			– 80				– 80	–
Operating result	**52**	**61**	**– 48**	**32**	**– 2**	**– 17**	**2**	**76**
Financial result							– 31	– 40
Result from discontinued operations before taxes							**– 29**	**36**
Taxes							– 2	– 11
Result from discontinued operations after taxes							**– 31**	**25**
Loss on the disposal of discontinued operations							– 307	–
Taxes (current and deferred)							20	–
Net result from discontinued operations							**– 318**	**25**
Operating cash flows	– 13	45	42	40	– 2	– 17	27	68
thereof: Payments for restructuring	*– 14*	*– 32*	*– 2*	*– 1*			*– 16*	*– 33*
Investing cash flows	275	– 26	– 10	– 15			265	– 41
thereof: net proceeds from the disposal of discontinued operations	*293*						*293*	–
Total cash flow	**262**	**19**	**32**	**25**	**– 2**	**– 17**	**292**	**27**
Cash flow from disposals:								
Gross proceeds	364						364	–
Less cash and cash equivalents transferred	– 21						– 21	–
Less equity investment	– 5						– 5	–
Less outstanding amounts	– 45						– 45	–
Net proceeds from disposal	**293**						**293**	–
Net assets held for sale								
Property, plant and equipment		211	86	164			86	375
Inventories		177	70	91			70	268
Trade receivables		199	102	84			102	283
Other assets		12	152	150			152	162
Total assets held for sale	**–**	**599**	**410**	**489**	**–**	**–**	**410**	**1 088**
Trade payables		– 96	– 61	– 57			– 61	– 153
Retirement benefit obligations		– 23	– 28	– 28			– 28	– 51
Provisions		– 7	– 14	– 16			– 14	– 23
Other liabilities		–	– 19	– 16			– 19	– 16
Total liabilities directly associated with assets held for sale	**–**	**– 126**	**– 122**	**– 117**	**–**	**–**	**– 122**	**– 243**
Total net assets held for sale	**–**	**473**	**288**	**372**	**–**		**288**	**845**

[1] Activities sold on 30 September 2013 comprise the Business Units Textile Chemicals, Paper Specialties and Emulsions
[2] Including the Business Units Detergents&Intermediates and Leather Services
[3] restated – see note 1.03

The cumulated figures in equity pertaining to discontinued operations which are to be recycled through the income statement upon disposal are expected to a maximum amount of CHF 24 million.

The result of the disposal of discontinued operations is reconciled as following:

in CHF m	
	2013
Total cash proceeds received as of 31 December 2013	314
Outstanding amounts	45
Equity investment	5
Total consideration for the sale	**364**
Net assets sold including disposal related expenses and cumulated amounts in equity pertaining to disposal group which were recycled through income statement upon disposal	– 671
Loss on the disposal of discontinued operations before taxes	**– 307**
Taxes (curent and deferred)	20
After tax loss on disposal	**– 287**

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 2013 and 2012:

On 25 October 2012, Clariant signed an agreement with Wilmar International Limited, a leading Asian agribusiness group, to establish a joint venture as a global platform for the production and sales of amines and selected amine derivatives. The joint venture, headquarted in Singapore, was set up in the third quarter of 2013 when the relevant merger clearances were received. Clariant contributed its existing amines business to the joint venture, including trademarks, technology and customers relationships as well as the fixed assets related to a production plant in Germany and an initial level of inventory. The positive result realized by Clariant on that transaction amounted to CHF 20 million coming from the fair value valuation of the contributed assets and was recorded as Gain from the disposal of activities not qualifying as discontinued operations.

On 19 September 2013 Clariant sold it's 55 % participation in the Malaysian company Chemindus for a consideration of CHF 0.5 million with a book loss of CHF 1 million. The result was recorded in Gains and losses from the disposal of activities not qualifying as discontinued operations.

On 2 March 2012, Clariant sold a product line located in Germany – pertaining to the Masterbatches Business Unit – 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 realised 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.

24. Acquisitions

Acquisition of the Gulf of Mexico Business from Champion Technologies

On 4 April 2013 Clariant acquired from Champion Technologies, Inc. that company's Gulf of Mexico business for an amount of CHF 0.5 million. Resulting from the difference between the purchase price and the fair value of the identifiable assets acquired, namely patent technology and customer relationships a negative goodwill in the amount of CHF 15 million resulted, which Clariant recorded under 'Selling, general and administrative costs' in its income statement. The gain arose as a result of antitrust constraints that forced the selling party to dispose of this business at a low price.

Acquisition of the Organic Pigment Business from Jiangsu Multicolor Fine Chemical Co. Ltd.

On 27 September 2013 Clariant acquired the Organic Pigment Business of China-based Jiangsu Multicolor Fine Chemical Co. Ltd for a preliminary consideration of CHF 24 million. Of this amount CHF 18 million were paid during the reporting period. The net assets acquired mainly consist of fixed assets, inventories, trade receivables and trade payables. Based on preliminary valuations goodwill in the amount of CHF 14 million was recorded on this acquisition.

25. Restructuring, impairment and transaction related costs

RESTRUCTURING EXPENSES, IMPAIRMENT LOSS AND TRANSACTION RELATED COSTS
for the years ended 31 December 2013 and 2012:

in CHF m	**2013**	2012
Restructuring expenses (CHF m)	**70**	**98**
Payments for restructuring	133	150
Impairment loss (CHF m)	**121**	**12**
thereof charged to PPE (see note 5)	*18*	*10*
thereof charged to intangible assets (see note 6)	*23*	*2*
thereof charged to assets reclassified to held for sale (see note 22)	*80*	–
Transaction related costs	**30**	**39**
Total Restructuring, impairment and transaction related costs	**221**	**149**
thereof reported under discontinued operations	– 98	– 15
Total continuing operations	**123**	**134**

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 loss of jobs across the Group.

Restructuring. In 2013, Clariant recorded expenses for restructuring in the amount of CHF 70 million. This concerned not only site closures, but also restructuring measures regarding the subsidiaries in Switzerland, Germany and France.

Impairment: Impairment expenses recognized in 2013 and 2012 arose as a result of restructuring measures and the entailing site closures. Additionally, in 2013, Clariant recorded a CHF 80 million impairment loss on the Detergents and Intermediates business to align the value of the assets and liabilities pertaining to that business with the selling price agreed with ICIG (see note 22). Finally, intangible assets pertaining to the Water Treatment activities were impaired by CHF 23 million in 2013.

Transaction related costs totaled CHF 30 million for 2013 mainly pertaining to integration and project costs for continuing operations.

26. Finance income and costs

FINANCE INCOME		
in CHF m	**2013**	2012
Interest income	11	17
thereof interest on loans and receivables	*10*	*13*
Other financial income	3	5
Total finance income	**14**	**22**

FINANCE COSTS		
in CHF m	**2013**	2012 [1]
Interest expense	– 154	– 186
thereof effect of discounting of non-current provisions	*– 4*	*– 5*
thereof interest component of pension provisions	*– 31*	*– 31*
Other financial expenses	– 10	– 20
Currency result, net	– 6	– 32
Total finance costs	**– 170**	**– 238**
thereof reported under discontinued operations	31	40
Total continuing operations	**– 139**	**– 198**

[1] restated – see note 1.03

Other financial expenses include losses on the sale of securities, bank charges and miscellaneous finance expenses.

In the year 2013 and 2012 no foreign exchange gains pertaining to the ineffective part of hedges on net investment were recognized in the income statement.

Interest expense, other than the effect of discounting of non-current provisions and interest component of pension provisions, pertains to financial debts measured at amortized costs. Interest costs capitalized on qualifying assets for 2013 was nil (2012: CHF 1 million).

Interest income on impaired financial assets amounted to less than CHF 1 million in 2013 (2012: 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).

	2013	2012 [1]
Net income attributable to shareholders of Clariant Ltd (CHF m)		
Continuing operations	306	190
Discontinued operations	– 326	17
Total	**– 20**	**207**
Diluted net income attributable to shareholders of Clariant Ltd (CHF m)		
Net income attributable to shareholders of Clariant Ltd	– 20	207
Impact of assumed conversion of convertible bond on net income	–	14
Total adjusted net result	**– 20**	**221**
Adjusted net result from continuing operations	306	204
Adjusted net result from discontinued operations	– 326	17
Total adjusted net result	**– 20**	**221**
Weighted average number of shares outstanding		
As per 1 January	281 075 365	264 586 754
Effect of the issuance of share capital and transactions with treasury shares on weighted average number of shares outstanding	31 535 720	16 488 611
Weighted average number of shares outstanding at 31 December	**312 611 085**	**281 075 365**
Adjustment for granted Clariant shares	1 845 700	2 526 537
Adjustment for dilutive share options	8 162	–
Adjustment for assumed conversion of the convertible bond, where dilutive	–	36 186 971
Weighted average diluted number of shares outstanding at 31 December	**314 464 947**	**319 788 873**
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.98	0.68
Discontinued operations	– 1.04	0.06
Total	**– 0.06**	**0.74**
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.98	0.64
Discontinued operations	– 1.04	0.05
Total	**– 0.06**	**0.69**

[1] restated – see note 1.03

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. Since the bond was converted in February 2013, this effect only applies to the calculation of the diluted earnings per share for 2012 (see note 16).

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 2013, a pay-out of CHF 0.33 per share was made out of the capital contribution reserves (see note 15).

In 2012, a pay-out of CHF 0.30 per share was made in the form of a capital reduction (see note 15).

28. Derivative 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 as well as 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 derivative 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.

DERIVATIVE FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Commodity contracts	–	6	–	–	–	–
Interest rate swaps	227	223	–	–	– 2	– 5
Forward foreign exchange rate contracts	72	519	2	20	–	– 34
Currency options	160	60	–	–	–	– 12
Total derivative financial instruments	**459**	**808**	**2**	**20**	**– 2**	**– 51**

The fair value of these derivative financial instruments is recorded in »Other current assets« in the balance sheet in the case of a positive value or as »Current financial liability« in the case of a negative value and if the instruments expire within the next twelve months.

DERIVATIVE FINANCIAL INSTRUMENTS BY MATURITY		
in CHF m	**31.12.2013**	31.12.2012
Commodity contracts	–	6
Interest rate swaps	227	223
Forward foreign exchange rate contracts	72	519
Currency options	160	60
Total derivative financial instruments	**459**	**808**
DUE DATES:		
Up to one month after the balance sheet date	65	13
More than one and up to three months after the balance sheet date	151	89
More than three and up to twelve months after the balance sheet date	243	483
More than one and up to five years after the balance sheet date	–	223
Total derivative financial instruments	**459**	**808**

If the remaining lifetime exceeds twelve months, the value is recorded in »Financial assets« in case it is positive and in »Non-current financial debt« in case it is negative.

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY		
in CHF m	**31.12.2013**	31.12.2012
USD	226	54
EUR	230	754
JPY	3	–
Total derivative financial instruments	**459**	**808**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES		
in CHF m	**31.12.2013**	31.12.2012
Borrowings denominated in foreign currencies	– 1 088	– 1 070

On 24 January 2012 Clariant issued a bond in the amount of EUR 500 million (see note 16), which on June 1, 2012 was designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange rate loss resulting from the translation of the bond into Swiss francs amounted to CHF 10 million on 31 December 2013 (31 December 2012: CHF 3 million loss) is recorded in the cumulative translation difference in shareholders' equity.

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 loss resulting from the translation of the certificates of indebtedness into Swiss francs amounted to CHF 8 million on 31 December 2013 (31 December 2012: CHF 3 million) and is recognized in the cumulative translation difference in shareholders' equity.

29. Employee participation plans

Under the Group Senior Management – Long Term Incentive Plan (GSM-LTIP) 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 3-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. Similar plans were launched in all subsequent years. The number of shares not yet vested and thus disclosed for this period are the matching shares.

The CEBP plan established in 2005 continued to exist until all granted shares were vested. Under this plan the granted registered shares of Clariant Ltd vest and were exercisable after three years. The last grant of the CEBP plan vested in 2013. No options were 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 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. 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 determined using a share price of CHF 12.59 and an exercise price of CHF 16.50. The expected volatility was determined at 33.5 %, based on market assumptions. Assumed dividends range between CHF 0.30 and CHF 0.40 for later periods. The risk-free interest rate was determined at 0.52 %. The Black-Scholes valuation model was used to determine the fair values.

The last grant of the stock option plan to members of management and the Board of Directors took place in April 2012.

The newly introduced Restricted Share Plan to members of the Board of Directors replacing the Option Plan, had its first grant date at the end of the mandate year in 2013.

In 2013 the Performance Share Unit (PSU) Plan was introduced for all senior managers to replace the former Tradable Option Plan. The term of Clariant's Performance Share Unit Plan is a three year vesting period. The vesting is conditional upon achievement of the performance target (check in 2016). If the performance targets are achieved, each PSU will be converted into one Clariant share. The first grant took place on 1 September 2013. The review of target achievment (vesting criteria) will be held in Summer 2016 an vesting is scheduled to take place in September 2016.

The expense recorded in the income statement spreads the costs of each grant over the measurement period and the vesting period. 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 2013, CHF 19 million (2012: CHF 29 million) for equity-settled share-based payments and less than CHF 1 million (2012: less than CHF 1 million) for cash-settled share-based payments were charged to the income statement.

As of 31 December 2013, the total carrying value of liabilities arising from share-based payments is CHF 32 million (2012: CHF 46 million). Thereof CHF 30 million (2012: CHF 40 million) was recognized in equity for equity-settled share-based payments and CHF 2 million (2012: CHF 6 million) in non-current liabilities for cash-settled share-based payments. An amount of CHF 2 million (2012: 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 31.12.2013**	Number 31.12.2012
2008	2008	2010	2013	12.50	8.58	–	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						**439 265**	**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 31.12.2013**	Number 31.12.2012
2002	2003	2006	2013	14.80	14.88	–	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						**249 042**	**336 394**

OPTIONS FOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE[1]

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2013**	Number 31.12.2012
2008	2008	2010	2013	12.50	8.58	–	727 001
2010	2010	2012	2015	15.50	12.74	1 384 600	2 389 200
2011	2011	2013	2016	18.00	15.02	1 586 426	2 243 077
2012	2012	2014	2017	16.50	12.59	5 334 500	5 788 000
Total						**8 305 526**	**11 147 278**

[1] Past and current members.

As per 31 December 2013, the weighted average remaining contractual life of all share options was 2.48 years (2012: 2.89 years).

SHARES FOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE

Base year	Granted	Vesting in		Share price at grant date	**Number 31.12.2013**	Number 31.12.2012
2009	2010	2013		12.50	–	808 758
2010	2011	2014		17.15	409 423	433 712
2010	2013	2015		13.81	50 000	–
2011	2012	2015		12.50	506 082	575 725
2012	2012	2016		9.49	32 000	32 000
2012	2013	2016		13.12	636 590	–
2013	2013	2016		13.74	705 546	–
2013	2013	2015		14.13	15 000	–
2013	2013	2016		15.61	5 000	–
2013	2013	2016		15.93	4 000	–
2013	2013	2015		15.88	10 000	–
Total					**2 373 641**	**1 850 195**

	Weighted average exercise price	**Options 2013**	**Shares 2013**	Weighted average exercise price	Options 2012	Shares 2012
Shares/options outstanding at 1 January	16.27	12 182 937	1 850 195	16.21	7 249 495	1 993 842
Granted			2 296 847		6 009 700	1 216 818
Exercised/distributed*	14.46	– 2 911 413	– 1 674 575	11.78	– 830 537	– 1 327 966
Cancelled/forfeited		– 277 691	– 98 826		– 245 721	– 32 499
Outstanding at 31 December	**16.65**	**8 993 833**	**2 373 641**	**16.27**	**12 182 937**	**1 850 195**
Exercisable at 31 December	16.87	3 659 333		14.86	3 934 995	
Fair value of shares/options outstanding in CHF		16 299 610	38 714 077		12 604 026	22 849 905

* Options exercised/distributed include 1 292 085 options (2012: 396 797) pertaining to the 2010, 2011 and 2012 Option plan, which were sold by the plan participants in the market and are currently held by third parties. Total outstanding options of these plans sold in the market at 31 December 2013 are 1 590 078 (31 December 2012: 1 854 892) with a fair value at 31 December 2013 of CHF 1 628 751 (31 December 2012: CHF 1 387 591).

The fair value of shares granted during 2013 is CHF 31 million (2012: CHF 15 million) calculated based on market value of shares at grant date.

No options were granted in 2013. The fair value of options granted in 2012 was CHF 11 million calculated based on the Black-Scholes valuation model.

30. Personnel expenses

in CHF m	**2013**	2012 [1]
Wages and salaries	– 1 235	– 1 240
Social welfare costs	– 344	– 346
Shares and options granted to directors and employees	– 19	– 29
Pension costs – defined contribution plans	– 27	– 25
Pension costs – defined benefit plans	– 25	– 55
Other post-employment benefits	– 1	– 2
Total personnel expenses	**– 1 651**	**– 1 697**
thereof reported under discontinued operations	244	263
Total continuing operations	**– 1 407**	**– 1 434**

[1] restated – see note 1.03

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 199 to 202 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 2013 of these services is CHF 1 million (2012: CHF 2 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these is approximately five (2012: approximately nine).

TRANSACTIONS WITH RELATED PARTIES

in CHF m	**2013**	2012
Income from the sale of goods to related parties	45	43
thereof from joint ventures	*11*	*3*
Income from the rendering of services to related parties	13	4
thereof to joint ventures	*7*	*3*
Expenses from the purchase of goods from related parties	– 111	– 79
thereof from joint ventures	*– 21*	*– 11*
Expenses from services rendered by related parties	– 232	– 193
thereof by joint ventures	*– 19*	*– 193*

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	**31.12.2013**	31.12.2012
Receivables from related parties	9	8
thereof from joint ventures	*5*	*2*
Payables to related parties	48	24
thereof to joint ventures	*32*	*14*
Loans to related parties	61	4
thereof to joint ventures	*35*	*–*
Loans from related parties	1	1
thereof from joint ventures	*–*	*–*
Guarantees to third parties on behalf of related parties	82	55
thereof on behalf of joint ventures	*82*	*9*

TRANSACTIONS WITH KEY MANAGEMENT

in CHF m	**2013**	2012
Salaries and other short-term benefits	10	11
Termination benefit	–	2
Post-employment benefits	3	3
Share-based payments	5	7
Total	**18**	**23**

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	**31.12.2013**	31.12.2012
2013	–	51
2014	44	32
2015	28	21
2016	19	12
2017	14	8
2018	12	–
Thereafter	23	26
Total	**140**	**150**
Guarantees in favor of third parties	–	31

Expenses for operating leases were CHF 74 million in 2013 (2012: CHF 72 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 216 million (2012: CHF 328 million). In 2013 Clariant signed a contract to buy a minimum quantity of ethylene starting in 2015 for the next 10 years. This implies a total purchase commitment of about CHF 1.4 billion.

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 detemined to what extent these proceedings will lead to additional financial liabilities.

In connection with the dismantlement of a waste water treatment plant in France Clariant is faced with a claim by the Swiss-based group Novartis in the amount of EUR 10 million. Clariant has the view that this claim is unfounded. The case is currently pending at court.

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):

	31.12.2013	31.12.2012
1 USD	0.89	0.92
1 EUR	1.23	1.21
1 BRL	0.38	0.45
1 CNY	0.15	0.15
100 INR	1.44	1.67
100 JPY	0.85	1.06

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2013	2012
1 USD	0.93	0.94
1 EUR	1.23	1.21
1 BRL	0.43	0.48
1 CNY	0.15	0.15
100 INR	1.59	1.75
100 JPY	0.95	1.17

34. Important subsidiaries

Country	Company name	Currency	Share-/paid in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Production	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	6 129	100.0		■	■	
Brazil	Clariant Administração de Bens Ltda., São Paulo	BRL	7 696	100.0	■			
	Clariant S.A., São Paulo	BRL	184 863	100.0	■	■	■	■
British Virgin Islands	Clariant Clearwater Technologies Ltd, Tortola	USD	1	100.0	■			
	Clariant Finance (BVI) Ltd, Tortola	CHF	10	100.0	■			
Canada	Clariant (Canada) Inc., Toronto	CAD	10 415	100.0	■	■	■	
Chile	Clariant Colorquímica (Chile) Ltda., Maipú-Santiago de Chile	CLP	14 797	100.0		■	■	
China	Clariant (China) Ltd, Hong Kong	HKD	93 250	100.0	■	■	■	
	Clariant Bohai Pigments Preparations (Tianjin) Ltd, Tianjin	CNY	49 176	90.0		■	■	■
	Clariant Catalysts (Nanjing) Ltd, Nanjing	USD	45 000	100.0		■	■	■
	Clariant Catalysts (Shanghai) Ltd, Shanghai	CNY	105 000	100.0		■	■	
	Clariant Chemical Materials (Baotou) Ltd, Baotou	EUR	1 700	100.0			■	
	Clariant Chemicals (China) Ltd, Shanghai	USD	10 000	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 Huajin Catalysts (Panjin) Ltd, Panjin City	CNY	69 511	60.0		■	■	
	Clariant Masterbatches (Beijing) Ltd, Beijing	USD	1 099	100.0		■	■	
	Clariant Masterbatches (Shanghai) Ltd, Shanghai	USD	3 199	100.0		■	■	
	Clariant Redhill Bentonite (Liaoning) Ltd, Jianping	USD	3 070	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		■	■	
	Süd-Chemie Investment Management (Shanghai) Co., Ltd, Shanghai	USD	2 000	100.0	■			
Colombia	Clariant (Colombia) SA, Cota (Cundinamarca)	COP	2 264 786	100.0		■	■	
Finland	Clariant Masterbatches (Finland) Oy, Vantaa	EUR	169	100.0		■		
France	Clariant Masterbatches (France), Trosly Breuil	EUR	7 000	100.0		■	■	■
	Clariant Production (France), Trosly Breuil	EUR	80 958	100.0			■	■
	Clariant Services (France), Trosly Breuil	EUR	10 000	100.0	■			
	Clariant Specialty Fine Chemicals (France), Trosly Breuil	EUR	60 037	100.0		■	■	■

Country	Company name	Currency	Share-/paid in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Production	Research
	K.J. Quinn, Graulhet	EUR	250	100.0		■		
Germany	Clariant Advanced Materials GmbH, Frankfurt a.M.	EUR	102	100.0		■	■	■
	Clariant Masterbatches (Deutschland) GmbH, Lahnstein	EUR	53	100.0		■	■	■
	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	■		■	■
	Clariant SE, Frankfurt a.M.	EUR	915	100.0	■	■		
	Clariant Verwaltungsgesellschaft mbH, Frankfurt a.M.	EUR	2 560	100.0	■			
	Phostech Lithium GmbH, Munich	EUR	25	100.0	■			
	SC Beteiligungsgesellschaft mbH, Bensheim	EUR	32 185	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	555	100.0			■	
Guatemala	Clariant (Guatemala) SA, Guatemala City	GTQ	14 000	100.0		■	■	
	Clariant Trading (Guatemala) SA, Guatemala City	GTQ	10	100.0		■		
India	Clariant Chemicals (India) Ltd, Thane	INR	266 607	63.4	■	■	■	■
	Clariant India Private Limited, New Delhi	INR	100	100.0	■	■		
	Italtinto India Private Limited, Mahape Navi Mumbai	INR	100	100.0		■	■	
Indonesia	P.T. Clariant Specialties Indonesia, Tangerang	USD	500	100.0		■		
	PT. Clariant Adsorbents Indonesia, Cileungsi, Bogor	IDR	12 375 000	100.0		■	■	
	PT. Clariant Indonesia, Tangerang	USD	23 950	100.0	■	■	■	
Ireland	Clariant Masterbatches Ireland Limited, Naas	EUR	411	100.0		■	■	
Italy	Clariant (Italia) S.p.A., Milan	EUR	30 000	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			■	
	Società Sarda di Bentonite S.r.l., Santa Giusta	EUR	2 050	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		■	■	■
	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	7 067 990	100.0		■	■	■
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	Production	Research
Malawi	Süd-Chemie (Pty) Limited, Blantyre	MWK	150	100.0		■	■	
Malaysia	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	23 106	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			■	
Morocco	Clariant (Maroc) S.A., Casablanca	MAD	30 000	100.0		■	■	
Netherlands	Clariant Participations (The Netherlands) B.V., Maastricht	EUR	20	100.0	■			
New Zealand	Clariant (New Zealand) Ltd, Auckland	NZD	1 000	100.0	■	■	■	
Norway	Clariant Oil Services Scandinavia AS, Bergen	NOK	4 725	100.0	■	■		■
Pakistan	Clariant Chemical Pakistan (Pvt) Ltd, Karachi-Korangi	PKR	1 125 000	100.0		■	■	
Peru	Clariant (Perú) SA, Lima	PEN	25 063	100.0	■	■	■	
	Minera Doña Herminia S.A., Callao	PEN	210	100.0			■	
Poland	Clariant Polska Spolka z.o.o., Zgierz	PLN	1 546	100.0		■	■	
	Süd-Chemie Polska Sp. z o.o., Gdansk	PLN	3 885	100.0			■	
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	70 000	65.0		■	■	
Russia	Clariant (RUS) LLC, Moscow	RUB	12 700	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		■	■	
	Clariant South East Asia Pte. Ltd, Singapore	SGD	1 560	100.0	■			
South Africa	Clariant Sasol Catalysts (Proprietary) Limited, Chloorkop, Gauteng	ZAR	1 417	80.0		■		
	Clariant Southern Africa (Pty) Ltd. Chloorkop, Gauteng	ZAR	6	100.0	■	■	■	
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	358	100.0	■			
	Clariant Masterbatch Ibérica S.A., Sant Andreu de la Barca	EUR	2 524	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		■	■	

Country	Company name	Currency	Share-/paid in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Production	Research
	Clariant Masterbatches (Thailand) Ltd, Chonburi	THB	225 000	100.0		■	■	
Turkey	Clariant (Türkiye) A.S., Gebze	TRY	8 702	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 14 October 2013 Clariant signed an agreement with ICIG to divest its Detergents & Intermediates business for a total consideration of CHF 58 million. The sale became effective on 1 January 2014. The activities sold comprise sites mainly in Germany and in France. Worldwide 660 employees were concerned by the transaction.

On 11 February 2014 Clariant announced the signing of an agreement to divest the Water Treatment business in Africa to AECI, domiciled in South Africa. The total consideration of the sale amounts to CHF 34 million in cash at closing that is expected by the end of the second quarter 2014. The transaction is subject to certain conditions precedent, as well as regulatory approvals. In 2013 the Water Treatment business pertaining to the Business Area Natural Resources reported approximately CHF 41 million in sales. In total 210 employees in Africa are affected by the transaction.

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 129 to 191), for the year ended 31 December 2013.

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 2013 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.

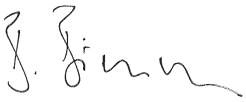
Report on other legal requirements

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
Audit expert
Auditor in charge

Bernhard Bichsel
Audit expert

Basel, 17 February 2014

PricewaterhouseCoopers Ltd, St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland
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REVIEW OF TRENDS

Five-year Group overview

FIVE-YEAR GROUP OVERVIEW 2009–2013

		2013	2012[3] (restated)	2012	2011[2] (restated)	2011	2010	2009
Segment sales	CHF m	**6 113**	**6 073**	**6 073**	**5 598**	**7 413**	**7 190**	**6 716**
Change relative to preceding year								
in Swiss francs	%	1	8	8	–	3	7	– 18
in local currency	%	4	8	8	–	16	13	– 16
Group sales[1]	CHF m	**6 076**	**6 038**	**6 038**	**5 571**	**7 370**	**7 120**	**6 614**
Change relative to preceding year								
in Swiss francs	%	1	8	8	–	4	8	– 18
in local currency	%	4	8	8	–	16	13	– 14
Operating income before exceptionals	CHF m	**574**	**546**	**531**	**624**	**717**	**696**	**270**
Change relative to preceding year	%	5	– 13	– 15	–	3	158	– 49
as a % of sales		9.4	9.0	8.8	11.2	9.7	9.8	4.1
Operating income/loss	CHF m	**470**	**411**	**396**	**432**	**507**	**366**	**– 20**
Change relative to preceding year	%	14	– 5	– 8	–	– 39	–	– 109
as a % of sales		7.7	6.8	6.6	7.8	6.9	5.1	– 0.3
EBITDA	CHF m	**797**	**690**	**675**	**643**	**786**	**646**	**263**
Change relative to preceding year	%	16	7	5	–	22	146	– 62
as a % of sales		13.1	11.4	11.2	11.5	10.7	9.1	4.0
EBITDA before exceptionals	CHF m	**858**	**817**	**802**	**835**	**975**	**901**	**495**
Change relative to preceding year	%	5	-2	-4	-7	8	82	-37
as a % of sales		14.1	13.5	13.3	15.0	13.2	12.7	7.5
Net income/loss	CHF m	**5**	**228**	**238**	**251**	**251**	**191**	**– 194**
Change relative to preceding year	%	– 98	– 9	– 5	31	31	–	424
as a % of sales		–	–	–	–	3.4	2.7	– 2.9
Investment in property, plant and equipment	CHF m	**292**	**311**	**311**	**370**	**370**	**224**	**135**
Change relative to preceding year	%	– 6	– 16	– 16	65	65	66	– 50
as a % of sales		–	–	–	–	5	3	2
Personnel expenses	CHF m	**1 407**	**1 434**	**1 452**	**1 341**	**1 623**	**1 646**	**1 757**
Change relative to preceding year	%	– 2	7	8	–	– 1	– 6	–
as a % of sales		23	24	24	24	22	23	27
Employees at year-end	number	18 099	21 202	21 202	22 149	22 149	16 176	17 536
Change relative to preceding year	%	– 15	– 4	– 4	37	37	– 8	– 13

[1] Including trading.
[2] restated for the effects of discontinued operations – see note 1.04 of Annual Report 2012
[3] restated – see note 1.03

CLARIANT LTD BALANCE SHEETS

at 31 December 2013 and 2012	**31.12.2013** in CHF	in %	31.12.2012 in CHF	in %
Assets				
Non-current assets				
Shareholdings in Group companies	1 890 338 974		1 910 768 179	
Loans to Group companies	2 209 883 341		1 804 474 604	
Loans to related parties	1 959 760		2 013 220	
Intangible assets	27 572 527		10 252 324	
Total non-current assets	**4 129 754 602**	**79.3**	**3 727 508 327**	**69.6**
Current assets				
Receivables from Group companies	451 673 940		328 392 574	
Other receivables	20 344 554		1 372 320	
Accrued income	1 123 296		1 784 365	
Marketable securities	222 576 621		209 044 941	
Short term deposits	234 671 217		205 252 900	
Cash and cash equivalents	146 259 705		880 078 523	
Total current assets	**1 076 649 333**	**20.7**	**1 625 925 623**	**30.4**
Total assets	**5 206 403 935**	**100.0**	**5 353 433 950**	**100.0**
Equity and liabilities				
Total share capital	**1 228 175 036**		**1 094 283 340**	
Reserves				
General reserve	1 572 625 867		1 475 598 598	
thereof reserves from capital contributions [1]	*2 836 923 858*		*2 739 896 589*	
thereof from retained earnings [2]	*– 1 264 297 991*		*– 1 264 297 991*	
Reserve for treasury shares	189 774 673		220 189 692	
thereof reserves from capital contributions [1]	*124 409 724*		*160 513 780*	
thereof from retained earnings	*65 364 949*		*59 675 912*	
Free reserves	423 807 861		301 741 674	
Total reserves	**2 186 208 401**		**1 997 529 964**	
Accumulated gains				
Gain for the financial year	3 027		127 755 224	
Total accumulated gains	**3 027**		**127 755 224**	
Total equity	**3 414 386 464**	**65.6**	**3 219 568 528**	**60.1**
Liabilities				
Non-current liabilities				
Straight Bonds	1 010 000 000		1 010 000 000	
Convertible bond	–		299 990 000	
Certificate of indebtedness	154 679 233		482 178 600	
Derivatives	–		4 918 160	
Loans to third parties	44 647 397		60 018 417	
Loans from Group companies	9 406 008		15 773 129	
Total non-current liabilities	**1 218 732 638**	**23.4**	**1 872 878 306**	**35.0**
Current liabilities				
Certificate of indebtedness	327 250 885		–	
Provisions	2 303 305		15 413 348	
Liabilities to Group companies	197 791 350		166 481 154	
Other liabilities	29 355 153		56 453 172	
Accrued expenses	16 584 140		22 639 442	
Total current liabilities	**573 284 833**	**11.0**	**260 987 116**	**4.9**
Total liabilities	**1 792 017 471**	**34.4**	**2 133 865 422**	**39.9**
Total equity and liabilities	**5 206 403 935**	**100.0**	**5 353 433 950**	**100.0**

[1] The Swiss Federal Tax Administration confirmed qualifying capital contributions of approximately CHF 1.7 billion. For further information see also note 9 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 9 to the financial statements of Clariant Ltd.

CLARIANT LTD INCOME STATEMENTS

for the years ended 31 December 2013 and 2012	**31.12.2013** in CHF	31.12.2012 in CHF
Income		
Income from participations and interests on loans	526 557 451	219 668 528
Income from cash and cash equivalents, marketable securities and short-term deposits	61 975 770	45 653 823
Exchange rate gains realized	114 178 746	72 780 684
Reversal of tax provision	14 668 834	–
Reversal of depreciation of financial assets	–	294 963 844
Other income	15 377 146	14 446 224
Total income	**732 757 947**	**647 513 103**
Expenses		
Financial expenses	169 745 718	154 663 403
Administrative expenses	101 700 494	103 857 704
Other expenses (including taxes)	3 317 348	14 668 055
Depreciation of financial assets	443 440 981	225 000 000
Exceptional expenses	14 550 379	21 568 717
Total expenses	**732 754 920**	**519 757 879**
Gain for the financial year	**3 027**	**127 755 224**

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. Basis of preparation

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

3. Financial assets

After a regular review of the cash generating capabilities of all subsidiaries of Clariant Ltd, investments were written down in the amount of CHF 443 million in the financial year.

The principal direct and indirect affiliated companies and other holdings of Clariant Ltd are shown on pages 188 to 191 of the Financial Report of the Clariant Group.

4. Cash, marketable securities, and current financial assets

Securities include treasury shares valued at market value in the amount of CHF 215 million (2012: CHF 198 million) (see also note 6). Because of the increasing share price a revaluation of the treasury shares of CHF 55 million was recorded.

5. Share capital

Capital issued	**31.12.2013**	31.12.2012
Number of registered shares each with a par value of CHF 3.70 (2012: CHF 3.70)	331 939 199	295 752 254
In CHF	1 228 175 036	1 094 283 340

Conditional capital	**31.12.2013**	31.12.2012
Number of registered shares each with a par value of CHF 3.70 (2012: CHF 3.70)	3 811 886	39 998 831
In CHF	14 103 978	147 995 674

In connection with the convertible bond, 36 186 945 new shares from conditional capital were created. For further details, please refer to note 8.

6. Treasury shares

	2013	2012
Holdings at 1 January	16 070 280	12 622 649
Shares purchased at market value	1 208 444	4 502 452
Shares purchased on exercise of put options	–	500 000
Shares sold to counterparty out of options (mangement options 2008)	– 2 067 500	–
Shares sold at market value	– 507 944	– 325 950
Shares transferred to employees	– 1 498 429	– 1 228 871
Holdings at 31 December	**13 204 851**	**16 070 280**

Each registered share has a par value of CHF 3.70 (2012: CHF 3.70).

The average price of shares bought in 2013 was CHF 13.53 (2012: CHF 11.87).

The average price of shares sold in 2013 was CHF 12.83 (2012: CHF 11.33).

7. Reconciliation of equity

in CHF	Share capital	General reserve		Reserve for treasury shares		Free reserves	Net income	**Total**
		from capital contribution [1]	from retained earnings [2]	from capital contribution [1]	from retained earnings			
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**
Treasury share transactions		36 104 056		– 36 104 056	5 689 037	– 5 689 037		–
Reclassification of profit carryforward to free reserves						127 755 224	– 127 755 224	–
Distribution		– 105 175 091						– 105 175 091
Convertible bond	133 891 696	166 098 304						299 990 000
Profit of the financial year							3 027	3 027
Balance 31 December 2013	**1 228 175 036**	**2 836 923 858**	**– 1 264 297 991**	**124 409 724**	**65 364 949**	**423 807 861**	**3 027**	**3 414 386 464**

[1] Until today, qualifying capital contributions of approximately CHF 1.7 billion are confirmed. For further information see also note 9 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 9 to the financial statements of Clariant Ltd.

8. Bonds and certificates of indebtedness

in CHF thousand	Interest rate	Term	**Amount 31.12.2013**	Amount 31.12.2012
Convertible bond	3.000	2009–2014	–	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	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	285 000
Straight bond	2.500	2012–2018	250 000	250 000
Straight bond	3.500	2012–2022	175 000	175 000
Total			**1 492 179**	**1 792 169**

On 6 February 2013, Clariant made use of it's issuer call option within the CHF 300 million, 3 % convertible Bond 2009–2014. By the end of March 2013, 100 % of the bondholders had made use their conversion rights. Consequently 36 186 945 registered shares were issued in 2013 as a result of the conversion representing a share capital increase of CHF 134 million and an increase in reserves of CHF 166 million.

9. 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.

As from 2011, if certain conditions are met, qualifying capital contributions made to Clariant Ltd by its shareholders since 1997 can be distributed without being subject to swiss withholding tax.

Qualifying capital contribution reserves of approximately CHF 1.7 billion are confirmed by the Swiss Federal Tax Administration (SFTA).

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.

10. Reserve for treasury shares

Clariant Ltd has met the legal requirements for treasury shares required by the Swiss Code of Obligations.

11. Contingent liabilities

in CHF m	**Outstanding liabilities 31.12.2013**	Outstanding liabilities 31.12.2012
Outstanding liabilities as guarantees in favor of Group companies	832	1 559

The company belongs to the Swiss value-added tax (VAT) group of Clariant International Ltd, and thus carries joint liability to the Swiss federal tax authority for value-added tax.

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 2013**	Cash amount 2012
	Membership in 2013	Honorarium in CHF	Committee fee in CHF	in CHF	in CHF	in CHF
Rudolf Wehrli	full year	300 000	150 000	43 053	493 053	438 971
Günter von Au	full year	200 000	90 000	29 742	319 742	228 348
Peter Isler	full year	100 000	140 000	20 242	260 242	218 416
Peter Chen	full year	100 000	60 000	19 017	179 017	168 108
Dominik Koechlin	full year	100 000	100 000	20 889	220 889	193 827
Carlo G. Soave	full year	100 000	120 000	22 307	242 307	209 536
Hariolf Kottmann [2]	full year	–	–	–	–	–
Dolf Stockhausen	full year	100 000	30 000	12 993	142 993	134 825
Konstantin Winterstein	full year	100 000	40 000	–	140 000	135 000
Former BoD members	until 31.03.2012				–	238 937
Total		**1 100 000**	**730 000**	**168 243**	**1 998 243**	**1 965 968**

[2] After taking over the function as CEO, no further Board of Directors' compensations are extended.

Name	**Share based compensation in 2013** [3]	Share based compensation in 2012 [3]
Rudolf Wehrli	215 627	225 004
Günter von Au	150 002	112 500
Peter Isler	112 501	134 396
Peter Chen	112 501	134 396
Dominik Koechlin	112 501	134 396
Carlo G. Soave	112 501	134 396
Hariolf Kottmann	–	–
Dolf Stockhausen	100 001	75 006
Konstantin Winterstein	100 001	75 006
Former BoD members	–	271 878
Total	**1 015 635**	**1 296 978**

[3] The values above are in accordance with IFRS principles.

SHARES HELD

Name	**Number of shares granted**[1]	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
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Rudolf Wehrli	12 500	14 384	–	–	26 874	12 490
Günter von Au	9 375	10 788	–	–	18 288	7 500
Peter Isler	6 250	7 192	–	–	56 746	29 554
Peter Chen	6 250	7 192	–	–	12 923	5 931
Dominik Koechlin	6 250	7 192	–	–	18 292	11 100
Carlo G. Soave	6 250	7 192	–	–	22 292	15 100
Hariolf Kottmann[2]			See EC Overview			
Dolf Stockhausen	6 250	7 192	–	–	11 783 396	11 776 204
Konstantin Winterstein	6 250	7 192	–	–	5 985 040	5 000
Total	**59 375**	**68 324**	**–**	**–**	**17 923 851**	**11 862 879**

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 privately held options**	Number of privately held options
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Rudolf Wehrli	–	–	–	30 120	61 870	71 750
Günter von Au	–	–	–	–	–	–
Peter Isler	–	–	–	24 096	47 946	43 850
Peter Chen	–	–	–	24 096	47 946	43 850
Dominik Koechlin	–	–	–	24 096	47 946	43 850
Carlo G. Soave	–	–	–	24 096	47 946	43 850
Hariolf Kottmann[2]			See EC Overview			
Dolf Stockhausen[3]	–	–	–	–	–	–
Konstantin Winterstein	–	–	–	–	–	–
Total	**–**	**–**	**–**	**126 504**	**253 654**	**247 150**

[1] The number of shares granted as part of the BoD share program will be determined after the balance sheet date. The number disclosed is based on the amount of an estimated fair value of the shares at the grant date. Therefore corrections are necessary.

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

[3] Additionally holding: 20 700 options to sell.

2. Executive Committee

in CHF	Hariolf Kottmann	Others	**Total 2013**	Total 2012
Annual compensation				
Base salary	1 200 000	2 400 000	3 600 000	3 450 000
Cash bonus	1 766 400	3 091 200	4 857 600	4 153 600
Share-based bonus:				
Value	1 157 257	1 959 602	3 116 859	4 258 416
Options:				
Value	312 540	468 810	781 350	1 252 222
Other payments	1 816 146	1 272 021	3 088 167	2 380 349
Total annual compensation	**6 252 343**	**9 191 633**	**15 443 976**	**15 494 587**
Exceptional compensation				
Other cash payment	–	–	–	1 500 000
Payments to leaving members of the Executive Committee	–	–	–	2 397 000
Total compensation	**6 252 343**	**9 191 633**	**15 443 976**	**19 391 587**

During the year 2013, there was no personnel change within the Executive Committee.

In 2013 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 would be paid out. The first portion of CHF 1.5 million was paid out on the successful integration of Süd-Chemie Germany in 2012. Although the target of successfully integrating the Süd-Chemie activities outside Germany was achieved, the CEO voluntarily waived the pay-out of the second portion of CHF 1.5 million in 2013.

The values above are in accordance with IFRS. Other benefits include contributions to pension funds (65 %) and social security (35 %). 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]	Number of shares granted[1]	**Number of shares within vesting period**	Number of shares within vesting period	**Number of privately held shares**	Number of privately held shares
	for 2013	for 2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Hariolf Kottmann	91 591	134 106	205 489	186 045	521 098	554 045
Patrick Jany	50 396	75 100	114 559	75 613	221 880	167 530
Christian Kohlpaintner	50 396	75 100	114 559	58 813	158 019	130 469
Mathias Lütgendorf	50 396	75 100	114 559	74 563	305 613	252 313
Total	**242 779**	**359 406**	**549 166**	**395 034**	**1 206 610**	**1 104 357**

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 privately held options**	Number of privately held options
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Hariolf Kottmann	–	263 200	263 200	383 682	263 382	270 900
Patrick Jany	–	131 600	131 600	191 841	290 241	330 000
Christian Kohlpaintner	–	131 600	131 600	191 841	50 241	40 000
Mathias Lütgendorf	–	131 600	131 600	191 841	120 241	60 000
Total	**–**	**658 000**[2]	**658 000**	**959 205**	**724 105**	**700 900**

[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 92 %, the amount of variable estimated remuneration accrued and an estimated fair value of the shares at the grant date. Therefore corrections are necessary.

[2] Excluding 131 600 options of the former EC-member Hans-Joachim Müller

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

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2013 the following shareholders held more than 3 % of voting rights in Clariant:

Dr. Dolf Stockhausen, Ennetbürgen (Switzerland) and Konstantin Winterstein, München (Germany) (Lock-up Group II)[1], 4.11 %; Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany)[2], 3.73 %; Credit Suisse Funds AG, Zurich (Switzerland): 3.28 %; UBS Funds Management (Switzerland) AG, Basel (Switzerland): 3.09 %.

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 were affiliated with each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

According to a disclosure notification to SIX Exchange Regulation dated 21 October 2013, they are no longer considered a single group any more.

According to a new disclosure notice to SIX Exchange Regulation dated 11 February 2014 former shareholders of Süd-Chemie AG formed a group again, holding 13.3 % of Clariant shares.

In addition, at 31 December 2012, the following shareholder 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 (United States), 3.097 %, Credit Suisse Funds AG, Zurich (Switzerland): 3.28 %; UBS Funds Management (Switzerland) AG, Basel (Switzerland): 3.09 %. 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 140.

[1] Dr. Dolf Stockhausen, Ennetbürgen Switzerland, and Konstantin Alfred Winterstein, München Germany, form a lock-up group and held 4.11 % as at 31 December 2013. The lock-up group was formed in connection with the acquisition of the Süd-Chemie AG by Clariant in April 2011 and will expire on 18 April 2014.

[2] According to a disclosure notification published on 18 January 2013, a group consisting of Konstantin Winterstein, München Germany and Elisabeth Prinzessin zu Sayn-Wittgenstein, München Germany holds 3.73 % partially through Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany).

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to appropriate the profit of 2013 of Clariant Ltd in the amount of CHF 3 027 as follows.

Annual result	in CHF
Carried forward from previous year	–
Profit for the year 2013	3 027
Total available unappropriated earnings	**3 027**

Appropriation	in CHF
Free reserves as at 31 December 2013	423 807 861
Transfer to free reserves	3 027
Free reserves as at 1 January 2014	423 810 888
Balance to be carried forward	–
Distribution of CHF 0.36 per share from capital contribution reserves	**114 745 000**[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. The distribution amount is therefore expected to be in the region of CHF 114 745 000.

Distribution of reserves from capital contribution

The Board of Directors proposes a distribution from the confirmed capital contribution reserves of CHF 0.36 per share (following reclassification of the full distribution amount from general reserves to free reserves).

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 194 to 203), for the year ended 31 December 2013.

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 2013 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 comply 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
Audit expert
Auditor in charge

Bernhard Bichsel
Audit expert

Basel, 17 February 2014

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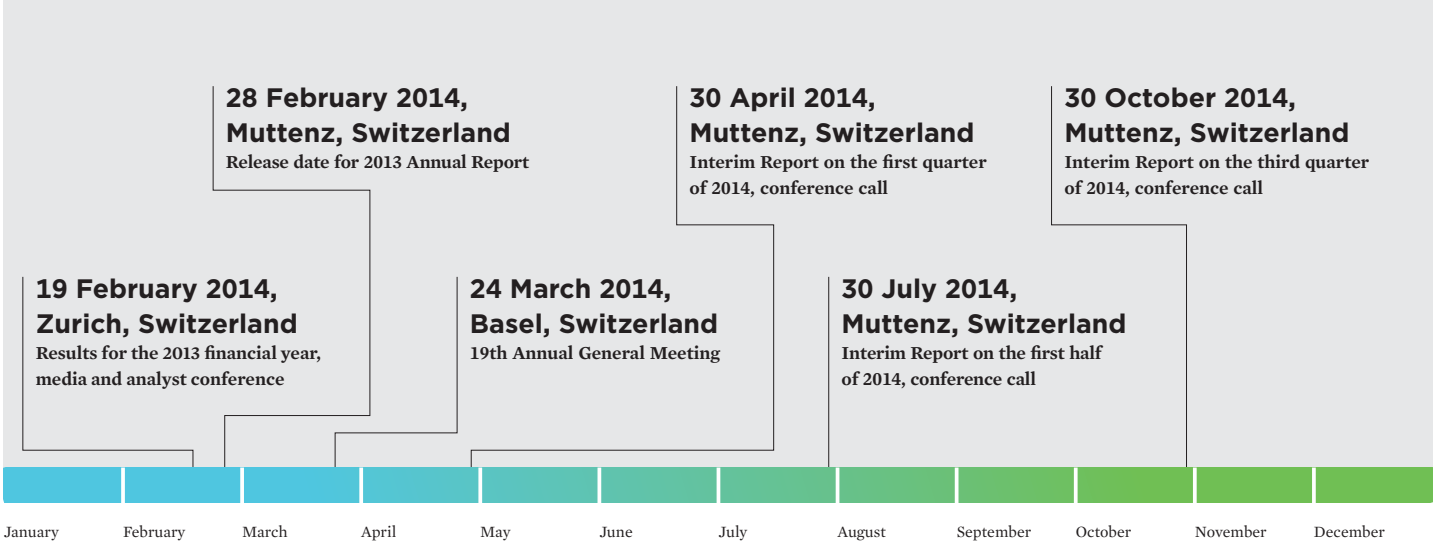
FORWARD-LOOKING STATEMENTS

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.

Financial
CALENDAR



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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.

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Glossary

ADDITIVE
A substance added to products in small quantities to achieve certain properties or to improve a product (Clariant Business Unit Additives).

ADSORBENTS
Usually solid substances which are able to selectively accumulate certain substances from adjacent gaseous or liquid phases (Clariant Business Unit Functional Minerals).

BUSINESS AREA
In 2013 Clariant adjusted its reporting segments and grouped its businesses with similar end-user markets and growth drivers into four distinct Business Areas: Care Chemicals, Catalysis & Energy, Natural Resources, and Plastics & Coatings.

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 Business Unit Catalysis & Energy).

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 95).

FREE CASH FLOW
Free cash flow is the cash flow from operating activities minus expenditure for property, plant, and equipment, and intangible assets.

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.

MASTERBATCHES
These are plastic additives in the form of granules with dyestuffs or other additives used to dye or alter the properties of natural plastic.

NET WORKING CAPITAL
Net working capital is the difference between a company's current assets and its current liabilities.

PIGMENT
Pigments are substances used for coloring; they are used in a technical manner, for example in the manufacture of dyes, varnishes, and plastics.

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, less adjusted taxes 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.

Five-year Group Overview
2009 – 2013

CHF m	2013	2012	2011	2010	2009
Group sales	**6 076[1]**	**6 038[1]**	**7 370**	**7 120**	**6 614**
Change relative to preceding year					
in Swiss francs (%)	**1**	8	4	8	– 18
in local currencies (%)	**4**	8	16	13	– 14
Operating income before exceptionals	**574[1]**	**546[1,2]**	**717**	**696**	**270**
Operating income	**470[1]**	**411[1,2]**	**507**	**366**	**– 20**
EBITDA before exceptionals	**858[1]**	**817[1,2]**	**975**	**901**	**495**
EBITDA	**797[1]**	**690[1,2]**	**786**	**646**	**263**
Net income / loss	**323[1]**	**203[1,2]**	**251**	**191**	**– 194**
Basic earnings per share	**0.98[1]**	**0.68[1,2]**	**0.86**	**0.81**	**– 0.91**
Distribution per share	**0.36**	**0.33**	**0.30**	**–**	**–**
EBITDA margin before exceptionals (%)	**14.1**	**13.5[2]**	**13.2**	**12.7**	**7.5**
Return on invested capital (ROIC) (%)	**9.5[1]**	**9.4[1]**	**13.1**	**18.1**	**5.7**
Operating cash flow	**301**	**468**	**206**	**642**	**757**
Investment in property, plant and equipment	**292**	**311**	**370**	**224**	**135**
Research & Development expenditures	**199**	**175**	**176**	**135**	**150**
Depreciation and amortization	**284**	**316**	**258**	**205**	**225**
Net working capital	**1 036[1]**	**1 079[1]**	**1 442**	**1 132**	**1 396**
in % of sales	**17.1[1]**	17.9[1]	19.6	15.9	21.1
Total assets	**8 174**	**9 467[2]**	**9 081**	**5 921**	**6 092**
Equity (including non-controlling interests)	**2 780**	**2 666[2]**	**3 026**	**1 806**	**1 896**
Equity ratio (%)	**34.0**	**28.2[2]**	**33.3**	**30.5**	**31.1**
Net financial debt	**1 500**	**1 789**	**1 740**	**126**	**545**
Gearing ratio (%)	**54**	**67[2]**	**58**	**7**	**29**
Employees	**18 099**	**21 202**	**22 149**	**16 176**	**17 536**

[1] Continuing operations (see note 1.04 in the Financial Report of the 2012 Annual Report).

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

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