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ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF US PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The materials relating to the offering do not constitute and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Managers or the Issuer or the Guarantor that would or is intended to, permit a public offering of the securities, or possession or distribution of the prospectus (in proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and either of the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Manager or such affiliate on behalf of the Issuer or the Guarantor in such jurisdiction. This prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

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CLARIANT FINANCE (LUXEMBOURG) S.A.

(incorporated as a société anonyme under the laws of The Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under No. B114770)

€500,000,000

5.625 per cent. Guaranteed Notes due 2017

**guaranteed by
CLARIANT AG**

(a Swiss stock corporation incorporated with limited liability under the laws of Switzerland and registered in the Commercial Register of the Canton of Basel-Landschaft, Switzerland, under the register number CH-280.3.900.172-6)

The issue price of the €500,000,000 5.625 per cent. Guaranteed Notes due 2017 (the "**Notes**") of Clariant Finance (Luxembourg) S.A. (the "**Issuer**") is 99.724 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 24 January 2017. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in Luxembourg or Switzerland. In addition, the holder of a Note may under certain circumstances, by the exercise of the relevant option, require the Issuer to redeem or repurchase such Note at the Put Amount (as defined in Condition 5(c)) upon the occurrence of certain change of control events relating to Clariant AG (the "**Guarantor**" or the "**Company**") as set out in Condition 5(c). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will bear interest from 24 January 2012 (the "**Closing Date**") at the rate of 5.625 per cent. per annum payable annually in arrear on 24 January in each year, commencing on 24 January 2013. The rate of interest applicable to the Notes is subject to variation from time to time in accordance with the provisions of Condition 4(b) (Interest – Step Up Rating Change and Step Down Rating Change), in the event of a Step Up Rating Change or a Step Down Rating Change (as such terms are defined herein). Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by Luxembourg or Switzerland to the extent described under "*Terms and Conditions of the Notes — Taxation*". The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes (the "**Guarantee**").

This Prospectus has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC and relevant implementing measures in the United Kingdom, as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of the Notes. Applications have been made to admit the Notes to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"). The London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC.

See "**Risk Factors**" for a discussion of certain factors that should be considered in connection with an investment in the Notes.

The Notes have not been and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined in "*Subscription and Sale*") (the "**Managers**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denominations of €100,000 and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") (or other relevant clearing system) allow, in denominations of €1,000 in excess of €100,000 up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, each a "**Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in principal amounts equal to €100,000 each or any amount in excess thereof which is an integral multiple of €1,000 up to and including €199,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*". No definitive Notes will be issued with a denomination above €199,000.

The Notes are expected to be rated "Ba1" and "BBB-" by Moody's Investor Service Ltd. ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), respectively. As of the date of this Prospectus, the long-term rating assigned to the Guarantor by Moody's is "Ba1 (stable outlook)", and the long-term and short term ratings assigned to the Guarantor by S&P are "BBB- (negative outlook)" and "A-3" respectively. The Issuer is not rated by any internationally recognised rating agency. Moody's and S&P are both established in the European Economic Area and are registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Joint Lead Managers

BNP PARIBAS

CITIGROUP

UNICREDIT BANK

Co-Managers

COMMERZBANK

SEB

The date of this Prospectus is 20 January 2012

Each of the Issuer and the Guarantor (whose registered offices are set out on the back page of this Prospectus) accepts responsibility for the information contained in this Prospectus. The Issuer and the Guarantor declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each of the Issuer and the Guarantor has confirmed to the Managers that this Prospectus contains all information regarding the Issuer, the Guarantor and the Notes which is (in the context of the issue of the Notes) material (including all information in relation to the Guarantor as is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, prospects of the Guarantor and of the rights attaching to the Notes); such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the issue of the Notes or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Manager.

No representation or warranty is made or implied by the Managers or any of their respective affiliates and neither the Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Each person receiving this Prospectus acknowledges that such person has not relied on any of the Managers in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing in the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, the Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Managers or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, neither the Notes nor the Guarantee have been or will be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to the "EU" are to the European Union, references to the "EEA" are to the European Economic Area (being the EU plus Iceland, Liechtenstein and Norway), references to "**Relevant Member State**" are to a Member State of the EEA which has implemented the Prospectus Directive, references to "**Prospectus Directive**" are to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive (as defined below), to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, references to "**2010 PD Amending Directive**" are to Directive 2010/73/EU, references to "EUR", "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to "CHF" or "**Swiss Franc**" are to Swiss francs.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Market information and other statements presented in this Prospectus regarding the position of the Guarantor relative to its competitors is based on the Guarantor's good faith belief. These estimates are based upon the Guarantor's internal market research, and unpublished market research carried out on behalf of the Guarantor. As far as the Issuer and the Guarantor are aware and are able to ascertain, no facts have been omitted which would render the information inaccurate or misleading.

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "Stabilising Manager" (or persons acting on behalf of the Stabilising Manager)) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action must be conducted by the Stabilising Manager in accordance with all applicable laws and rules.

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RISK FACTORS

An investment in the Notes involves certain risks. In addition to the other information in this Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. If any of the following risks actually occur, the market value of the Notes may be adversely affected. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer and the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes and/or under the Guarantee, as the case may be, for other reasons and neither the Issuer nor the Guarantor represent that the statements below regarding the risks of holding any Notes are exhaustive.

Words and expressions defined in the section headed "Terms and Conditions of the Notes" shall, unless otherwise defined in this section, have the same meanings in this section.

Risks relating to the Issuer and the Guarantor that may affect their ability to fulfil their obligations

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Issuer's principal purpose is to provide funding, through the international capital and money markets, to the Guarantor. Therefore, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the performance of the Guarantor, as a result of which the risk factor analysis set out below is mostly meaningful for and focused on the Group (as defined in "Description of the Guarantor").

Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee

Conditions in the global economy may adversely affect the results of operations, financial condition and cash flows of the Group

The Group sells its products in markets that are sensitive to changes in general economic conditions, including but not limited to the automotive, oil, mining, plastic, textile, leather, paper & packaging and construction industries. A downturn in general economic conditions could adversely affect the demand for the products of the Group, resulting in pressure on the prices, volumes and margins achieved or achievable going forward. A decline in demand or a shift to lower-margin products resulting from deteriorating economic conditions could adversely affect sales of products and the profitability of the Group and could also result in the impairment of certain assets.

The business and operating results of the Group have been affected by the recent global recession and other challenges that affected and continue to affect the global economy and the customers of the Group. There can be no assurance that global economic conditions will improve and there is a risk that some or all of the key markets in which the Group operates may experience economic decline or a prolonged period of no or negligible growth in the future. If conditions in the global economy or in the key markets in which the Group operates deteriorate, the Group may experience a significant adverse impact, which may be material for the Group's business, financial condition and/or results of operations.

The Group's business may be adversely impacted if it fails to implement its business strategy and/or is unable to maintain and improve the benefits from restructuring initiatives

In recent years, the focus of Clariant's efforts has been on implementing measures under the Project Clariant restructuring programme focusing on reducing headcount, closing assets and reducing the complexity of the Group. Project Clariant was initiated at the end of 2008 as a restructuring programme designed to systematically reshape all areas of the Company in 2009 and 2010, with the aim of increasing cash generation and reducing costs and complexity. Moreover, a significant part of the Group's strategy is based on its various initiatives and projects which aim at improving its profitability across all of its business units (the "Business Units", as described on page 38 of this Prospectus). To date, the initiatives have mainly concentrated on the areas of optimisation of the production process, supply chain and cost structures. For example, Project Clariant established the Global Asset Network Optimisation Project ("**Project GANO**") to address structural weaknesses and overcapacity which have considerably impacted the Group's cost base in the past. While such restructuring measures and initiatives have already had a positive effect on operating income in the financial year 2010, there can be no assurance that these will enable the Group to sustainably achieve the anticipated increase in profitability.

Moreover, the Group's business strategy and its initiatives are based on assumptions about future demand for the Group's existing products and services, new products and services that the Group is developing and on its ability to provide a high level of customer service. Each of these factors depends on the Group's ability to finance its operations, its product development activities and its ability to maintain high-quality and efficient manufacturing operations, to respond to competitive and regulatory changes, to access quality raw materials in a cost-effective and timely manner and to attract and retain key personnel. Many of these factors are beyond the Group's control and, accordingly, may lead to the Group not being able to implement its business strategy on a timely basis or at all. In addition, the initiatives may not show the anticipated effect, as competitors may undertake similar efforts and consequently lower prices, which could neutralise any positive effects of the Group's business strategy and thus adversely affect the Group's business, financial condition and/or results of operations.

Volatility and cyclical nature of the global chemicals and polymers markets and economic fluctuations in customer industries important to the Group may adversely affect the results of operations, financial condition and cash flows of the Group

The business of the Group is exposed to the volatile and cyclical nature of the chemicals and polymers markets. Depending on the individual market, and to some extent the geographic region, the transition from market growth to market decline can be very swift.

In addition, the performance of the chemicals and polymers markets is affected by the performance of the industries in which the customers of the Group operate, including but not limited to the automotive, oil, mining, plastic, textile, leather, paper & packaging and construction industries. A weak economic climate in the relevant customer industries typically results in lower sales volumes for the chemical and polymer products supplied by the Group. The industries in which the Group's customers operate are, in turn, strongly influenced by global economic developments.

The volatile and cyclical nature of the global chemicals and polymers markets together with weak or declining growth in customer industries could lead to a reduction in prices and sales volumes and thus affect sales growth, capacity utilisation and cost absorption within the Group.

Indeed, the Group might not be able, through price adjustment clauses in existing contracts and negotiations with customers, to pass on raw material, energy and transportation price increases to its customers, allowing the Group to recover its costs. In case of falling raw material prices, the pressure on the Group's sales prices may increase and the Group may not be able to maintain its sales prices. These developments may have negative effects on the Group's business, financial condition and/or results of operations.

Failure to compete successfully may materially adversely affect the Group

The Group operates in highly competitive environments, in particular with respect to product performance, product pricing and differentiation, customer service, new product development and introduction, and the development of integrated systems and applications that address business challenges faced by the Group's customers. The relative importance of these factors differs across geographic markets and product areas that the Group serves. Should the Group not be in a position to effectively compete with regard to these factors in relevant markets, such failure may negatively affect the Group's business, financial condition and/or results of operations. Actions of the Group's competitors could reduce its profitability and market share.

The Group's operating results also depend on the development of commercially viable new products, product innovations and technical advances. Furthermore, the Group devotes substantial resources to research and development. If the Group is unsuccessful in commercialising research and development efforts and in developing new products and production processes in the future, its competitive position and consequently its business, financial condition and/or results of operations will be harmed. If new types of materials or technologies with favourable characteristics are developed or existing materials or technologies are improved by other producers, or if technological developments or improvements in processes result in competitors being able to offer products at lower prices than the products offered by the Group, there is a risk that customers could replace products offered by the Group with materials or technologies offered by competitors. If, in this case, the Group is not in a position to compete on the basis of quality and/or price, this could lead to substantial declines in sales, which could adversely affect the financial condition and results of operations of the Group.

The Group competes with major global, regional as well as local companies. Some of the Group's competitors are sophisticated companies that, in some cases, have significant financial and other resources that may allow them to develop products and services superior to the Group's or may allow them to adapt more quickly to new technologies, evolving customer requirements or general economic and industry changes. The Group's ability to successfully compete with these companies highly depends on its ability to keep pace with technological

changes in the markets that it serves and, to a considerable extent, on its relationships with third-party researchers and machinery manufacturers with whom the Group has entered into partnership agreements. The Group may fail to anticipate or may not have sufficient financial resources to respond to these competitive pressures or technological developments. Any failure in this regard may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Fluctuations in raw material prices may adversely affect the results of operations, financial condition and cash flows of the Group

The Group is dependent on various raw materials, including both natural and petrochemical inputs. The most important raw materials by value for the Group are ethylene, ethylene oxid, propyleneglycol, polyethylene or acetic anhydride. Raw material costs constitute a large proportion of the Group's total production costs. The Group mainly procures raw materials on the basis of spot contracts rather than long-term supply agreements and is consequently exposed to the volatility of raw material prices. The failure of the Group to pass on higher raw material costs to its customers could have an adverse effect on the financial condition, results of operations and cash flows of the Group.

Volatility in energy prices may adversely affect the results of operations, financial condition and cash flows of the Group

The Group requires large quantities of energy from various sources for use in production facilities with greatest reliance on oil, natural gas and electricity. Energy prices are generally volatile while the trend of rising prices is expected to continue in the long term as demand increases at a faster rate than supply.

Energy costs constitute a significant proportion of the Group's total production costs. The profitability of the Group is dependent on its ability to pass on increases in energy costs to its customers. The failure of the Group to pass on higher energy costs to its customers could have an adverse effect on the financial condition, results of operations and cash flows of the Group. In addition, higher energy costs can affect the prices of raw materials, thus increasing raw material costs to the Group.

The Group depends on certain key suppliers and customers and its operations may be adversely impacted by the termination of the underlying contracts, by delivery failures and increased prices for raw materials

The Group depends on a certain number of strategic suppliers for key raw materials such as ethylene, ethylene oxid, propyleneglycol, polyethylene or acetic anhydride which are necessary in order to manufacture its products. Failure to maintain existing relationships with these suppliers could negatively affect the Group's ability to manufacture its products. Such suppliers could also fail to deliver raw materials in a timely manner, experience quality problems or financial difficulties. In any such event, the Group may be unable to secure a replacement supplier in a timely manner, delivering raw materials in the same quality or at competitive prices. The Group's inability to source raw materials or its inability to pass on to its customers any increased costs associated with such alternative suppliers could adversely affect the Group's business, financial conditions and/or results of operations.

The volatility of the prices of these key materials is driven by the volatility in oil prices and by general supply and demand in the market. Raw material costs constitute a large proportion of the Group's total production costs and consequently of the Group's sales. The prices and availability of these raw materials may vary with market conditions and may be highly volatile. In addition, although the Group does not purchase more than 10 per cent. of its raw materials from its largest supplier, it is dependent on its raw material suppliers. There have been periods in the past and there may be periods in the future, during which raw materials used by the Group are unavailable or subject to limited supply within the geographic area from which they are sourced for reasons beyond the Group's control. Such temporary or permanent shortages may lead to an interruption of supply, price increases or even structural change within the chemical industry, which may have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, if the Group is not able to pass on increases in raw material prices to its customers, it may be similarly materially adversely affected.

In addition, the Group maintains business relationships with certain key customers. The Group's sales depend, to a certain extent, on sales to such key customers. The termination of agreements with such key customers, the partial or full cancellation of orders by such key customers or other changes to existing business relationships with such key customers could adversely affect the Group's business, financial conditions and/or results of operations.

Generally, the Group does not have long term contracts with customers and the loss of customers could adversely affect sales and profitability

A large proportion of the business of the Group is based primarily upon individual sales orders from customers. As such, the Group's customers have strong purchasing power and flexibility in their choice of preferred supplier at any given time and can cease to buy products from the Group at any time and for any reason. The lack of long-term sales contracts increases the vulnerability of the Group to adverse impacts on its results of operations and cashflows in the event of a deteriorating competitive position of the Group for whatever reason.

If multiple customers elect not to purchase products from the Group and the Group is unable to replace the sales volumes generated by such customers, the Group's business, financial condition and results of operations could be adversely affected.

The Group is exposed to the risks that customers may not pay receivables and/or the Group may have limited access to credit insurance

The Group is exposed to the counterparty risk towards its customers. The Group may be confronted with a higher percentage of failure of or non-payment by customers and may be required to increase its respective provisions. In addition, the premium to be paid for the credit insurance may, as a result of increased risk of default of counterparties, be increased in the future. Further the Group may face difficulties in obtaining a credit insurance policy or such policy may even not be available at all. Any such development may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Chemical manufacturing, storage and transportation is inherently hazardous. Any incidents related to hazards which the Group may face may adversely affect the financial condition, results of operations and reputation of the Group

The Group's operations and operations of other occupants with whom manufacturing sites are shared (for example, industry park at the German production sites of the Group in Frankfurt-Höchst, Gendorf, Knapsack and Wiesbaden are owned by InfraServ companies, which also provide infrastructure services to the Group and certain other companies occupying such sites) face risks associated with chemical manufacturing and the related storage and transportation of raw materials, products and waste. These potential risks include, but are not necessarily limited to, explosions, fires, lightning, transport risks, risks related to natural disasters, mechanical failure, chemical spills and other discharges or releases of toxic or hazardous substances or gases. These risks could lead to a material interruption or suspension of operations and may have an adverse effect on the productivity and profitability of a particular manufacturing facility or on the Group as a whole. The loss or shutdown of operations at any of the major manufacturing facilities of the Group could have a material adverse effect on the financial condition and results of operations of the Group. In addition, there can be no assurance that the Group's insurance will be sufficient and that the Group will not incur losses in excess of its insurance coverage, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, the occurrence of one of these risks may result in personal injury and loss of life, damage to property and contamination of the environment, which may result in a suspension of operations and the imposition of civil or criminal penalties, including governmental fines, expenses for remediation and claims brought by governmental entities or third parties. The costs of such an event may be substantial and as such could materially adversely affect the business, results of operations and profitability of the Group. Furthermore, such an event could be seriously detrimental to the reputation of the Group and could have a material adverse effect on the ability of the Group to obtain or maintain its existing licences and key commercial regulator and governmental relationships.

The Group may be forced to make inventory write-downs or additional impairments

The Group is active in an industry which requires significant investments in production facilities, production equipment and machinery. Any such fixed assets associated with the Group's operations and recorded in the balance sheet as well as existing goodwill and intangibles make the Group susceptible to impairments in case of economic downturn in one or more of its Business Units. As a result and while restructuring its business, the Group has already incurred significant impairment. However, there can be no assurance that the Group will not be required to make additional write downs in the future. Furthermore and in particular in case of a deterioration of the Group's markets, the Group may be forced to make inventory write-downs. Any such write-down or impairment may have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group may be exposed to risks related to the integration of acquired businesses

As a result of any material acquisition, the Group will face risks typically associated with such acquisitions, including those related to the integration of additional entities, organisations, employees and facilities, as well as maintaining the existing and/or having to establish new relationships with customers. There are inherent difficulties that may arise after the closing of an acquisition, such as delays in implementation or unexpected costs or liabilities.

Similarly, there is a risk that the Group will not be able to realise the expected operating improvement potentials or synergies from an acquisition. The occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group faces significant challenges and may not be able to achieve its key commercial objectives following the acquisition of the Süd-Chemie Group (the "Acquisition")

The Group faces significant management, administrative and financial challenges in achieving its key commercial objectives following the Acquisition. These challenges include:

- integration of the Süd-Chemie Group into the Group in a timely and cost-effective manner, including integration of the financial, technological and management standards, processes, procedures and controls of the acquired business, marketing, sales forces and customer service units and product offerings, as well as the alignment of different company and management cultures;
- retention of key employees, customers and suppliers of the acquired business;
- loss of existing sales/customers due to the Acquisition;
- contingent and/or assumed liabilities; and
- legal, regulatory, contractual, labour or other issues that could arise from the Acquisition.

Integration. If the Group is unable to integrate the Süd-Chemie Group into the Group's business in a timely and cost-effective manner, the potential benefits of the Acquisition may not be realised. In particular, if the Group experiences the loss of key personnel from Süd-Chemie Group or from the Group or if the effort the Group devotes to the integration of its business with the business of the Süd-Chemie Group diverts more management or other resources from carrying out the Company's operations than originally planned, the ability of the Group to continue and expand its business as well as to manage costs could be impaired.

Retention of key employees, customers and suppliers. The Group's continued ability to compete effectively in its business as well as its ability to integrate the acquired business depends on the Group being able to retain its key employees, customers and suppliers. In particular, if key employees of the acquired business leave, the Group's ability to integrate the acquired business could be impaired and, as competition in the industry for qualified employees is intense, the Group may incur significant costs to replace departing key employees in a timely manner. As a result, the Group's results of operations may be adversely affected by the departure of such key employees.

The Group may not realise the anticipated benefits from the Acquisition

The Company's estimates regarding the earnings, operating cash flows, capital expenditures, synergies, improvement potentials and liabilities resulting from the Acquisition are based on information currently available to the Company and may prove to be incorrect. In addition, the Company may not realise any anticipated benefits from the Acquisition and may not be successful in integrating the acquired business into the Group's existing business.

If the Group is unable to protect its intellectual property, trade secrets and know-how, the results of operations, financial condition and cash flows of the Group may be adversely affected

The success of the Group relies to a significant degree on its ability to protect and preserve intellectual property and other proprietary information and know-how including processes, apparatuses, technology, trade secrets, trade names and proprietary manufacturing expertise, methods and compounds. The failure to protect such rights could harm the competitive position of the Group with respect to the manufacturing of some of its products.

The Group depends on non-patentable business secrets and confidential know-how, particularly in relation to technically sophisticated products. However, the Group may be unable to prevent third parties from using

intellectual property and other proprietary information of the Group without authorisation or independently developing intellectual property and other proprietary information that is similar to the intellectual property of the Group, particularly in those countries where the laws do not afford comprehensive protection of proprietary rights. Additionally, there is no guarantee that the Group can prevent the disclosure of business secrets.

The use of the Group's intellectual property and other proprietary information and know-how by an unauthorised third party could reduce or eliminate any competitive advantage that has been developed and consequently cause the Group to lose sales or otherwise adversely affect the business, results of operations or financial condition of the Group. If it becomes necessary for the Group to litigate in order to protect these rights, any such proceedings could be burdensome and costly, and the Group may not be successful.

The products of the Group may infringe the intellectual property rights of others, which may cause the Group to incur unexpected costs or be prevented from selling its products

Many of the competitors of the Group own a substantial amount of intellectual property, proprietary information and know-how that the Group must continually monitor to avoid infringing. There can be no guarantee that the products and processes of the Group do not and will not infringe intellectual property rights belonging to others. The Group as well as Süd-Chemie have in the past received, and may continue to receive in the future, claims from third-parties asserting that certain of its products and applications infringe the proprietary rights of others such as, for example, the patent litigation initiated by CSP Technologies against Süd-Chemie on 14 March 2011 in the Southern District Court of Indiana, USA, the amount of which has not yet been specified by CSP Technologies.

The Group may also be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of patents, trademarks and other intellectual property rights of third parties by the Group or licensees in connection with their use of the products of the Group

Intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim, and could divert management's attention from operating the business of the Group. If the Group were to discover that its processes, technologies or products infringe the valid intellectual property rights of others, the Group might need to obtain licenses from these parties or substantially re-engineer products in order to avoid infringement. The Group may not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer products successfully. Moreover, if the Group is sued for infringement and loss, it could be required to pay substantial damages and/or be prevented from using or selling the infringing products or technology. Any of the foregoing could cause the Group to incur significant costs and prevent it from selling its products and this could have an adverse effect on the financial conditions and results of operations of the Group.

The Group may be liable for damages based on product liability claims brought against its customers in end-use markets which may have an adverse effect on the financial condition of the Group

Many of the products of the Group provide critical performance attributes to customers' products that are sold to consumers. The sale of these products involves the risk of product liability claims. If a person were to bring a product liability claim in respect of a product which contains products produced by the Group, it is possible that the Group may be named as a defendant in that claim or may be subject to separate litigation brought by its customer. A successful product liability claim or series of claims against the Group could have a material adverse effect on the financial condition or results of operations of the Group.

As an international business, the Group is exposed to various global economic, social and local business and political risks associated with conditions in those markets that may have a material adverse effect on it

The Company is incorporated in Switzerland and serves customers in more than 100 countries. Accordingly, the Group's results of operations and financial condition are affected by developments and trends in the world market. In recent years the Group has been, and still is, facing increased pressure from competitors with a significantly lower cost base, predominantly stemming from Asia. Due to this increased market pressure, the Group has decided in recent years to move certain of its operations to new locations and markets, such as the relocation of textile chemical and dyes production from Switzerland to Asia/Pacific. These locations are usually in markets with lower costs and prices. However, due to its current structure, the Group could be obliged to continue to bear comparatively higher costs than its competitors if it continues to operate at its existing locations while establishing new production plants in lower cost regions. Duplication of a site's costs and the delays associated with moving production to new sites could have a negative impact on the Group's business, financial condition and/or results of operations. In addition, the emerging markets in which the Group has established and is continuing to establish new operations are characterised by significant political and economic risks including, in particular, exchange rate risks. The emerging markets are characterised by rapid

legislative developments. Developments in legislation can take place in many areas, including tightening of environmental requirements and operating permits, labour law, financing restrictions, triggering extra investment, or operational costs. There can be no assurance that the Group will be able to manage and respond to the challenges created by changes in the emerging markets. If the Group is not able to manage these emerging markets risks effectively, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group is subject to risks usually associated with international operations. These risks include the following:

- tariffs and other trade barriers;
- exchange controls;
- requirements relating to withholding taxes on remittance and other payments by subsidiaries;
- requirements regarding transfer pricing;
- national and local labour strikes;
- increased costs of transportation or shipping;
- credit risk and financial conditions of local customers and distributors;
- restrictions on the ability to own or operate subsidiaries or acquire new businesses in certain countries, including rules on local ownership of businesses;
- restrictions on the ability to repatriate funds from subsidiaries;
- required compliance with a variety of foreign laws, including tax laws;
- foreign currency exchange restrictions and fluctuations;
- the difficulty of enforcing agreements and collecting receivables through foreign legal systems; and
- political and cultural differences.

Moreover, its international operations expose the Group to potential liability under laws and regulations relating to anti-corruption. Whilst the Group has put in place internal policies and procedures to comply with such laws and regulations and believes itself to be in compliance with such laws and regulations, failure to comply could result in substantial penalties and could have a material adverse effect on the Group's reputation and on results of operations, cash flows and future prospects.

The Group's operations and its growth in emerging markets require it to respond to rapid changes in market conditions within legal and regulatory systems which are less developed and less well-enforced than those in industrialised countries. Therefore, the Group's overall success as a global business depends, in part, on its ability to succeed under different economic, social and political conditions in each country in which the Group operates. There can be no assurance that the Group will continue to be able to develop and implement policies and strategies that are effective in each country and region in which it operates. A failure to do so could negatively affect its business, financial condition and/or results of operations.

Any delay or interruption to planned expansion of operational capacity of the Group may result in a failure to meet customer demand in growing markets which may, in turn, affect the results of operations, financial condition and cash flows of the Group

The success of the Group relies to a certain degree on its ability to pursue a strategy of expanding its operational manufacturing capacity in markets which the Group believes have the greatest growth potential. As part of its current expansion programme the Group is, for example, expanding its textile chemical and dyes production capacity in Asia to meet anticipated growth in customer demand. Any delay or interruption to the construction programme for this additional capacity would in turn have an effect on this additional capacity coming online in order to meet customer requirements. This could result in customers seeking to source products from competitors of the Group which in turn may have an adverse effect on the financial condition and results of operations of the Group.

Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation which may in turn have a material adverse effect on the financial condition and results of operations of the Group

The Group uses large quantities of hazardous substances and generates hazardous waste in its manufacturing operations. Consequently, the operations of the Group are and will continue to be subject to extensive environmental, health and safety laws and regulations at both the national and local level in multiple jurisdictions. Such laws and regulations govern, among other things:

- the Group's manufacturing processes (with such regulations, including, among others, those of the U.S. Food and Drug Administration);
- the storage, handling, treatment, transportation and disposal of hazardous substances and waste;
- water discharge;
- air emissions;
- health and safety;
- certain products manufactured by the Group and certain raw materials used in the production of these products; and
- the sale, use and increasingly end-of-life waste management practices of products the Group manufactures.

These laws and regulations, which have in recent years become, and are expected to continue to be, increasingly stringent, require, and will continue to require, the Group to incur substantial continuing expenditure to ensure compliance with them. These laws and regulations may also affect the marketability of the Group's products. In particular, potentially significant expenditure may be necessary in order to comply with future environmental, safety and health laws and regulations or with more stringent enforcement of existing rules. The implementation of such rules or regulations, such as the Registration, Evaluation and Authorisation of Chemicals (REACH) directive of the European Union, may have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, the production facilities of the Group require operating permits that are subject to renewal and, in some circumstances, revocation. The necessary permits may not be issued or cease to be in effect, and any issued permits may contain significant and costly new requirements. Compliance with environmental and health and safety laws generally increases the costs of transportation and storage of raw materials and finished products, as well as the costs of storage and disposal of waste.

Violations of environmental, safety and health laws and regulations may result in substantial fines or penalties, as well as other civil or criminal sanctions, damages or other costs or restrictions on, or the suspension of, the Group's operating activities

Many of the Group's sites have an extensive history of industrial chemical processing, storage and related activities. As is typical for such businesses, soil and ground water contamination may have occurred in the past at some sites and may occur, or be discovered, at the Group's sites in the future. At several of the Group's sites, there is extensive contamination that will require significant monitoring and remediation expenditure for the foreseeable future. The Group also has full or partial responsibility for a number of off-site waste disposal activities under the U.S. superfund law and laws of other applicable jurisdictions, with remediation at these facilities currently in various stages of investigation, planning, implementation or completion. While the Group believes that the provisions established will adequately meet the Group's current, known and anticipated environmental liabilities, including remediation costs, there can be no assurance that significant additional environmental costs and liabilities will not be incurred in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group could also be subject to claims by third parties seeking damages for alleged personal injury or property damage resulting from hazardous substances, contamination or exposure caused by the Group's operations or products.

The factors mentioned above could, either individually or in aggregate, have an adverse effect on the financial condition and results of operations of the Group and could, in addition, harm its reputation and customer relations.

Changes in the law and regulation in the jurisdictions and business sectors in which it operates may have an adverse effect on the Group

The regulatory environment for the business activities of the Group is continuously changing at international, supranational and national level, in light of technological progress, the public's increased safety needs and awareness with respect to quality and the environment and the increasingly demanding requirements of customers regarding product quality and specification. The tightening of the rules, regulations, controls and laws with which the Group must comply could lead to even more rigorous controls than at present with regard to its handling of substances or hazardous materials, as well as the production, use, recycling or disposal thereof. Such tightening could require significant capital expenditure and therefore have adverse effects on the production costs and the product portfolio of the Group or expose it to considerable liability risks.

Further changes to the rules, regulations, controls and laws with which the Group must comply may result in significantly increased costs of compliance which in turn may have an adverse effect on the financial condition and results of operations of the Group.

Loss of key personnel or the inability to attract and retain qualified personnel may have an adverse effect on the Group

The success of the Group in the highly competitive markets in which it operates will continue to depend to a significant extent on certain key, highly skilled employees of the Group. The Group is dependent on the expertise of its executive directors, heads of Business Units, regional managers and research and development directors. Loss of the services of any of such key, highly skilled employees could have an adverse effect on the prospects of the Group. The Group may not be able to retain key employees or to recruit qualified individuals. The loss of key employees could result in high transition costs and could disrupt the operations of the Group, which could in turn have an adverse effect on the financial condition and results of operations of the Group. In addition, there can be no assurance that the Group will not be subject to significant labour disputes in the future or that future reductions in headcount will not similarly materially adversely affect the Group.

Fluctuations in currency exchange rates may significantly impact the results of operations of the Group and may significantly affect the comparability of financial results between financial periods

The financial condition and results of operations of the Group's subsidiaries outside Switzerland are reported in the relevant foreign currencies and then translated into Swiss francs at applicable exchange rates for inclusion in the Group's consolidated financial statements. The exchange rates between these transaction and reporting currencies and the Swiss franc may fluctuate substantially. Given that the Group generates almost all its revenues and the overwhelming proportion of its operating expenses in currencies other than the Swiss franc, fluctuations in the value of the Swiss franc against other currencies have in the past had, and may in the future have, an adverse effect on the Group's business, financial condition and/or results of operations. The Group does enter into hedging transactions using derivative financial instruments to seek to minimise translation exposure to certain foreign currency fluctuations. Given the volatility of international exchange rates, there can be no assurance that the Group will be able to effectively manage currency translation risks or that any volatility in currency exchange rates will not have a material adverse effect on the financial condition or results of operations of the Group.

Currency fluctuations may also significantly affect the comparability of the Group's results between financial periods. In addition to currency translation risks, the Group incurs currency transaction risks whenever one of its operating Subsidiaries enters into either a purchase or a sale transaction using a currency other than its functional currency. From a combined transaction and translation perspective, the operating results of the Group are particularly exposed to risk of depreciation of the U.S. Dollar, of the Euro, of currencies of emerging markets such as the Brazilian Real, and of the Japanese Yen, versus the Swiss Franc.

Credit market conditions and credit ratings may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term

Conditions in the credit markets remain challenging and financial institutions continue to apply very stringent lending criteria to the approval of any commercial lending transactions. If current market conditions persist in the future, it will be more costly and more difficult for the Group to refinance its debt facilities as they fall due in the longer term.

If the Group is unable to refinance its debt facilities or access new debt facilities it may, in the longer term, have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, any decline of the Company's credit rating by either or both rating agencies may lead to increased margins payable by the Group which can have a negative impact on the Group's financial condition and/or results of operations. Furthermore, after a severe decline in the Company's credit rating by one or both rating agencies, the Group may have difficulties to obtain financing, which could have a material adverse effect on the Group's financial condition and/or results of operations.

Some of the financing agreements the Group has concluded with banks or other financial institutions contain restrictions, warranties, covenants and definitions of events of default. Such clauses may in the future reduce the Group's financial and operational flexibility. Through cross default clauses, the breach of covenants or other obligations of one financing agreement may lead to a default in other financing agreements. Any such restrictions contained in the Group's financing arrangements could also have a material adverse effect on its ability to react to changes in its business environment and its ability to incur additional debt to fund future needs or refinancings. If the Group cannot meet repayment obligations, it may have to seek financial restructuring, which might be achieved only at increased cost or not at all.

The Group's pension obligations may be affected by the performance of stock markets and may in turn adversely impact its business and these obligations

The Group's funded pension plans have assets invested in equities, bonds or other securities and investments. The largest funded pension plans of the Group are in Switzerland, Germany, the United Kingdom and the United States. The assets of these pension plans are subject to stock market volatility. If the Group is required to make contributions to its pension plans, cash available for other uses may be significantly reduced, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, the Group also has unfunded pension plans and other benefit plans in particular in Germany. Although these plans do not have the volatility of funded plans, they represent a long-term liability, which could limit the financial flexibility of the Group.

The move towards funded pension plans and the involvement of regulators in certain countries may accelerate cash payments into pension plans. This could adversely affect the Group's cash planning and the availability of funds for investment.

Litigation, regulatory proceedings and similar claims could materially adversely affect the Group

In the ordinary course of business, the Group is involved in various lawsuits, regulatory proceedings and similar matters incidental to the ordinary operations of its business. These could result in fines or other sanctions that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group may be exposed to adverse developments in labour unions and employee relationships, which may cause business disruptions or increase personnel costs

The Group is subject to restrictions (partly mandatory law, partly based on collective bargaining agreements) to termination or modification of employment agreements, which limit the Group's flexibility with regard to proposed restructurings initiatives. The Group has often been required to consult with employees and/or their representatives prior to implementing its restructuring plans. Unionised workforce has in the past and may in the future interfere in the Group's restructuring efforts and cause disturbances, leading to delays in the implementation of the Group's restructuring plans, which could adversely affect the Group's business, financial conditions and/or results of operations. Furthermore, given the ongoing restructuring programmes, the Group is exposed to potentially adverse developments in labour union and employee relationships, which may cause more severe business disruptions and/or increase personnel costs, thereby adversely affecting the Group's business, financial conditions and/or results of operations.

The Group is exposed to changes in laws and regulations and may as such not always be in compliance with all laws and regulations

The Group's operations as well as the sale and distribution of their products are subject to various rules and regulations in different countries and business sectors in which it operates. Due to the complexity of the provisions they cannot ensure that they have complied at all times with all applicable national, European or international rules and regulations (including but not limited to labour, health and safety, competition and antitrust, criminal and anti-corruption laws). Furthermore, the Group is exposed to adverse changes in applicable laws and changes in the application of certain laws by authorities. Such changes may even have retroactive effect. To the extent the Group has failed in the past or fails to fully comply with applicable rules

and regulations, such violations may have a material adverse effect on the Group's business, financial condition and/or results of operations.

A failure of the Group to comply with tax laws may lead to liabilities

The Group conducts its business and exports its products and services to a large number of countries and as such is subject to a multitude of tax rules relating to income taxes, VAT, sales taxes and other taxes. There is no guarantee that tax authorities, in a country in which the Group does business, will not raise claims against the Group for failure to comply with applicable tax laws. The Group is regularly subject to tax audits by Swiss and foreign tax authorities. Any such audit could lead to additional tax claims, including interest on such taxes, and penalties for non compliance with tax laws. Any such claims could have a negative impact on the Group's business, financial situation and/or results of operations.

The Group may not have sufficient insurance coverage

The Group buys insurance cover for property damage/business interruption, public & products liability, marine/transport, Directors & Officers liability and trade credit. With the exception of trade credit there are master policies providing consistent worldwide insurance cover for all Clariant's businesses. Local policies are issued to local entities which also benefit from the master policies by means of Difference in Conditions (DIC)/Difference in Limits (DIL) coverage. Programme limits, sub-limits and deductibles are applied worldwide. Insurance programmes and related risk management is managed centrally.

There can be no assurance that the insurance coverage is sufficient in all cases and that insurance is available for every incident. Furthermore, the Group faces the risks that insurance premiums will be increased in the future and that there will be no insurance available at terms and conditions acceptable to the Group. Any of the foregoing risks could have a negative impact on the Group's business, financial situation and/or results of operations.

Risks relating to the Notes

The Notes may be redeemed prior to maturity

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Luxembourg or Switzerland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Minimum denomination of €100,000, and integral multiples thereafter of less than €100,000

The Notes have a minimum denomination of €100,000. The Conditions provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg (or other relevant clearing system) so permit, the Notes will be tradeable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) equal to the minimum denomination plus integral multiples thereafter of €1,000 up to and including €199,000.

Definitive Notes will only be issued if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs. If Definitive Notes are issued, such Notes will be issued only in denominations of at least €100,000 plus integral multiples thereafter of €1,000 up to and including €199,000. No Definitive Notes will be issued with a denomination above €199,000. As such, a holder of Notes who holds less than the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of Definitive Notes unless and until such time as his holding becomes an integral multiple of a permitted denomination. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination.

Change of Control and Put Event

Upon the occurrence of certain change of control events relating to the Guarantor together with a rating decline, as set out in the terms and conditions of the Notes under "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption at the Option of Noteholders (Change of Control)*", under certain circumstances the Noteholders will have the right to require the Issuer to redeem or, at its option, repurchase all outstanding Notes at an amount which may be more than or less than the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption or repurchase. However, it is possible that the Issuer or the Guarantor will not have sufficient funds at the time of the change of control to make the required redemption or repurchase of Notes. Assuming there are sufficient funds for the redemption or repurchase, Noteholders may receive less than the principal amount of the Notes should they elect to exercise such right. In addition, except as specifically set out in "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption at the Option of Noteholders (Change of Control)*", the Notes do not contain provisions that provide a right to Noteholders to require the Issuer to repurchase or redeem the Notes in the event of a change of control, reorganisation, restructuring, merger, asset sale, recapitalisation or similar transaction.

Credit rating

The Notes are expected to be rated "Ba1" by Moody's and "BBB-" by S&P. Moody's and S&P are both established in the European Economic Area and are registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including

Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date. See "*Taxation — EU Savings Directive*".

If a payment is to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax is to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Note is outstanding, the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to the EU Savings Directive.

Proposed amendment of Swiss Federal Withholding Tax Act

On 24 August 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person resident abroad. If this legislation or similar legislation were enacted and a payment in respect of a Note were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would pursuant to the Terms and Conditions of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

Risks Relating to the Market Generally

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the regulated market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Liquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEW OF THE OFFERING

The following overview refers to certain provisions of the Terms and Conditions of the Notes and is qualified by the more detailed information contained elsewhere in this Prospectus. Terms which are defined in "Terms and Conditions of the Notes" have the same meaning when used in this overview.

Issuer:	Clariant Finance (Luxembourg) S.A.
Guarantor:	Clariant AG.
Joint Lead Managers:	BNP Paribas, Citigroup Global Markets Limited and UniCredit Bank AG.
Co-Managers:	Commerzbank Aktiengesellschaft and Skandinaviska Enskilda Banken AB (publ).
Fiscal Agent:	Citibank, N.A., London Branch.
The Notes:	€500,000,000 5.625 per cent. Guaranteed Notes due 24 January 2017.
Issue Price:	99.724 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 24 January 2012.
Maturity Date:	24 January 2017.
Use of Proceeds:	General corporate purposes of the Clariant group. See " <i>Use of Proceeds</i> ".
Interest:	The Notes will bear interest from, and including, 24 January 2012 at a rate of 5.625 per cent. per annum, subject to variation from time to time in accordance with the provisions of Condition 4(b) (<i>Interest – Step Up Rating Change and Step Down Rating Change</i>), payable annually in arrear on 24 January in each year, commencing on and including 24 January 2013.
Status of the Notes and the Guarantee:	The Notes are senior, unsubordinated, unconditional and unsecured obligations of the Issuer. The guarantee is a senior, unsubordinated, unconditional and unsecured obligation of the Guarantor.
Form and Denomination:	The Notes will be issued in bearer form in the denominations of €100,000 and, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg (or any other relevant clearing system) allow, will be tradeable in integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the " Temporary Global Note "), without interest coupons, which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in the Permanent Global Note, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Definitive Notes will only be available in the limited circumstances set out on the Permanent Global Note. No Definitive Notes will be issued with a denomination above €199,000.
Redemption at the Option of the Noteholders (Change of Control):	The Notes will be redeemable at the Put Amount (as defined in the Terms and Conditions of the Notes) at the option of the holders of the Notes in the event of a Put Event (as defined in Condition 5 (<i>Redemption and Purchase</i>)).
Redemption at the Option of the	Early redemption by the Issuer will only be permitted for tax

Issuer for Tax Reasons:	reasons as described in Condition 5 (<i>Redemption and Purchase</i>).
Negative Pledge:	The Terms and Conditions of the Notes will contain a negative pledge provision as further described in Condition 3 (<i>Negative Pledge</i>).
Cross Default:	The Terms and Conditions of the Notes will contain a cross default provision as further described in Condition 8 (<i>Events of Default</i>).
Rating:	The Notes are expected to be rated "Ba1" by Moody's and "BBB-" by S&P. Moody's and S&P are both established in the European Economic Area and are registered under the CRA Regulation.
Withholding Tax:	All payments in respect of principal and interest by or on behalf of the Issuer and the Guarantor shall be made free and clear of and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Luxembourg or Switzerland or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer or the Guarantor shall pay any additional amounts to Noteholders to compensate for such withholding or deduction, with the exception of certain circumstances, as more fully described in Condition 7 (<i>Taxation</i>).
Governing Law:	The Notes, the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Subscription Agreement will be governed by English law. The provisions of articles 86 to 94-8 (inclusive) of the Luxembourg law of 10 August 1915 on commercial companies, as amended, shall be expressly excluded.
Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Selling Restrictions:	See " <i>Subscription and Sale</i> ". There are restrictions on the offer, sale and delivery of the Notes in, <i>inter alia</i> , the United States, the United Kingdom and Luxembourg.
Risk Factors:	Investing in the Notes involves risks. See " <i>Risk Factors</i> ".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €500,000,000 5.625 per cent. Guaranteed Notes due 2017 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Clariant Finance (Luxembourg) S.A. (the "**Issuer**") are the subject of (a) a deed of guarantee dated 24 January 2012 (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into by Clariant AG (the "**Guarantor**") and (b) an agency agreement dated 24 January 2012 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (the Fiscal Agent and any other paying agent appointed pursuant to the Agency Agreement, together the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Deed of Guarantee and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee and the Agency Agreement applicable to them. Copies of the Deed of Guarantee and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Notes are serially numbered and in bearer form in the denomination of €100,000 each or an amount in excess thereof which is an integral multiple of €1,000 up to and including €199,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

So long as the Notes are represented by a Global Note and the relevant clearing system so permits, the Notes shall be tradeable only in principal amounts of at least €100,000 and integral multiples of €1,000 above €100,000 up to and including €199,000. No Definitive Notes will be issued with a denomination above €199,000.

2. **Status and Guarantee**

- (a) **Status of the Notes:** The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) **Guarantee of the Notes:** The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders **provided that** this Condition 3 shall not apply to a Security Interest on the undertaking, assets or revenues of any company becoming a Material Subsidiary after the date of issue of the

Notes, which Security Interest exists at the time of such company becoming a Subsidiary of the Issuer and/or Guarantor (other than any Security Interest created in contemplation thereof).

In these Conditions:

"Group" means the Guarantor and all of its Subsidiaries from time to time;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised, including (without limitation) any indebtedness for or in respect of any acceptance under any acceptance credit facility;

"Material Subsidiary" means at any time a Subsidiary of the Guarantor:

- (a) whose gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, are equal to) not less than 5 per cent. of the consolidated gross revenues of the Guarantor, or, as the case may be, consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Guarantor and its Subsidiaries, **provided that** in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Guarantor;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, **provided that** the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate gross revenues equal to) not less than 5 per cent. of the consolidated gross revenues of the Guarantor, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, **provided that** the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross revenues equal to) not less than 5 per cent. of the consolidated gross revenues of the Guarantor, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Relevant Indebtedness" means (i) any present or future Indebtedness (whether being principal, premium, interest or other amounts) which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over the counter market) and (ii) any guarantee or indemnity in respect of any such Indebtedness;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and **"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control (directly or indirectly), whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. **Interest**

- (a) **Standard Rate of Interest:** The Notes bear interest from, and including, 24 January 2012 (the **"Issue Date"**) at the rate of 5.625 per cent. per annum (the **"Standard Rate of Interest"**) payable in arrear on 24 January in each year (each, an **"Interest Payment Date"**), all subject as provided in Condition 6 (*Payments*) and in Condition 4(b) (*Step Up Rating Change and Step Down Rating Change*) below.

Each Note will cease to bear interest from, and including, the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Subject as provided in Condition 4(b) (*Step Up Rating Change and Step Down Rating Change*) below, the amount of interest payable on each Interest Payment Date shall be €5,625 in respect of each Note of €100,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the applicable rate of interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"Regular Period" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

- (b) **Step Up Rating Change and Step Down Rating Change:** The rate of interest payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change or a Step Down Rating Change, as follows:
 - (i) subject to paragraph (iii) below, from and including the first Interest Payment Date falling on or after the date of a Step Up Rating Change, the applicable rate of interest payable on the Notes shall be the Standard Rate of Interest plus 1.25 per cent, per annum;
 - (ii) subject to paragraph (iii) below, in the event of a Step Down Rating Change following a Step Up Rating Change, with effect from and including the first Interest Payment Date falling on or after the date of such Step Down Rating Change, the applicable rate of interest payable on the Notes shall be decreased by 1.25 per cent, per annum so that it again becomes the Standard Rate of Interest; and
 - (iii) if a Step Up Rating Change and, subsequently, a Step Down Rating Change occur before the same next Interest Payment Date, the applicable rate of interest payable on the Notes shall neither be increased nor decreased as a result of either such event.

The Issuer and the Guarantor shall use all reasonable efforts to maintain a credit rating for the Notes from each of Moody's and S&P.

The Issuer will cause the occurrence of an event giving rise to an adjustment to the applicable rate of interest payable on the Notes to be notified to the Paying Agents and (in accordance with Condition 14 (*Notices*)) the Noteholders as soon as reasonably practicable after the occurrence of the relevant event but in no event later than the fifth London business day thereafter.

Notwithstanding any other provision contained herein, there shall be no limit on the number of times that the applicable rate of interest may be adjusted pursuant to a Step Up Rating Change or a Step Down Rating Change during the term of the Notes, provided that at no time during the term of the Notes will the applicable rate of interest be lower than the Standard Rate of Interest nor higher than the Standard Rate of Interest plus 1.25 per cent, per annum.

For the purposes only of the provisions relating to this Condition 4 (*Interest*):

"Adjustment Rating Agency" means Moody's Investors Service Ltd. ("**Moody's**") or Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), or their respective successors or any rating agency of international standing and repute (an "**Adjustment Substitute Rating Agency**") substituted for any of them by the Issuer from time to time.

"London Business Day" means, in respect of any place of presentation, any day on which banks are open in London for presentation and payment of bearer debt securities and for dealings in foreign currencies.

"Minimum Rating Requirement" means that the Notes are rated BBB- or above in the case of S&P, or Baa3 or above in the case of Moody's, or, where an Adjustment Substitute Rating Agency has been substituted by the Issuer, the Notes are at any time rated at the equivalent rating or above by at least one of the Adjustment Rating Agencies.

"Step Down Rating Change" means the reinstatement of the Minimum Rating Requirement following the occurrence of a Step Up Rating Change.

"Step Up Rating Change" means a failure to meet the Minimum Rating Requirement at any time after the Issue Date.

5. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 24 January 2017, subject as provided in Condition 6 (*Payments*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 24 January 2012; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of Switzerland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 24 January 2012; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a

payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

- (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) ***Redemption at the option of Noteholders (Change of Control):***

A "**Put Event**" will be deemed to have occurred if during the period from 24 January 2012 to 24 January 2017 there occurs a Change of Control Event and within the Change of Control Period:

- (a) if at the time that the Change of Control Event occurs there are Rated Securities, a Rating Downgrade in respect of that Change of Control Event occurs; or
- (b) if at the time that the Change of Control Event occurs there are no Rated Securities, a Negative Rating Event in respect of that Change of Control Event occurs.

If a Put Event is deemed to have occurred, then the holder of each Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at the Put Amount.

If there is a Put Event, promptly upon and in any event within 10 business days of the end of the 90 day period (or such longer period as is referred to in the definition of "Change of Control Period" below) referred to in the definitions of Rating Downgrade or Negative Rating Event (as applicable), the Issuer shall, or the Guarantor shall cause the Issuer to, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(c).

In this Condition 5(c),

"**business day**" means a day (other than a Saturday or Sunday) on which banks are open for business in London, Luxembourg, and Zurich;

A "**Change of Control Event**" shall be deemed to have occurred if any person or any persons acting in concert or any person or persons acting on behalf of any such person(s) (the "**Relevant Person**") at any time directly or indirectly own(s) or acquire(s) (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Guarantor or (B) such number of shares in the capital of the Guarantor carrying more than 50 per cent. of the total voting rights attached to the issued or allotted share capital of the Guarantor that are normally exercisable at a general meeting of the Guarantor **provided that** a Change of Control Event shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control Event were, the shareholders of the Guarantor with the same (or substantially the same) *pro rata* interest in the share capital of the Relevant Person as such shareholders have, or as the case may be, had in the share capital of the Guarantor;

"**Change of Control Period**" means the period commencing on the date (the "**Change of Control Period Commencement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control Event; and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 90 days after the Change of Control Event (or such longer period for which the Rated Securities or, as the case may be, the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control Event) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a **"Negative Rating Event"** shall be deemed to have occurred in respect of a Change of Control Event if the Issuer does not within 90 days (or such longer period as is referred to in the definition of "Change of Control Period" above) of a Change of Control Event obtain a rating of at least BBB-/Ba1 or their respective equivalents for the time being in respect of the Notes from a Rating Agency;

"Put Amount" means in respect of any Note an amount equal to:

- (a) the Adjusted Amount; and
- (b) any interest (or, where purchased, an amount equal to such interest) accrued up to the Put Date,

and for such purposes,

"Adjusted Amount" means, in respect of each Note, the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the then current yield on the Notes on the Determination Date (assuming for this purpose that the Notes are to be redeemed at their principal amount on the Maturity Date) would be equal to the then current yield (determined by reference to the middle market price) at 11.00 a.m. (Frankfurt time) on the Determination Date of the Reference Bond plus 0.25 per cent., all as determined in accordance with standard market convention by a leading investment bank of international standing selected by the Issuer;

"Determination Date" means the date which is two business days prior to the Put Date;

"Reference Bond" means the 3.750 per cent German Bundesanleihe due 2017 (German Security Code (WKN) 113531), or if such bond is no longer in issue such other German government bond with a maturity date closest to the Maturity Date as a leading investment bank of international standing selected by the Issuer may reasonably determine to be appropriate as a substitute for the 3.750 per cent German Bundesanleihe due 2017 (German Security Code (WKN) 113531);

"Rated Securities" means the Notes so long as they shall have a rating from any Rating Agency;

"Rating Agency" means Standard & Poor's Credit Market Services Europe Limited and its successors or Moody's Investor Service Ltd. and its successors or any other rating agency of comparable international standing, as specified by the Guarantor;

A **"Rating Downgrade"** shall be deemed to have occurred in respect of a Change of Control Event if the rating assigned 15 days prior to the Change of Control Period Commencement Date (the **"Applicable Time"**) to the Rated Securities by a Rating Agency is (A) withdrawn (from having been an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being (an **"investment grade rating"**) at the Applicable Time) (and is not within the Change of Control Period reinstated to an investment grade rating by such Rating Agency) or reduced from an investment grade rating to a noninvestment grade rating (BB+/Ba1 or their respective equivalents for the time being) (and is not within the Change of Control Period upgraded to an investment grade rating by such Rating Agency), or (B) where a Rating Agency had at the Applicable Time rated the Rated Securities below investment grade rating, lowered by such Rating Agency by one or more full rating categories (for example, from BB+/Ba1 to BB/Ba2 or such similar lowering) (and is not within the Change of Control Period upgraded to its earlier credit rating or better by such Rating Agency) or is withdrawn (and is not within the Change of Control Period reinstated to its earlier credit rating or better by such Rating Agency); and

"Relevant Potential Change of Control Announcement" means any public announcement or statement by the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control Event where:

- (a) within 90 days of such announcement or statement, a Rating Agency downgrades a rating on the Notes or the Guarantor or indicates that any such ratings are under consideration for review; and
- (b) within 180 days of the date of such announcement or statement, a Change of Control Event occurs.

To exercise the option to require redemption or purchase of a Note under this Condition 5(c) the holder of the Note must deliver such Note, on any business day in London falling within the period (the "**Put Period**") of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Notice**") and in which the holder may specify a euro bank account to which payment is to be made under this Condition. The Note should be delivered together with all Coupons appertaining thereto maturing after the date (the "**Put Date**") seven days after the expiry of the Put Period, failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 (*Replacement of Notes and Coupons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a euro bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Note on the Put Date unless previously redeemed or purchased.

A Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 5(c) shall be treated as if they were Notes.

Upon the expiry of any notice as is referred to above, the Issuer shall be bound to redeem the Notes to which the notice applies at the relative Put Amount together with interest accrued to but excluding the date of redemption.

- (d) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled Redemption*) to (c) (*Redemption at the Option of the Noteholders (Change of Control)*) above.
- (e) **Purchase:** The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Such Notes may be held, reissued, sold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.
- (f) **Cancellation:** All Notes so redeemed will forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5(e) (*Purchase*) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6. **Payments**

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account (or other account to which euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the Trans European Automated Real time Gross settlement Express Transfer (TARGET2) system (the "**TARGET2 System**").
- (b) **Interest:** Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (d) **Deduction for unmatured Coupons:** If a Note is presented without all unmatured Coupons relating thereto, then:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) **Payments on business days:** If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET2 System is open.
- (f) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

7. **Taxation**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Coupons or under the Deed of Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Luxembourg or Switzerland or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to or for an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income (the "**EU Savings Directive**") and is required to be made pursuant to (I) the EU Savings Directive or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such EU Savings Directive or (II) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the EU Savings Directive or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements; or
- (c) any tax required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the EU Savings Directive or (z) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct tax, including, without limitation, any paying agent; or
- (d) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (e) in Luxembourg or Switzerland; or
- (f) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET2 System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Luxembourg or Switzerland respectively, references in these Conditions to Luxembourg or Switzerland shall be construed as references to Luxembourg or (as the case may be) Switzerland and/or such other jurisdiction.

8. **Events of Default**

If any of the following events shall have occurred and be continuing:

- (a) **Non payment:** the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof, and such failure continues, in the case of principal, for a period of 7 business days (as defined below) and, in the case of interest, for a period of 14 business days; or
- (b) **Breach of other obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or
- (c) **Cross default of Issuer, Guarantor or Material Subsidiary:**
 - (i) any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the

case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

- (iii) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub paragraph (iii) above (which have occurred and are continuing) individually or in the aggregate (without duplication) exceeds €30,000,000 (or its equivalent in any other currency or currencies); or

- (d) **Unsatisfied judgment:** one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment, **provided that** the amounts so payable (which have occurred and are continuing) individually or in the aggregate (without duplication) exceeds €40,000,000 (or its equivalent in any other currency or currencies); or
- (e) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries; or
- (f) **Insolvency, etc:** (i) the Issuer, the Guarantor or any of their respective Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of their respective Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries is appointed (or application for any such appointment is made, which is not contested in good faith by the Issuer, Guarantor or relevant Material Subsidiary, as the case may be, within 30 days), (iii) the Issuer, the Guarantor or any of their respective Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Material Subsidiaries ceases or threatens to cease to carry on all or substantially the whole of its business; or
- (g) **Winding up, etc:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries except (A) a winding up, liquidation or dissolution for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction of a Material Subsidiary (other than the Issuer) pursuant to which the surviving company expressly assumes all the obligations of such Material Subsidiary; (B) a winding up, liquidation or dissolution the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders; or (C) a winding up, liquidation or dissolution (if any) pursuant to a substitution under Condition 15 (*Substitution*); or
- (h) **Receiver possession, etc:** an encumbrancer or a receiver or a person with similar functions appointed for execution in Switzerland (for example, *Sachwalter* or *Konkursverwalter*) taking possession of the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor or any of their respective Material Subsidiaries or a distress, execution or other process being levied or enforced upon or sued out against a substantial part of the property or assets of the Issuer or the Guarantor or any of their respective Material Subsidiaries and not being paid, discharged, removed or stayed within 30 days; or
- (i) **Issuer bankruptcy:** the Issuer becoming subject to the institution of suspension of payments (*sursis de paiements*) or controlled management (*gestion contrôlée*), enters into a composition with its creditors (*concordat préventif de faillite*) or is declared bankrupt (*en faillite*); or
- (j) **Guarantor bankruptcy:** the Guarantor becoming bankrupt or insolvent (or seeming to become bankrupt or insolvent in accordance with Article 725(2) of the Swiss Code of Obligations) or entering into a moratorium or making a general assignment for the benefit of its creditors; or
- (k) **Analogous event:** any event occurs which under the laws of Luxembourg or Switzerland has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (j) (*Guarantor bankruptcy*) above; or

- (l) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Guarantee; or
- (m) **Guarantee not in force:** the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then any Note may, by written notice addressed by the holder thereof to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

In this Condition 8 (*Events of Default*),

"business day" means a day (other than a Saturday or Sunday) on which banks are open for business in London, Luxembourg, and Zurich; and

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness;

and any other agreement to be responsible for such Indebtedness.

9. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

10. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. **Paying Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; **provided, however, that** the Issuer and the Guarantor shall at all times maintain (a) a fiscal agent, (b) a paying agent in London, (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing the EU Savings Directive and (d) a paying agent in a jurisdiction other than Luxembourg or Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the EU Savings Directive or (z) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct tax, including, without limitation, any paying agent.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. **Meetings of Noteholders; Modification**

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.
- (b) **Modification:** The Notes, these Conditions and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15. **Substitution**

The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes and the Coupons any company (the "**Substitute**") that is the Guarantor, or a Subsidiary of the Guarantor, **provided that** no payment in respect of the Notes or the Coupons is at the relevant time overdue.

The substitution shall be made by a deed poll (the "**Deed Poll**") and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country in which the Substitute is resident for tax purposes and, if different, the jurisdiction of the country of its incorporation with respect to any Note or Coupon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, the Coupons and the Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll or the Guarantor shall have entered into a guarantee substantially in the form of the Deed of Guarantee in respect of the obligations of such Substitute, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, the Coupons and the Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, in the case of the Deed Poll

of the Guarantor, have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it and shall have provided to the Fiscal Agent such documents as may be necessary to make the Notes and the Agency Agreement its legal, valid and binding obligations, (v) the Substitute (if incorporated in a jurisdiction other than England) shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 17(d) (*Rights of the Noteholders to take proceedings outside England*)) in England, (vi) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this paragraph and the other matters specified in the Deed Poll, (vii) each listing authority or stock exchange (if any) on which the Notes are then admitted to listing shall have confirmed that, following the proposed substitution of the Substitute, the Notes will continue to be admitted to listing by such listing authority or stock exchange and (viii) the Issuer shall have given at least 14 days' prior notice in accordance with Condition 14 (*Notices*) of such substitution to the Noteholders and, immediately on the expiry of such notice, the Substitute shall become the principal debtor in respect of the Notes and the Coupons in place of the Issuer and the Noteholders and the Couponholders shall thereupon cease to have any rights or claims whatsoever against the Issuer. Such notice shall state that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 8 (*Events of Default*) to obligations under the Notes shall be deemed to include obligations under the Deed Poll.

The terms of the Notes and Coupons and any Notes and Coupons issued after any such substitution will be modified in all consequential respects including, but not limited to, replacement of references in these Terms and Conditions to Luxembourg, where applicable, by references to the country of incorporation, domicile and/or residence for tax purposes of the Substitute, and, where required, a supplemental prospectus will be prepared and filed with the United Kingdom Financial Services Authority (or relevant competent authority or authorities) in respect of such substitution.

16. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. The provisions of articles 86 to 94-8 (inclusive) of the Luxembourg law of 10 August 1915 on commercial companies, as amended, shall be expressly excluded.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes or any non-contractual obligation arising out of or in connection with the Notes.
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Noteholders to take proceedings outside England:** Condition 17(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 17 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**")

in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) **Process agent:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clariant Holdings (UK) Limited (attention: Company Secretary) at Clariant House, Rawdon Park, Yeadon, Leeds, LS19 7BA, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Prospectus.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 and only in respect of amounts equal to or multiples of a permitted denomination at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs and is continuing.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 24 January 2012 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, "**business day**" for the purposes of Condition 6(e) (*Payments — Payments on business days*) means any day on which the TARGET2 System is open.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption at the option of Noteholders (Change of Control)*) the bearer of the Permanent Global Note must, within the period specified

in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Clariant Group outside Switzerland, unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated for an unlimited duration on 10 March 2006 in Luxembourg as a limited liability company (société anonyme) under Luxembourg law. Its Articles of Incorporation were published in the *Mémorial C, Journal Officiel du Grand Duché de Luxembourg, Recueil des Sociétés et Associations* on 20 March 2006 on page 27777. The Issuer has been registered with the Register of Commerce and Companies in Luxembourg under number B114770 since 16 March 2006.

The registered office is located at 12, rue Guillaume Kroll, L-1882 Luxembourg, Luxembourg and its telephone number is +352 26 18 90 20. The share capital of the Issuer is €52,989,963.75 divided into 42,391,971 shares of €1.25 each, each of which are legally and beneficially owned by the Guarantor. The shares are all fully paid. The Issuer has not declared or paid any dividends since its incorporation.

As of the date of this Prospectus, the Board of Directors of the Issuer consists of:

Name	Function/Nationality	Address	Other principal activities
Michel E. Raffoul	Director/French	19, rue de Bitbourg L-1273 Luxembourg	Various
Jean-Marc Ueberecken	Director/Luxembourgish	14, rue Erasme L-1468 Luxembourg	Various
Stephan Heimberg	Director/Swiss	61, Hardstrasse CH- 4133 Pratteln Switzerland	Various
Peter Zimmermann	Director/Swiss	61, Hardstrasse CH-4133 Pratteln Switzerland	Various

There are no potential conflicts of interest between the persons listed above and their private interests or duties. None of the members of the Board of Directors, officers and staff of the Issuer have any beneficial interest in the debentures or shares of the Issuer, nor are there any schemes for involving them in the capital thereof.

The Issuer is not rated by any internationally recognised rating agency.

The Issuer is registered in Luxembourg and its ultimate parent company, the Guarantor, is registered in Switzerland. The Issuer's principal purpose, as set out in its constitutive documents, is to procure financial means from external markets and to make these available to Group subsidiaries for operating purposes and to act as a holding company for some of the Group subsidiaries.

DESCRIPTION OF THE GUARANTOR

Overview

The Group

The Company, also known as Clariant Ltd and Clariant SA, was incorporated under the laws of Switzerland as an *Aktiengesellschaft* or company limited by shares on 25 May 1995 (date of registration). Its registered office is at Rothausstrasse 61, CH-4132 Muttenz 1, Switzerland and its telephone number is +41 61 469 67 48. The Company was incorporated in Zug, Switzerland and moved its registered seat to Muttenz, Switzerland, where it is now domiciled, on 26 June 1995. It is registered in the Commercial Register of the Canton of Basel-Landschaft, Switzerland, under the register number CH-280.3.900.172-6. Its shares are listed on the SIX Swiss Exchange. As of 30 September 2011, the nominal share capital of the Company was CHF 1,183,009,016, consisting of 295,752,254 outstanding shares with a nominal value of CHF 4 each. The shares are fully paid in and non assessable.

The Company is the holding company of the Clariant Group (or the "**Group**" or "**Clariant**", which, for the purposes of this section, shall mean the Company and all its direct and indirect subsidiaries and entities under its significant influence). The principal direct and indirect subsidiaries of the Company are shown on pages F-139 to F-140 of this Prospectus. As the holding company of the Group, the Company is dependent on the performance of its operating subsidiaries and the payment of dividends by them.

Clariant is an internationally active specialty chemical company based in Muttenz, near Basel. The Group owns over 100 companies worldwide and employed approximately 16,200 employees as of 31 December 2010. In the financial year 2010, Clariant generated sales of CHF 7.1 billion. Clariant is divided into twelve business units: Additives, Catalysis & Energy, Detergents & Intermediates, Emulsions, Functional Materials, Industrial & Consumer Specialties, Leather Services, Masterbatches, Oil & Mining Services, Paper Specialties, Pigments and Textile Chemicals.

History

The Group was formed in 1995 as a spin-off from the chemicals company Sandoz, which was established in 1886 in Basel. Prior to that, the businesses of the Group operated as the Chemicals division of Sandoz, a major multinational group which merged in 1996 with Ciba-Geigy to form Novartis. Sandoz began manufacturing synthetic textile dyestuffs in Basel, Switzerland in 1886 and enlarged its product range by the addition of paper dyes and chemicals in 1919, textile chemicals in 1926 and leather dyes in 1931. In the 1970s, Sandoz expanded into pigments and additives and, in 1979, it began producing masterbatches. The Chemicals division took its first steps towards global expansion in 1911, when an affiliate was formed in England and, in 1919, when Sandoz founded an affiliate in the United States. Over the following years, Sandoz continued to expand the worldwide reach of its chemical operations, constructing multiple plants on five continents.

Since its IPO in the summer of 1995, at which point the Group was spun off from Sandoz and shares of the Company were offered to the public and listed on the SWX Swiss Exchange (now the SIX Swiss Exchange), Clariant has developed through organic growth and acquisitions.

In 1997, the Group acquired most of the specialty chemicals businesses of Hoechst Aktiengesellschaft ("**Hoechst**"). The acquisition was financed, in part, through a capital increase which resulted in Hoechst holding 45 per cent. of the share capital of the Company. In November 2003, Hoechst sold its remaining shareholding.

The Group actively manages its portfolio of businesses through strategic acquisitions and divestitures and considers and evaluates opportunities as they arise. In the autumn of 1998, the Group sold its Superabsorber business to BASF. Shortly thereafter, the Group considered a merger with Ciba Specialty Chemicals, but both groups decided not to pursue the planned merger.

As of 1 January 1999, the Group acquired the worldwide Hydrocerol® business of Boehringer Ingelheim. The Group has also pursued opportunities in Asia, setting up two joint ventures in Korea and acquiring the remaining 50 per cent. of a joint venture in Japan. In 2000, the Group acquired the British fine chemicals group BTP plc to expand business in the life science area. In 2001, the Group streamlined its portfolio and scaled back its activities in areas more sensitive to prices of materials and oil. Major divestitures included the sale of the PVA/PVB business to the Japanese firm Kuraray, the disposal of the Cassella-Offenbach plant in Germany to Allessa-Chemie and the sale of the 50 per cent. stake in the British joint venture Harlow Chemicals to Yule Catto.

Between 2002 and 2007, the Group took significant restructuring steps and disposed of several business activities. In November 2002, the Group sold its stake in the company Resiquímica and, in December of the same year, large parts of the Emulsions and Emulsion Powders business units and the operations of the Hydrosulfite production business in the United States and Canada. In December 2003, the Group sold the operations of Cellulose Ethers to the Shin-Etsu Group. In September 2004, the Group completed the sale of its AZ Electronic Materials business unit to The Carlyle Group, and the sale of its worldwide business of Lancaster Synthesis Ltd, and in June 2005 the Group sold its subsidiary Clariant (Acetyl Building Blocks) GmbH & Co. KG (CABB) to the Gilde Buy-Out Fund Group. In April 2006, the Group sold its Pharmaceutical Fine Chemicals unit which manufactured building blocks, regulatory starting materials, intermediates and active pharmaceutical ingredients for the pharmaceutical industry to TowerBrook Capital Partners, L.P. In May 2007, the Group announced the sale of its Custom Manufacturing Business to International Chemical Investors Group (ICIG).

From 2006 onwards, the Group once again started to strengthen its portfolio with selective acquisitions. In December 2006, the Group acquired the Ciba Specialty Chemicals' masterbatches business. In July 2008, the Group completed the acquisition of the combined companies of Rite Systems, Inc. and Ricon Colors, Inc., leading US masterbatches suppliers with both liquid and solid masterbatches technology. In March 2011, the Group acquired Octagon Process LLC., which will expand the Group's capabilities in the North American de-icer market. In April 2011, the Group acquired Canada-based Prairie Petro-Chem, a leading supplier of specialty oil and gas production, drilling and industrial chemicals, and in the same month the Group acquired Italtinto S.r.l., an Italian company that produces and sells integrated tinted systems.

A major cornerstone in the Group's strategy was the acquisition of a 96.2% stake in Süd-Chemie in April 2011 from One Equity Partners and the family shareholders, with the expectation that 100% of the shares will have been acquired in the first half of 2012. With this acquisition, the Group aims to complement its portfolio with high growth businesses, less cyclical and to gain access to new attractive market segments in the fields of process catalysts and adsorbent agents.

As of the date of this Prospectus, the following credit ratings are assigned to the Company:

	Moody's	S&P
Long-term rating.....	Ba1	BBB-
Outlook.....	Stable	Negative
Short-term rating.....	-	A-3

Strengths

The Company believes that the Group benefits from the following strengths:

- **Global footprint with a strong market presence in high growth regions.** Clariant is a specialty chemicals company present on six continents and serving clients in more than 100 countries. The Group manufactures more than 12,000 different products and serves more than 40,000 customers. Through its global presence, the Group has access to markets and customers around the world. Clariant believes that its global footprint and strong presence in high growth countries will put the Company in a privileged position to benefit from future chemical industry growth. The Group believes itself to be well placed to benefit from any growth in demand for chemicals which may originate from emerging markets, where Clariant is already well positioned with 46 per cent. of sales generated in Asia/Pacific, Latin America and Middle East/Africa in financial year 2010.
- **Diversified and balanced product portfolio in profitable market segments.** Clariant considers its product portfolio to be diversified and balanced and is present in what it believes to be profitable and growing market segments such as flame retardants for mobile phones, laptops and other electronic devices; oilfield & mining chemicals; pigments for decorative paints; and ingredients for personal care & cosmetics, for which Clariant is a formulation-know-how and innovation leader. Clariant maintains strong customer relationships with a broad customer base and no significant exposure to any single industry sub-sector. Clariant's raw materials exposure is diversified. The Company is not dependent on any single raw material; the Company estimates that the top five raw materials account for only 15 per cent. of its feedstock cost, and that the top 20 materials account for approximately 30 per cent.

- **Functional excellence.** Clariant Excellence has been established as a state-of-the art continuous improvement initiative based on a lean management system, including Operational Excellence, Commercial Excellence, People Excellence and Innovation Excellence. The Clariant Excellence Initiative was launched by the existing management team in early 2009 and fully rolled-out across all Business Units in 2010. More than 1,000 projects have been initiated since the start in 2009, generating measurable and continuing benefits. In the area of Operational Excellence, special attention is paid to optimising the production processes, supply chain and cost structures. Clariant has decided to implement a Group wide production system which helps to create sustainable improvements for each site with standardised and lean processes. Commercial Excellence is providing measures to increase profitability by focusing in particular on customer service, margin and price management. Commercial Excellence delivers clearly defined business models and sales approaches for each Business Unit, increasing sales force efficiency and effectiveness.
- **Strong and credible management team with a successful track record.** Clariant has a highly experienced management team, with broad experience in the Specialty Chemicals industry. Since the new management team joined Clariant from 2008, key areas for restructuring, operational and profitability improvements have been successfully identified, formulated and executed. Clariant's management team has also demonstrated its ability to successfully execute business measures required to achieve performance targets. For instance, as a result of Project Clariant which was launched by the new management team in Q4 2008, the Group has significantly decreased working capital levels, lowered net financial debt and reduced organisational complexity. Clariant has established a clearly defined business organisation with twelve independent Business Units, Business Services (such as IT and procurement) providing support across the Group and a lean and transparent Corporate Centre. Consequently, the Business Units (as described on page 38 of this Prospectus) are able to stay focused on business strategies and continued efforts in operational and commercial improvements (for example, supply chain efficiency and margin management). In addition, Clariant increased efficiency through targeted restructuring measures such as Project GANO, in which all locations and production facilities were analysed and optimised, resulting in what the Company estimates to be yearly cost savings of more than CHF 100 million through the elimination of structural weaknesses and overcapacity. Project GANO was implemented in around 20 group sites and will lead to the closure of 14 sites and an additional downsizing of six. In recent years, Clariant's efforts focused on the Project Clariant restructuring programme with the objective of growing cash flows and liquidity by way of reducing headcount, closing assets and streamlining the corporate structure.

Strategy

The Group's strategy focuses on the following elements:

- **Improving profitability and productivity of the existing portfolio across all Business Units.** Clariant aims to improve profitability across all Business Units by further sharpening focus on the opportunities available in terms of products, customers and regions, as well as increasing the value contribution of products and services in all Business Units. A systematic strategy process has been established. The aim is for these strategies to help to extract the best possible value from existing segments, to over-proportionally develop in high growth areas and to further differentiate Clariant from competitors.

As a core initiative for continuous profitability and productivity improvement, Clariant launched Clariant Excellence in 2009, which is intended to yield long-term changes and improvements to business culture and internal processes. To date, implementation of the initiative has concentrated on the areas of Operational and Commercial Excellence with special attention paid to optimising the production process, supply chain and cost structures. For instance, Clariant has introduced the Clariant Production System Initiative to achieve optimal productivity and financial performance in the production units of all Business Units. Also, in order to optimise sales and marketing processes, initial basic modules in the Business Units have been launched focusing on improving margins and operational efficiency, among other aims.
- **Innovation through innovation excellence and focused research and development activities.** Clariant's objective is to further strengthen the track record of innovation for future and existing Business Units in the coming years. Key organisational elements have already been put in place, namely the centralisation of the Research and Development ("R&D") function to leverage significant potential synergies and achieve efficiency improvements. Clariant's R&D centre has been provided with a clear profile and distinct know-how to combine chemical expertise with the objective of promoting innovation. Group Research & Development ("Group R&D") activities are closely linked to market requirements and address current market trends. Clariant strives to create chemical solutions

that leverage several markets. Sustainability is an important part of the strategy, with focus on new technologies, such as renewable energies, energy efficiency and renewable resources. Also, with the aim of improving the innovation success rate, the New Business Development function was set-up within Group R&D, responsible for developing new businesses outside the existing business activities, as well as the Group Process Development function, which brings chemical processes to production scale and increases the efficiency of existing chemical processes.

As part of the Clariant Excellence initiative, the Group intends to also focus on Innovation Excellence. The objective is to establish entrepreneurship as an integral part of Clariant's corporate culture, making Clariant a recognised leader for innovative chemical solutions. Clariant believes that Innovation Excellence will have a measurable impact on profitable growth by focusing on innovation strategy, improving innovation processes and implementing an innovative culture. As such, Innovation Excellence will deliver tools and platforms to improve the identification and capitalisation of opportunities. This involves the implementation of Group-wide efficient processes in order to turn ideas quickly into innovative products and to bring the right products to the right market at the right time.

- **Leverage emerging markets growth.** Clariant intends to capitalise on strong market positions in high growth countries and increase share in attractive business segments and regions. Clariant wishes to harness any future demand growth for specialty chemicals that may come from the emerging markets in Asia/Pacific and Latin America. As a consequence, Clariant aims to expand and exploit its existing, strong competitive position in the emerging markets (including East and Southeast Asia, India, Latin America), by participating in the Asian economies or participating in the downstream development of the chemical industry in the Middle East. Clariant already generates 45 per cent. of sales as of the first nine months of the financial year 2011 - significantly more than most of its competitors – in the Pacific, Latin America and Middle East/Africa regions, enabling Clariant to benefit from any growth that may emerge from these countries accordingly. This strategy is supported by the transfer of certain assets to these regions, for example, the relocation of textile chemicals and dyes production from Switzerland to Asia/Pacific.
- **Strengthen business portfolio growth through selective acquisitions.** Driven by Clariant's strong operational performance, the Company considerably increased liquid assets and decreased gross financial debt until the end of 2010. This resulted in an almost debt free net financial position at the end of 2010. At the end of March 2011, i.e., prior to the Süd-Chemie acquisition which occurred in April 2011, consolidated net debt was CHF 250 million. The Company aims to actively capitalise on profitable growth opportunities by a combination of organic growth and selected acquisitions. Clariant intends to continue to evaluate add-on acquisitions to support the development of the current portfolio aiming at regional expansion, product portfolio extension or technology acquisition and will also aim to opportunistically enter into new fields of activity where Clariant feels such areas may offer potential for strong profitable growth prospects.

The Industry the Group Operates In¹

The Group is an important player in the global chemical industry, manufacturing a wide range of products for other major industries, including: construction, packaging, chemicals, automotive, electronics, food manufacturing and pharmaceuticals.

The chemical industry is a processing industry that is based on the transformation in one or several stages of raw materials (such as oil derivatives, gas, minerals and natural products) into more or less complex chemical products, or into plastics obtained by polymerisation.

Specialty chemicals are produced by a complex, interlinked industry. In the strictest sense, specialty chemicals are chemical products that are sold on the basis of their performance, rather than for their composition. They can be single-chemical entities or formulations/combinations of several chemicals whose composition sharply influences the performance and processing of the customer's products, such as adhesives, paints, inks, varnishes, cosmetics and detergents, developed in response to the need for application products. Products and services in the specialty chemicals industry require intensive knowledge and powerful innovation. The customer base consists largely of industrial companies and consumer goods companies.

Commodity chemicals, at the other extreme, are sold strictly on the basis of their chemical composition, such as olefins and polyolefins, ammonia, methanol and caustic soda. They are single-chemical entities. The

¹ Source: SRI Consulting (Overview of the Specialty Chemical Industry, June 2011).

commodity chemical product of one supplier is generally readily interchangeable with that of any other supplier. Therefore, commodity chemical suppliers compete on price while their success depends on their internal cost position.

Large-volume polymer resins (for example, polyvinyl chloride and polystyrene) fall somewhere in between these definitions of specialty and commodity chemicals. These polymers are sold to some extent on the basis of performance and not strictly on the basis of chemical composition.

A third type of industrial chemical product that is intermediate between true specialty chemicals and commodity chemicals is "fine" chemicals. Fine chemicals, like commodities, are sold on the basis of their composition and generally are interchangeable with other products of the same composition.

With estimated worldwide sales of almost €2,111 billion in 2009, the chemical sector is a worldwide industry located in three main geographic regions, namely Europe (about 24 per cent. of world production), Americas (about 32 per cent. of world production) and Asia Pacific (about 44 per cent. of world production)². Clariant believes that trade in chemicals between these three main production regions has potential, though is still limited at present.

The chemical industry is a very fragmented sector, both in terms of products (several tens of thousands), end-markets (most industrial sectors are consumers), and industry players (the share of the world market of the top ten companies does not exceed 20 per cent.).

Organisation and Principal Activities

General Overview

The business of the Group is organised in the following twelve Business Units:

- Additives;
- Catalysis & Energy;
- Detergents & Intermediates;
- Emulsions;
- Functional Materials;
- Industrial & Consumer Specialties;
- Leather Services;
- Masterbatches;
- Oil & Mining Services;
- Paper Specialties;
- Pigments; and
- Textile Chemicals.

Each Business Unit has full responsibility for its operating results. The organisation of Business Units replaces the former divisional structure, which was dissolved on 31 December 2009. The Business Units control and manage the value chain, including: applications, purchasing, production, supply chain, marketing and sales. The businesses were established on the basis of shared chemical and technological features and the corresponding market segments. They are organised to meet the specific requirements and opportunities of their markets.

The Group has a diversified customer base and is not reliant upon any individual customers in any geographic region in which it operates.

² Source: Datamonitor, Industry Profiles Global Chemicals, Commodities, Specialities, Agriculture 2010.

The Group employed 16,176 people as at 31 December 2010.

For the year ended 31 December 2010, the Group reported earnings before interest and taxes of CHF 366 million on sales of CHF 7,120 million.

The twelve Business Units are the highest-level operating units within the Group. They have global responsibility for the activities assigned to them, in particular 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 exploiting existing business potential, identifying new business opportunities and pursuing the active management of their products and services portfolio.

The twelve Business Units rely on functional units ("**Business Services**") to provide them with continuous support, mainly in the fields of finance, human resources, communication, legal services, information technology, logistics, procurement and supply chain performance. In addition, the Corporate Centre comprises all the core functions supporting the Executive Committee and the Board of Directors. In this regard, the Corporate Centre works closely with the Business Units and defines the strategy and scope of Business Services. Finally, Group Technology Services coordinates and centralises innovation.

Additives

General Description

The Business Unit Additives is comprised of three business lines: Flame Retardants, Polymer Additives and Waxes, each set up to control development, production, supply chain, marketing and key account management while a regionalised sales force serves all three business lines. Business Unit Additives offers product solutions mainly to the plastics, coatings, ink and adhesives industry. For example, the business line Waxes sells products that modify and protect the surface characteristics of furniture coatings from scratches. The business line Flame Retardants provides products that reduce the ignitibility of polymers in electronic devices such as smart phones and computers. The business line Polymer Additives adds effects to a polymer, for example, to protect against UV radiation or oxidation.

The Business Unit Additives is headquartered in Muttensz, Switzerland, where some of the main production sites are also located with other major production sites being located in Knapsack, Germany and in Gersthofen, Germany.

Sales by region:

	EMEA*	North America	Latin America	Asia
Sales in 2010 in %	55%	10%	5%	30%

* Europe, Middle East and Africa

Markets

The Flame Retardants market is served by 200 different types of flame retardants, classified according to their major constituent chemistry, for example, bromine, chlorine, nitrogen or phosphorus. The major end markets which are served are the construction industry, electronics and electrical appliances, automotive and transportation.

The desire to replace halogen based chemistry has led to a surge in demand for halogen-free alternatives specifically for use in engineering polymers. A more diverse global regulatory landscape would further support this trend even if this does not mean that Clariant anticipates a full disappearance of halogenated flame retardants in the next few years. Tailored solutions are developed per application or resin, accelerating a specialisation of the market that potentially drives up the value in newly emerging sub segments in which Clariant is present.

The Polymer Additives market can be divided into two segments: commodity additives (approximately 90 per cent. of market) and specialty additives (approximately 10 per cent.). Clariant is active in the specialty market, which fulfils specific customer requirements and is characterised by a few competitors, who compete on price-performance ratio, supply security and technical service. Value proposition, market segments, their attractiveness and competitive behaviour are therefore niche specific and need to be understood in detail on

product/application level. The main market areas for Polymer Additives are antioxidants, antistatic agents, light stabilisers and UV absorbers. Market development is partly affected by the capacity built-up of polyolefins in the Middle East and Asia, impacting antioxidants and light stabilisers.

In Waxes, Clariant serves a broad range of end-use applications and is one of the most diversified specialty wax producers with presence in many segments such as plastics, coatings, inks, polish, technical textiles, adhesives, powder metal and road construction. Following what it perceives to be a global trend towards sustainability, Clariant recently launched a new wax range based on renewable resources and filed a patent relating to fully recyclable artificial turf, based on its performance polymer range.

Competitors

The Flame Retardants market for organophosphorus compounds is characterised by players with diversified portfolios. There are in principle two different business models in the market for organophosphorus compounds: large diversified players such as ICL, Albemarle and Chemtura with a broad flame retardants portfolio beyond phosphorus chemistry and often with backward integration into raw materials on the one hand and specialised suppliers with limited or no backward integration and targeted solutions on the other hand. Clariant positions itself as a specialised provider of organophosphorus flame retardants. Clariant plays an active role in the industry association for halogen-free flame retardants, "Pinfa", which is a sector group within CEFIC. Pinfa represents the interests of halogen-free producers and users and has already grown to 19 members (including BASF, Lanxess, DSM and Rhodia) within two years.

In Polymer Additives, the key competitors differ per product segment. In both antioxidants and light stabilisers, BASF has become the major player with the acquisition of Ciba. Songwon and Chemtura can be listed as players in the former, Cytac and Chemtura as competitors in the latter market segment. In the antistatic agents market segment, Clariant is competing with Croda and AkzoNobel.

The competitive landscape in Waxes contains companies such as BASF, Honeywell and Sasol. From a global perspective, the wax market is rather consolidated with only a number of suppliers by region and wax type. Clariant is one of the global players in specialty waxes (besides BASF and Honeywell). Many suppliers produce only two to three different wax types. Clariant has a broad portfolio of seven major product groups, making it one of the most diversified specialty wax producers worldwide.

Products/Services

Clariant's non-halogenated Flame Retardants (for example, Exolit®) provide environmentally compatible protection for buildings, electrical and electronic equipment as well as textiles and other materials used in aeroplanes, trains, buses and ships. These products are used by polymer compounders and processors, resin manufacturers and synthetic fibre producers as well as by coating producers.

In Polymer Additives, with its range of antioxidants, processing stabilisers, light stabilisers and antistatic agents (Hostavin®, Hostanox®, Hostastat® and Nylostab®), Clariant provides solutions which allow for maximum optimisation in the manufacturing process and a high level of protection of the end article, for example, giving plastics long term stability and durability, or improving the light and weather resistance of coatings. For instance, in the antioxidant field, Clariant is a supplier of process stabilisers for polyolefins. The range includes long-term stabilisers as a special-purpose phenolic primary stabiliser, sulphur-containing co-stabilisers and a phosphite and metal deactivator. Clariant also provides high performance solutions in the stabilisation of Nylon Polymerisation and conversion processes where its multi-functional Nylostab S-EED gives higher productivity as well as better end-product characteristics (fibres and injection moulded parts). The antistatic agents help to prevent static charging, sparking-over and dust attraction during the processing of polymers and also in the end article. Furthermore they provide special effects to the surfaces of the final products.

Clariant's specialty Waxes are used in polishes, protective coatings, inks, plastics, technical textiles, adhesives, powder metal, road construction and in a range of highly specialised applications like hot melt adhesives. Waxes are effective internal and external processing agents for the resin manufacturing industry. They provide flowability, antisticking and better demolding properties to the finished article as well as various other benefits. This applies to almost all kinds of plastic materials such as polyolefins, styrenic copolymers and engineering resins. For instance, the Licocene® performance polymers offer customers tailor made solutions mainly in plastic and hotmelt adhesive applications. The wide spectrum of Ceridust® offers micronised waxes mainly for use in surface protection in coating and ink applications. Licowax® montan wax range is used as a processing aid in plastic applications as well as protecting surfaces in polish applications.

Catalysis & Energy

Profile

The Business Unit Catalysis & Energy is a leading provider of catalysts for chemical, petrochemical, polymer, refinery and automotive industries as well as materials for environmental markets and solutions for energy efficiency and energy storage.

Headquartered in Munich, Germany and operating on a worldwide scale, the Business Unit comprises the activities of the former catalyst divisions of Süd-Chemie. Clariant's catalysts contribute significantly to value creation in its customers' operations and play a key role in the efficient and environmentally friendly use of natural resources. Furthermore, Clariant's catalysts are essential for producing fuels and chemicals from alternative raw materials such as natural gas, coal and biomass.

Products and solutions vary from process catalysts for the efficient production of various commodity and specialty chemicals, petrochemical intermediates, polymers and fuels to catalysts for the treatment of emissions from diesel engines and chemical plants. New developments include catalysts for fuel cell applications and high-performance lithium-ironphosphate based cathode battery material for electric vehicles and other clean tech applications, which Clariant expects to be increasingly important to society and the global markets.

Markets

Catalysts

- Catalysts for the production of major base chemicals (for example, ammonia, methanol, sulphuric acid and formaldehyde etc.) and specialty chemicals (for example, phthalic anhydride, maleic anhydride alcohols, diols and amines) as well as fine chemicals.
- Petrochemical catalysts for the production and purification of olefins and key derivatives (for example, ethylene oxide) as well as aromatics and derivatives (for example, styrene and para-xylene) as well as catalysts for the growing market of on-purpose production of propylene from coal or natural gas (for example, coal to methanol to propylene).
- Refinery catalysts for a range of refinery applications including the production of hydrogen for the manufacture of low-sulphur fuels, isomerisation and dewaxing to enhance the performance of gasoline and diesel as well as catalysts for gas-to-liquid (GTL), coal-to-liquid (CTL) and bio-mass-to-liquid (BTL) processes.
- Custom catalysts for polypropylene production.
- Catalysts for purifying industrial off-gas, removing pollutants from combustion engines and production of hydrogen for use in fuel-cells.

Battery materials

- Lithium-iron-phosphate (LFP) and various other innovative electrode materials enabling high power performance lithium-ion-batteries with superior safety and long life for electric vehicles and distributed power providers.

Detergents & Intermediates

General Description

The Business Unit Detergents and Intermediates is a supplier of key raw materials for laundry detergents and cleaning products as well as chemical intermediates for the manufacture of agrochemicals and pharmaceuticals.

The Business Unit Detergents & Intermediates is headquartered in Muttenz, Switzerland, with two key production sites in Lamotte, France and Wiesbaden, Germany.

Markets

The Business Unit's key product markets in the area of detergents are household and cleaning where the Business Unit provides raw materials for cleaning agents, stain removers, laundry detergents, dishwasher detergents, liquid all-purpose cleaners, liquid metal/ceramic cleaners, sanitary cleaners. In the area of intermediates, the Business Unit serves agrochemical and pharmaceuticals companies, for example, with ingredients for fungicides, herbicides, medicines, fragrances and flavours.

Sales by region:

	EMEA*	North America	Asia
Sales in 2010 in %	88%	7%	5%

* Europe, Middle East and Africa

Competition

The industry is characterised by specialised players that are often backwards integrated with a local asset footprint to address local market needs. In the market for raw material for detergents, it may be the case that the consolidation that has been seen continues.

Products/Services

In the Detergents business, the Business Unit closely co-operates with customers, which consist of both multinational brands and specialised producers, to ensure detergent formulations obtain optimum results in terms of wash performance, cost efficiency and environmental friendliness.

The Business Unit's key products in detergents are:

- Hostapur®, a secondary alkyl sulphonate sodium salt which is used in all types of liquid wash and cleaning agents;
- Peractive Tetra Acetyl Ethylene Diamine (TAED), which is an activator for hydrogen peroxide releasing bleaching agents;
- SKS®-6, a pure sodium disilicate, which works as an ion exchanger; and
- Texcare®, an anionic soil release polymer developed for detergent powder application.

In the business of Intermediates, the production of glyoxal, glyxolic acid and oxalic acid, and their derivatives is the core competence. These intermediates are used in agrochemical and pharmaceutical industries, as well as in many parts of the chemical industry for a wide range of applications such as textiles, leather, paper, disinfectants, electronics, adhesives and construction.

Emulsions

General Description

The Business Unit Emulsions is a supplier of aqueous emulsions with a strong footprint in the Southern hemisphere and strengths in providing products with low environmental impact and distinctive customer service.

The products of the Business Unit Emulsions provide brightness and durability for decorative interior and exterior paints, primers and varnishes. They are also found in all types of adhesives such as glues used in the wood, paper, textile and leather sectors. Clariant also offers a wide range of emulsions for the refinishing and formulation of construction products. The Business Unit's portfolio includes products to decrease water absorption, and to compact and control dust generation on floors, roads, highways and others applications.

The Business Unit Emulsions is headquartered in São Paulo, Brazil, with main production sites in Argentina, Brazil, Chile, Egypt, Indonesia and Mexico.

Sales by region:

	EMEA*	North America	Latin America	Asia/Pacific
Sales in 2010 in %	27%	1%	56%	16%

* Europe, Middle East and Africa

Markets

The Business Unit Emulsions was set up as an independent Business Unit in January 2010. Its key markets are Latin America, Asia, Africa and the Middle East, to which the Business Unit supplies aqueous emulsions mainly for the paints, adhesives, construction and textile segments.

The Business Unit's key product markets are paints (decorative interior and exterior, primers, varnishes, anti-corrosion and industrial applications), construction (concrete applications, roofing, tiling, sealants and primers), adhesives (wood, paper lamination, packaging and Pressure Sensitive Adhesives (PSA)), as well as textiles (a wide range of effects from wash fastness to water repellency), leather (finishing, dye fixing) and paper (adhesives and coatings with functional effects).

The main demand areas are North America, Western Europe and China. However, in the coming years, Clariant anticipates that strongest growth may occur in South America, Eastern Europe, Africa, China and India.

Commodity products represent a large part of the industry, but specialty niches exist. The attractiveness of the different market segments is determined by factors such as knowledge of local market and opportunities, efficiently-run plants, the product mix and the number and focus of competitors in local markets. Clariant sees itself as well positioned to leverage key industry trends such as environmentally friendly products with its water-based emulsions and, with its current footprint, to capture any growth if it were to occur in emerging countries.

Competitors

The industry is characterised by multinational players (for example, BASF, Dow, Henkel and AkzoNobel) who are often backward and forward integrated. Otherwise, at local level, the industry tends to be highly fragmented due to a large number of small local companies. Clariant is one of the few standalone international emulsions players with no backward or forward integration.

Products/Services

The key products are: Mowilith® used in paints, adhesives and construction; Mowicoll® used in adhesives; Appretan® and Printofix® binder used in textiles; Melio® used in leather; and Cartaseal®, Cartacol® and Cartacoat® used in paper. Clariant's major monomer systems include: Vinyl Acetate, Acrylates, Styrene and other Specialties.

Functional Materials

Profile

The Business Unit Functional Materials is a leading provider of specialty products and solutions to enhance products and processes in various industries.

Headquartered in Moosburg, Germany and operating on a worldwide scale, the Business Unit comprises the activities of the former adsorbents division of Süd-Chemie. Key markets served by the Business Unit include the consumer goods, packaging and foundry industries, as well as water treatment. The activities are divided into three business lines: adsorbents, water treatment and performance packaging.

The adsorbents area comprises specialty chemicals mainly derived from the natural clay mineral bentonite or based on the synthetic mineral hydrotalcite. Due to their high surface and strong binding properties, these products enhance products and processes in various industries.

Water treatment and water management solutions provide processes for conditioning drinking water as well as for processing waste water whilst the performance packaging line provides functional protective packaging solutions for pharmaceuticals and high-grade desiccants for equipment and consumer products.

Markets

- Consumer industry

Various products and applications including bleaching earths for the processing and purification of vegetable oils, detergent additives and animal feed additives.
- Foundry and construction industry

Bentonite-based additives for stabilising moulding sands for iron castings and bentonite-based additives for supporting fluids in civil engineering works, tunnelling, pipe jacking and drilling.

- Plastic additives

Hydrotalcites (eco-friendly lead-free PVC stabilisers and acid scavenger for poly-olefins)

- Water treatment

Products and solutions to process waste water for the oil, beverage and mining industries as well as for communal waste water treatment and drinking water processing.

- Performance packaging

Protective packaging solutions for pharmaceutical and diagnostic products; desiccant systems for the protection of high-value goods, consumer goods and equipment during global transportation and storage.

Industrial & Consumer Specialities

General Description

The Business Unit Industrial & Consumer Specialities ("ICS") is a major supplier of specialty chemicals and ethylene oxide derivatives for a broad spectrum of industries in consumer care and industrial applications. The Business Unit combines high quality products with formulation expertise across diverse industries to deliver solutions with compelling cost-performance ratios and environmental benefits to customers. The focus on ecologically sustainable development ranges from skin care formulations based on raw materials, renewable resources to recycling concepts for aviation de-icing products, which are promoted under Clariant's EcoTain label.

The Business Unit ICS is headquartered in Muttensz, Switzerland, with 13 production sites around the world and a dedicated R&D centre.

Sales by region:

	<u>EMEA *</u>	<u>North America</u>	<u>Latin America</u>	<u>Asia/Pacific</u>
Sales in 2010 in %	57%	12%	19%	12%

* Europe, Middle East and Africa

Markets

The Business Unit ICS operates in various market segments, which are supplied from shared production assets. The key markets of the Business Unit are Consumer Care (Personal Care and Industrial & Home Care) and Industrial Applications (paints, coatings & construction, industrial lubricants, engineering & aviation and crop protection). In the personal care market segment, the Business Unit ICS offers ingredients for skin & hair care cosmetics, wet wipes and pharmaceutical applications. For the Industrial & Home Care industry, the Business Unit provides ingredients for household and industrial cleaning solutions. In the field of paints, coatings and construction, the Business Unit ICS offers additives for concrete & mortar, dispersing agents, defoamers, biocides and emulsifiers for emulsion polymerisation. To the industrial lubricants market, the Business Unit offers ingredients for hydraulic, metal working and other performance fluids. In the engineering & aviation market, the Business Unit ICS provides aircraft and runway de-icers, special solvents and fluids for heat transfer, gas scrubbing and automotive. To the crop protection market, the Business Unit ICS provides formulations for fungicides, herbicides and seed treatments.

Competitors

The Business Unit ICS has a strong position in selected industrial niches based on broad, product-oriented portfolio and deep application know-how. In general, the Business Unit faces a different set of competitors in each market segment but Clariant regards itself as being among the top 5 competitors in each. Overall, BASF is the most diverse competitor with a strong position in several of Clariant's segments, which has been further

strengthened by the recent acquisition of Cognis. Other key competitors, such as Croda, Rhodia, Dow or AkzoNobel, typically have more focused portfolios.

Products/Services

The Business Unit ICS is organised in nine separate market segments, each focusing on different end-use applications but all using the same technology base and shared production assets. Personal care ingredients are used in a wide variety of applications, ranging from rinse-off products (for example, shower gels or shampoos) to leave-on products (for example, creams or deodorants). Industrial & Home Care ingredients are used in a wide variety of applications in home care (for example, hard-surface cleaning, hand and automatic dish washing, fabric wash, or fabric softening) and in industrial and institutional cleaning (for example, industrial laundry, hard surface cleaning and disinfecting, car wash, ware washing, or cleaning of processing equipment). To the paints & coatings segment, the Business Unit ICS offers various chemical intermediates, surfactants and biocides. In the field of construction chemicals, the Business Unit is specialised in third generation plasticisers, air-entrainers and defoamers & biocides. In the industrial lubricants segment, the Business Unit supplies mainly metal working fluids, hydraulic fluids, gear oils and industrial greases. For the highly fragmented global market of engineering fluids, the Business Unit offers heat transfer fluids, special solvents and gas treatment which comprise a broad variety of end-use applications. In the aviation segment, the Business Unit ICS sells de-icing fluids for aircrafts as well as for runways. In the crop protection market, the Business Unit supplies formulation inerts such as adjuvants, dispersing agents and emulsifiers to agrochemical companies, which then combine them into a formulation with active ingredients, i.e., fungicides, insecticides, or herbicides and sell them to farmers, directly or via distributors.

Leather Services

General Description

The Business Unit Leather Services is a leading supplier of leather chemicals for retanning, fatliquoring, dyeing and finishing for clients in the leather industry. The Business Unit offers chemical and technical solutions to the entire leather production chain, from beamhouse to finishing, to customers in the shoe, automotive, furniture or garment and fur segments.

The Business Unit Leather Services is headquartered in Muttens, Switzerland, with 11 production sites around the globe and three modern fully equipped R&D laboratories in Germany (Finishing), Spain (Dyes) and Italy (Chemicals).

Sales by region:

	EMEA*	North America	Latin America	Asia
Sales in 2010 in %	40%	1%	19%	40%

* Europe, Middle East and Africa

Markets

The Leather Services business is a global supplier in the key market segments of shoe & accessories (including handbags and belts), automotive (leather seating and associated uses), furniture (sofas, chairs and other furnishings) and garment & fur (coats, leatherware and fur).

With a worldwide presence, Leather Services has a global reach and is represented in all major tannery locations.

Competitors

Historically, the leather chemical industry is characterised by five major players, BASF, Clariant, Lanxess, Stahl and TFL. In the emerging markets, competition is growing due to the existence of small local players. In general, the customer basis in the leather industry is fragmented.

Products/Services

The Business Unit Leather Services offers chemical and technical solutions for the complete leather manufacturing process, from beamhouse to finishing. The Business Unit is a global supplier of high-quality

leather processing chemicals with a low environmental impact and solutions, with a world-class knowledge of leather upgrading and chrome-free tanning solutions. Clariant's technical expertise and colourants help customers to achieve consistently brilliant colours and natural tones, combined with performance every time.

The key product ranges are: Granofin®, a range of sustainable tanning solutions; Tergotan®, a new generation of polymeric retanning agents for soft and natural leather; Melioderm® dyes, which are a range of anionic dyestuffs suitable for all kind of leathers; Melio® Aquabase, a value-adding masking of leather defects; and Aqualen®, high performance, low VOC, NMP-free topcoats.

Masterbatches

General Description

The Business Unit Masterbatches is one of the leading suppliers in colour, additive concentrates and innovative performance solutions for plastics. The Business Unit Masterbatches uses pigments, dyes, additives and polymer resins to produce solid or liquid colour/additive-concentrates and specialty compounds.

The Business Unit Masterbatches is headquartered in Muttens, Switzerland. It has more than 50 full-service manufacturing facilities and is present in more than 33 countries, enabling it to be close to customers in order to provide excellent lead times and services. Also, the Business Unit is supported by a dedicated network of ColorWorks™ design centres; these provide brand managers, designers and marketing personnel with global colour management services and design tools, to enable customers to differentiate their brands and reduce product development times.

Sales by region:

	EMEA*	North America	Latin America	Asia
Sales in 2010 in %	54%	21%	9%	16%

* Europe, Middle East and Africa

Markets

The Business Unit's customers are plastics converters, compounders and major resin producers. Additionally, there are indirect customers, such as manufacturers of industrial and consumer goods that specify masterbatch purchases by their suppliers.

Each customer group has specific needs in their region; therefore, the Business Unit Masterbatches is structured along these regions, serving key market segments. Key market segments are packaging for home and personal care, food and beverage (for example, caps, closures and bottles) and industrial. Other key market segments are consumer goods (such as appliances, electrical, sports, toys and construction), textiles (such as carpets, nonwoven, sports apparel), automotive (such as interior and exterior parts, engines components) and medical (such as devices and pharmaceutical packaging).

In the mature markets, Clariant aims to concentrate on excellent customer relations, with a focus on the most attractive market segments, with the overall aim of delivering solid growth.

Competitors

The masterbatch market has low barriers to entry. Three main types of competitors exist: large global players such as Ampacet and Schulman; regional players like Gabriel-Chemie, Americhem and Techmer; and small local masterbatches companies, which represent the biggest group of competitors.

The competitive landscape and industry dynamics differ sharply between mature and emerging markets. Mature markets (North America and Europe) are intensely competitive. Emerging markets (Asia/Pacific, IMEA, Latin America, CIS) are more fragmented. There is also a noticeable migration trend of customer industries from the mature markets to emerging markets.

A key requirement of the masterbatch market is a service focus, which today can only be achieved by local presence.

Products/Services

The Business Unit Masterbatches offers a range of products and services, including colour and additive masterbatches solutions for the entire range of resins, such as:

- Remafin® masterbatches, liquid and specialty compounds for olefins, providing colour dispersion at very low usage levels;
- Renol® masterbatches, liquids and specialty compounds for non-olefins, providing processability and colour brilliance;
- Omnicolor® multipurpose colour masterbatches which can be used with a wide range of commodity and engineering resins;
- Mevopur® medical masterbatches and compounds which covers the polymers and thermoplastic elastomers used in the medical and pharmaceutical sectors;
- Cesa® standard and specialty additive masterbatches which are designed to provide performance-enhancing features or to protect polymers from environmental degradation;
- Hydrocerol® chemical foaming and nucleating agents which help reduce weight, improve performance and optimise costs in products ranging from business machine housings, food and medical packaging to material handling systems, automotive parts and window profiles; and
- ColorWorks™, a dedicated network of design centres which provide brand managers, plastic designers and marketing personnel with global colour management services and design tools.

The Business Unit Masterbatches seeks to serve customers' needs in the area of global colour trending, product design, international regulatory compliance, process development and multi-substrate colour consistency.

Oil & Mining Services

General Description

The Business Unit Oil and Mining Services is comprised of three businesses, Clariant Oil Services, Clariant Refinery Services and Clariant Mining Services, each organised along individual Business Lines. Oil Services provides production chemicals and services for oil and gas. Refinery Services supports refineries and terminals in the handling of liquid fuels and meeting product specifications, providing solutions for fuels and oils, refinery process chemicals and biodiesel additives. Mining Services is a supplier of chemicals and integrated services to the mining, explosives and fertiliser industries.

The Business Unit Oil and Mining Services is headquartered in Houston, Texas. Its facilities include manufacturing, distribution and blending centres, research and development and service facilities in numerous countries across the globe.

Markets

Clariant Oil Services serves the global oilfield and production specialty chemicals market. This includes chemicals for end-use applications such as flow assurance, fluid separation, integrity and production enhancement. Clariant Oil Services focuses on expanding its core in established markets and leveraging existing businesses to move into new areas.

Clariant Refinery Services serves the global fuel additives markets, focusing on the middle distillate market. Growth in this market is driven mainly by GDP. Clariant Refinery Services focuses on protecting and further developing its core business in middle distillate flow improver additives while simultaneously entering into new markets.

Clariant Mining Services serves the flotation chemicals market, providing explosive emulsifiers and fertiliser additives. The ambition of Clariant Mining Services is to be the partner of choice worldwide for mining companies seeking flotation solutions.

Competitors

The major companies in the global oilfield production chemicals market are Baker Hughes, Champion Technologies, Nalco and Clariant, with Clariant having a particularly strong position with national oil companies.

The global middle flow distillate market is served by four major fuel additive suppliers: Infineum, BASF, Innospec and Clariant.

The mineral processing chemical market is fragmented. The major global players in this market are Cytec, AkzoNobel, Nalco, Air Products and Clariant Mining Services. Other companies are active throughout the broader mining chemical industry.

Products/Services

Oil Services continuously develops technologies and service solutions to fulfill the demands of the industry, with respect to health, safety and environment, cost-reduction and efficiency gains, thus ensuring that customer needs are met quickly and reliably. It comprises production chemicals and services for oil and gas, such as exploration additives and specialty intermediates, for example, drilling additives, cementing additives, completion, workover and stimulation additives, as well as specialty application intermediates. Typical products include Hostadrill® and Hostamer®.

Further offerings are upstream production solutions, used for example, in bacterial control, corrosion management, emulsion control and waste and produced water management. Also the Business Unit provides upstream production markets solutions, used, for example, in cold climates, deep-water and pre-salt, heavy oil and high temperature and high pressure situations; transportation and pipeline solutions, used for example, in cleaning, hydro testing and integrity management. It even offers total solutions for the control of oxygen and microbial corrosion, minimising of impact on environment and water solutions, for example, for water clarification, control and reduction. Typical products include Dissovan®, Phasetreat, Dodicor® & Corrtreat, Scaletreat & Didiscale®.

Clariant Refinery Services is headquartered in Frankfurt and offers refinery additives, such as flow improvers, for middle distillate fuels including biodiesels. It also provides chemicals and services further upstream in the conversion units for desalting, corrosion control, antifouling, antioxidants and anti-form solutions.

The business has a global reach and is particularly active in most Northern hemisphere countries. Typical products include Dodiclow® and Dodiwax®.

Located in Houston and Frankfurt, Clariant Mining Services ("CMS") offers chemicals and services on a global basis for use in mineral extraction using the flotation process. CMS has the capability to extract a wide range of sulphidic and non-sulphidic minerals from a wide range of different ores and has long term contracts with mines globally from Latin America, Europe and throughout Asia. Other major product lines relate to explosive emulsifiers and fertilisers for anticaking. Typical products include Montanol®, Flotanol® and Flotisor®.

Paper Specialties

General Description

The Business Unit Paper Specialties provides expertise in the management of coloration, whiteness, surface & coatings and process chemicals for all kind of papers.

The Business Unit Paper Specialties is headquartered in Reinach, Switzerland. Production sites in all major regions enable the Business Unit to efficiently supply customers and leverage local sourcing benefits. Sales organisations and key account managers in more than 30 countries ensure individual customer service.

Sales by region:

	<u>EMEA*</u>	<u>North America</u>	<u>Latin America</u>	<u>Asia/Pacific</u>
Sales in 2010 in %	44%	21%	18%	17%

* Europe, Middle East and Africa

Markets

The Business Unit Paper Specialties serves all regional markets, with a strong position in Europe and significant presence in Asia and the Americas. The key markets served by the Business Unit are printing & writing (photocopying paper, writing paper, magazines, newsprint), tissue & towelling (nappies, napkins, tissues, hand towels), packaging & board (cardboard, cartons based on recycled fibres, food packaging) and specialties / non-wovens (medical masks and gowns, air filters). Customers of the Business Unit Paper Specialties are large paper mills such as International Paper, Alstrom and UPM.

Competitors

Within the global paper chemicals market, BASF, Kemira, Ashland and Eka Chemicals are the main players. Clariant considers itself to be well positioned especially in the optical brightening agents and the paper colourants segments.

Products/Services

In the coloration business, the Business Unit Paper Specialties develops chemistries of anionic direct, cationic direct and modified basic liquid dyes especially designed for paper application, as well as pigment products and specialised sulphur dyes. The key products are direct dyes (Cartasol® F Dyes, Cartasol® K Dyes, Carta® Dyes, Carta® Powder Dyes), basic dyes (Cartazine®), dyes for mechanical and recycled pulps, packaging (Cartasol M dyes), sulphur dyes (Diresul® P dyes) and pigment preparations for laminated paper applications (Cartaren® and Flexonyl®).

In the whiteness business, the Business Unit Paper Specialties develops optical brightening agents (Leucophor®) together with shading dyes and pigments as well as quenching agents (Cartarex®, helping to significantly eliminate unwanted fluorescence in paper).

In the surface & coating business, the Business Unit Paper Specialties offers solutions to enhance the functional properties of all kinds of paper, like crosslinkers, fluorochemicals and barrier additives. As an example, the Cartaseal® range of products is an innovative coating concept providing superior barrier properties to oil, water and water vapour. Papers coated with Cartaseal® can also offer properties such as enhanced printability, glueability, heat sealability and temperature resistance. The Cartabond® range improves the paper surface strength in size press and coating formulations. They reduce the offset printing defects which are caused by a weaker surface strength of the paper when wetted with fountain paper.

In the process chemicals business, the Business Unit Paper Specialties offers specific solutions to address the needs of the Group's customers such as deposit control (Cartaspers®, Cartafix®), dye fixatives (Cartafix®), dry strength agents (Cartabond®), fibre activation and retention (Cartafen®, Cartaretin®) and foam control (Antimussol®).

Pigments

General Description

The Business Unit Pigments is a leading global provider of colour solutions with organic pigments, pigment preparations and dyes used in coatings, printing, plastics and other consumer products and industrial applications. The Group's broad portfolio includes high performance pigments to meet the specific demands of the automotive, architectural and plastics industries as well as colourants used in packaging publication ink jet inks and laser printers.

The Business Unit Pigments is headquartered in Muttenz, Switzerland, with major global production sites in Germany, China, Brazil, Mexico and Japan as well as India and regional production sites in various countries in Europe, Asia and Latin America.

Sales by region:

	EMEA*	North America	Latin America	Asia/Pacific
Sales in 2010 in %	41%	13%	12%	34%

* Europe, Middle East and Africa

Markets

The Business Unit Pigments is structured along the main colourant market segments; coatings, printing, plastics and special applications (consumer products, agro and industrial specialities). For the coatings industry, the business offers colourants for all applications such as decorative and architectural paints, automotive (including refinishing), industrial, powder, wood and coil coatings. In the printing segment, the Business Unit offers colourants for the full range of printing technologies, including products for publications, packaging and security inks, deco laminates printing as well as special colourants for non-impact printing applications (such as laser and ink jet printers). The printing segment also supplies colourants used in the latest colour filter technology used in electronic display imaging (such as flat panel LCD televisions). In the plastics and other specialty applications segments, Business Unit Pigments provides colourants for masterbatches producers, compounders, processors, fibre manufacturers as well as for consumer products and other industrial applications such as cosmetics, detergents, stationery, aluminium finishing and agro.

Competitors

Historically, the four major players (BASF, Ciba, Clariant and DIC/Sun Chemicals) held a leading position in the pigment industry. However, during the last 15 to 20 years, the industry has undergone some significant changes caused by the entry of new competitors from emerging markets (primarily China and India), mainly focusing on high-volume traditional AZO pigments ("**AZO**") and phthalo pigments used in publication inks. A number of Asian producers are trying to move into more specialised higher performance pigments.

Following the acquisition of Ciba Specialty Chemicals in 2008, BASF has gained a strong position in the organic pigments market and now offers a complete product portfolio. Another competitor is DIC/Sun Chemicals which has a strong presence in the field of traditional AZO, blue phthalo and certain high performance pigments marketed to the coatings and plastic industries. The Chinese and Indian pigment producer landscape is fragmented. Changzhou North American has a significant foothold, focusing on traditional AZO and Lilly Group Co Ltd, which is the joint venture partner of Business Unit Pigments, focuses on the traditional AZO pigments but also has high performance pigments in its portfolio.

Products/Services

The product portfolio of Business Unit Pigments covers the entire colour spectrum and includes traditional AZO, high performance AZO ("**HP AZO**"), high performance polycyclic ("**HPP**"), phthalocyanine (phthalo) pigments, pigments preparation and dyes to serve the global coatings, plastics, agro, consumer products and printing industries. The traditional AZO pigments cover the orange, red and yellow colour ranges. While based on AZO chemistry, the HP AZO pigments exhibit a much higher product performance compared to traditional AZO pigments. The HPP pigments product line consists of various pigments, based on several complex chemistries. Both HP AZO and HPP are suitable for use in demanding coatings, plastics and non-impact printing (NIP) applications. The phthalo pigments cover the blue and green colour spectrum and have a minor share in Clariant's portfolio. Pigments preparations are predominantly water-based dispersions which are sold as a complete range of colourants mainly to the coating and consumer product industry. Specialty Dyes for non-textile applications are the smallest product group of the Business Unit's portfolio and are mainly used in the plastic area and in special applications such as detergents and aluminium colouration.

The key product brands are Hostaperm®, Novoperm®, Colanyl®, Hostatint®, Hansa®, Permanent, PV Fast® and Graphtol®.

Recent Developments

On 15 April 2011, Clariant's Business Unit Pigments acquired Italtinto Srl, an Italian company producing and marketing tinting systems used for dispensing colourants at the point of sale (POS), typically paint shops, DIY chains and hardware stores. This acquisition provides Business Unit Pigments with the technology required to enter the attractive tinting system market, with applications downstream in the value chain.

Textile Chemicals

General Description

The Business Unit Textile Chemicals is perceived as one of the technology-leading manufacturers of textile chemicals and textile dyes. It offers comprehensive integrated ranges throughout the whole textile value chain for all segments of the modern textile finishing industry, including fibre finish, pretreatment, dyeing, printing and finishing.

The Business Unit Textile Chemicals relocated its headquarters to Singapore in August 2011. This move places the Textile Chemicals Business Unit management team at the heart of the world's main textile markets. The Business Unit is also reshaping its production network by shifting capabilities from Europe to Asia in order to better serve market needs.

Sales by region:

	EMEA*	North America	Latin America	Asia/Pacific
Sales in 2010 in %	38%	5%	21%	36%

* Europe, Middle East and Africa

Markets

The Business Unit Textile Chemicals provides special chemicals for apparel, home textiles, technical textiles, carpet and mobiltech markets. The apparel market includes clothing of all types and fashions, while the home textiles market comprises towels, drapes, linens and furniture fabrics. Technical textiles are for applications including medical, construction, sports and industrial, and the carpets market includes indoor and outdoor coverings. Mobiltech stands for fabrics in hard-wearing transport applications such as planes, buses and trains. Overall, the textile market is mature, with a strong footprint in Asia.

Competitors

The competitive landscape is relatively fragmented. There are the traditional players such as Dystar/Kiri, Huntsman, CHT, BASF and Clariant, but also a significant number of focused regional and local competitors are shaping the competitive environment. In particular, competitors from Asia are increasingly gaining importance in the market.

Products/Services

The Business Unit Textile Chemicals offers a comprehensive product portfolio for pre-treatment (desizing, scouring, bleaching, biological treatments and jeans washes; optical brightening with Hostalux® and Leucophor®; sizing), dyeing and printing, such as dyes for polyamide, wool and silk (Nylosan® and Optilan®), cellulosic substrates (Drimaren®), polyester (Foron®), dyeing auxiliaries (Imacol® lubricants, Ladiquest® sequestrants, Lyocol® dispersants, Eganal® and Lyogen® levelling agents, Opticid® acid donor and buffer systems, Ladipur® soaping agents, Optifix® and Nylofixan® fixatives and Fadex® lightfastness improvers), pigments for printing (Printofix® pigments, thickeners and binders) and special dyes (for example, the Diresul® range of sulphur dyes and chemicals); fibre lubricant technology (for example, under the trade name Afilan® covers tailor made products to achieve high lubricity, boundary lubrication, static protection and permanent surface modification). Finally, the finishing assortment contains the complete field of today's requirements and possibilities from the classic softener over functional equipment up to the highest requirements on technical textiles (for example, Nuva® for soil and stain release) and nonwoven.

Group-Wide Functions and Information

Business Services and Corporate Centre

The 12 Business Units rely on functional units (Business Services) to provide them with continuous support, mainly in the fields of finance, human resources, communication, legal services, information technology, logistics, procurement and supply chain performance. In the regions and the individual countries, these units are responsible for providing the Business Units with the services they require, thus enabling them to focus fully on their respective business. The service units comply with Group-wide guidelines and standards. In addition, the Corporate Centre comprises all the core functions supporting the Executive Committee and the Board of Directors by supporting the objective setting process and ensuring the necessary resources and structures are in place. In this regard, the Corporate Centre works closely with the Business Units and defines the strategy and scope of Business Services. Finally, Group Technology Services coordinates and centralises innovation.

R&D

The R&D function is an essential factor for the Group to meet its strategic focus to become an innovation leader by developing new products and processes as well as improving existing products and processes.

Until 2010, the Group's R&D efforts were decentralised. Each Division was operating its own R&D laboratories focusing on its specific market requirements. The Divisions were assuming full responsibility for R&D implementation, while the Group's technology department assisted in coordinating cross-Divisional initiatives and funding of projects to develop new technologies and new businesses.

In 2010, the former divisional R&D units were newly organised in order to leverage synergies at a Group level. The chemical R&D laboratories were centralised in the new Group R&D organisational unit and structured by core competencies. The new Group R&D centres for Colourants, Surfactants & Alkoxylates, Effect Chemicals & Intermediates, Specialty Polymers and Formulation Technology combine know-how and strengthen technology platforms to enable the rapid and flexible translation of market and customer requirements into chemical product solutions. The application development laboratories have been allocated to the 12 Business Units, respectively. Group R&D is part of the Group Function "Group Technology Services" which also includes Group Process Development, Group Engineering, New Business Development and Intellectual Property Management.

Clariant's global R&D network currently comprises the five Group R&D sites in Frankfurt-Höchst (Germany), Gendorf (Germany), Lamotte (France), Reinach (Switzerland) and Suzano (Brazil). Frankfurt-Höchst will be the future hub of Clariant's R&D efforts. The Business Units also maintain around 40 technical centres in Asia, Europe, Latin America and North America to offer technical service close to markets and customers.

The focus in R&D is on renewing and expanding the product portfolio as well as optimising existing production processes.

A specific focus is put on green technologies and green chemistry, such as products based on renewable raw materials. In 2010, the Group spent CHF 135 million on R&D, which represents 1.9 per cent. of total sales. The main R&D project categories are product and process innovation as well as product and process improvement. About 6,200 patents safeguard the Group's knowledge about products and methods. The Group employs approximately 550 staff in R&D.

The Group maintains an IT-supported project portfolio management and project management system which is designed to make business-specific know-how available throughout the Group in order to facilitate the innovation process. At the same time, core technology teams work to extend the Group's know-how in the technologies that are most important to the Group and to promote group-wide use of these technologies. In certain areas of R&D, the Group expands its global innovation network and cooperates with internationally renowned universities, scientific institutions and various start-up companies. Focus areas are, for example, advanced materials such as oxide and non-oxide ceramic fibres and functional materials for applications in the alternative energy sector. It is anticipated that these new technology platforms will provide new business opportunities in attractive markets.

Intellectual Property

The Group attaches great importance to industrial property rights, in respect of both its brand names and its patents, in order to protect the innovations developed by R&D and make its products known to its customers.

All the Group's patents and brand names together represent an asset that is essential for conducting its business. Nonetheless, the Group does not anticipate that the isolated loss of a particular patent or brand name for a product or process would significantly affect the Group's results, its financial situation, or treasury position.

Patents

The Group considers that it is essential that the patents in relation to its technologies, products and processes are protected in order to manage its businesses in the best possible way. Consequently, the Group registers patents in its main markets to protect new chemical compounds, new high technical performance materials, new synthesis processes for its main industrial products and new applications for its products.

The number of patents granted and the number of applications filed for patents are, in the Group's view, good indicators of investments in and quality of R&D. At 31 December 2010, the Group owned 3,935 patents. At the same date, it had 2,399 patents pending (all patent applications made according to a centralised procedure – like that of the World Intellectual Property Organisation (WIPO) – are accounted for as one application, even though the application may lead to the granting of several patents, depending on the number of countries covered by the application). During 2010, the Group filed 74 applications for priority patents.

In those countries where the Group seeks patent protection, the duration of that protection is usually the maximum legal duration, namely twenty years, calculated from the time the patent application was filed. The

protection provided can vary from one country to another, depending on the type of patent and its remit. The Group uses patent protection in many countries, mainly in Europe, China, Japan, North America, India and, more recently, South America.

The Group actively protects its markets. To this end, it keeps itself informed about its competitors and defends its patents against any infringement by a third party.

The expiry of a basic patent for a product or process can lead to increased competition as other companies start marketing new products. Nonetheless, after the expiry of a basic patent, the Group can, in certain cases, continue to benefit from it commercially thanks to its knowledge of a product or process, or because of new patents for applications or for improvements to the basic patent.

The Group also has a policy of acquiring or granting patent licenses to meet its operational needs.

Trademarks

Protection of brand names varies according to each country. In some countries, this protection stems essentially from usage, whereas in others it can only come from registration of the brand name. Brand name protection rights are obtained either by registering them nationally or through international registrations, or by the registration of Community trademarks. Registrations are usually granted for a period of ten years and are renewable indefinitely.

The Group is developing a centralised and dynamic policy for applying for trademark registrations, using a worldwide network of trademarks attorneys. In particular, the Group owns as trademarks the names of its leading products. Among its flagship brand names are, for example, Safewing® (for the Business Unit ICS), Hostanox® (for the Business Unit Additives), Hostaperm® (for the Business Unit Pigments) and G-Shield® (a brand name used only in the USA). The Group has also protected the names chosen for its latest innovations, for example, Exolit®, used as a flame retardant in the latest iPhone generation, by registering the trade name.

Mindful of the importance of its trademarks portfolio, the Group monitors the brand names registered by companies operating in business sectors that are identical, or similar, to its own and has a policy of defending its own brand names.

Environmental, Safety and Health Matters

The Group wants to be proactively committed to taking into consideration environmental protection and safety in all the Group's activities. Each of the Group's worldwide facilities are required to adhere strictly to the principles of the cleanliness and safety code outlined by the Group's Environment, Safety & Health ("ESH") department. The Group operates a global incident reporting and emergency management system and has launched a global initiative to reduce incidents by changes in mindset and behaviour.

The Group has been awarded the global ISO 14001-2004 and OHSAS ISO18001-1999 certificates. The Group's ESH policy fulfils the goals of the Business Charter for Sustainable Development defined by the International Chamber of Commerce.

The Group's Product Stewardship department coordinates product safety activities within each Business Unit and across regions. It leads the Group's compliance management efforts with regard to European Registration, Evaluation, Authorisation and Restriction of Chemical Substances (REACH) legislation, which aims to streamline and improve the legislative framework on chemicals within the European Union. The Group is aiming to fully adhere to the REACH regulation. In order to comply with the REACH regulation, the Group was required to preregister all substances, a process which the Group completed on 1 December 2008. Clariant complied with the first registration deadline (Phase I) on 30 November 2010 and has started work on the registration of the substances for Phase II (deadline 31 May 2013).

Evaluation work undertaken by ESH officers is used to calculate maximum risk exposures for the purposes of the Group's property insurance programme to help ensure that sufficient but not excessive insurance is in place. A first comprehensive overview of environmental liabilities was carried out in 1997 in connection with the acquisition of most of Hoechst's former specialty chemicals business. Based on this, information for all production sites concerning environmental risks, and any associated investigations, remediation or provisions, is gathered and regularly updated. As with all comparable chemical companies, the Group expects that it will continue to incur substantial ongoing expenditure to ensure compliance with environmental laws and regulations. In addition, violations of environmental, safety and health laws and regulations may result in substantial fines or penalties, as well as other civil or criminal sanctions, damages or other costs or restrictions on, or the suspension of, the Group's operating activities. Many of the Group's sites have an extended history of

industrial chemical processing, storage and related activities of up to 160 years. As is typical for such businesses, soil and ground water contamination have occurred in the past at some sites or may be discovered at the Group's sites in the future. At several of the Group's sites, the known contamination will require significant monitoring and remediation expenditures in the foreseeable future. The Group also has full or partial responsibility for a number of off-site waste disposal activities under the U.S. super-fund law and laws of other applicable jurisdictions, with remediation at these facilities currently in various stages of investigation, planning, implementation or completion. Material provisions have been established mainly for the external landfills at Bonfol and K  lliken, Switzerland and the remediation sites Frankfurt-Griesheim and Cassella-Offenbach, Germany; Coventry, Fair Lawn and Mount Holly, United States; Suzano, Brazil; and Turin, Italy. As of 31 December 2010, the Group had environmental provisions of CHF 120 million.

The land and buildings at the German production sites of the Group in Frankfurt-H  chst, Gendorf, Knapsack and Wiesbaden are owned by InfraServ companies, which also provide infrastructure services to the Group and certain other companies occupying such sites. The InfraServ companies are organised as commercial partnerships (*Kommanditgesellschaften*) with one general partner and several limited partners. The general partner of all InfraServ companies is InfraServ Verwaltungs GmbH, a wholly owned subsidiary of Celanese AG. The limited partners comprise the relevant Group Subsidiaries and the other companies occupying such sites. Under the articles of association of the InfraServ companies and certain other agreements between the limited partners, each partner is responsible for any contamination caused pre-dominantly by such partner and under certain circumstances is also obliged to hold harmless the general partner from such liabilities. Where costs of environmental clean-up and related matters cannot be allocated to one partner, each limited partner is obligated to provide the respective InfraServ Company with additional cash contributions in proportion to shares which have been agreed among the limited partners. Thus, the Group may ultimately be held liable for costs in relation to remediation and other environmental matters which are not related to its business to the extent they cannot be attributed to one of the limited partners.

Manufacturing and Property

The Group operates more than 100 manufacturing sites of different capacity and specification around the world. More than 50 of the facilities are principal manufacturing plants producing goods that are sold globally. The other production plants serve local and regional markets in the Americas, Asia and Europe. Some of these plants are equipped with development laboratories to support production and sales efforts. Smaller plants, which serve their local markets, have limited synthesis capabilities, focusing on formulation, blending or masterbatches. By the end of 2010, all major Group production sites had achieved ISO 9001 or ISO 9002 certification.

The following table identifies the Group's manufacturing plants in 2010. No facilities housed activity that represented more than 10 per cent. of the Group's revenue in 2010.

Aberdeen	Graulhet	Martin	Sefakoy
Ahrensburg	Guangzhou	McHenry	Shah Alam
Albany	Guatemala (MB)	Merate	Shanghai
Albion	H��chst	Milford	Shizuoka
Ameriya	Holden	Minneapolis	St. Jeoire
Bangpoo	Huningue	Mooresville	Suzano
Beijing	Jamshoro	Mt. Holly West	Taft
Binh Duong	Jurong	Muttenz	Tangerang
Butterworth	Kanchipuram	Naas	Taoyuan
Casablanca	Khopoli	Nizhnekamsk	Tarragona
Castellbisbal	Knapsack	Nizhnevartovsk	Thane
Chino	Kolshet	Oberhausen	Tianjin (PGM)
Choloma	Korangi	Onsan	Tianjin (TC)
Cilegon	Krugersdorp	Palazzolo	TNB Lahore
Clear Lake	Labuan	Phan Thong	Toronto
Coatzacoalcos	Lahnstein	Phoenix	Triuggio
Cota	Lamotte	Pogliano	West Chicago
Cuddalore	Lara	Pontypridd	Wien-Liesing
Cuernavaca	Leinfelden	Prat	Wiesbaden
Dalton	Lewiston	Randburg	Wigan
Dammam	Lima	Resende	Winchester
Delta	Lomagna	Reserve	Xinzhuang
D��beln	Lomas de Zamora	Riyadh	Zarate
Duque de Caxias	Louvain-la-Neuve	Roha	Zgierz
Gebze	Maipu	Salvatierra	Zhenjiang

Gendorf
Gersthofen

Malmö
Maracay

Sant Andreu
Santa Clara

Risk Management

Enterprise Risk Management, Process Review and Revision

The Group's approach to enterprise risk management is designed to clarify risk levels and encourage entrepreneurial behaviour throughout the Group. The process considers opportunities and threats to the Group's short and medium-term objectives as defined by the Board of Directors. The Group's enterprise risk management objectives are to ensure the coordination and development of risk management activities through all decision making levels within the Group, ensure the communication of all significant risks to the Executive Committee, the CEO and Board of Directors, communicate the process to the Board of Directors via the Audit Committee, inform, train and motivate staff.

Under the Group risk management policy, a risk management tool supports risk assessments and quantification, assessment of counter measures, allocation of responsibilities and the management reporting structure. The policy is based upon the risk management standard of the Institute of Risk Management (IRM) and benchmarked to the Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The results of the risk assessments and countermeasures are consolidated and the risk exposures are assessed by the CEO, the Executive Committee and the Board of Directors via the Audit Committee.

Risk Assessment

Risk assessments are linked to the Group's overall short- and medium-term objectives and the objectives of the individual making the assessment. The risk score measures the likelihood of risk as well as its financial, reputational and operational impact. Each risk assessment reports on threat or opportunity, cause, impact, treatment and control measures, level of confidence in the controls, acceptability of identified risks, potential improvements, risk improvement plans and timescale. The Investment Sub-Committee of the Executive Committee is responsible for monitoring the assessment results for relevance, consistency and accuracy. The risk assessment is repeated annually with quarterly updates and interim reporting as necessary. The process has an initial and an update cycle designed to deliver timely results.

Environmental, Product, Financial Risks and Litigation

The Group centrally analyses parameters which it considers to be relevant for all manufacturing sites with the aim of minimising potential environmental, safety and health risks. The Group aims to protect itself against financial risks arising from liability claims, by concluding insurance policies and booking provisions. The Group undertakes to limit potential inherited liabilities arising from acquisitions or disposals through contractual agreements whenever possible. The Group monitors financial risks through an analysis and evaluation system. The use of financial instruments is aimed at hedging payment stream imbalances (transactions risks) between various currencies on a selective basis via options, spot transactions or forward transactions. The Group addresses the exposure of assets and liabilities (translation risks) by adopting a business behaviour geared towards "natural" hedging. The Group aims to manage the risks associated with interest rate changes primarily by maintaining the right balance between fixed and variable rates and credit facility maturity. The Group believes that it has appropriate provisions for non-insured litigation including tax law, patent law, product liability, competition and environmental protection.

Information Technology Risks

The Group operates business-critical software from a centralised computer centre with two physically separated server parks. The system's parallel architecture is designed to overcome failures and breakdowns. Reliable and permanently updated tools guard against virus attacks. The Group regularly practises emergency drills.

Treasury

The treasury department records, monitors and manages risks, including financial, political and credit risks as well as risks inherent in pension funds, by means of a comprehensive analysis and evaluation system. Part of the treasury strategy of the Group is that the financial instruments used to hedge interest rate and currency risks are simple and can be evaluated at any time.

Exchange rate fluctuations impact on the Group's assets and earnings, which are reported in Swiss francs. Transaction risks arise from imbalances in the payment streams between the various currencies. The Group

selectively hedges such translation and transaction risks by means of options, spot transactions or forward transactions and through techniques such as trying to offset expenses against revenues in the same currency (netting).

The Group aims to manage the risks associated with changes in interest rates primarily by maintaining a balance between fixed and variable interest rates and their maturities. The Group invests on the international financial market in fixed term deposits in order to manage its liquid assets.

Current and future cash flows are carefully monitored. Imbalances can be offset through cash reserves, realisable securities and credit lines.

Employees and Labour Relations

The table below presents the average number of the Group's full-time employees ("FTEs") for each of the financial years ended 31 December 2008, 2009 and 2010:

	Number of FTEs Financial Year		
	2010	2009	2008
FTEs	16,176	17,536	20,102

The Group believes its current relations with its employees and the unions of which its employees are members, to be good. Approximately 50 per cent. of the Group's employees are covered by collective bargaining agreements. The Group has from time to time, however, had disputes with its employees and unions that have resulted in strike action and work stoppages. The Group does not consider any of these examples of strike action to be material.

Insurance

The Group buys insurance cover for property damage/ business interruption, public & products liability, marine/transport, Directors & Officers liability and trade credit. With the exception of trade credit, there are master policies providing consistent worldwide insurance cover for all Clariant's businesses. Local policies are issued to local entities and they also benefit from the master policies by means of Difference in Conditions (DIC)/Difference in Limits (DIL) coverage. Programme limits, sub-limits and deductibles are applied worldwide. Insurance programmes and related risk management is managed centrally.

Local policies are in place for the above programmes as well as for mandatory employee benefits and automobile insurance.

The Group assesses insurable risk, coverage needs and limits. The Group purchases insurance only from highly rated international insurance companies.

Business Interruptions

The Group has had one business interruption incident in the period from 1 January 2010 to the date of this Prospectus. This loss was within the deductible and therefore was not subject to settlement by the insurance company.

DIRECTORS AND MANAGEMENT OF THE GUARANTOR

Board of Directors

Overview

Pursuant to the shareholders' resolution of 31 March 2011, the Articles provide that Board of Directors may consist of a minimum of six directors and a maximum of twelve directors. The Company currently has eleven directors on its Board of Directors. Directors are appointed to and removed from the Board of Directors exclusively by a shareholders' resolution. The maximum term of office for a member of the Board of Directors according to the Articles is three years, running from one ordinary shareholders' meeting (*Generalversammlung*) to the third after the election. The Articles allow for re-election of Directors. The members of the Board of Directors automatically retire no later than at the time of the annual general meeting following their 70th birthday.

The Board of Directors is entrusted with the ultimate direction of the Company's business and the supervision of the persons entrusted with the Company's management. It represents the Company to third parties and manages all matters which have not been delegated to another body of the Company by law, the Articles or by other regulations. The Board of Directors' non-transferable and irrevocable duties include the ultimate direction of the Company and the power to issue the necessary directives in this regard; the determination of the organisation of the Company; the administration of its accounting system, its financial control as well as its financial planning; the appointment and removal of the persons entrusted with the management and representation of the Company, as well as the determination of their signatory power; the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles, regulations and directives; the preparation of the annual report and the shareholders' meeting, including the execution of its resolutions; the notification of the judge in case of over indebtedness; the passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares; the passing of resolutions confirming increases of the share capital and the respective amendments to the Articles; the examination of the professional qualifications of the auditors; and the non-delegable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act and any other applicable law.

The Board of Directors elects from among its members a chairman and, if necessary, one or several vice-chairmen. It further appoints a secretary who need not be a member of the Board of Directors. According to the Company's organisational rules (*Organisationsreglement*) (the "**Organisational Rules**") enacted by the Board of Directors on 5 December 2008, the Board of Directors meets at the invitation of the chairman and whenever a member requests it in writing, as often as required, but at least four times each year. Resolutions of the Board of Directors are passed by way of simple majority of the votes cast. In the case of a tie, the acting chairman has the casting vote. To validly pass a resolution, a majority of the members of the Board of Directors must attend the meeting. Absent members cannot be represented. No quorum is required for reports or confirmation resolutions and amendments of the Articles in connection with capital increases pursuant to articles 652e, 652g and 653g of the Swiss Code of Obligations as well as approvals pursuant to articles 23 and 70 of the Swiss Merger Act provided that the transferred assets do not exceed 10 per cent. of the total assets of the Company.

In accordance with Swiss law, the Articles and the Organisational Rules of the Company, the Board of Directors has delegated the Company's operational management to the Executive Committee, with the right of sub-delegation.

Composition of the Board of Directors

The following table sets forth the name, year of birth, function in the Company and committee membership of the Company's directors as of the date of this Prospectus, all of whom (except for Hariolf Kottmann), are non-executive directors, followed by a short description of each director's business experience, education and activities.

Director	Year of Birth	Function	Committee Membership	Director Since	Term Expires
Dr. Peter R. Isler	1946	Non-executive member of the Board of Directors	Member of the Audit Committee	2004	2014

Director	Year of Birth	Function	Committee Membership	Director Since	Term Expires
Dr. Klaus Jenny	1942	Non-executive member of the Board of Directors	Member of the Chairman's Committee Chairman of the Audit Committee Member of the Compensation Committee	2005	2012
Prof. Dr. Peter Chen	1960	Non-executive member of the Board of Directors	Chairman of the Technology and Innovation Committee	2006	2013
Dr. Rudolf Wehrli	1949	Vice Chairman, non-executive member of the Board of Directors	Member of the Chairman's Committee Chairman of the Compensation Committee	2007	2014
Dr. Jürg Witmer	1948	Chairman, non-executive member of the Board of Directors	Chairman of the Chairman's Committee Member of the Compensation Committee	2007	2014
Dr. Hariolf Kottmann	1955	Chief Executive Officer (CEO) and executive member of the Board of Directors	Member of the Technology and Innovation Committee	2008	2014
Dr. Dominik Koechlin	1959	Non-executive member of the Board of Directors	Member of the Audit Committee	2008	2014
Carlo G. Soave	1960	Non-executive member of the Board of Directors	Member of the Technology and Innovation Committee	2008	2014
Dr. Günter von Au*	1951	Non-executive member of the Board of Directors	(Committee memberships yet to be determined)	2011	2014
Dr. Dolf Stockhausen	1945	Non-executive member of the Board of Directors	(Committee memberships yet to be determined)	2011	2014

Director	Year of Birth	Function	Committee Membership	Director Since	Term Expires
Konstatin Winterstein	1969	Non-executive member of the Board of Directors	(Committee memberships yet to be determined)	2011	2014

* Newly elected at the ordinary general meeting of shareholders of the Guarantor held on March 31, 2011, whereby such election is conditional upon the resignation of Günter von Au from his current office or function with Süd-Chemie.

The members of the Board of Directors may be contacted at the business address of the Company.

Dr. Jürg Witmer, Swiss citizen. Function at Clariant: Chairman, non-executive member of the Board of Directors. Professional career: Jürg Witmer currently serves as chairman of the board of directors of Givaudan S.A. and vice chairman of the board of directors of Syngenta AG. From 1999 to 2005, he was CEO of the Givaudan Group. Prior to that, he held various senior management positions at Roche from 1978 to 1999, including general manager of Roche Austria, head of corporate communications and public affairs at Roche headquarters in Basel, regional general manager of Roche Far East in Hong Kong and assistant to the chairman of the board of directors and CEO of the Roche Group. He has been Chairman of Clariant AG since 2008. Jürg Witmer has a doctorate in law from the University of Zurich and a degree in international studies from the University of Geneva. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: Givaudan SA, Vernier/Geneva (chairman); Syngenta AG, Basel (vice-chairman). Other activities: none.

Dr. Rudolf Wehrli, Swiss citizen. Function at Clariant: Vice 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 for the Silent Gliss Group. Five years later, he took over the management of the Silent Gliss 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. Since 2008, he has been Vice-Chairman of Clariant AG. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: Berner Kantonalbank; Precious Woods AG; Kambly AG; Rheinische Kunststoff-Werke SE; Chairman of the Board of Directors of Sefar Holding AG. Other activities: member of the executive committee of the economic umbrella organisation economiesuisse; and member of the board of trustees of Avenir Suisse.

Dr. 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 Business Unit. In 1998, he joined Celanese Ltd in New Jersey (United States) as a member of the executive committee and head of the organic chemicals Business Unit. In April 2001, he was appointed as a member of the executive committee of SGL Carbon AG, where he was responsible for the advanced materials division and 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. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: Plansee AG; Deutsche Beteiligungs AG. Other activities: none.

Prof. Dr. Peter Chen, US 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 as an 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 at ETH Zurich. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: none. Other activities: 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 director of the Branco Weiss Fellowship.

Dr. 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 masters programme at Harvard Law School. From 1974 onwards 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. Activities on behalf of companies and representative functions: board of directors mandates: Clariden Leu AG, Zurich; Clariden Leu Holding AG, Zurich; Schulthess Group AG, Bubikon; and other smaller companies. Other activities: member of the Canton of Zurich's lawyer's examination commission (*Anwaltsprüfungskommission*).

Dr. Klaus Jenny, Swiss citizen. Function at Clariant: Non-executive member of the Board of Directors. Professional career: Klaus Jenny studied economics at the University of St. Gallen, where he earned a doctorate. He went on to study law at the University of Zurich and later attended the Massachusetts Institute of Technology (MIT). In 1972, Dr. Jenny joined the Schweizerische Kreditanstalt (now Credit Suisse), where he held various management positions. He was appointed a member of its executive board in 1987 and later a member of the executive committee, CEO of Credit Suisse Private Banking and a member of the executive board of the Credit Suisse Group. Since 1999, Dr. Jenny has been an independent financial consultant for companies and private individuals. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: Bâloise Holding; Edmond de Rothschild Holding S.A.; Banque Privée Edmond de Rothschild S.A.; Maus Frères S.A.; Téléverbier S.A.; and various foundations and other smaller companies. Other activities: none.

Dr. 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. Since 2001, he has served as a board member of the listed companies EGL AG and Plant Health Care plc. He is chairman of the board of Sunrise AG as well as on the boards of several privately held companies. In addition, he is a member of the Board of the University of Basel. Activities on behalf of companies and representative functions: Member of the Board of Trustees of LGT; member of the Board of Directors of EGL AG, Swissmetal Holding AG, Plant Health Care plc and several non-listed companies. Other activities: member of the Board 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 linguistics 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 consulting company, based in Brussels, Belgium. He is a board member of MonoSol LLC, a company incorporated in Delaware, United States, and operating in Indiana, United States. Activities on behalf of companies and representative functions: board of directors/supervisory mandates: MonoSol LLC, United States. Other activities: none.

Dr. Günter von Au, German Citizen. Function at Clariant: Non-executive member of the Board of Directors. Professional career: Studied Textile and Plastics Chemistry at Reutlingen Polytechnic and Chemistry at Eberhard Karls University, Tübingen. Günter von Au earned his doctorate at Eberhard Karls University, Tübingen. He started his career in 1980 at Wacker-Chemie Group, where he held various positions in Germany, Brazil and the USA until 2001. From 2001 until 2004 he held various senior executive positions within the Süd-Chemie group and from 2004 was chairman of the board of Süd-Chemie AG. Activities on behalf of companies and representative functions: Member of the supervisory board (*Aufsichtsrat*) of e.on Bayern AG. Other activities: Member of the senate of acatech and of the Fraunhofer Gesellschaft, member of the board of trustees of Deutsches Museum, of Eliteakademie and of Zentrum für Sonnenenergie und Wasserstoff-Forschung, member of the board and vice president of the Cologne Institute for Economic Research, Chairman of the board of the Landesverband Bayern des Verbandes der Chemischen Industrie e.V., Munich, member of the board of the Verein der Bayerischen Chemischen Industrie and of the Vereinigung der Bayerischen Wirtschaft, representative of Süd-Chemie in Verband der Chemischen Industrie and member of the advisory board of Gebr. Röchling KG.

Dr. Dolf Stockhausen, Austrian citizen, living in Switzerland. Function at Clariant: Non-executive member of the Board of Directors. Professional career: Following studies of economics, business administration and law at the Universities of Freiburg/Breisgau and Münster, where he earned a doctorate in economics, Dolf Stockhausen began his career at Bayer AG in Germany and its affiliates in Italy, the USA, Canada and Brazil. In 1973, he joined Chemische Fabrik Stockhausen & Cie. in Krefeld/Germany. In 1977, he became marketing manager and, in 1980, member of the executive committee. In 1981, he was promoted to chief operating officer and to chief executive officer in 1991 (until 1996), following the takeover of Stockhausen GmbH by Huels AG,

where he also served as business unit manager performance chemicals from 1992 until 1994. In 1996, he became deputy, in 1999 ordinary member of Süd-Chemie AG's supervisory board and, in 2005, Vice Chairman. Over the years, he has also held board positions in a number of other companies, including a bank, a chemical manufacturer, a software company and Paul Hartmann AG.

Konstantin Winterstein, German Citizen. Function at Clariant: Non-executive member of the Board of Directors. Professional career: Studied Mechanical engineering at Technical University Darmstadt and Production Engineering at Technical University Berlin and Jiao Tong University Shanghai. Konstantin Winterstein earned his MBA at INSEAD in Fontainebleau and Singapore. He started his professional career at BMW Group Munich in 1997. Today he is project manager in the supply chain consulting department. Activities on behalf of companies and representative functions: Since 2006, he has been a member of the Supervisory board of Süd-Chemie AG. Other activities: former board member of the INSEAD alumni association Germany.

Board Committees

The Board of Directors has established a Chairman's Committee, a Compensation Committee, an Audit Committee and a Technology and Innovation Committee to strengthen Clariant's corporate governance structure.

Chairman's Committee

As of the date of this Prospectus, the Chairman's Committee (the "CC") consists of Jürg Witmer (chairman), Rudolf Wehrli and Klaus Jenny.

The CC comprises the Chairman, the Vice Chairman and a third member of the Board of Directors. The CC prepares the meetings of the Board of Directors. The CC meets as needed and generally before each meeting of the Board of Directors. It makes decisions on financial and other matters delegated by the Board of Directors in accordance with the bylaws of the Board of Directors. In addition, the CC passes resolutions for which the Board of Directors is responsible when matters cannot be postponed. The CC draws up principles for the selection of candidates for election and re-election to the Board of Directors and for CEO and prepares the corresponding recommendations. Further, the CC considers and submits to the Board of Directors the CEO's proposals concerning candidates for executive committee positions.

Audit Committee

As of the date of this Prospectus, the Audit Committee (the "AC") consists of Klaus Jenny (chairman), Peter R. Isler and Dominik Koechlin.

The AC comprises three members of the Board of Directors. The Chairman of the AC 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 organisational 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 Group'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 compliance of accounting policies and financial controls with applicable accounting standards. The AC meets at least six times a year. The AC reviews and recommends the Group's financial statements for the first three quarters of each year, the annual financial report and the corresponding release of the annual financial results to the Board of Directors for approval.

Compensation Committee

As of the date of this Prospectus, the Compensation Committee (the "CoC") consists of the following non-executive members: Rudolf Wehrli (chairman), Jürg Witmer and Klaus Jenny.

The CoC comprises three members of the Board of Directors. The Chairman of the CoC must be an independent, non-executive member of the Board of Directors. The CoC meets at least twice a year. It draws up the principles for compensation of members of the Board of Directors and submits them to the Board of Directors for approval. It also approves the employment contracts for the CEO and members of the Executive Committee. The CoC reviews bonus and share plans. Furthermore, the CoC reviews fringe benefit regulations, dismissal regulations and contractual severance compensation packages with the CEO, members of the Executive Committee, heads of global functions and regional presidents.

Technology and Innovation Committee

As of the date of this Prospectus, the Technology and Innovation Committee (the "**TIC**") consists of Peter Chen (chairman), Hariolf Kottmann, Carlo G. Soave, Dolf Stockhausen, Christian Kohlpaintner and Martin Vollmer.

The 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 optimise innovative potential and submits appropriate recommendations to the Board of Directors.

The Executive Committee

In accordance with Swiss law the Articles and the Organisational Rules of the Company, the Board of Directors has delegated the executive management of the Company to the Executive Committee (the "**EC**"). The Executive Committee is mainly responsible for the financial and operational management of the Group and for the efficiency of the corporate structure and organisation of the Group.

The members of the Executive Committee are appointed by the Board of Directors based on recommendations made by the CC and the CoC.

Members of the Executive Committee

The following section sets forth the name, year of birth and function in the Company of the current four members of the Executive Committee as of the date of this Prospectus, followed by a short description of each member's business experience, education and activities.

Name	Year of Birth	Date of Appointment	Position
Dr. Hariolf Kottmann	1955	1 October 2008	Member of the Board and Chief Executive Officer
Patrick Jany	1968	1 January 2006	Chief Financial Officer
Dr. Christian Kohlpaintner	1963	1 October 2009	Member of the Executive Committee
Dr. Mathias Lütgendorf	1955	1 April 2009	Member of the Executive Committee
Dr. Hans-Ulrich Müller	1959	1 July 2011	Member of the Executive Committee

The members of the Executive Committee may be contacted at the business address of the Company.

Dr. Hariolf Kottmann, German citizen. Chief Executive Officer (CEO). 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 Business Unit. In 1998, he joined Celanese Ltd in New Jersey (United States) as a member of the executive committee and head of the organic chemicals Business Unit. In April 2001, he was appointed as a member of the executive committee of SGL Carbon AG, where he was responsible for the advanced materials division and the Eastern Europe and Asia regions until 30 September 2008. He was also in charge of the SGL Carbon excellence and technology & innovation corporate functions. He became CEO of Clariant on October 1, 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 organisation 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.

Dr. Christian Kohlpaintner, German citizen. Christian Kohlpaintner studied chemistry at the Technical University of Munich and completed his PhD in 1992. Between 1993 and 1997, he worked in various research departments of Hoechst AG in Germany and the United States. In 1997, he joined Celanese Ltd. and held a number of leadership roles at Celanese Chemicals Corporation. In 2002, he became vice president innovation of Celanese Ltd and executive director of Celanese Ventures Corporation. From 2003, he was a member of the executive committee of Chemische Fabrik Budenheim. In 2005, he became CEO and chairman of the board. On 1 October 2009, he was appointed a member of the Executive Committee of Clariant.

Dr. Mathias Lütgendorf, German citizen. Mathias Lütgendorf studied chemistry at the RWTH in Aachen, Germany and earned his doctorate in 1984. In the same year, he joined the research and development department in the fine chemicals and dyes division of Hoechst AG. From 1990, he was responsible for a number of mainly operational fields. From 1995 until 2008, Mathias Lütgendorf was with DyStar, the 50:50 textile dyes joint venture of Bayer and Hoechst. He led the global operations of the dispersion dyes Business Unit and in 1999 became head of operations of the special dyes Business Unit as well as head of the Leverkusen site. From 2000, he was responsible for the global operations of DyStar (expanded with the addition of BASF textile dyes) and 2004 he became a member of the board of management. On 1 April 2009, he was appointed a member of the Executive Committee of Clariant.

Dr. Hans-Joachim Müller, German citizen, Hans-Joachim Müller studied chemistry at the Ludwig-Maximilians-University in Munich, Germany and holds a PhD in chemistry from the same institution. From 1989 until 2001, he was with BASF, where he held various positions. He joined Süd-Chemie in 2001 where he was head of the global Business Unit Catalytic before becoming a member of the Managing Board in 2007. Hans-Joachim Müller is responsible for the two Business Units Catalysis & Energy and Functional Materials. He is President of the Münchner Chemische Gesellschaft (location group Munich) and chairman of the Vereinigung des Bayerischen Wirtschaft e.V. München – Oberbayern.

Potential Conflicts of Interest

Swiss law does not provide for a general provision regarding conflicts of interest. However, the Code of Obligations requires the Board of Directors and the senior management to safeguard the Company's interests and imposes a duty of care and loyalty on the members of the Board of Directors and senior officers. This rule is generally understood as disqualifying members of the Board of Directors and senior officers from participating in decisions that directly affect them. Members of the Board of Directors and senior officers are personally liable to the Company, its shareholders and its creditors for damages caused by wilful or negligent violation of their duties. In addition, Swiss statutory law contains a provision under which payments made to a shareholder or a member of the Board of Directors or any person associated with such shareholder or member of the Board of Directors, other than at arm's length, must be repaid to the Company if the recipient of such payment was acting in bad faith. Under the Organisational Rules, a member of the Board of Directors shall abstain from voting if he or she has a personal interest in a matter other than an interest in its capacity as shareholder of the Company.

The Company is not aware of any potential conflicts of interest between any duties to the Company of any member of the Board of Directors, or any member of the Executive Committee and their private interests and or other duties.

TAXATION

The following is a general description of certain Luxembourg and Swiss tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also, investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

LUXEMBOURG

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), personal income tax (*impôt sur le revenu*), as well as a temporary crisis contribution (*contribution de crise*) generally. Corporate taxpayers may further be subject to net worth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge and the temporary crisis contribution. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Withholding Tax

Resident Noteholders

Under the Luxembourg law dated 23 December 2005 (the "**Law**"), a 10 per cent. Luxembourg withholding tax is levied as of 1 January 2006 on interest payments (or similar income) made by a Luxembourg paying agent to or for the immediate benefit of a Luxembourg resident individual. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, a Luxembourg resident individual who acts in the course of the management of his/her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive, may also opt for a final 10 per cent. levy. In such case, the 10 per cent. levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10 per cent. levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

Non-resident Noteholders

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 implementing the EU Savings Directive (the "**Laws**") and several agreements concluded between Luxembourg, and certain dependant territories of the European Union, there is no withholding tax on payments of interests (including accrued but unpaid interest) made to a Luxembourg non-resident Noteholder, repayment of the principal, or redemption or exchange of the Notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required, since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity (a "**Residual Entity**") in the sense of Article 4.2 of the EU Savings Directive (i.e., an entity without legal personality except for (i) a Finnish *avoin yhtiö* and *kommandiittiyhtiö* / *öppet bolag* and *kommanditbolag* and (ii) a Swedish *handelsbolag* and *kommanditbolag* and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC, as replaced by Council Directive 2009/65/EC), resident or established in another Member State of the European Union, unless the beneficiary of the interest payment elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat as well as the former Netherlands Antilles (i.e., Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten).

The withholding tax is currently 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Taxation of the Noteholders

Taxation of Luxembourg residents

Luxembourg resident individuals

A Luxembourg resident individual, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual has opted for the 10% levy, in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided (i) this sale or disposal took place at least six months after the acquisition of the Notes and (ii) the Notes do not constitute zero coupon notes. A Luxembourg resident individual who acts in the course of the management of his/her private wealth has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised by a Luxembourg resident individual who acts in the course of the management of his/her private wealth upon the sale of zero coupon notes before their maturity must be included in his/her taxable income for Luxembourg income tax assessment purposes.

A Luxembourg resident individual, who acts in the course of the management of a professional or business undertaking to which the Notes are attributable, has to include interest and gains realised on the sale or disposal of the Notes in his/her taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident companies

A Luxembourg resident company (*société de capitaux*) must include interest and gains realised on the sale or disposal of the Notes in its taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg residents benefiting from a special tax regime

Luxembourg residents who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of 17 December 2010, (ii) specialised investment funds subject to the law dated 13 February 2007 or (iii) family wealth management companies subject to the law dated 11 May

2007, are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

Taxation of Luxembourg non-residents

A non-resident who has neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable is not liable to any Luxembourg income tax, whether he receives payments of principal or interest (including accrued but unpaid interest) or realises capital gains upon redemption, repurchase, sale or exchange of any Notes.

A Luxembourg non-resident who has a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable has to include any interest, as well as any capital gain realised on the sale or disposal of the Notes, in his/her taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

A Luxembourg resident or a non-resident who has a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable is subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010, (iii) a securitisation company governed by the law of 22 March 2004 on securitisation, (iv) a company governed by the law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund subject to the law of 13 February 2007 or (vi) a family wealth management company subject to the law of 11 May 2007.

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes, except in case of presentation and/or registration of the Notes in front of a court or an *autorité constituée*.

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

SWITZERLAND

Issue and Transfer Taxes

There is no stamp, issue, registration, transfer or similar tax imposed by Switzerland on the issue or redemption of the Notes, **provided that** the Issuer is at all times resident and effectively managed outside Switzerland. Dealings in the Notes where a bank or a securities dealer in Switzerland (as defined in the Swiss Federal Stamp Duty Act of 27 June 1973) purchases or sells Notes or acts as an intermediary for the sale or purchase of Notes may be subject to Swiss federal stamp duty on dealing in securities at a rate of up to 0.3 per cent. of the purchase price of the Notes.

Withholding Tax

All payments by or on behalf of the Issuer of principal and interest on the Notes may be made without deduction of Swiss federal withholding tax, **provided that** the Issuer is at all times resident and effectively managed outside Switzerland.

On 24 August 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in

respect of a Note to an individual resident in Switzerland or to a person resident abroad. If this legislation or similar legislation were enacted and a payment in respect of a Note were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would pursuant to the Terms and Conditions of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax. See *"Risk Factors — Risks relating to the Notes — Proposed amendment of Swiss Federal Withholding Tax Act"*.

Income Taxes

A holder of Notes who is not a resident of Switzerland and who, during the relevant taxation period has not engaged in trade or business through a permanent establishment within Switzerland and who is not subject to taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax on payments received on or under, or gains realised on the sale of, the Notes.

Holders of the Notes who are individuals resident in Switzerland and who hold Notes as part of their private assets and who receive payments of interest on Notes are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Notes) for the relevant tax period. A capital gain or loss realised by such a holder upon the sale or other disposal of the notes is either a tax-free capital gain or a tax-neutral capital loss. Re-payment of the nominal value of the Notes received by such a holder of Notes will not be subject to income taxation.

Swiss-resident individual taxpayers, Swiss-resident corporate taxpayers, and non-Swiss resident corporate or individual tax payers engaged in a trade or business through a permanent establishment within Switzerland, who hold the Notes as part of their business or permanent establishment in Switzerland, as the case may be, are required to recognise payments of interest on such Notes, or capital gains or losses realised on the sale or redemption of such Notes, as profit or loss, as the case may be, in their income statement for the respective tax period and will be taxable on any net taxable earnings (including the payments of interest on, or the capital gains or losses on the sale or redemption of, such Notes) for such tax period. The same tax treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, amongst other things, frequent dealing and debt-financed purchases.

EU SAVINGS DIRECTIVE

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

BNP Paribas, Citigroup Global Markets Limited and UniCredit Bank AG (the "**Joint Lead Managers**"), and Commerzbank Aktiengesellschaft and Skandinaviska Enskilda Banken AB (publ) (together with the Joint Lead Managers, the "**Managers**") have, in a subscription agreement dated 20 January 2012 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.724 per cent. of their principal amount. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Manager has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Luxembourg

In relation to the Grand Duchy of Luxembourg ("**Luxembourg**"), which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**") by the Luxembourg act dated 10 July 2005 relating to prospectuses for securities (the "**Prospectus Act 2005**"), each Manager has represented and agreed that it has not made and will not make an offer of Notes to the public in Luxembourg, except that it may make an offer of Notes to the public in Luxembourg:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the *Commission de surveillance du secteur financier* (the "**CSSF**"), as competent authority in Luxembourg or, where appropriate, approved in another Member State of the European Economic Area which has implemented the Prospectus Directive and notified to the CSSF, all in accordance with the Prospectus Directive and ending on the date which is twelve months after the date of such publication;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions,

insurance companies, undertakings for collective investment and their management companies, pension and retirement funds and their management companies, commodity dealers as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities);

- (c) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations);
- (d) at any time, to any legal entities which have two or more of (i) an average number of employees during the financial year of at least 250, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in their last annual or consolidated accounts;
- (e) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act 2005) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF; and
- (f) at any time, in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 5 of the Prospectus Act 2005.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in Luxembourg means the communication in any form by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to these Notes.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

With the exception of the approval by the FSA of this Prospectus as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom, no action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 18 November 2011. The giving of the Guarantee of the Notes has been authorised by a resolution of the Board of Directors of the Guarantor dated 23 September 2011.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its Subsidiaries.

Significant/Material Change

3. Since 31 December 2010, there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer.
4. Since 31 December 2010, there has been no material adverse change in the prospects of the Guarantor or the Guarantor and its Subsidiaries. Since 30 September 2011, there has been no significant change in the financial or trading position of the Guarantor or the Guarantor and its Subsidiaries.

Auditors

5. The consolidated financial statements of the Issuer as of and for the years ended 31 December 2010 and 2009 have been audited by PricewaterhouseCoopers S.à r.l., independent auditors (*Réviseur d'entreprises agréé*), as stated in their reports appearing herein. PricewaterhouseCoopers S.à r.l.'s business address is 400, route d'Esch, L-1014 Luxembourg. PricewaterhouseCoopers S.à r.l. is a member of the Luxembourg Institute of Independent Auditors (*Institut des Réviseurs d'Entreprises*).
6. The consolidated financial statements of the Clariant Group as of and for the years ended 31 December 2010 and 2009 have been audited by PricewaterhouseCoopers AG, independent auditors, as stated in their reports appearing herein. PricewaterhouseCoopers AG's business address is St. Jakobs-Strasse 25, CH-4052 Basel, Switzerland. PricewaterhouseCoopers AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants (*Treuhand-Kammer*).
7. The consolidated financial statements of Süd-Chemie AG as of and for the years ended 31 December 2010 and 2009 have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, independent auditors, as stated in their reports appearing herein. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft's business address is Arnulfstraße 59, 80636 München, Germany. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

Documents on Display

8. Copies of the following documents (together with English translations thereof as applicable) may be inspected during normal business hours at the offices of the Guarantor at Clariant AG, Rothausstrasse 61, CH-4132 Muttenz 1, Switzerland from the date of this Prospectus:
 - (a) the Articles of Association of the Issuer;
 - (b) the Articles of Association of the Guarantor; and
 - (c) the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee.

Yield

9. On the basis of the issue price of the Notes of 99.724 per cent. of their principal amount and an interest rate of 5.625 per cent. per annum, the yield of the Notes is 5.690 per cent. on an annual basis. The yield of the Notes may vary if the provisions of Condition 4(b) (*Interest – Step Up Rating Change and Step Down Rating Change*) operate to alter the fixed rate of interest.

ISIN and Common Code

10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0735784851 and the common code is 073578485. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Listing and Admission to Trading

11. Application has been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange. Such admissions are expected to be granted on or around 24 January 2012. The total expenses, net of VAT, related to the admission of the Notes to trading on the regulated market of the London Stock Exchange are expected to amount to approximately £7,175.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

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**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF
CLARIANT AG (THE GUARANTOR) AND ITS CONSOLIDATED SUBSIDIARIES AS AT AND
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

Consolidated balance sheets (unaudited)

ASSETS	30.09.2011		31.12.2010	
	CHF mn	%	CHF mn	%
Non-current assets				
Property, plant and equipment	2 405		1 669	
Intangible assets	1 800		269	
Investments in associates	540		224	
Financial assets	19		18	
Prepaid pension assets	129		117	
Deferred income tax assets	123		119	
Total non-current assets	5 016	56.1	2 416	40.8
Current assets				
Inventories	1 295		800	
Trade receivables	1 172		985	
Other current assets*	385		967	
Current income tax receivables	28		26	
Cash and cash equivalents	1 029		716	
Total current assets	3 909	43.8	3 494	59.0
Non-current assets held for sale	10	0.1	11	0.2
Total assets	8 935	100.0	5 921	100.0
EQUITY AND LIABILITIES				
	CHF mn	%	CHF mn	%
Equity				
Share capital	1 183		921	
Treasury shares (par value)	-50		-36	
Other reserves	940		275	
Retained earnings	757		599	
Total capital and reserves attributable to Clariant Shareholders	2 830		1 759	
Non-controlling interests	91		47	
Total equity	2 921	32.7	1 806	30.5
Liabilities				
Non-current liabilities				
Financial debts	1 388		1 305	
Deferred income tax liabilities	336		85	
Retirement benefit obligations	528		443	
Provision for non-current liabilities	244		320	
Total non-current liabilities	2 496	27.9	2 153	36.4
Current liabilities				
Trade payables	1 371		1 170	
Financial debts	1 486		240	
Current income tax liabilities	318		242	
Provision for current liabilities	343		310	
Total current liabilities	3 518	39.4	1 962	33.1
Total liabilities	6 014	67.3	4 115	69.5
Total equity and liabilities	8 935	100.0	5 921	100.0

* includes short-term deposits of CHF 33 million (2010: CHF 703 million)

Consolidated income statements (unaudited)

	Nine Months				Third Quarter			
	2011		2010		2011		2010	
	CHF mn	%	CHF mn	%	CHF mn	%	CHF mn	%
Sales	5 452	100.0	5 420	100.0	1 865	100.0	1 709	100.0
Costs of goods sold*	-3 940	72.3	-3 875	71.5	-1 379	73.9	-1 232	72.1
Gross profit	1 512	27.7	1 545	28.5	486	26.1	477	27.9
Selling, general and administrative costs	-880	16.1	-883	16.3	-316	17.0	-267	15.6
Research and development	-121	2.2	-99	1.8	-47	2.5	-31	1.8
Income from associates	30	0.5	13	0.2	10	0.5	3	0.2
Gain from the disposal of activities not qualifying as discontinued operations	—	0.0	1	0.1	—	0.0	—	0.0
Restructuring and impairment	-67	1.2	-242	4.5	-23	1.2	-45	2.7
Operating income	474	8.7	335	6.2	110	5.9	137	8.0
Finance income	13	0.2	8	0.1	4	0.2	2	0.1
Finance costs ¹	-117	2.1	-120	2.2	-1	0.1	-29	1.7
Income before taxes	370	6.8	223	4.1	113	6.0	110	6.4
Taxes	-129	2.4	-79	1.4	-32	1.7	-1	0.0
Net income	241	4.4	144	2.7	81	4.3	109	6.4
Attributable to:								
Shareholders of Clariant Ltd	221		134		78		106	
Non-controlling interests	20		10		3		3	
Net income	241	4.4	144	2.7	81	4.3	109	6.4
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):	0.86		0.60		0.28		0.48	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):	0.77		0.53		0.25		0.42	

¹ Currency impact YTD 2011 of CHF -13 mn YTD 2010 of CHF -50 mn, Q3/11 of CHF +30 mn Q3/10 of CHF -9 mn

* including additional charge of CHF 11 mn as a result of the sale of Sdd-Chemie inventories revalued to fair value less cost to sell.

Consolidated statements of comprehensive income (unaudited)

	Nine Months		Third Quarter	
CHF mn	2011	2010	2011	2010
Net income	241	144	81	109
Other comprehensive income:				
Net investment hedge	21	107	-2	11
Currency translation differences	-209	-209	-17	-96
Effect of the reclassification of foreign exchange differences on net investments in foreign entities	-	1	-	-
Other comprehensive income for the period, net of tax	-188	-101	-19	-85
Total comprehensive income for the period	53	43	62	24
Attributable to:				
Shareholders of Clariant Ltd	42	35	55	26
Non-controlling interests	11	8	7	-2

Consolidated statement of changes in equity (unaudited)

						Nine Months			
		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
<i>CHF mn</i>									
Balance 31 December 2009	921	-17	798	-326	472	468	1 844	52	1 896
Total comprehensive income for the period				-99	-99	134	35	8	43
Dividends to non-controlling interests					-		-	-11	-11
Equity component of convertible bonds					-		-		-
<i>Employee share & option scheme:</i>									
Effect of employee services					-	16	16		16
Treasury share transactions		-14			-	-50	-64		-64
Balance 30 September 2010	921	-31	798	-425	373	568	1 831	49	1 880
Balance 31 December 2010	921	-36	798	-523	275	599	1 759	47	1 806
Total comprehensive income for the period				-179	-179	221	42	11	53
Issuance of share capital	262		844		844		1 106		1 106
Dividends to non-controlling interests					-		-	-17	-17
Acquisition of non-controlling interests					-	-38	-38	-20	-58
Non-controlling interest arising on business combination					-		-	70	70
<i>Employee share & option scheme:</i>									
Effect of employee services					-	18	18		18
Treasury share transactions		-14			-	-43	-57	-	-57
Balance 30 September 2011	1 183	-50	1 642	-702	940	757	2 830	91	2 921

Consolidated statements of cash flows (unaudited)

	Nine Months		Third Quarter	
<i>CHF mn</i>	2011	2010	2011	2010
Net income	241	144	81	109
Adjustment for:				
Depreciation of property, plant and equipment (PPE)	153	147	56	47
Impairment and reversal of impairment	4	51	5	19
Amortization of intangible assets	29	8	16	3
Impairment of working capital	35	30	15	3
Income from associates	-30	-13	-10	-3
Tax expense	129	79	32	1
Net financial income and costs	91	62	27	18
Gain from the disposal of activities not qualifying as discontinued operations	-	-1	-	-
Other non-cash items	-14	-13	-17	6
Total reversal of non-cash items	397	350	124	94
Dividends received from associates	22	30	-	-1
Interest paid	-103	-66	-24	1
Interest received	10	7	2	2
Income taxes paid	-84	-93	-15	-52
Payments for restructuring	-113	-106	-34	-37
Cash flow before changes in working capital and provisions	370	266	134	116
Changes in inventories	-259	-131	-25	-39
Changes in trade receivables	-40	-78	13	79
Changes in trade payables	-37	54	-29	-3
Changes in other current assets and liabilities	-68	74	-27	-41
Changes in provisions (excluding payments for restructuring)	55	180	39	61
Cash flow from operating activities	21	365	105	173
Investments in PPE	-233	-118	-88	-55
Investments in financial assets and associates	-	-2	-	-
Investments in other intangible assets	-22	-13	-6	-3
Changes in current financial assets	686	-665	-2	-282
Sale of PPE and intangible assets	67	10	16	1
Acquisition of companies, businesses and participations	-1 138	-	3	-
Proceeds from the disposal of subsidiaries and associates	-	5	-	-
Cash flow from investing activities	-640	-783	-77	-339
Proceeds from the issuance of share capital	352	-	-1	-
Acquisition of non-controlling-interest	-58	-	-11	-
Purchase of treasury shares	-68	-55	-16	-11
Proceeds from financial debts	1 001	145	508	-9
Repayments of financial debts	-258	-145	23	-13
Dividends paid to non-controlling interests	-17	-11	-9	-3
Cash flow from financing activities	952	-66	494	-36
Currency translation effect on cash and cash equivalents	-20	-27	5	-8
Net change in cash and cash equivalents	313	-511	527	-210
Cash and cash equivalents at the beginning of the period	716	1 140	502	839
Cash and cash equivalents at the end of the period	1 029	629	1 029	629

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Nine Months/Third Quarter 2011 (unaudited)

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**1. Basis of preparation of financial statements**

These financial statements are the interim condensed financial statements (hereafter "the interim financial statements") of Clariant Ltd, a company registered in Switzerland, and its subsidiaries (hereafter "the Group") for the nine-month period ended on 30 September 2011. They are prepared in accordance with International Accounting Standard 34 (IAS 34 "Interim Financial Reporting") and were approved on 26 October 2011 by the Board of Directors. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2010 (hereafter "the annual financial statements") as they provide an update of previously reported information.

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

2. Seasonality of operations

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year. However, it has been noted over the years that sales tend to be higher in the first six months of a given calendar year.

3. Restructuring and impairment

During the first nine months of 2011, the Clariant Group recorded restructuring expenses in the amount of CHF 63 million and impairment expenses in the amount of CHF 27 million, mainly pertaining to site closures announced in prior years. The impairment expenses were offset by the reversal of impairment of a loan amounting to CHF 23 million as the repayment of the loan was received in full in the second quarter of 2011.

4. Acquisitions and disposal activities**4.1 Acquisition – Süd-Chemie AG**

On 21 April 2011, Clariant acquired a 96.15% stake in the German-based, specialty chemicals company Süd-Chemie AG (Süd-Chemie) for an overall purchase consideration of CHF 1,790 million. The transaction was officially announced on 16 February 2011.

Clariant acquired 11,384,093 shares in Süd-Chemie directly and indirectly by way of a cash payment of CHF 1,034 million and by exchanging the newly issued shares of Clariant AG in the ratio of 1:8.84, resulting in an amount of CHF 756 million (see note 6).

With this acquisition Clariant aims to complement its portfolio with high growth businesses, less cyclicity and to gain access to new attractive market segments.

From the acquisition date, Süd-Chemie is fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating Süd-Chemie from the acquisition date, using the provisional fair values of identified assets and liabilities is as follows:

	CHF mn	CHF mn
Total cash outflow for the acquisition		1 034
Purchase of shares in Süd-Chemie from the Family Shareholders against Exchange Shares (see note 6)		756
Total consideration for purchase of 96.15% of shares in Süd-Chemie		1 790
Recognized provisional amounts of identifiable assets and liabilities assumed:		
Property, plant and equipment	785	
Intangible assets	489	
Financial assets	331	
Inventories	304	
Receivables	229	
Cash and cash equivalents	26	
Financial debt	-646	
Pension plan liabilities	-96	
Others assets and liabilities	-361	
Deferred tax liabilities	-247	
Provisional fair value of net assets acquired		-814
Non-controlling interests (including reported non-controlling interest)		70
Residual goodwill		1 046

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The non-controlling interest is allocated proportionately and has no goodwill allocated to it. The goodwill arising from the acquisition of Süd-Chemie is attributable to a number of factors such as future growth potential, cost synergies and the acquired workforce. The tax deductibility of goodwill is still to be assessed.

For this purchase, acquisition costs of CHF 26 million, comprising M&A and legal costs and tax advisory and consulting charges, are recognized in selling, general and administrative costs in the first nine months of 2011.

From the acquisition date up to the end of September 2011, Süd-Chemie reported net sales of CHF 572 million and a net loss of CHF 18 million. If the acquisition had occurred on 1 January 2011, group sales would have been CHF 404 million higher and the net result would have been CHF 2 million lower.

The activities of Süd-Chemie are represented by the two new Business Units Catalysis & Energy and Functional Materials, which are included from the acquisition date onwards.

4.2 Acquisition of non-controlling interests**Süd-Chemie AG**

Subsequent to the acquisition of the 96.15% stake in Süd-Chemie, Clariant initiated a public takeover offer to acquire the remaining 455,907 shares representing a 3.85% non-controlling interest in Süd-Chemie. Through this offer, Clariant purchased 295,356 shares representing 2.49% of the total shares for a consideration of CHF 47 million. The excess consideration paid to acquire the non-controlling interest over its carrying amount is recognized directly in equity. 160,551 shares representing 1.36% of the total shares still remain as a non-controlling interest in Süd-Chemie.

Others

In the third quarter of 2011, Clariant increased its stake in masterbatches producer Colex Spolka z o.o in Poland to 100% by purchasing the remaining non-controlling interests at a purchase consideration of CHF 11 million. The excess consideration paid to acquire the non-controlling interest over its carrying amount is recognized directly in equity.

4.3 Acquisition – Prairie Petro-Chem

On 1 April 2011, Clariant acquired the assets of the Canadian partnership entity Prairie Petro-Chem, a leading supplier of specialty oil and gas production, drilling and industrial chemicals. With this acquisition, Clariant aims to enhance its presence in Bakken Shale, positioned to be one of North America's leading oil and gas producing regions. The purchase consideration for this acquisition amounts to CHF 35 million. The net identified assets amount to CHF 20 million and goodwill to CHF 15 million. Net sales and net profit from the acquisition date up to the end of September 2011 by Prairie Petro-Chem amounted to CHF 15 million and CHF 2 million respectively. If the acquisition had occurred on 1 January 2011, group sales would have been CHF 8 million higher and the net profit would have been CHF 2 million higher.

4.4 Acquisition – Italtinto S.r.l.

On 15 April 2011, Clariant acquired 100% of the corporate capital of Italtinto S.r.l., an Italian limited liability company, for a total purchase consideration of CHF 20 million in cash. This amount is to be adjusted for the final calculation of the working capital surplus/deficit and debt assumed. Italtinto S.r.l. produces and sells integrated tinted systems for paints, colorants, automatic dispensing machines, color matching software and paint mixers. With this acquisition, Clariant gains access to attractive markets for color management systems. The purchase price allocation of the transaction is still in process. The provisional net identified assets are estimated to amount to CHF 6 million and goodwill to CHF 14 million. Net sales from the acquisition date up to the end of September 2011 by Italtinto S.r.l. amounted to CHF 4 million. If the acquisition had occurred on 1 January 2011, group sales would have been CHF 2 million higher. The Net profit both pre- and post-acquisition was less than CHF 1 million.

4.5 Acquisition – Octagon Process

On 19 March 2011, Clariant acquired 100% of the equity interests in US-based privately-held Octagon Process L.L.C. and its service company Katapult L.L.C., for a total purchase consideration of CHF 79 million in cash. This amount is to be adjusted for the final calculation of the working capital surplus/deficit and debt assumed. Octagon Process L.L.C. is a specialty manufacturer and distributor of aircraft wing de-icing and runway de-icing fluids to the airline industry. With this acquisition, Clariant is expanding its capacities in the North American de-icing market. The purchase price allocation of the transaction is still preliminary. The provisional net identified assets are estimated to amount to CHF 35 million and goodwill to CHF 44 million. Net sales and net loss from the acquisition date up to the end of September 2011 amounted to CHF 7 million and CHF 4 million respectively. If the acquisition had occurred on 1 January 2011, group sales would have been CHF 54 million higher and net profit would have been around CHF 1 million higher.

5. Other significant events and transactions**5.1 Disposal of a building in Hong Kong**

On 10 June 2011, Clariant sold a building in Tsuen Wan, Hong Kong for a sale consideration of CHF 17.4 million. The sale transaction resulted in a gain of CHF 16.9 million, recognized in selling, general and administrative costs in the second quarter of 2011.

5.2 Disposal of land in India

On 1 February 2011, Clariant India sold a piece of land at Balkum, Thane, India for a sale consideration of CHF 51 million. This land was classified as held for sale in the balance sheet of 31 December 2010. The sale transaction resulted in a gain of CHF 43 million, recognized in selling, general and administrative costs in the first quarter of 2011.

5.3 Repayment of a private bond (US dollar private placement)

After the acquisition of Süd-Chemie, Clariant repaid a private bond (US dollar private placement) worth CHF 117 million in full. Clariant also settled the accrued interest, cross currency swaps and interest payment swaps in connection with this bond. One-time costs pertaining to this repayment amounting to CHF 16 million are recognized in finance costs in the second quarter of 2011. This amount includes a make-whole payment and costs incurred to terminate early the overlaying derivatives pertaining to this placement.

6. Increase in share capital

On 31 March 2011, the Annual General Meeting of Clariant AG approved a capital increase, as a result of which in April 2011 Clariant AG issued 65,591,085 newly registered shares with a nominal value of CHF 4.00 each (the new shares). The purpose of this share capital increase was to finance the acquisition of Süd-Chemie.

The new shares result from a two-tranche capital increase out of existing authorized capital of the Company. The first tranche consists of 23,016,000 new shares (the rights issue) issued at a subscription price of CHF 16.00 per share.

The second tranche consists of 42,575,085 new shares (the exchange shares) issued in connection with the completion of the acquisition of Süd-Chemie in consideration for the contribution in kind of 4,816,187 bearer shares in Süd-Chemie AG.

This issuance of the new shares increased the share capital of Clariant AG by CHF 262 million. The share premium reserve increased by CHF 844 million, net of costs incurred in connection with the capital increase.

7. Bond Issue

On 11 May 2011 Clariant launched the following two CHF bonds:

Nominal value	Term	Coupon	Issue price
CHF 200 million*	4.5 years	2.750%	various*
CHF 100 million	6 years	3.125%	98.730%

* This bond was initially issued for CHF 150 million with an issue price of 99.396% and was subsequently extended by CHF 50 million at an issue price of 100.228%.

The main purpose of these bonds is to refinance the financial liabilities acquired with the acquisition of Süd-Chemie.

8. Acquisition term loan facility

On 4 March 2011, Clariant signed an acquisition term loan facility with a group of seven banks amounting to CHF 1,120 million. The initial term of the facility is one year from 21 April 2011 with an extension option of another year. Any drawdowns from this facility are intended to be utilized for partial financing of the acquisition of Süd-Chemie (see note 4.1). In the third quarter of 2011, an amount of CHF 400 million has been drawn under this facility.

9. Assets held for sale

Assets held for sale as of 30 September 2011 in the amount of CHF 10 million pertain to assets in Korea, the United States and India.

10. Events subsequent to the balance sheet date

Issuance of certificate of indebtedness

On 14 October 2011, Clariant announced the issuance of certificates of indebtedness in the German market amounting to EUR 365 million. The four certificates have a term of 3 years (EUR 242 million) and 4.5 years (EUR 123 million) each with fix or float coupons. The interest to be paid for the certificates of indebtedness is based on six months Euribor (variable tranche) or mid-swap (fixed tranche), respectively, plus a credit margin premium (spread). Total interest costs per tranche are between 3.85% and 4.35% p.a. at present. The proceeds are for general corporate purposes, specifically for optimization of both the debt financing structure and the maturity profile.

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Nine Months/Third Quarter 2011 (unaudited)

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**5. Business Units figures**

Nine Months	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
CHF mn	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC
Industrial & Consumer Specialties	1 090	1 128	-3	11	190	186	2	16	192	176	9	25
Masterbatches	873	981	-11	3	106	125	-15	-1	104	121	-14	-
Pigments	766	907	-16	-3	159	197	-19	-9	153	177	-14	-2
Functional Materials**	289	-	-	-	43	-	-	-	43	-	-	-
Textile Chemicals	518	634	-18	-5	28	61	-54	-47	29	-4	-	-
Catalysis & Energy**	283	-	-	-	56	-	-	-	56	-	-	-
Oil & Mining	443	438	1	17	48	53	-9	5	48	54	-11	3
Leather Services	208	251	-17	-3	22	34	-35	-25	22	35	-37	-28
Performance Chemicals*	982	1 081	-9	5	144	160	-10	4	144	154	-6	8
Business Units total	5 452	5 420			796	816			791	713		
Corporate***	-	-			-62	-85			-131	-172		
Total	5 452	5 420	1	15	734	731	-	17	660	541	22	44

	Operating income before exceptionals				Operating income				Systematic depreciation of PPE	
CHF mn	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC	2011	2010
Industrial & Consumer Specialties	164	158	4	19	161	138	17	33	25	28
Masterbatches	86	102	-16	-1	82	95	-14	2	19	22
Pigments	139	171	-19	-8	127	132	-4	9	19	26
Functional Materials**	27	-	-	-	27	-	-	-	10	-
Textile Chemicals	12	43	-72	-66	5	-27	-	-	16	18
Catalysis & Energy**	33	-	-	-	33	-	-	-	14	-
Oil & Mining	45	50	-10	5	45	50	-10	5	3	3
Leather Services	19	30	-37	-28	19	34	-44	-37	3	4
Performance Chemicals*	118	129	-9	5	118	114	4	19	26	30
Business Units total	643	683			617	536			135	131
Corporate***	-91	-107			-143	-201			18	16
Total	552	576	-4	14	474	335	41	69	153	147

* "Performance Chemicals" includes the business units, namely Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

** The business units "Catalysis & Energy" and "Functional Materials" represent the activities of Sud-Chemie, consolidated for May to September 2011.

*** Corporate costs in 2011 include COGS in the amount of CHF 11 million resulting from a charge to the income statement of a part of the amount, by which inventories taken over in the acquisition of Sud-Chemie were revalued to fair value less cost to sell. The charge to the income statement occurred when a part of those inventories were sold.

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Third Quarter	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
CHF mn	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC
Industrial & Consumer Specialties	337	341	-1	16	58	54	7	22	56	46	22	43
Masterbatches	266	315	-16	-	28	39	-28	-12	28	36	-22	-6
Pigments	230	301	-24	-10	39	66	-41	-30	41	72	-43	-31
Functional Materials**	166	-	-	-	18	-	-	-	18	-	-	-
Textile Chemicals	152	199	-24	-8	-1	19	-	-	-	16	-	-
Catalysis & Energy**	190	-	-	-	41	-	-	-	41	-	-	-
Oil & Mining	154	142	8	29	19	16	19	34	19	17	12	26
Leather Services	63	76	-17	-1	6	10	-40	-28	6	11	-45	-31
Performance Chemicals*	307	335	-8	8	35	44	-20	3	35	40	-13	13
Business Units total	1 865	1 709			243	248			244	238		
Corporate***	-	-			-27	-16			-57	-32		
Total	1 865	1 709	9	25	216	232	-7	16	187	206	-9	14

	Operating income before exceptionals				Operating income				Systematic depreciation of PPE	
CHF mn	2011	2010	% CHF	% LC	2011	2010	% CHF	% LC	2011	2010
Industrial & Consumer Specialties	49	46	7	25	46	33	39	61	8	8
Masterbatches	21	32	-34	-16	21	27	-22	-3	7	7
Pigments	33	58	-43	-31	38	56	-32	-19	6	8
Functional Materials**	9	-	-	-	9	-	-	-	6	-
Textile Chemicals	-6	12	-	-	-8	8	-	-	5	7
Catalysis & Energy**	26	-	-	-	26	-	-	-	8	-
Oil & Mining	18	16	13	36	18	16	13	36	1	1
Leather Services	5	9	-44	-31	5	9	-44	-31	1	1
Performance Chemicals*	27	34	-21	4	27	29	-7	21	8	9
Business Units total	182	207			182	178			50	41
Corporate***	-38	-25			-72	-41			6	6
Total	144	182	-21	2	110	137	-20	8	56	47

* "Performance Chemicals" includes the business units, namely Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

** The business units "Catalysis & Energy" and "Functional Materials" represent the activities of Süd-Chemie, consolidated for May to September 2011.

*** Corporate costs in 2011 include COGS in the amount of CHF 11 million resulting from a charge to the income statement of a part of the amount, by which inventories taken over in the acquisition of Süd-Chemie were revalued to fair value less cost to sell. The charge to the income statement occurred when a part of those inventories were sold.

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6. Business Units margins

Nine Months	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
<i>in %</i>	2011	2010	2011	2010	2011	2010
Industrial & Consumer Specialties	20.0	20.9	17.4	16.5	17.6	15.6
Masterbatches	16.0	18.1	12.1	12.7	11.9	12.3
Pigments	14.0	16.7	20.8	21.7	20.0	19.5
Functional Materials**	5.3	0.0	14.9	0.0	14.9	0.0
Textile Chemicals	9.5	11.7	5.4	9.6	5.6	-0.6
Catalysis & Energy**	5.2	0.0	19.8	0.0	19.8	0.0
Oil & Mining	8.1	8.1	10.8	12.1	10.8	12.3
Leather Services	3.8	4.6	10.6	13.5	10.6	13.9
Performance Chemicals*	18.1	19.9	14.7	14.8	14.7	14.2
Total	100.0	100.0	13.5	13.5	12.1	10.0

	Operating income b. exceptionals		Operating income		
<i>in %</i>	2011	2010	2011	2010	
Industrial & Consumer Specialties	15.0	14.0	14.8	12.2	
Masterbatches	9.9	10.4	9.4	9.7	
Pigments	18.1	18.9	16.6	14.6	
Functional Materials**	9.3	0.0	9.3	0.0	
Textile Chemicals	2.3	6.8	1.0	-4.3	
Catalysis & Energy**	11.7	0.0	11.7	0.0	
Oil & Mining	10.2	11.4	10.2	11.4	
Leather Services	9.1	12.0	9.1	13.5	
Performance Chemicals*	12.0	11.9	12.0	10.5	
Total	10.1	10.6	8.7	6.2	

Third Quarter	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
<i>in %</i>	2011	2010	2011	2010	2011	2010
Industrial & Consumer Specialties	18.1	20.0	17.2	15.8	16.6	13.5
Masterbatches	14.3	18.4	10.5	12.4	10.5	11.4
Pigments	12.3	17.6	17.0	21.9	17.8	23.9
Functional Materials**	8.9	0.0	10.8	0.0	10.8	0.0
Textile Chemicals	8.2	11.6	-0.7	9.5	0.0	8.0
Catalysis & Energy**	10.2	0.0	21.6	0.0	21.6	0.0
Oil & Mining	8.3	8.3	12.3	11.3	12.3	12.0
Leather Services	3.4	4.4	9.5	13.2	9.5	14.5
Performance Chemicals*	16.3	19.7	11.4	13.1	11.4	11.9
Total	100.0	100.0	11.6	13.6	10.0	12.1

	Operating income b. exceptionals		Operating income		
<i>in %</i>	2011	2010	2011	2010	
Industrial & Consumer Specialties	14.5	13.5	13.6	9.7	
Masterbatches	7.9	10.2	7.9	8.6	
Pigments	14.3	19.3	16.5	18.6	
Functional Materials**	5.4	0.0	5.4	0.0	
Textile Chemicals	-3.9	6.0	-5.3	4.0	
Catalysis & Energy**	13.7	0.0	13.7	0.0	
Oil & Mining	11.7	11.3	11.7	11.3	
Leather Services	7.9	11.8	7.9	11.8	
Performance Chemicals*	8.8	10.1	8.8	8.7	
Total	7.7	10.6	5.9	8.0	

* "Performance Chemicals" includes the business units, namely Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

** The business units "Catalysis & Energy" and "Functional Materials" represent the activities of Sud-Chemie, consolidated for May to September 2011.

7. Operating income - EBITDA bridge

Nine Months	Industrial & Consumer Specialties		Master-batches		Pigments		Functional Materials**		Textile Chemicals		Catalysis & Energy**		Oil & Mining Services		Leather Services		Performance Chemicals*		Total Business Units		Corporate***		Total Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CHF mn																								
Operating income/loss	161	138	82	95	127	132	27	-	5	-27	33	-	45	50	19	34	118	114	617	536	-143	-201	474	335
+ Depreciation of PPE	25	28	19	22	19	26	10	-	16	18	14	-	3	3	3	4	26	30	135	131	18	16	153	147
+ Impairment of PPE / goodwill	5	10	2	3	6	19	-	-	8	5	-	-	-	1	-	-3	-	9	21	44	-17	7	4	51
+ Amortization of intangibles	1	-	1	1	1	-	6	-	-	-	9	-	-	-	-	-	-	1	18	2	11	6	29	8
EBITDA	192	176	104	121	153	177	43	-	29	-4	56	-	48	54	22	35	144	154	791	713	-131	-172	660	541
+ Restructuring and impairment	3	20	4	7	12	40	-	-	7	70	-	-	-	-	-	-4	-	15	26	148	41	94	67	242
- Impairment of PPE / goodwill (reported under Restructuring and impairment)	-5	-10	-2	-3	-6	-19	-	-	-8	-5	-	-	-	-1	-	3	-	-9	-21	-44	17	-7	-4	-51
- Gain on disposals of subsidiaries and associates	-	-	-	-	-	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-1	-	-	-	-1
+ Additional charge to COGS as a result of the sale of Sid-Chemie inventories revalued to fair value less cost to sell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	-	11	-
EBITDA before exceptional items	190	186	106	125	159	197	43	-	28	61	56	-	48	53	22	34	144	160	796	816	-62	-85	734	731
Operating income/loss before exceptional items	164	158	86	102	139	171	27	-	12	43	33	-	45	50	19	30	118	129	643	683	-91	-107	552	576
- Restructuring and impairment	-3	-20	-4	-7	-12	-40	-	-	-7	-70	-	-	-	-	-	4	-	-15	-26	-148	-41	-94	-67	-242
+ Gain on disposals of subsidiaries and associates	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
- Additional charge to COGS as a result of the sale of Sid-Chemie inventories revalued to fair value less cost to sell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-11	-	-11	-
Operating income/loss	161	138	82	95	127	132	27	-	5	-27	33	-	45	50	19	34	118	114	617	536	-143	-201	474	335
Finance income																							13	8
Finance costs																							-117	-120
Income before taxes																							370	223

* "Performance Chemicals" includes the business units, namely Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

** The business units "Catalysis & Energy" and "Functional Materials" represent the activities of Sid-Chemie, consolidated for May to September 2011

*** Corporate costs in 2011 include COGS in the amount of CHF 11 million resulting from a charge to the income statement of a part of the amount, by which inventories taken over in the acquisition of Sid-Chemie were revalued to fair value less cost to sell. The charge to the income statement occurred when a part of those inventories were sold.

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Third Quarter	Industrial & Consumer Specialties		Master-batches		Pigments		Functional Materials**		Textile Chemicals		Catalysis & Energy**		Oil & Mining Services		Leather Services		Performance Chemicals*		Total Business Units		Corporate***		Total Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CHF m																								
Operating income/loss	46	33	21	27	38	56	9	-	-8	8	26	-	18	16	5	9	27	29	182	178	-72	-41	110	137
+ Depreciation of PPE	8	8	7	7	6	8	6	-	5	7	8	-	1	1	1	1	8	9	50	41	6	6	56	47
+ Impairment of PPE/goodwill	1	5	-	2	-3	8	-	-	3	1	-	-	-	1	-	1	-	1	1	19	4	-	5	19
+ Amortization of intangibles	1	-	-	-	-	-	3	-	-	-	7	-	-	-1	-	-	1	1	11	-	5	3	16	3
EBITDA	56	46	28	36	41	72	18	-	-	16	41	-	19	17	6	11	35	40	244	238	-57	-32	187	206
+ Restructuring and impairment	3	13	-	5	-5	2	-	-	2	4	-	-	-	-	-	-	-	5	-	29	23	16	23	45
- Impairment of PPE/goodwill	-1	-5	-	-2	3	-8	-	-	-3	-1	-	-	-	-1	-	-1	-	-1	-1	-19	-4	-	-5	-19
(reported under Restructuring and impairment)																								
- Gain on disposals of subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
+ Additional charge to COGS as a result of the sale of Sud-Chemie inventories revalued to fair value less cost to sell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	-	11	-
EBITDA before exceptional items	58	54	28	39	39	66	18	-	-1	19	41	-	19	16	6	10	35	44	243	248	-27	-16	216	232
Operating income/loss before exceptional items	49	46	21	32	33	58	9	-	-6	12	26	-	18	16	5	9	27	34	182	207	-38	-25	144	182
- Restructuring and impairment	-3	-13	-	-5	5	-2	-	-	-2	-4	-	-	-	-	-	-	-	-5	-	-29	-23	-16	-23	-45
+ Gain on disposals of subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Additional charge to COGS as a result of the sale of Sud-Chemie inventories revalued to fair value less cost to sell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-11	-	-11	-
Operating income/loss	46	33	21	27	38	56	9	-	-8	8	26	-	18	16	5	9	27	29	182	178	-72	-41	110	137
Finance income																							4	2
Finance costs																							-1	-29
Income before taxes																							113	110

* "Performance Chemicals" includes the business units, namely Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

** The business units "Catalysis & Energy" and "Functional Materials" represent the activities of Sud-Chemie, consolidated for May to September 2011.

*** Corporate costs in 2011 include COGS in the amount of CHF 11 million resulting from a charge to the income statement of a part of the amount, by which inventories taken over in the acquisition of Sud-Chemie were revalued to fair value less cost to sell. The charge to the income statement occurred when a part of those inventories were sold.

8. Geographic information

Sales	Nine Months						Third Quarter					
	2011	% of sales	2010	% of sales	CHF %	LC %	2011	% of sales	2010	% of sales	CHF %	LC %
CHF mn												
EMEA	2 754	50.5	2 677	49.4	3	16	929	49.8	802	47.0	16	31
of which Germany	781		738		6	19	261		223		17	32
of which Switzerland	75		87		-14	-2	21		26		-19	-7
of which MEA	464		426		9	26	176		135		30	50
North America	687	12.6	669	12.3	3	21	244	13.1	216	12.6	13	34
of which USA	609		604		1	19	215		196		10	31
Latin America	848	15.6	920	17.0	-8	6	286	15.3	308	18.0	-7	10
of which Brazil	403		446		-10	-	135		149		-9	5
Asia/Pacific	1 163	21.3	1 154	21.3	1	14	406	21.8	383	22.4	6	21
of which China	328		321		2	19	114		105		9	28
of which India	129		157		-18	-3	40		53		-25	-11
Total	5 452	100.0	5 420	100.0	1	15	1 865	100.0	1 709	100.0	9	25

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9. Condensed earnings per share data

	Nine Months	
	2011	2010
Net income attributable to shareholders of Clariant Ltd (CHF mn)	221	134
Diluted net income attributable to shareholders of Clariant Ltd (CHF mn)		
Net income attributable to shareholders of Clariant Ltd	221	134
Impact of assumed conversion of convertible bond on net income	7	5
Total	228	139
Shares		
Number of registered shares at 30.9.2011 and 30.9.2010 respectively	295 752 254	230 160 000
Weighted average number of shares outstanding	258 343 465	224 112 841
Adjustment for granted Clariant shares	2 213 386	1 645 807
Adjustment for dilutive share options	434 301	186 134
Adjustment for assumed conversion of the convertible bond, where dilutive	35 087 718	35 087 718
Weighted average diluted number of shares outstanding	296 078 870	261 032 500
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF /share)	0.86	0.60
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF /share)	0.77	0.53

10. Foreign exchange rates

Rates used to translate the consolidated balance sheets (closing rate)	30.09.2011	31.12.2010	Change %
1 USD	0.90	0.94	-4
1 EUR	1.22	1.25	-2
1 BRL	0.49	0.56	-13
1 CNY	0.14	0.14	-
100 INR	1.84	2.09	-12
100 JPY	1.17	1.15	2

	Nine Months		
Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows	2011	2010	Change %
1 USD	0.88	1.07	-18
1 EUR	1.24	1.40	-11
1 BRL	0.54	0.60	-10
1 CNY	0.13	0.16	-19
100 INR	1.94	2.32	-16
100 JPY	1.09	1.19	-8

**Consolidated financial statements of Clariant AG (the Guarantor)
and its consolidated subsidiaries as at and for the year ended 31
December 2010**

Consolidated financial statements of the Clariant Group

Consolidated balance sheets at 31 December 2010 and 2009

ASSETS		31.12.2010		31.12.2009	
	Notes ¹	CHF mn	%	CHF mn	%
Non-current assets					
Property, plant and equipment	5	1 669		1 927	
Intangible assets	6	269		294	
Investments in associates	7	224		273	
Financial assets	8	18		19	
Prepaid pension assets	16	117		117	
Deferred income tax assets	9	119		75	
Total non-current assets		2 416	40.8	2 705	44.4
Current assets					
Inventories	10	800		853	
Trade receivables	11	985		1 102	
Other current assets	12	967		258	
Current income tax receivables		26		32	
Cash and cash equivalents	13	716		1 140	
Total current assets		3 494	59.0	3 385	55.6
Non-current assets held for sale	21	11	0.2	2	0.0
Total assets		5 921	100.0	6 092	100.0
EQUITY AND LIABILITIES		31.12.2010		31.12.2009	
	Notes ¹	CHF mn	%	CHF mn	%
Equity					
Share capital	14	921		921	
Treasury shares (par value)	14	–36		–17	
Other reserves		275		472	
Retained earnings		599		468	
Total capital and reserves attributable to Clariant shareholders		1 759		1 844	
Non-controlling interests		47		52	
Total equity		1 806	30.5	1 896	31.1
Liabilities					
Non-current liabilities					
Financial debts	15	1 305		1 553	
Deferred income tax liabilities	9	85		112	
Retirement benefit obligations	16	443		484	
Provision for non-current liabilities	17	320		241	
Total non-current liabilities		2 153	36.4	2 390	39.2
Current liabilities					
Trade payables	18	1 170		1 024	
Financial debts	19	240		132	
Current income tax liabilities		242		255	
Provision for current liabilities	17	310		395	
Total current liabilities		1 962	33.1	1 806	29.7
Total liabilities		4 115	69.5	4 196	68.9
Total equity and liabilities		5 921	100.0	6 092	100.0

¹ The Notes form an integral part of the consolidated financial statements.

Consolidated income statements for the years ended 31 December 2010 and 2009

	Notes ¹	2010		2009 ²	
		CHF mn	%	CHF mn	%
Sales	20	7 120	100.0	6 614	100.0
Costs of goods sold ²		-5 133		-5 057	
Gross profit		1 987	27.9	1 557	23.5
Selling, general and administrative costs ²		-1 177		-1 162	
Research and development		-135		-150	
Income from associates	7	21		25	
Gain from the disposal of activities not qualifying as discontinued operations	22	1		8	
Restructuring and impairment	24	-331		-298	
Operating income/loss		366	5.1	-20	-0.3
Finance income	25	15		10	
Finance costs	25	-138		-111	
Income/loss before taxes		243		-121	
Taxes	9	-52		-73	
Net income/loss		191	2.7	-194	-2.9
Attributable to:					
Shareholders of Clariant Ltd		180		-206	
Non-controlling interests		11		12	
Net income/loss		191	2.7	-194	-2.9
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)	26	0.81		-0.91	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)	26	0.73		-0.91	

¹ The Notes form an integral part of the consolidated financial statements.² Reclassified (see Note 1.07)

Consolidated statements of comprehensive income for the years ended 31 December 2010 and 2009

	Notes ¹	2010 CHF mn	2009 CHF mn
Net income/loss		191	-194
Other comprehensive income:			
Net investment hedge	27	132	3
Currency translation differences		-334	72
Effect of the reclassification of foreign exchange difference on net investments in foreign entities		-	3
Other comprehensive income for the period, net of tax		-202	78
Total comprehensive income for the period		-11	-116
Attributable to:			
Shareholders of Clariant Ltd		-17	-129
Non-controlling interests		6	13

¹ The Notes form an integral part of the consolidated financial statements.

Changes in fair value of financial assets classified as available for sale amount to less than CHF 1 million in 2010 and 2009.

Consolidated statements of changes in equity at 31 December 2010 and 2009

CHF mn			Other reserves						
	Total share capital	Treasury shares (par value)	Share premium reserves	Cumulative translation reserves	Total other reserves	Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
Balance 31 December 2008	921	-15	767	-403	364	667	1 937	50	1 987
Total comprehensive income for the period				77	77	-206	-129	13	-116
Dividends to non-controlling interests					-		-	-11	-11
Equity component of the convertible bond (see Note 15)			31		31		31		31
Employee share and option scheme:									
Effect of employee services (see Note 28)					-	13	13		13
Treasury share transactions		-2			-	-6	-8		-8
Balance 31 December 2009	921	-17	798	-326	472	468	1 844	52	1 896
Total comprehensive income for the period				-197	-197	180	-17	6	-11
Dividends to non-controlling interests					-		-	-11	-11
Obligation to purchase Clariant Ltd shares classified as equity (Note 1.25 and Note 19)					-	-8	-8		-8
Employee share & option scheme:									
Effect of employee services (see Note 28)					-	21	21		21
Treasury share transactions		-19			-	-62	-81		-81
Balance 31 December 2010	921	-36	798	-523	275	599	1 759	47	1 806

Consolidated statements of cash flows for the years ended 31 December 2010 and 2009

	Notes ¹	2010 CHF mn	2009 CHF mn
Net income/loss		191	-194
Adjustment for:			
Depreciation of property, plant and equipment (PPE)	5	195	214
Impairment and reversal of impairment		75	58
Amortization of intangible assets	6	10	11
Impairment of working capital		41	99
Income from associates	7	-21	-25
Tax expense		52	73
Net financial income and costs		79	84
Gain from the disposal of activities not qualifying as discontinued operations	22	-1	-8
Other non-cash items		-68	5
Total reversal of non-cash items		362	511
Dividends received from associates	7	31	29
Interest paid		-75	-72
Interest received		13	9
Income taxes paid		-116	-87
Payments for restructuring		-155	-182
Cash flow before changes in net working capital and provisions		251	14
Changes in inventories		-78	460
Changes in trade receivables		-1	14
Changes in trade payables		172	-11
Changes in other current assets and liabilities		54	25
Changes in provisions (excluding payments for restructuring)		244	255
Cash flow from operating activities		642	757
Investments in PPE	5	-224	-135
Investments in financial assets and associates		-3	-6
Investments in other intangible assets	6	-18	-35
Changes in current financial assets		-732	6
Sale of PPE and intangible assets		12	19
Payments for the disposal of discontinued operations	21	-	-3
Proceeds from the disposal of subsidiaries and associates	22	4	40
Cash flow from investing activities		-961	-114
Equity component of the convertible bond		-	31
Treasury share transactions		-79	-12
Proceeds from financial debts		209	419
Repayments of financial debts		-181	-287
Dividends paid to non-controlling interests		-11	-11
Cash flow from financing activities		-62	140
Currency translation effect on cash and cash equivalents		-43	1
Net change in cash and cash equivalents		-424	784
Cash and cash equivalents at the beginning of the period	13	1 140	356
Cash and cash equivalents at the end of the period	13	716	1 140

¹ The Notes form an integral part of the consolidated financial statements.

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.

The Company 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 11 February 2011. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 31 March 2011.

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 with the following significant accounting policies. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments at fair value through profit or loss).

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

1.03 – International Financial Reporting Standards effective in 2010

The Group has adopted the following new and amended IFRSs as of 1 January 2010:

- › IFRS 3 (revised), Business combinations (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All consideration to purchase a business are recorded at fair value at the acquisition date, with contingent consideration classified as debt and subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. IFRS 3 (revised) has had no impact on the current period, as there were no business combinations during the current period.
- › IAS 27 (revised), Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions no longer result in goodwill or in gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.
- › IFRIC 17, Distribution of non-cash assets to owners (effective for annual periods beginning on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and when the distribution is highly probable. The adoption of this IFRIC has had no impact on the current period as there has been no distribution of non-cash assets to the owners.

› IFRIC 18, Transfer of assets from customers (effective for transfer of assets received on or after 1 July 2009). This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use to provide the customer with ongoing access to a supply of goods or services. In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment to provide the customer with ongoing supply of goods and services. The adoption of this IFRIC did not have a material impact on the Group's financial statements.

› IFRIC 9, Reassessment of embedded derivatives and IAS 39, Financial instruments (amendment effective for annual periods beginning on or after 1 July 2009). This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety. The adoption of this amendment did not have a material impact on the Group's financial statements.

› IFRS 2 (amendments), Group cash-settled and share-based payment transactions (effective for annual periods beginning on or after 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance did not have any impact on the Group's financial statements.

› Annual improvements to IFRS (mostly effective for annual periods beginning on or after 1 January 2010). As part of the annual improvement project the IASB issued minor, non-urgent changes to 12 International Financial Reporting Standards in April 2009. The Group had early adopted the amendment to IFRS 8, Operating segments, in 2009 regarding disclosure of information about segment assets and reports externally also the asset numbers reported for internal purposes. All the other changes did not have a material impact on the Group's accounts.

› No other standards, interpretations and amendments to standards issued by IASB and applicable from 1 January 2010 have had a material impact on the Group's accounts.

1.04 – International Financial Reporting Standards not yet effective

The other standards, interpretations and amendments already issued by IASB but not yet effective have not been early adopted by the Group. These are not expected to have any material impact on the Groups financial accounts for 2010 and will be adopted as they become effective.

1.05 – Scope of consolidation

› **Subsidiaries:** Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies. These entities are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date the control is terminated.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement only after reassessment of the fair values.

› **Transactions with non-controlling interests:** The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the income statement or directly in the equity as appropriate.

› **Investments in associates:** Associates are entities where the Group holds between 20 percent and 50 percent of the voting rights, or over which the Group has a significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in the other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

All associates use the same set of accounting policies (IFRS) that are applied to the consolidated accounts of the Group.

› **Changes in accounting policy:** The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when IAS 27 (revised), "Consolidated and separate financial statements", became effective. The revision to IAS 27 contained consequential amendments to IAS 28, "Investments in associates."

› Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in the reserves attributable to the subsidiary was reclassified to profit or loss.

› Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence was lost became its cost for the purposes of subsequently accounting for the retained interests as associates or financial assets.

› The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

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 by applying uniform presentation and valuation principles.

Intercompany income and expenses, including unrealized gross profits from internal Group transactions and intercompany receivables and payables, are eliminated. The results of non-controlling interests are separately disclosed in the income statement and balance sheet.

1.07 – Reclassification

The presentation of the income statement was changed in 2010 in order to enhance comparability. Previously, "Marketing and distribution" and "Administration and general overheads" were presented in two separate lines. In 2010, these two lines are combined into one line "Selling, general and administrative costs". The presentation of 2009 was changed accordingly.

Further, in 2010 the freight costs are included in the line "Cost of goods sold." Previously, freight costs were included in the "Selling, general and administrative costs." In the presentation of the income statement of 2009, "Cost of goods sold" is adjusted from CHF –4 749 million to CHF –5 057 million and "Selling, general and administrative costs" is adjusted from CHF –1 470 million to CHF –1 162 million.

These reclassifications had no impact on the balance sheets or on the net result.

1.08 – Revenue recognition

Sales of goods are recognized when the significant risks and rewards of ownership of the assets have been transferred to a third party. They are reported net of sales taxes and rebates. Provisions for rebates to customers are recognized in the same period in which the related sales are recorded, based on the contract terms.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group. Dividends are recognized when the right to receive the payment is established.

1.09 – Exchange rate differences

› **Functional and presentation currency:** Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the parent.

› **Transactions and balances:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the line "finance costs" in the income statement, except when deferred in "Other comprehensive income" as qualifying cash flow hedges and net investment hedges. Translation differences on debt securities and on other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the line "finance costs" in the income statement.

› **Group companies:** 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. All resulting exchange differences are recognized in "Other comprehensive income." Exchange rate differences arising on the translation of the net investment in foreign entities and on borrowings and other currency instruments designated as hedges of such investments are recognized in "Other comprehensive income." Net investments also include loans for which the settlement is neither planned nor likely to occur in the foreseeable future. When a foreign entity is sold, such exchange rate differences are recognized in the income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign entities after 31 March 2004 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.10 – Property, plant and equipment

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

› Buildings	40 years
› Machinery and equipment	16 years
› Furniture, vehicles, computer hardware	5 to 10 years
› Land is not depreciated	

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with this item will flow to the Group and the costs of the item can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds to the carrying amount. These are included in the income statement.

1.11 – Intangible assets

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in the investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

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. These costs 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 that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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, on their own, in mixtures and in articles. REACH requires registration of certain substances, i.e. with volumes equal to or exceeding 1 000 tonnes, by 2010 and various other substances depending on their category by 2018. Acting in chemical industry, Clariant has incurred costs in connection with REACH. Due to their nature these costs are considered within the context of IAS 38 Intangible Assets and those qualifying for capitalization are reported as intangible assets. As the initial phase of the registration covering volumes equal to or exceeding 1 000 tonnes is completed, the corresponding costs

capitalized as intangible assets will be amortized starting from 2011 on a straight-line basis to the income statement over their estimated useful lives.

1.12 – Impairment of assets

Goodwill and intangible assets that have an indefinite useful life, and thus are not subject to amortization, are tested annually for impairment. Property, plant and equipment and other non-current assets, including intangible assets with a finite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell or value in use. For the purpose of assessing impairment, assets are allocated to the lowest level in proportion to the actual use of the asset by the respective business, for which there are to a large extent separately identifiable cash flows (cash generating unit).

An impairment loss is recognized as an expense in the income statement and is first allocated to the goodwill associated with the cash generating unit and then to the other assets of the cash generating unit. An impairment loss may be reversed for assets excluding goodwill, in subsequent periods if and only if there is a change in the estimates used to determine the asset's recoverable amount.

1.13 – Inventories

Purchased goods are valued at acquisition costs, while self-manufactured products are valued at manufacturing costs including related production overhead costs. These costs exclude borrowing 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 initially at fair value and subsequently measured at amortized cost, less impairment. An allowance for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the allowance is recognized in the income statement.

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 are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Depending on the type of the derivative financial instrument, fair value calculation techniques include, but are not limited to, quoted market value, present value of estimated future cash flows (e.g. interest rate swaps) or corresponding exchange rates at the balance sheet date (e.g. forward foreign exchange contracts). The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designated to hedge a specific risk and qualifies for hedge accounting.

On the date a derivative contract is entered into, Clariant designates certain derivatives as either a) a hedge of the fair value of a recognized asset or liability (fair value hedge), b) a hedge of a forecast transaction (cash flow hedge) or firm commitment or c) a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives in fair value hedges that are highly effective are recognized in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Changes in the fair value of derivatives in cash flow hedges are included as a hedging reserve in "Other comprehensive income." Where the forecast transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously included in equity are included in the initial measurement of the asset or

liability. Otherwise, amounts recorded in equity are transferred to the income statement and classified as income or expense in the same period in which the forecast transaction affects the income statement. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way as for cash flow hedges. Clariant hedges certain net investments in foreign entities with foreign currency borrowings and cross-currency swaps. All foreign exchange gains and losses on the effective portion of the hedge are recognized in "Other comprehensive income" and included in cumulative translation differences. Any gains or losses relating to an ineffective portion are recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the income statement when the committed or forecast transaction is ultimately recognized in the income statement. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement.

Certain derivative instruments, while providing effective economic hedges under Clariant policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for cash flow hedge accounting under IAS 39 are recognized immediately in the income statement.

Financial instruments are used in the normal course of the business to reduce the risks arising from currency translation and interest rate or price movements. Clariant manages and records centrally its cover of various positions arising from existing assets and liabilities as well as future business transactions. To minimize the counterparty risks, Clariant enters into financial instruments only with reputable international banks. The result of using financial instruments in Clariant's risk management program is permanently monitored, checked and communicated to the Corporate management.

1.17 – Leases

Leases under which the Clariant Group assumes substantially all of the risks and benefits of ownership are classified as finance leases. At the inception of the lease, the leased asset and a lease liability are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. In subsequent periods the leased asset is depreciated on a straight-line basis, like other property, plant and equipment, over the shorter of its estimated useful life or the lease term. The depreciation amount of the asset and the interest amount on the finance lease liability are charged to the income statement.

A lease is classified as an operating lease if the substance of the transaction does not meet any of the requirements of a finance lease. Lease payments under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

1.18 – Current income tax

The taxable profit (loss) of Group companies, on which the reporting period's income tax payable (recoverable) is calculated using applicable local tax rates and is determined in accordance with the rules established by the taxation authorities of the countries in which they operate. Current income taxes for current and prior periods, to the extent they are unpaid, are recognized as liabilities.

In case income taxes already paid in respect of current and prior periods exceed the income tax liability amount of those periods, the exceeding amounts are recognized as assets. Current income tax receivables and current income tax liabilities are offset if there is a legally enforceable right to set off the recognized amounts and if there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

1.19 – Deferred income tax

Deferred income tax is calculated using the comprehensive liability method. This method calculates a deferred tax asset or liability on the temporary differences that arise between the recognition of items in the balance sheets of the Group companies used for tax purposes and the one prepared for consolidation purposes. An exception is that no deferred income tax is calculated for the temporary differences in investments in Group companies, provided that the investor (parent company) is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Furthermore, withholding taxes or other taxes on the eventual distribution of retained earnings of Group companies are only taken into account when a dividend has been planned, since generally the retained earnings are reinvested.

Deferred taxes, calculated using applicable local tax rates, are included in non-current assets and non-current liabilities, with any changes during the year recorded in the income statement. Changes in deferred taxes on items that are recognized in "Other comprehensive income" are recorded in "Other comprehensive income".

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or the tax losses carried forward can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

1.20 – The equity compensation benefits

In 2010 Clariant replaced the Clariant Executive Bonus Plan (CEBP) with the Group Senior Management – Long Term Incentive Plan (GSM-LTIP). Under this new plan, a specific group of executives and managers receive a percentage of the actual bonus in the form of registered shares in Clariant Ltd (investment shares). Those participants who fulfil the 3-year blocking condition on the investment shares receive one share free of charge (matching share) for each investment share held at the end of this period. The shares granted under the former plan up to April 2010 continue to vest.

In 2008 Clariant established a new stock option plan for the members of the management and the Board of Directors. Options were granted under this plan in the years 2010 and 2008. This plan entitles the holder to acquire registered shares of Clariant Ltd at a predetermined strike price. The fair value of the employee services received in exchange for the grant of the shares and options is recognized as an expense. The total amount to be expensed over the vesting and measurement periods is determined by reference to the fair value of the shares and options granted. An adjustment is made for dividends not distributed during the vesting period. Non-market vesting conditions are included in the assumptions about the number of shares and options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of shares and options expected to vest. It recognizes the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

1.21 – Obligations for pensions and similar employee benefits

Group companies operate various pension schemes. The Group has both, defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For **defined contribution plans**, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recorded in the income statement in the period to which they relate.

For **defined benefit plans**, the amount to be recognized in the provision is determined using the Projected Unit Credit Method. According to this method, each period of employee service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Actuarial valuation techniques that take into consideration the demographic and financial assumptions are used to determine the carrying value of the net post-employment liability. Independent actuaries perform these valuations on a regular basis, at least every three years.

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

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

Termination benefits are provided for in accordance with the legal requirements of certain countries. Termination benefits are payable when the employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value. 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 and in expenses for restructuring and impairment.

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

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

1.22 – Provisions

Provisions are recognized when the Group has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Group created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the balance sheet date. The non-current provisions are discounted if the impact is material.

1.23 – Research and development

Research and development expenses are capitalized to the extent that the recognition criteria according to IAS 38 are met. The Group considers that regulatory and other uncertainties inherent in the development of key new products preclude it from capitalizing the development costs. At the balance sheet date, no research and development projects met the recognition criteria. Laboratory buildings and equipment included in property, plant and equipment are depreciated over their estimated useful lives. The reason for this practice is the structure of research and development in the industries that Clariant engages in, making it difficult to demonstrate how singular intangible assets will generate probable future economic benefits.

1.24 – 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.

With effect from 1 January 2010, Clariant has changed its operating structure from formerly four divisions to ten business units, which have full responsibility for their operating results. In accordance with IFRS 8, "Operating segments", six business units report in the following six reportable segments:

- › Industrial & Consumer Specialties
- › Masterbatches
- › Pigments
- › Textile Chemicals
- › Oil & Mining Services
- › Leather Services

All other business units, namely Additives, Detergents & Intermediates, Emulsions, and Paper Specialties, are combined in "Performance Chemicals."

Segment information for 2009 has been restated to bring it in line with the new business unit structure. The new business unit structure also entails reworking of some of the cost allocations to the business units for 2009.

These business units can be described as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inter-segment sales are determined on an arm's length basis.

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).

1.25 – 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 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 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 excess price paid over the par value of the share at the time of issuance of the share capital. It also includes the equity component of the convertible debts issued in 2009.

› **Cumulative translation reserve:** The translation reserve comprises 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 foreign exchange differences arising on the translation of financial liabilities denominated in a currency other than the functional currency of the parent company and which are at the same time designated as a hedge of a net investment in a foreign entity, are also reported here.

1.26 – Treasury shares

Treasury shares are deducted from equity at their par value of CHF 4.00 per share. Differences between this amount and the amount paid for acquiring, or received for disposing of treasury shares are recorded in retained earnings.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.27 – Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.28 – Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

1.29 – Financial debt

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the financial debt.

Financial debt is classified as a current liability when it is due within twelve months from the balance sheet date. This includes the portion of non-current debt that is due within twelve months. Financial debt is classified as a non-current liability where the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

1.30 – Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

› **Financial assets at fair value through profit or loss:** This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by the management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

› **Loans and receivables:** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money and goods directly to a debtor with no intention of trading the receivable. They are included in current assets in the balance sheet.

› **Held-to-maturity investments:** These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

› **Available-for-sale financial assets:** These are non-derivatives that are either designated to that category or not classified to any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognized on settlement date, which is the date on which the Group receives or delivers the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized costs using the effective interest rate method. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized costs of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in "Other comprehensive income." Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in "Other comprehensive income." When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent at arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2. Enterprise risk management

Clariant's enterprise risk management approach is designed to clarify the level of risk taken and encourage entrepreneurial behaviour throughout the Group in order to reduce risks to an acceptable level. The process considers opportunities and threats to the short- and medium-term objectives of Clariant as decided by the Board of Directors.

The objectives of Clariant's enterprise risk management are to ensure coordination and development of risk management activities through all decision levels within Clariant, to ensure that as part of the risk assessment, all significant risks are communicated to the Executive Committee, the CEO and the Board of Directors, to communicate the process to the Board of Directors via the Audit Committee and to inform, train and motivate Clariant employees.

Risk management policy and guideline are electronically available to Clariant managers worldwide.

Each member of the Executive Committee as well as the heads of business units and functions assesses threats and opportunities arising in their areas of responsibility. Each of the above and their direct reports are risk owners responsible for the identified risks and the measures taken. Measures are reviewed at least twice a year for any changes and the assessment of the effectiveness of measures.

Risk assessments as well as measures taken shall be linked to the short- and medium-term objectives for Clariant overall and the objectives of the individual making the assessment.

The risk assessment is made on an annual basis with quarterly updates and interim reporting of issues that arise, or risks that have changed substantially. The process has an initial and an update cycle designed to deliver up-to-date results in time for the preparation of the Annual Report.

Risk management reports are extended regularly to the Audit Committee as well as the CEO and the Executive Committee.

A reporting structure is in place to inform the CEO of significant issues or changes.

Once a year, the Audit Committee considers the process, developments, and results of the mitigation measures for identified risks. The Audit Committee then reports to the Board of Directors on the efficacy of the risk management process.

2.1 – Environmental and product risks

Aiming to minimize possible risks for the environment, safety and health, the relevant parameters from all the Group's sites are analyzed centrally to reduce the overall risk to an acceptable level. In order to protect itself against risks arising from public and product liability, the Group concludes insurance policies and recognizes provisions. Potential inherited liabilities arising from acquisitions or disposals are limited through contractual agreements whenever possible.

2.2 – Litigation

The outcome of litigation in legal matters including tax law, patent law, product liability, competition, or environmental protection cannot always be predicted. For litigation which is not covered by insurance, appropriate provisions are recognized.

2.3 – Information technology risks

Business-critical systems are operated in a central computer center with two physically separated server parks. The Group's global network is managed centrally and its parallel architecture is able to deal with failures or breakdowns. Reliable and permanently updated tools guard against virus attacks. Emergency procedures are practiced regularly.

2.4 – Financial risks

Financial risks and their management are described in detail in the following Note.

3. Financial risk management

3.1 – Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and 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 to hedge certain risk exposures.

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

Market risk

Foreign exchange risk

› **Exposure to foreign exchange risk:** The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the euro and the US dollar and increasingly 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, 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 by performing appropriate hedging actions.

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

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 27.

› **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 2010.

At 31 December 2010, if the euro had strengthened/weakened by 10 percent (2009: 8 percent) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 15 million higher/lower (2009: CHF 13 million), mainly as a result of foreign exchange gains/losses on translation of euro-denominated cash and cash equivalents, intragroup financing and trade receivables. Equity would have been CHF 65 million lower/higher (2009: CHF 81 million), arising mainly from foreign exchange gains/losses on translation of the euro-denominated hedging instruments.

At 31 December 2010, if the US dollar had strengthened/weakened by 11 percent (2009: 15 percent) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 21 million higher/lower (2009: CHF 32 million) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated 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 2010 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 2010, 100 percent of the net financial debt was at fixed rates (2009: 100 percent).

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

› **Interest rate risk sensitivity:** To calculate the impact of a potential interest rate shift on profit and loss, a weighted average interest rate change was determined, based on the terms of the financial debt issued at variable rates, cash and cash equivalents and the movements of the corresponding interest rates (interest rates comparison between the end of 2010 and end of 2009).

At 31 December 2010, if the Swiss franc interest rates on net current financial debt issued at variable interest rates had been 7 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.5 million lower/higher (2009: CHF 1.9 million for a Swiss franc interest rate shift of 134 basis points).

At 31 December 2010, if the US dollar interest rates on net current financial debt issued at variable interest rates had been 3 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.01 million lower/higher (2009: CHF 0.2 million for a US dollar interest rate shift of 50 basis points).

At 31 December 2010, if the euro interest rates on net current financial debt issued at variable interest rates had been 23 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.1 million lower/higher (2009: CHF 3.0 million for a euro interest rate shift of 225 basis points).

Other price risk

With regard to the financial statements as per 31 December 2010 the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

Credit risk

› **Exposures to credit risk:** Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Customer credit risk exposure is triggered by customer default risk and country risk. As per 31 December 2010 and 31 December 2009, the Group has a very diversified portfolio with more than 50'000 active credit accounts, with no significant concentration neither due to size of customers nor due to country risk.

› **Credit risk management:** The Group has a Group credit risk policy in place to ensure that sales are made to customers only after an appropriate credit risk rating, credit line allocation process as well as recovery. 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.

<i>Ageing balance of trade receivables</i>	31.12.2010	<i>31.12.2009</i>
Not due yet	92%	88%
Total overdue	8%	12%
– less than 30 days	7%	10%
– more than 30 days	1%	2%

<i>Net trade receivables per group internal risk category</i>	31.12.2010	<i>31.12.2009</i>
A – low credit risk	23%	25%
B – low to medium credit risk	38%	35%
C – medium to above average risk	28%	27%
D – high credit risk	9%	11%
N – new customer awaiting rating	2%	2%

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfil the settlement terms of a contract. Clariant therefore only cooperates with counterparties or issuers that are at least A-rated. The cumulative exposure to these counterparties is constantly monitored by the Corporate management, therefore there is no expectation of a material loss due to counterparty risk in the future.

The Group maintains a 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 AA (2009: AA rated) by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

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

<i>Counterparty</i>	<i>Rating</i>	31.12.2010	<i>31.12.2009</i>
Bank A	AA+	0%	12%
Bank B	AA	15%	21%
Bank C	A+	17%	21%
Bank D	A	12%	9%

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 committed and uncommitted borrowing facilities. At all times the Group aims to meet the requirements set by the covenants of any of its borrowing facilities. 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. At 31 December 2010, the Group held money market funds of CHF 836 million (2009: CHF 388 million), thereof money market funds of CHF 703 million with initial tenor more than 90 days (2009: 0).

The table below 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 balance sheet.

As per 31 December 2010	<i>Less than 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Over 5 years</i>
CHF mn				
Borrowings	238	250	1019	–
Interest on borrowings	54	49	50	–
Finance lease liabilities	2	3	3	13
Trade and other payables	809	–	–	–
Derivative financial instruments	35	–	37	–
As per 31 December 2009	<i>Less than 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Over 5 years</i>
CHF mn				
Borrowings	131	150	1 395	–
Interest on borrowings	61	60	110	–
Finance lease liabilities	3	3	5	16
Trade and other payables	720	–	–	–
Derivative financial instruments	4	–	–	–

The Group covers its liabilities out of operating cash flow generated, liquidity reserves in form of cash and cash equivalents including time deposits and money market deposits (31 December 2010: CHF 1 419 million vs. 31 December 2009: CHF 1 140 million), non utilized, available asset-backed-security lines (31 December 2010: CHF 52 million vs. 31 December 2009: CHF 52 million), uncommitted open cash pool limits (31 December 2010: CHF 175 million vs. 31 December 2009: CHF 209 million), uncommitted net working capital facilities and through the selected issuance of capital market instruments.

3.2 – Fair value estimation

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

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

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2010 and at 31 December 2009 respectively:

31 December 2010	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	Total
CHF mn				
Assets				
Available-for-sale financial assets	8	–	18	26
Forward foreign exchange rate contracts*	–	–	–	–
Total assets	8	–	18	26
Liabilities				
Forward foreign exchange rate contracts*	–	–63	–	–63
Total liabilities	–	–63	–	–63

31 December 2009	Level 1	Level 2	Level 3	Total
CHF mn				
Assets				
Available-for-sale financial assets	–	–	42	42
Forward foreign exchange rate contracts*	–	1	–	1
Total assets	–	1	42	43
Liabilities				
Forward foreign exchange rate contracts*	–	–4	–	–4
Total liabilities	–	–4	–	–4

* The fair value of forward foreign exchange rate contracts is determined using forward exchange market rates at the balance sheet date.

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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of payouts paid to shareholders, return capital to 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, less cash and cash equivalents not needed for operating purposes, less net assets held for sale as reported in the consolidated balance sheet.

The Group is not subject to externally imposed capital requirements.

Invested capital was as follows on 31 December 2010 and 2009 respectively:

CHF mn	2010	2009
Total equity	1 806	1 896
Total current and non-current financial liabilities	1 545	1 685
Estimated operating lease liabilities	432	445
Less cash and cash equivalents*	– 1 419	– 1 140
Cash needed for operating purposes	142	132
Invested capital	2 506	3 018

* including deposits over 90 days

At the end of 2010, 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 accounting policy stated above in Notes 1.11 and 1.12. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. In the same procedure, the recoverable value of property, plant and equipment is also assessed according to the same rules. 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 17 and 31).

4.3 – Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Some subsidiaries operate in a way that leads to tax losses, which can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the case that a tax loss is deemed to be recoverable, the capitalization of a deferred tax asset for such tax losses is then decided. The time horizon for such a calculation is in line with the mid-term planning scope of the Group.

4.4 – Estimates for the accounting for employee benefits

IAS 19, Employee Benefits requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, long-term increase in health care costs, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the Group's retirement benefit obligation and pension assets (see Note 16).

5. Property, plant and equipment

CHF mn	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	Total	Insured value at 31 December
At 1 January 2009							
Cost	497	2 169	4 253	436	84	7 439	
Accumulated depreciation and impairment	-153	-1 562	-3 325	-373	-16	-5 429	
Net book value	344	607	928	63	68	2 010	
Additions		22	46	7	60	135	
Change in the scope of consolidation			1			1	
Reclassifications		25	94	7	-126	-	
Reclassified to held for sale			-2			-2	
Disposals	-7	-10	-19	-1	-2	-39	
Depreciation		-51	-143	-20		-214	
Impairment		-5	-14	-1		-20	
Exchange rate differences	3	31	16	2	4	56	
At 31 December 2009	340	619	907	57	4	1 927	
Cost	493	2 189	3 925	403	20	7 030	
Accumulated depreciation and impairment	-153	-1 570	-3 018	-346	-16	-5 103	
Net book value	340	619	907	57	4	1 927	7 491
Additions	6	23	34	12	149	224	
Reclassifications	2	14	43	4	-63	-	
Reclassified to held for sale	-10	-1				-11	
Disposals	-1	-3	-4	-1		-9	
Depreciation		-49	-129	-17		-195	
Impairment	-4	-27	-34	-2		-67	
Exchange rate differences	-39	-52	-90	-2	-17	-200	
At 31 December 2010	294	524	727	51	73	1 669	
Cost	427	1 978	3 475	363	88	6 331	
Accumulated depreciation and impairment	-133	-1 454	-2 748	-312	-15	-4 662	
Net book value	294	524	727	51	73	1 669	6 989

Impairments recognized in 2010 and 2009 arose as a result of the restructuring measures and the entailing site closures (see also Note 24).

As at 31 December 2010, commitments for the purchase of PPE totalled CHF 53 million (2009: CHF 34 million).

Property, plant and equipment (continued)

Land, buildings, furniture and machinery and equipment include the following amounts where the Group is a lessee under a finance lease:

CHF mn	31.12.2010	31.12.2009
Cost – capitalized finance leases	20	24
Accumulated depreciation	– 11	– 11
Net book value	9	13

Finance lease liability – minimum lease payments:

CHF mn	31.12.2010	31.12.2009
Not later than one year	2	3
Between one and five years	6	8
Later than five years	13	16
Total minimum lease payments	21	27
Future finance charge on finance leases	– 11	– 13
Present value of finance lease liabilities	10	14

The present value of finance lease liabilities is as follows:

CHF mn	31.12.2010	31.12.2009
Not later than one year	1	2
Between one and five years	4	5
Later than five years	5	7
Total minimum lease payments	10	14

The corresponding liability related to finance lease contracts is disclosed in Note 15.

6. Intangible assets

CHF mn	Goodwill	Other	Total
At 1 January 2009			
Cost	418	168	586
Accumulated amortization and impairment	–195	–108	–303
Net book value	223	60	283
Additions		35	35
Acquisitions		3	3
Amortization		–11	–11
Impairment	–14		–14
Exchange rate differences	–1	–1	–2
At 31 December 2009	208	86	294
Cost	417	198	615
Accumulated amortization and impairment and impairment	–209	–112	–321
Net book value	208	86	294
Additions		18	18
Disposals		–3	–3
Amortization		–10	–10
Impairment		–8	–8
Exchange rate differences	–5	–17	–22
At 31 December 2010	203	66	269
Cost	412	191	603
Accumulated amortization and impairment	–209	–125	–334
Net book value	203	66	269

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

As of end 2010, other intangible assets include costs in the amount of CHF 34 million capitalized in connection with the REACH regulation.

Impairment test for goodwill. Goodwill is allocated to the Group's cash generating units (CGU). Cash generating units consist of business segments in accordance with the Group's segment reporting. The CGUs have been reidentified based on the new segment structure with effect from 1 January 2010 (see Note 1.24). The allocation of goodwill for the year 2009 to the CGUs has also been changed accordingly.

Intangible assets (continued)

Goodwill is allocated to the following CGUs:

CHF mn	31.12.2010	31.12.2009
Industrial & Consumer Specialties	1	1
Masterbatches	45	47
Pigments	11	13
Oil & Mining Services	5	5
Leather Services	141	141
Performance Chemicals ¹	–	1
Net book value	203	208

¹ Performance Chemicals includes all other CGUs namely, Additives, Detergents & Intermediates, Emulsions and Paper Specialties

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. No further growth is assumed beyond this five-year period. The main assumptions used for cash flow projections were EBITDA in percent of sales and sales growth. The assumptions regarding these two variables are based on Management's past experience and future expectations of business performance. The pre-tax discount rates used are based on the Group's weighted average cost of capital adjusted for specific country risks associated with the cash flow projections. The assumed pre-tax discount rate was 11.40 percent for all cash generating units (2009: 10.45 percent).

For all the CGUs it was assumed that they achieve sales growth largely in line with market growth. 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 the CGUs 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 goodwill impairment in 2009 in the amount of CHF 14 million concerned a Korean subsidiary pertaining to the business unit Pigments. This impairment is reported in the line "Restructuring and impairment" in the income statement.

7. Investments in associates

CHF mn	2010	2009
Beginning of the year	273	275
Acquisitions	1	6
Disposals		-4
Share of profit	21	25
Dividends received	-31	-29
Exchange rate differences	-40	-
End of the year	224	273

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

CHF mn	Country of incorporation	Assets	Liabilities	Revenue	Profit/(Loss)	Interest held %
2009						
Infraserv GmbH & Co. Höchst KG	Germany	1 618	1 129	1 754	42	32
Infraserv GmbH & Co. Gendorf KG	Germany	208	118	344	7	50
Infraserv GmbH & Co. Knapsack KG	Germany	196	84	269	20	21
Others		87	19	84	6	
Total		2 109	1 350	2 451	75	
2010						
Infraserv GmbH & Co. Höchst KG	Germany	1 377	978	1 598	10	32
Infraserv GmbH & Co. Gendorf KG	Germany	184	104	315	11	50
Infraserv GmbH & Co. Knapsack KG	Germany	161	64	219	19	21
Others		99	25	113	8	
Total		1 821	1 171	2 245	48	

There were no unrecognized losses in the years 2010 and 2009. No accumulated unrecognized losses existed as at the balance sheet date.

The Infraserv companies were set up by the former Hoechst group to cater to the infrastructure needs of its subsidiaries prior to 1997. The shareholdings in associates summarized under "Other"

concern mainly companies specializing in selling Clariant products. Due to the specialized nature of these companies, there is no active market in which these shareholdings could be traded, hence no fair value is indicated. However, there is no evidence that the recoverable amount would be lower than the carrying amount.

8. Financial assets

CHF mn	2010	2009
Beginning of the year	19	21
Exchange rate differences	-3	-1
Additions	2	23
Impairment		-24
End of the year	18	19

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

Financial assets are denominated in the following currencies:

CHF mn	31.12.2010	31.12.2009
EUR	15	18
CHF	3	1
Total	18	19

The carrying amounts of the above assets are entirely classified as available for sale.

In 2009 a shareholding denominated in US dollar was impaired to nil. The income statement impact amounted to CHF 1 million.

In 2009 a loan in the amount of CHF 23 million was extended to an important supplier of intermediary products in Germany. Due to the financial situation of that company the loan was fully impaired on the inception date. Due to the strictly operating nature of the loan, ensuring the continuing supply of important products, this expense was recorded in "Restructuring and impairment" in operating income and allocated to Corporate.

9. Taxes

CHF mn	2010	2009
Current income taxes	-123	-102
Deferred income taxes	71	29
Total	-52	-73

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

	2010		2009	
	CHF mn	%	CHF mn	%
Income/loss before tax	243		-121	
Expected tax expense/rate¹	-81	33.3	-13	-10.7
Effect of taxes on items not tax-deductible	-88	36.2	-69	-57.1
Effect of utilization and changes in recognition of tax losses and tax credits	98	-40.3	22	18.2
Effect of tax losses and tax credits of current year not recognized	-13	5.4	-23	-19.0
Effect of adjustments to current taxes of prior periods	5	-2.1	2	1.7
Effect of tax exempt income	31	-12.7	10	8.3
Effect of other items	-4	1.6	-2	-1.7
Effective tax expense/rate	-52	21.4	-73	-60.3

¹ Calculated based on the income before tax of each subsidiary (weighted average).

The deviation in the expected tax rate from 2010 to 2009 is explained by the fact that in 2010 a pre-tax profit was reported, whereas in 2009 there was a pre-tax loss. In 2010 a number of companies operating in high-tax countries reported a higher profit as compared to a lower profit or a loss in 2009. In 2011, Clariant expects the expected tax rate to be similar to that of 2010. Operations in Germany, Italy, Brazil, Japan, India and the United States are expected to contribute most importantly to the pre-tax income.

The movement of the net deferred tax balance is as follows:

CHF mn	PPE and intangible assets	Retirement benefit obligations	Tax losses and tax credits	Other accruals and provisions	Total	Thereof offset with deferred tax assets within the same jurisdiction	Total
Deferred tax assets at 1 January 2009	32	55	41	91	219	-152	67
Deferred tax liabilities at 1 January 2009	-221	-1	-	-64	-286	152	-134
Net deferred tax balance at 1 January 2009	-189	54	41	27	-67	-	-67
Charged/credited to income	-	-4	-3	36	29		
Exchange rate differences	-8	1	-2	10	1		
Net deferred tax balance at 31 December 2009	-197	51	36	73	-37		
Deferred tax assets at 31 December 2009	31	52	36	106	225	-150	75
Deferred tax liabilities at 31 December 2009	-228	-1	-	-33	-262	150	-112
Net deferred tax balance at 31 December 2009	-197	51	36	73	-37	-	-37
At 1 January 2010	-197	51	36	73	-37	-	-37
Charged/credited to income	8	4	77	-18	71		
Exchange rate differences	21	-6	-13	-2	-		
Net deferred tax balance at 31 December 2010	-168	49	100	53	34		
Deferred tax assets at 31 December 2010	35	50	100	97	282	-163	119
Deferred tax liabilities at 31 December 2010	-203	-1	-	-44	-248	163	-85
Net deferred tax balance at 31 December 2010	-168	49	100	53	34	-	34

Of the deferred tax assets capitalized on tax losses, CHF 22 million refer to tax losses of the French subsidiaries (2009: CHF 17 million), CHF 16 million to tax losses of the Italian subsidiaries (2009: CHF 8 million) and CHF 26 million to tax losses of the US subsidiaries (2009: CHF 0). 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 390 million at 31 December 2010 (CHF 643 million at 31 December 2009).

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. These unremitted earnings totalled CHF 1 599 million at the end of 2010 (2009: CHF 1 782 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 19.1 percent) and in the United States (with a tax rate of 40.1 percent) and is not deemed to be recoverable before they expire.

Taxes (continued)

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

CHF mn	31.12.2010	31.12.2009
Expiry by: 2010		1
2011	6	53
2012	4	5
2013	1	16
2014	5	
after 2014 (2009: after 2013)	687	1 192
Total	703	1 267
CHF mn	31.12.2010	31.12.2009
Unrecognized tax credits	47	43

The tax credits in the amount of CHF 12 million expire between 2011 and 2014. The remaining tax credits of CHF 35 million expire in and after 2015.

10. Inventories

CHF mn	31.12.2010	31.12.2009
Raw material, consumables, work in progress	329	339
Finished products	471	514
Total	800	853
CHF mn	2010	2009
Movements in write-downs of inventories		
Beginning of the year	65	45
Additions	38	82
Reversals	-60	-61
Exchange rate differences	-5	-1
End of the year	38	65

As at 31 December 2010, inventories in the amount of CHF 15 million were pledged as collateral for liabilities (2009: CHF 18 million).

The cost for raw materials and consumables recognized as an expense and included in "costs of goods sold" amounted to CHF 3 246 million (2009: CHF 3 053 million).

In 2009 the accounting estimates for inventories valued at fair value less costs to sell were reviewed and adapted to the latest market developments. This change in accounting estimate resulted in an additional charge for write-downs in the amount of CHF 23 million.

11. Trade receivables

CHF mn	31.12.2010	31.12.2009
Gross accounts receivable – trade	1 018	1 146
Gross accounts receivable – associates	10	10
Less: provision for impairment of accounts receivable	-43	-54
Total trade receivables – net	985	1 102

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

CHF mn	2010	2009
At 1 January	-54	-48
Charged to the income statement	-18	-27
Amounts used	11	12
Unused amounts reversed	12	10
Exchange rate differences	6	-1
At 31 December	-43	-54

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

CHF mn	31.12.2010	31.12.2009
Trade receivables aged up to six months	-7	-12
Trade receivables aged over six months	-29	-37
Total trade receivables – net	-36	-49

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The Group recognizes the impairment of trade receivables in "Selling, general and administrative costs" in the income statement.

The amount recognized in the books for trade receivables is equal to their fair value.

The maximum credit risk on trade receivables is equal to their fair value. Collaterals are only taken in rare cases (2010: CHF 6 million, 2009: CHF 6 million).

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

CHF mn	31.12.2010	31.12.2009
Currency		
CHF	5	4
EUR	435	474
USD	221	242
JPY	57	58
BRL	58	75
CNY	35	51
INR	22	27
Other	152	171
Total trade receivables – net	985	1 102

As of 31 December 2010, trade receivables in the amount of CHF 83 million (2009: CHF 116 million) were past due, but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

CHF mn	31.12.2010	31.12.2009
Up to three months past due, but not impaired	78	109
Three to six months past due, but not impaired	2	4
More than six months past due, but not impaired	3	3
Total trade receivables – net	83	116

12. Other current assets

Other current assets include the following:

CHF mn	31.12.2010	31.12.2009
Other receivables	192	196
Current financial assets	749	23
Prepaid expenses and accrued income	26	39
Total	967	258

Other receivables include staff loans, advances, advance payments, VAT and sales tax receivables.

Current financial assets include deposits with an original maturity exceeding 90 days, securities and loans to third parties which are classified as held to maturity.

The amount recognized in the books for other current assets is equal to their fair value.

The maximum exposure to credit risk of other current assets at the reporting date is their fair value.

There was no impairment of current financial assets in 2010 and 2009.

Other receivables are denominated in the following currencies:

CHF mn	31.12.2010	31.12.2009
CHF	4	2
EUR	78	101
USD	11	11
JPY	14	12
BRL	24	12
CNY	8	3
INR	8	9
Other	45	46
Total	192	196

Current financial assets are denominated in the following currencies:

CHF mn	31.12.2010	31.12.2009
CHF	644	–
EUR	77	22
Other	28	1
Total	749	23

13. Cash and cash equivalents

CHF mn	31.12.2010	31.12.2009
Cash at bank and on hand	583	752
Short-term bank deposits	133	388
Total	716	1 140

The effective interest rate on short-term bank deposits in Swiss francs was 0.22 percent (2009: 0.27 percent); these deposits have an average maturity of 45 days (2009: 57 days).

The effective interest rate on short-term bank deposits in euro was 0.59 percent (2009: 0.78 percent); these deposits have an average maturity of 79 days (2009: 33 days).

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

The maximum exposure to credit risk on cash and cash equivalents is equal to their book value.

Cash and cash equivalents are denominated in the following currencies:

CHF mn	31.12.2010	31.12.2009
CHF	163	577
EUR	225	279
USD	134	120
JPY	5	12
BRL	15	17
CNY	18	4
INR	41	30
Other	115	101
Total	716	1 140

14. Changes in share capital and treasury shares

Registered shares each with a par value of CHF 4.00 (2009: CHF 4.00)	Number of shares 2010	Par value 2010 CHF mn	Number of shares 2009	Par value 2009 CHF mn
At 1 January	230 160 000	921	230 160 000	921
At 31 December	230 160 000	921	230 160 000	921
Treasury shares	-9 002 210	-36	-4 269 387	-17
Outstanding capital at 31 December	221 157 790	885	225 890 613	904

Treasury shares (number of shares)	2010	2009
Holdings at 1 January	4 269 387	3 826 600
Shares purchased at fair market value	5 320 084	1 867 345
Shares sold at fair market value	-	-550 458
Shares transferred to employees	-587 261	-874 100
Holdings at 31 December	9 002 210	4 269 387

All shares are duly authorized and fully paid in.

Dividends are paid out as and when declared and are paid out equally on all shares, excluding treasury shares.

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. A shareholder can only vote for his own shares and for represented shares, up to a maximum of 10 percent of the total share capital.

At 31 December 2010 the following shareholders held a participation of 3 percent or more of the total share capital: Fidelity Management & Research, Boston (USA) 5.23% (2009: <3%), AXA, Paris (France) 5.09% (2009: <3%), Amundi, Paris (France) 3.07% (2009: <3%), Credit Suisse, Zurich (Switzerland) 3.04% (2009: <3%). No other shareholder was registered as holding 3 percent or more of the total share capital. At 31 December 2009 the following shareholders held a participation of 3 percent or more of the total share capital: BlackRock Inc., New York (USA), 4.11%, JPMorgan Chase & Co., New York (USA) 3.71%, ABN Amro Bank N.V., Amsterdam (NL) 3.34%, Dimensional Fund Advisors, Austin (USA) 3.11%. No other shareholder was registered as holding 3 percent or more of the total share capital.

15. Non-current financial debts

CHF mn	Interest rate in %	Term	Notional amount	Net amount 31.12.2010	Net amount 31.12.2009
Straight bonds	3.125	2007–2012	250 CHF mn	250	250
Straight bonds	4.375	2006–2013	600 EUR mn	736	874
Certificate of indebtedness	mixed	2008–2011	100 EUR mn	125	148
Convertible bond	3.000	2009–2014	300 CHF mn	271	264
Total straight bonds and certificate of indebtedness				1 382	1 536
Liabilities to banks and other financial institutions¹				39	5
Obligations under finance leases				9	12
Subtotal				1 430	1 553
Less: current portion				–125	–
Total				1 305	1 553
The value of the liability part of the convertible bond recognized in the balance sheet is calculated as follows:					
Face value				300	300
Equity component				–31	–31
Liability component on initial recognition on 2 July 2009				269	269
Transaction cost				–5	–7
Interest expense				16	2
Interest paid				–9	–
Liability component on 31 December 2010				271	264
Breakdown by maturity			2011	–	155
			2012	250	251
			2013	775	875
			2014	271	264
			thereafter	9	8
Total				1 305	1 553
Breakdown by currency			CHF	521	514
			EUR	780	1 036
			other	4	3
Total				1 305	1 553
Fair value comparison (including current portion)					
Straight bonds				1 018	1 135
Certificate of indebtedness				125	148
Convertible bond				617	421
Others				47	17
Total				1 807	1 721
Total net book value of assets pledged as collateral for financial debts				40	50
Total collateralized financial debts				13	16

¹ Average interest rate on the interest bearing part of the liabilities in 2010: 8.73 percent (Pakistan, GB and Germany) (2009: 10.34 percent Pakistan only).

At the beginning of July 2009 Clariant placed a CHF 300 million senior unsecured convertible bond maturing in 2014. The conversion price was set at CHF 8.55 per share, which represents a 30 percent premium over the reference price. The coupon was set at 3.00 percent per annum, payable semi-annually in arrears.

Valuation. Non-current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no long-term financial liabilities valued at fair value through profit and loss.

The value of the liability component and the equity component of the convertible bond was determined at the issuance of the bond. The fair value of the liability component, included in the non-current borrowings, was calculated using a market rate of interest for an equivalent bond without conversion rights. The residual amount, representing the value of the equity conversion option, is included in shareholder's equity in share premium reserve.

The fair values for the bonds and convertible bond are quoted market prices as of the balance sheet date. The fair values of the other non-current financial debts, which are equal to their book value, are determined on a discounted cash flow basis.

Covenants. There are no financial covenants as of end of 2010.

Exposure of the Group's borrowings to interest rate changes

- › Bonds: the interest rates of all bonds, including the convertible bond, are fixed.
- › Liabilities to banks and other financial institutions: mostly consisting of syndicated bank loans with variable interest rates (LIBOR plus applicable margin according to a defined pricing grid based on the Group's performance).
- › Other financial debts: mostly current debt at variable interest rates.
- › Certificate of Indebtedness of EUR 100 million, issued in two parts: A part of EUR 20 million with a fixed interest rate of 6.211 percent and a second part of EUR 80 million with a floating interest rate of 2.461 percent (31 December 2009: 2.272 percent).

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

The assets are pledged at the usual market conditions.

16. 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.

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 values. US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.

The following are the most important post-employment plans:

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

The German plan is unfunded and covers the supplementary pension liabilities for plan members whose salaries exceed the level of the German mandatory social security coverage. All other pension liabilities regarding German staff members are covered by a funded multi-employer plan which is accounted for as a defined contribution plan.

The defined benefit obligation in UK is a funded plan covering the pension liabilities of UK employees who joined the company before 31 December 2003. Staff members who joined after this date are covered by a defined contribution plan.

In the US Clariant operates a defined benefit pension plan that is a funded plan covering the pension liabilities of employees who joined the company before 31 December 2000. Staff members who joined after this date are covered by a defined contribution plan. For members of management whose annual salaries exceed the amount of USD 245 000 an additional pension scheme is in place in the form of an unfunded defined benefit obligation, which covers the part exceeding this amount.

In Switzerland Clariant operates a funded defined benefit pension plan that covers the pension liabilities of all employees of the Swiss Clariant companies up to a salary level of CHF 200 000. For members of management whose annual salaries exceed 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:

CHF mn	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2010	2009	2010	2009
Beginning of the year	1 933	1 765	78	80
Current service cost	61	48	2	1
Interest costs on obligation	84	86	4	5
Contributions to plan by employees	13	14		–
Benefits paid out to personnel in reporting period	–104	–86	–4	–4
Actuarial losses/gains of reporting period	112	86	8	–
Past service costs of reporting period	2	–		–
Termination benefits	2	8		–
Effect of curtailments	–	–6		–
Effect of settlements	–5	–	–1	–3
Exchange rate differences	–139	18	–9	–1
End of the year	1 959	1 933	78	78

Changes in the fair value of plan assets:

CHF mn	2010	2009
Beginning of the year	1 461	1 294
Expected return on plan assets	73	68
Contributions to plan by employees	13	14
Contributions to plan by employer	55	47
Benefits paid out to personnel in reporting period	–85	–64
Actuarial gain/loss of the reporting period	32	95
Effect of settlements	–3	–3
Exchange rate differences	–71	10
End of the year	1 475	1 461

The Group expects to contribute CHF 51 million to its defined benefit pension plans in 2011.

As at 31 December 2010 and 2009, the pension plan assets included no registered shares issued by the Company.

Retirement benefit obligations (continued)

The amounts recognized in the balance sheet:

CHF mn	Defined benefit pension plans		Post-employment medical benefits		Total	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Present value of funded obligations	-1 569	-1 534			-1 569	-1 534
Fair value of plan assets	1 475	1 461			1 475	1 461
Deficit	-94	-73	-	-	-94	-73
Present value of unfunded obligations	-390	-399	-78	-78	-468	-477
Unrecognized actuarial losses (gains)	250	211	2	-5	252	206
Unrecognized past service costs (gains)	-	-	-1	-4	-1	-4
Net liabilities in the balance sheet	-234	-261	-77	-87	-311	-348

Thereof recognized in:

CHF mn	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Retirement benefit obligation	-351	-378	-77	-87	-428	-465
Prepaid pension assets	117	117			117	117
Net liabilities in the balance sheet for defined benefit plans	-234	-261	-77	-87	-311	-348

The amounts recognized in the income statement are as follows:

CHF mn	2010	2009	2010	2009	2010	2009
Current service cost	-61	-48	-2	-1	-63	-49
Interest cost	-84	-86	-4	-5	-88	-91
Expected return on plan assets	73	68		-	73	68
Net actuarial losses recognized in the current year	-14	-10		-	-14	-10
Past service costs recognized in the current year		-1	3	3	3	2
Termination benefits	-2	-8		-	-2	-8
Effect of curtailments		3		-	-	3
Effect of settlements	1	-	1	3	2	3
Total expenses	-87	-82	-2	-	-89	-82

CHF mn	2010	2009	2010	2009	2010	2009
Actual return on plan assets	105	163	-	-	105	163

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

CHF mn	31.12.2010	31.12.2009
Defined benefit obligation	-428	-465
Defined contribution obligation	-15	-19
Retirement benefit obligation	-443	-484
Prepaid pension plan asset	117	117
Net retirement benefit obligation recognized	-326	-367

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

	31.12.2010	31.12.2009
	%	%
Equities	31	33
Bonds	34	32
Cash	6	9
Property	16	15
Alternative investments	13	11

The principal actuarial assumptions at balance sheet date in percent:

		2010					2009				
		%					%				
		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		4.0	2.8	5.5	5.4	4.8	4.5	3.3	5.7	6.0	5.3
Expected return on plan assets		4.8	3.8	6.0	7.5	—	5.3	4.5	6.3	7.5	—
Expected inflation rate		1.7	0.5	3.6	3.0	2.0	1.8	0.5	3.6	3.0	2.3
Future salary increases		2.9	2.0	4.9	4.0	2.5	3.0	2.0	4.9	4.0	2.5
Long-term increase in health care costs		8.8	—	—	10.0	—	8.1	—	—	9.0	—
Current average life expectancy for a 65 year old male	in years	17	18	22	18	18	18	18	22	18	18
Current average life expectancy for a 65 year old female	in years	20	21	24	20	22	21	21	24	20	22

Retirement benefit obligations (continued)

The weighted average expected long-term rate of return on plan assets represents the average rate of return expected to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Group considers long-term compound annualized returns of historical market data for each asset category, as well as historical actual returns on the Group's plan assets. Using this reference information, the Group develops for each pension plan a weighted average expected long-term rate of return.

A one percentage point change in health care cost trend rates would have the following effects on the obligation for post-employment medical benefits:

CHF mn	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	-1
Effect on defined benefit obligation	11	-10

Amounts for current and previous periods:

Defined benefit pension plans	2010	2009	2008	2007	2006
CHF mn					
Defined benefit obligation for pension plans, funded and unfunded	-1 959	-1 933	-1 765	-2 012	-2 080
Fair value of plan assets	1 475	1 461	1 294	1 743	1 698
Deficit	-484	-472	-471	-269	-382
Experience adjustments on plan liabilities	8	25	27	-23	3
Experience adjustments on plan assets	32	95	-394	-24	48
Post-employment medical benefits	2010	2009	2008	2007	2006
CHF mn					
Defined benefit obligation for post-employment medical plans	-78	-78	-80	-88	-95
Experience adjustments on plan liabilities	1	-7	-2	-2	-2

Defined contribution post-employment plans. In 2010, CHF 28 million were charged to the income statements of the Group companies as contributions to defined contribution plans (2009: CHF 28 million).

In Germany, approximately 6 900 Clariant employees are insured in a defined benefit plan which is a multi-employer plan and as such is accounted for as a defined contribution plan. The reason for this accounting practice is that the plan exposes the participating Clariant companies to actuarial risks associated with the current and former employees of other companies which are members of the same pension plan. There is no consistent or reliable basis for allocating the obligation, plan assets and cost to individual companies participating in the plan.

Based on the statutory actuarial calculation of 2009, the pension fund's obligations are fully funded. Also for 2010 it is anticipated that the pension plan liabilities are covered by the respective assets.

In case the multi-employer plan faces a situation where the pension plan liabilities exceed the assets, this can be remedied either by increasing the employer's contributions to the pension plan or by reducing the benefits which are paid out to the entitled parties. In the case of a reduction of the benefits it has to be verified whether this triggers the requirement for additional funding by the employer. The decision is at the discretion of the board of the pension fund, which is constituted by representatives

of the companies participating in the multi-employer plan and their employee representatives.

Clariant contributions to this pension plan amounted to CHF 15 million in 2010 (CHF 15 million in 2009).

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.

17. Movements in provisions

CHF mn	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	Total provisions 2010	Total provisions 2009
At 1 January	134	164	184	154	636	528
Additions	6	148	289	91	534	566
Amounts used	-16	-154	-155	-108	-433	-411
Unused amounts reversed		-3	-33	-18	-54	-73
Changes due to the passage of time and changes in discount rates	4	1		3	8	7
Exchange rate differences	-8	-17	-24	-12	-61	19
At 31 December	120	139	261	110	630	636
Of which						
– Current portion	28	105	128	49	310	395
– Non-current portion	92	34	133	61	320	241
Total provision	120	139	261	110	630	636
Expected outflow of resources						
Within one year	28	105	128	49	310	395
Between one and three years	42	23	129	29	223	121
Between three and five years	29	3	4	6	42	48
Over five years	21	8	–	26	55	72
Total provision	120	139	261	110	630	636

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, the United Kingdom, 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.

Movements in provisions (continued)

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 public, a restructuring provision is created. The restructuring provisions newly added in 2010 concern site closures and headcount reductions in various countries with the largest amounts incurred in Switzerland, France, Korea, China, the United States and Spain. For more information regarding the restructuring measures see also Note 24.

Other provisions. Other provisions include provisions for obligations relating to tax and legal cases and other items in various countries for which no invoice has been received at the reporting date 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.

18. Trade payables

CHF mn	31.12.2010	31.12.2009
Trade payables	622	521
Payables to associates	31	38
Accruals	361	303
Other payables	156	162
Total	1 170	1 024

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

19. Current financial debts

CHF mn	31.12.2010	31.12.2009
Banks and other financial institutions	107	132
Obligation to purchase Clariant Ltd shares	8	–
Current portion of non-current financial debts	125	–
Total	240	132

Breakdown by maturity:

CHF mn	31.12.2010	31.12.2009
Up to three months after the balance sheet date	107	101
Three to six months after the balance sheet date	3	15
Six to twelve months after the balance sheet date	130	16
Total	240	132

Current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no current financial liabilities valued at fair value through profit and loss.

The obligation to purchase Clariant Ltd shares arises on written put options that cover 500 000 shares of Clariant Ltd with a strike price of CHF 17.00. A corresponding effect of these options is recognized in shareholders' equity (see Note 1.25).

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.

20. Segment information

Intersegment transactions are entered into under the normal circumstances and terms and condition that would also be available to unrelated third parties.

Segment assets consist of property, plant and equipment, goodwill, 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 taxation, provisions for liabilities and corporate borrowings.

SEGMENTS CHF mn	Industrial & Consumer Specialties		Masterbatches		Pigments	
	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹
Segment sales	1 544	1 464	1 260	1 122	1 191	1 102
Sales to other segments	-18	-39	-	-	-23	-30
Total sales	1 526	1 425	1 260	1 122	1 168	1 072
Operating expenses	-1 325	-1 314	-1 141	-1 051	-974	-1 037
Income from associates	5	4	1	1	8	13
Gain from the disposal of subsidiaries and associates	-	5	-	-1	1	-
Restructuring and impairment	-25	-33	-16	-37	-63	-91
Operating income/loss	181	87	104	34	140	-43
Finance income						
Finance costs						
Income/loss before taxes						
Taxes						
Net income/loss						
Segment assets	719	710	570	627	738	849
Segment liabilities	-154	-109	-88	-92	-79	-77
Net operating assets	565	601	482	535	659	772
Corporate assets without cash						
Corporate liabilities without financial liabilities						
Net debts ⁴						
Total net assets	565	601	482	535	659	772
Thereof:						
Investments in PPE and intangibles for the period	72	46	25	19	26	35
Investments in associates	46	47	2	9	136	165
Operating income/loss	181	87	104	34	140	-43
Add: systematic depreciation of PPE	37	41	29	31	34	35
Add: impairment loss on PPE, goodwill and financial assets	12	1	5	5	30	21
Add: amortization of other intangibles	-	-	2	2	-	-
EBITDA³	230	129	140	72	204	13
Add: restructuring and impairment	25	33	16	37	63	91
Less: impairment loss on PPE, goodwill and financial assets (Reported under restructuring and impairment)	-12	-1	-5	-5	-30	-21
Less: gain from the disposal of subsidiaries and associates	-	-5	-	1	-1	-
EBITDA before restructuring and disposals	243	156	151	105	236	83
Operating income/loss	181	87	104	34	140	-43
Add: restructuring and impairment	25	33	16	37	63	91
Less: gain from the disposal of subsidiaries and associates	-	-5	-	1	-1	-
Operating income before restructuring, impairment and disposals	206	115	120	72	202	48

¹ Restated (see Note 1.24)

² Performance Chemicals includes all other business units namely, Additives, Detergents & Intermediates, Emulsions and Paper Specialties.

³ EBITDA is earnings before interest, tax, depreciation and amortization.

⁴ **Calculation of net debt**
CHF mn

	31.12.2010	31.12.2009
Non-current financial debt	1 305	1 553
Add: current financial debt	240	132
Less: cash and cash equivalents	-716	-1 140
Less: current deposits 90 to 365 days	-703	-
Net debt	126	545

Capital expenditure comprises additions to property, plant and equipment and intangibles.

	Textile Chemicals		Oil & Mining Services		Leather Services		Performance Chemicals ²		Total segments continuing operations		Corporate		Total Group	
	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹	2010	2009 ¹
	823	780	606	579	326	279	1 440	1 390	7 190	6 716	–	–	7 190	6 716
	–2	–3	–2	–1	–	–	–25	–29	–70	–102	–	–	–70	–102
	821	777	604	578	326	279	1 415	1 361	7 120	6 614	–	–	7 120	6 614
	–776	–777	–534	–517	–288	–274	–1 258	–1 299	–6 296	–6 269	–149	–100	–6 445	–6 369
	1	–	2	4	–	–	4	3	21	25	–	–	21	25
	–	–	–	–	–	–	–	4	1	8	–	–	1	8
	–78	–25	–1	–7	–1	–	–15	–17	–199	–210	–132	–88	–331	–298
	–32	–25	71	58	37	5	146	52	647	168	–281	–188	366	–20
													15	10
													–138	–111
													243	–121
													–52	–73
													191	–194
	501	494	195	194	290	306	748	785	3 761	3 965			3 761	3 965
	–66	–75	–50	–44	–25	–29	–118	–89	–580	–515			–580	–515
	435	419	145	150	265	277	630	696	3 181	3 450	–	–	3 181	3 450
											741	987	741	987
											–1 990	–1 996	–1 990	–1 996
											–126	–545	–126	–545
	435	419	145	150	265	277	630	696	3 181	3 450	–1 375	–1 554	1 806	1 896
	20	15	7	2	4	3	47	28	201	148	41	22	242	170
	1	5	11	12	–	–	27	33	223	271	1	2	224	273
	–32	–25	71	58	37	5	146	52	647	168	–281	–188	366	–20
	23	23	4	5	5	5	40	46	172	186	23	28	195	214
	8	–	1	–	–	–	10	6	66	33	9	25	75	58
	–	–	–	–	–	–	–	2	2	4	8	7	10	11
	–1	–2	76	63	42	10	196	106	887	391	–241	–128	646	263
	78	25	1	7	1	–	15	17	199	210	132	88	331	298
	–8	–	–1	–	–	–	–10	–6	–66	–33	–9	–25	–75	–58
	–	–	–	–	–	–	–	–4	–1	–8	–	–	–1	–8
	69	23	76	70	43	10	201	113	1 019	560	–118	–65	901	495
	–32	–25	71	58	37	5	146	52	647	168	–281	–188	366	–20
	78	25	1	7	1	–	15	17	199	210	132	88	331	298
	–	–	–	–	–	–	–	–4	–1	–8	–	–	–1	–8
	46	–	72	65	38	5	161	65	845	370	–149	–100	696	270

Reconciliation segment assets to total assets

CHF mn

	31.12.2010	31.12.2009 ¹
Segment assets	3 761	3 965
Corporate assets without cash	741	987
Cash	716	1 140
Current deposits 90 to 365 days	703	–
Total assets	5 921	6 092

The Group does not have sales in excess of 10 percent of the total sales to any single external customer.

Segment information (continued)

Geographic information	<i>Sales¹</i>		<i>Non-current assets²</i>	
CHF mn				
	2010	2009³	2010	2009³
EMEA	3 529	3 334	1 447	1 713
<i>of which Germany</i>	996	885	741	887
<i>of which Switzerland</i>	110	102	189	222
<i>of which MEA</i>	552	514	49	55
North America	860	792	152	176
<i>of which USA</i>	777	718	146	167
Latin America	1 199	1 138	319	350
<i>of which Brazil</i>	579	527	211	226
Asia / Pacific	1 532	1 350	262	275
<i>of which China</i>	424	361	119	101
<i>of which India</i>	205	196	33	41
Total	7 120	6 614	2 180	2 514

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

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

³ As of 1 January 2010 the structure of the geographic information was adjusted to disclose more transparently the activities in the Group's most important markets. Amounts pertaining to the year 2009 were restated accordingly.

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.

21. Discontinued operations and assets held for sale

During the years 2010 and 2009 there were no discontinued operations.

In 2009 CHF 3 million were paid to Archimica Group Holdings B.V. This amount is disclosed in the cash flow statement of 2009 in the line "Payments for the disposal of discontinued operations."

Assets held for sale in the amount of CHF 11 million as at 31 December 2010 refer to land in India and land in the US pertain-

ing to Corporate. The land in India is sold on 1 February 2011. The sale transaction for the land in the United States is expected to be completed in 2011.

Assets held for sale in the amount of CHF 2 million as at 31 December 2009 pertained to the business of Diketene and Downstream Intermediate Products. This was a part of the business unit Pigments in India, which was sold in 2010.

22. 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 2010 and 2009:

On 4 January 2010 Clariant India sold the business of Diketene and Downstream Intermediate Products at Balkum site pertaining to the business unit Pigments.

On 30 September 2009 Clariant Peru sold its emulsion business. On 15 September 2009 Clariant disposed of the subsidiary Clariant Masterbatches (Korea) Ltd. On 1 September 2009 the industrial

park services in Griesheim in Germany were sold. On 31 August 2009 the activities of Clariant Life Science Molecules (Florida) Inc. in the United States were sold. The emulsion business in Guatemala was sold on 16 April 2009. Clariant India disposed of its flexible laminating adhesives business on 7 March 2009.

The net cash flow of 2010 reported in this Note also includes the remaining proceeds received from the buyer of the industrial park services in Griesheim in Germany, which were sold in 2009.

Net income and cash flow from the disposal of activities	2010	2009
<i>CHF mn</i>		
Consideration for sale received	3	40
Consideration for sale receivable	–	4
Total consideration for sale	3	44
Net assets sold including disposal-related expenses:		
PPE and intangibles	2	23
Inventories	–	8
Trade and other receivables	–	10
Payables and other liabilities	–	–10
Net assets disposed of	2	31
Disposal related costs	–	5
Total net assets sold including disposal-related expenses	2	36
Gain on disposals	1	8
Net cash flow	4	40

23. Business combinations

There were no business combinations in 2010

In 2009 Clariant acquired the activities of XL Performance Chemicals in the United States. Net assets acquired amounted to a fair value of about CHF 3 million and did not result in any cash outflows in 2009. The purchase price depends on the performance achieved and will be paid over five years from 2009. In 2010, less than CHF 1 million was paid for this acquisition.

24. Restructuring and impairment

Restructuring and impairment expenses for the years ended 31 December 2010 and 2009:	2010	2009
CHF mn		
Restructuring expenses	256	240
Payments for restructuring	155	182
Impairment loss	75	58
thereof charged to PPE (see Note 5)	67	20
thereof charged to intangible assets (see Note 6)	8	14
thereof charged to financial assets (see Note 8)	—	24
Total Restructuring and impairment	331	298

In order to increase profitability over a sustained period, Clariant implements far-reaching measures designed to improve the Group's performance. The aim of these efforts is to increase the Group's operating result and reduce net working capital. The changes that are being made to the processes and structures in order to achieve these aims result in a substantial loss of jobs across the Group.

Restructuring: In 2010, Clariant recorded expenses for restructuring in amount of CHF 256 million for projects mainly in Switzerland, France, Korea, China, the United States and Spain, where sites are closed and headcount is being further reduced.

In February 2010, Clariant announced the closure of production facilities in Muttensz, Switzerland, and Thane, India, pertaining to the business units Textile Chemicals, Paper Specialties and Pigments. The closures will lead to a reduction of approximately 500 positions and to restructuring and impairment expenses of up to CHF 150 million. In the year 2010, CHF 104 million were incurred for these closures.

In June 2010, Clariant further announced the closure of its production facilities at Onsan, Korea pertaining to the business unit Pigments. This closure will lead to a reduction of approximately 130 positions and to restructuring and impairment expenses of up to CHF 50 million. In the year 2010, CHF 17 million were incurred on the closure of this facility.

In October 2010, Clariant announced the closure, respectively the relocation of sites and activities mainly in Switzerland, France and the United States. The resulting restructuring and impairment costs will be posted in accordance with IFRS requirements over the period to the finalization of these measures in 2013.

In 2009, the Clariant Group recorded expenses for restructuring in the amount of CHF 240 million mainly pertaining to site closures, headcount reductions and other projects in Germany, France, Spain, UK and Switzerland.

Impairment: Impairment expenses recognized in 2010 and 2009 arose as a result of restructuring measures and the entailing site closures.

25. Finance income and costs

Finance income CHF mn	2010	2009
Interest income	12	7
<i>thereof interest on loans and receivables</i>	7	5
<i>thereof income from financial assets held to maturity</i>	5	2
Other financial income	3	3
Total finance income	15	10

Finance costs CHF mn	2010	2009
Interest expense	-74	-80
<i>thereof effect of discounting of non-current provisions</i>	-8	-7
Other financial expenses	-20	-14
Currency result, net	-44	-17
Total finance costs	-138	-111

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

In 2009 no gains or losses on fair value hedges or cash flow hedges transferred from equity, no ineffective parts of cash flow hedges or hedges of a net investment were recorded in the income statement. In the year 2010 foreign exchange gain of CHF 7 million pertaining to the ineffective part of hedges on net investment were recognized in the income statement (2009: 0).

Interest expense, other than the effect of discounting of non-current provisions, pertains to financial debts measured at amortised costs.

Interest costs capitalized on qualifying assets for 2010 is CHF 1 million (2009: less than CHF 1 million).

Interest income on impaired financial assets amounted to less than CHF 1 million in 2010 (2009: less than CHF 1 million).

26. 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).

	2010	2009
Net income/loss attributable to shareholders of Clariant Ltd (CHF mn)	180	-206
Diluted net income/loss attributable to shareholders of Clariant Ltd (CHF mn)		
Net income/loss attributable to shareholders of Clariant Ltd	180	-206
Impact of assumed conversion of convertible bond on net income	10	
Total	190	-206
Shares		
Holdings on 1 January	225 905 255	226 333 400
Effect of the issuance of share capital and transactions with treasury shares on weighted average number of shares outstanding	-2 360 469	-428 145
Weighted average number of shares outstanding	223 544 786	225 905 255
Adjustment for granted Clariant shares	1 959 325	1 645 807
Adjustment for dilutive share options	383 194	
Adjustment for assumed conversion of the convertible bond, where dilutive	35 087 718	
Weighted average diluted number of shares outstanding	260 975 023	227 551 062
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)	0.81	-0.91
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)	0.73	-0.91

The dilution effect is triggered by various 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 other 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 calculation of dilutive earnings per share for 2010, the convertible bond is assumed to have been converted into ordinary shares at the beginning of the reporting period, and the net income is adjusted for the impact of the assumed conversion.

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year 2009 there is no dilutive effect, because the Group incurred a net loss. Therefore, basic and diluted earnings per share are equal.

No dividends were paid out to shareholders in 2010 and 2009.

27. 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, and other financial instruments to hedge the Group's risk exposure to volatility in interest rates and currencies and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management. It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest-related derivatives.

Foreign exchange management. To manage the exposure to the fluctuations in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk, partially through the use of forward contracts and currency swaps in various currencies. In order to minimize financial expenses, the Group does not hedge the entire exposure.

The following tables show the contract or underlying principal amounts and the respective fair value of financial instruments by type at year-end.

The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk.

Financial instruments CHF mn	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Currency related instruments						
Forward foreign exchange rate contracts	451	203	—	1	—63	—4
Total financial instruments	451	203	—	1	—63	—4

The fair value of these financial instruments is recorded in "Other current assets" in the balance sheet in the case of a positive value or as an accrual in "Trade payables" in the case of a negative value.

Financial instruments with maturities over one year at the balance sheet date are reported under non-current assets or non-current liabilities.

Financial instruments by maturity

CHF mn	31.12.2010	31.12.2009
Currency related instruments		
Forward foreign exchange rate contracts	451	203
Due dates:		
Up to one month after the balance sheet date	8	14
Two to three months after the balance sheet date	15	22
Four to twelve months after the balance sheet date	146	19
One to five years after the balance sheet date	282	148
Total financial instruments	451	203

Financial instruments (continued)

Financial instruments by currency	31.12.2010	31.12.2009
<i>Forward foreign exchange rate contracts</i>		
<i>CHF mn</i>		
USD	43	42
EUR	408	149
BRL	–	2
JPY	–	10
Total financial instruments	451	203

Financial instruments effective for hedge-accounting purposes	31.12.2010	31.12.2009
<i>CHF mn</i>		
Notional amount of hedges of net investments in foreign entities:	188	
Contracts with positive values	–	–
Contracts with negative values	188	–
Borrowings denominated in foreign currencies	–861	–1 023

On 6 April 2006, Clariant issued a bond in the amount of EUR 600 million, denominated in euros (see Note 15). The bond was designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange gain as at 31 December 2010 in the amount of CHF 140 million (2009: CHF 3 million gain) resulting from the translation of the bond into Swiss francs was recognized in the cumulative translation reserves in Shareholders' equity. In 2010, forward contracts in the amount of EUR 150 million and repurchased EUR-bond tranches in the amount of EUR 11 million, were also designated as hedging instruments as a part of the hedge of net investments in 2010. A foreign exchange loss of CHF 24 million (2009: 0) was recognized in the cumulative translation reserves in the shareholders' equity.

On 17 July 2008 Clariant issued a certificate of indebtedness in the amount of EUR 100 million, denominated in euros (see Note 15). The certificate of indebtedness was designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange gain as at 31 December 2010 in the amount of CHF 23 million (2009: CHF less than CHF 1 million gain) resulting from the translation of the Certificate of Indebtedness into Swiss francs was recognized in the cumulative translation reserves in shareholders' equity.

In 2010, the unrealised foreign exchange gain of CHF 7 million pertaining to the ineffective portion of the hedge of net investment has been recognized in the income statement (2009: 0).

In the years 2010 and 2009 Clariant did not engage in any cash flow hedges.

Securitization. For a number of years, Clariant has been using securitization as a means of financing. Trade receivables from certain companies are sold in asset-backed securities (ABS) programs. Clariant retains the credit risk of the trade receivables and the interest rate risk liability incurred. Therefore the trade receivables are not derecognized from the balance sheet until payments from the customers are obtained and a current financial liability is recorded for the amount borrowed under the security of the trade receivables. At the end of 2010 and 2009 there were no securitized trade receivables.

28. Employee participation plans

In 2010, the former Clariant Executive Bonus Plan (CEBP) was replaced with the Group Senior Management – Long Term Incentive Plan (GSM-LTIP). Under this new plan, a certain percentage of the actual bonus is granted to the plan participants in form of the registered shares of Clariant Ltd (investment shares). These shares vest immediately upon grant, but are subject to a three-year blocking period. The plan participants receive an additional share free of cost (matching share) for each investment share held at the end of the blocking period. The CEBP plan established in 2005 continues to exist until all granted shares have vested. Under this plan the granted registered shares of Clariant Ltd become vested and are exercisable after three years. No options are granted under the CEBP.

The options granted under the CESOP established in 1999 entitle the holder to acquire registered shares in Clariant Ltd (one share per option) at a predetermined strike price. They become vested and are exercisable after three years and expire after ten years.

In April 2008, Clariant established a new stock option plan for members of management and the Board of Directors. Options granted under this plan in 2010 and 2008, entitle the holder to acquire registered shares of Clariant Ltd (one share per option) at a predetermined strike price. The plan is set up in a way that Clariant contracted a third party bank to issue tradable options to the plan participants in accordance with the rules of the plan. The plan participants can sell the options back to this bank after they have vested. The bank in return has the right to claim a share from Clariant at the pre-determined strike price for each option that is

sold to it by plan participants. The options become vested and are exercisable after two years and expire after five years. The fair value of the stock options granted in 2010 at grant date was CHF 3.15 determined using a share price of CHF 12.74 and an exercise price of CHF 15.50. The expected volatility was determined at 35.5 percent, based on market assumptions. Assumed dividends range between CHF 0.10 and CHF 0.30 for later periods. The risk-free interest rate was determined at 1.85 percent. The Trinomial Model was used to determine the fair values.

The expense recorded in the income statement spreads the costs of each grant equally over the measurement period of one year and the vesting period of three years for shares and the vesting period of two years for options. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for the vested amounts. As permitted by the transitional rules of IFRS 2, grants of options and shares prior to 7 November 2002 have not been restated.

During 2010, CHF 21 million (2009: CHF 13 million) for equity-settled share based payments and CHF 1 million (2009: less than CHF 1 million) for cash-settled share based payments were charged to the income statement.

As of 31 December 2010 the total carrying value of liabilities arising from share-based payments is CHF 26 million (2009: CHF 17 million). Thereof CHF 24 million (2009: CHF 16 million) was recognized in equity for equity-settled share-based payments and CHF 2 million (2009: CHF 1 million) in non-current liabilities for cash-settled share-based payments.

Options for Board of Directors (non-executive members)¹

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	Number 31.12.2010	Number 31.12.2009
1999	1999	2002	2009	61.80	60.76		–
2000	2000	2003	2010	48.00	47.97	–	6 229
2008	2008	2010	2013	12.50	8.58	260 000	260 000
2010	2010	2012	2015	15.50	12.74	222 400	
Total						482 400	266 229

¹ Past and current members.

Employee participation plans (continued)

Options for senior members of Management and Board of Management¹

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	Number 31.12.2010	Number 31.12.2009
1999	2000	2003	2010	48.00	47.97		106 191
2000	2001	2004	2011	41.80	42.02	7 229	7 229
2001	2002	2005	2012	27.20	26.87	166 354	166 354
2002	2003	2006	2013	14.80	14.88	87 352	87 352
2003	2004	2007	2014	12.00	18.74	49 326	49 326
2003	2004	2007	2014	16.30	18.74	53 479	53 479
2004	2005	2008	2015	19.85	19.85	146 237	146 237
Total						509 977	616 168

Options for members of Management and Board of Management¹

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	Number 31.12.2010	Number 31.12.2009
2008	2008	2010	2013	12.50	8.58	1 102 731	2 257 000
2010	2010	2012	2015	15.50	12.74	2 823 300	
Total						3 926 031	2 257 000

¹ Past and current members.

As per 31 December 2010, the weighted average remaining contractual life of the share options was 3.28 years (2009: 3.2 years).

Shares for Board of Directors (non-executive members)

Base year	Granted	Vesting in	Share price at grant date	Number 31.12.2010	Number 31.12.2009
2007	2007	2010	19.15	—	10 443
2008	2008	2011	9.45	6 615	6 615
Total				6 615	17 058

Shares for members of Management and the Board of Management

Base year	Granted	Vesting in	Share price at grant date	Number 31.12.2010	Number 31.12.2009
2006	2007	2010	19.15		325 844
2007	2008	2011	9.45	318 789	397 365
2008	2009	2012	7.45	738 881	805 540 ¹
2009	2010	2013	12.50	895 040	
Total				1 952 710	1 528 749

¹ Not included are 100 000 shares for the compensation of forfeited contractual entitlements from former employment contracts, granted in 2009, vesting until 2011.

	Weighted average exercise price	Options 2010	Shares 2010	<i>Weighted average exercise price</i>	<i>Options 2009</i>	<i>Shares 2009</i>
Shares / options outstanding at January 1	15.08	3 139 397	1 645 807	19.64	3 682 604	1 110 501
Granted		3 045 700	979 339	–		1 133 531
Exercised / distributed*	14.42	– 1 154 269	– 664 946	7.93	– 132 000	– 587 710
Cancelled / forfeited		– 112 420	– 875		– 411 207	– 10 515
Outstanding at 31 December	15.08	4 918 408	1 959 325	15.08	3 139 397	1 645 807
Exercisable at December 31	6.94	1 872 708		25.52	622 397	
Fair value of shares / options outstanding in CHF		32 197 421	37 109 616		10 732 461	20 111 762

* Options exercised/distributed include 942 269 options (2009: 85 500) pertaining to the 2008 Option plan, which were sold by the plan participants in the market and are currently held by third parties. Total options of this plan sold in the market at 31 December 2010 are 1 227 769 (31 December 2009: 285 500) with a fair value at 31 December 2010 of CHF 9367877 (31 December 2009: CHF 1 107 740).

The fair value of shares granted during 2010 is CHF 12 million (2009: CHF 12 million) calculated based on market value of shares at grant date.

The fair value of options granted in 2010 was CHF 20 million calculated based on the trinomial model. In 2009 no options were granted.

Additionally, in 2009 as a result of contractual changes, 350 000 shares were claimed with immediate effectiveness. In the prior year these shares had been allocated over a five-year period. The corresponding expense was charged to the income statement immediately. The fair value of the shares at the grant date was at CHF 10.33 per share.

29. Personnel expenses

<i>CHF mn</i>	2010	<i>2009</i>
Wages and salaries	– 1 234	– 1 344
Social welfare costs	– 273	– 289
Shares and options granted to directors and employees	– 22	– 14
Pension costs – defined contribution plans	– 28	– 28
Pension costs – defined benefit plans	– 87	– 82
Other post-employment benefits	– 2	–
Total	– 1 646	– 1 757

30. Related party transactions

Clariant maintains business relationships with related parties. One group consists of the associates, 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. In addition to this, Clariant exchanges services and goods with other parties which are associates, i.e. in which Clariant holds a stake of between 20 and 50 percent.

The second group of related parties is key management comprising the Board of Directors and the Board of Management. 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 Board of Management is disclosed in the Statutory Accounts of Clariant Ltd on pages 151 to 154 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 UK and the US. These services comprise mainly administrative and trustee services. The total cost of these services is CHF 1 million (2009: CHF 1 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these is approximately 5 (2009: 6).

Transactions with associates	2010	2009
<i>CHF mn</i>		
Income from the sale of goods to related parties	23	23
Income from the rendering of services to related parties	9	8
Expenses from the purchase of goods to related parties	-51	-46
Expenses from services rendered by related parties	-254	-235
Payables and receivables with associates	31.12.2010	31.12.2009
<i>CHF mn</i>		
Receivables from and loans to related parties	11	10
Payables to related parties	32	38

Transactions with Key Management	2010	2009
<i>CHF mn</i>		
Salaries and other short-term benefits	9	9
Termination benefit	—	7
Post-employment benefits	3	3
Share-based payments ¹	4	6
Total	16	25

¹ Includes one-time grant of shares to compensate for forfeited contractual entitlements from former employment contracts.

There are no outstanding loans by the Group to any members of the Board of Directors or Board of Management.

31. Commitments and contingencies

Leasing commitments. The Group leases various 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.

<i>CHF mn</i>	31.12.2010	31.12.2009
2010	—	47
2011	46	31
2012	29	20
2013	16	17
2014	11	7
2015	9	—
Thereafter	20	19
Total	131	141
Guarantees in favor of third parties	39	44

Expenses for operating leases were CHF 79 million in 2010 (2009: CHF 66 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 200 million (2009: CHF 46 million).

Contingencies. Clariant operates in countries where political, economic, social, legal and regulatory developments can have an impact on the operational activities. The effects of such risks on the company's results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In 2006, Clariant sold its Pharmaceutical Fine Chemicals business to Archimica, a company pertaining to Towerbrook Capital Partners. On 25 October 2007, Archimica Group Holdings B.V. filed a request for arbitration against Clariant at the Zurich Chamber of Commerce, raising various claims under the purchase agreement in an amount of EUR 42 million. In January 2009, the claim was settled with an impact of CHF 9 million on the income statement. This settlement was fully recognized in the books in 2008.

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 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.

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 Group permanently monitors the various sites identified at risk for environmental exposure. Clariant believes that its provisions are adequate based upon currently available information, however given the inherent difficulties in estimating liabilities in this area, there is no guarantee that additional costs will not be incurred.

32. Exchange rates of principal currencies

Rates used to translate the consolidated balance sheets (closing rate):

	31.12.2010	31.12.2009
1 USD	0.94	1.03
1 EUR	1.25	1.49
1 BRL	0.56	0.59
1 CNY	0.14	0.15
100 INR	2.09	2.21
100 JPY	1.15	1.12

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2010	2009
1 USD	1.04	1.09
1 EUR	1.38	1.51
1 BRL	0.59	0.55
1 CNY	0.15	0.16
100 INR	2.28	2.24
100 JPY	1.19	1.16

33. Important subsidiaries

Country	Company name	Participation %	Holding/ Finance /Service	Sales	Production	Research
Argentina	Clariant (Argentina) SA, Lomas de Zamora, Buenos Aires	100.0		■	■	
Australia	Clariant (Australia) Pty. Ltd, Glen Waverley	100.0		■	■	
Austria	Clariant (Österreich) GmbH, Vienna	100.0		■	■	
Bangladesh	Clariant (Bangladesh) Ltd, Dhaka	100.0		■		
Belgium	Clariant Masterbatches Benelux SA, Louvain-La-Neuve	100.0		■	■	
Bermuda	Clariant Reinsurance Ltd, Hamilton	100.0	■			
Brazil	Clariant S.A., São Paulo	100.0		■	■	
	Clariant Administração de Bens Ltda., São Paulo	100.0	■			
British Virgin Islands	Clariant Finance (BVI) Ltd, Tortola	100.0	■			
Canada	Clariant (Canada) Inc., Toronto	100.0		■	■	
Chile	Clariant Colorquímica (Chile) Ltda., Maipú-Santiago de Chile	100.0		■	■	
China	Clariant (China) Ltd, Hong Kong	100.0	■	■	■	
	Clariant (Tianjin) Ltd, Tianjin	94.8		■	■	
	Clariant Chemicals (China) Ltd, Shanghai	100.0		■	■	
	Clariant Chemicals (Guangzhou) Ltd, Guangzhou	100.0		■	■	
	Clariant Masterbatches (Beijing) Ltd, Beijing	100.0		■	■	
	Clariant Masterbatches (Guangzhou) Ltd, Guangzhou	100.0		■	■	
	Clariant Masterbatches (Shanghai) Ltd, Shanghai	100.0		■	■	
	Clariant Pigments (Tianjin) Ltd, Tianjin	60.0		■	■	
	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd, Zhenjiang	100.0			■	
Colombia	Clariant (Colombia) SA, Cota-Cundinamarca	100.0		■	■	
Ecuador	Clariant (Ecuador) S.A., Quito	100.0		■		
Egypt	Arab Swiss Ltd, Cairo	98.9		■		
	Clariant (Egypt) SAE, Cairo	96.7		■	■	
	The Egyptian German Co. for Dyes & Resins SAE, Cairo	100.0		■	■	
El Salvador	Clariant Consulting, S.A. de C.V., San Salvador	100.0		■		
Finland	Clariant Masterbatches (Finland) Oy, Vantaa	100.0		■		
France	Clariant Masterbatches (France), Nanterre	100.0		■	■	
	Clariant Masterbatches Huningue, Nanterre	100.0		■	■	■
	Clariant Production (France), Nanterre	100.0			■	■
	Clariant Services (France), Nanterre	100.0	■			
	Clariant Specialty Fine Chemicals (France), Nanterre	100.0		■	■	■
	K.J. Quinn, Graulhet	100.0		■		
Germany	Clariant Advanced Materials GmbH, Frankfurt-Höchst	100.0		■	■	■
	Clariant Beteiligungs GmbH, Frankfurt-Höchst	100.0	■			
	Clariant Chemie Wiesbaden GmbH, Frankfurt-Höchst	100.0	■			
	Clariant Europa EWIV, Frankfurt-Höchst	100.0	■			
	Clariant Masterbatches (Deutschland) GmbH, Lahnstein	100.0		■	■	■
	Clariant Produkte (Deutschland) GmbH, Frankfurt-Höchst	100.0	■		■	■
	Clariant Vertrieb (Deutschland) GmbH und Co. KG, Frankfurt-Höchst	100.0		■		
	Clariant Verwaltungsgesellschaft mbH, Frankfurt-Höchst	100.0	■			
	Clariant Vierte Chemie GmbH, Frankfurt-Höchst	100.0	■			
	Clariant SE, Frankfurt-Höchst	100.0	■	■		

Country	Company name	Participation %	Holding/ Finance /Service	Sales	Production	Research
Great Britain	Clariant Distribution UK Limited, Yeadon, Leeds	100.0		■		
	Clariant Horsforth Limited, Yeadon, Leeds	100.0	■			
	Clariant Masterbatches UK Ltd, Yeadon, Leeds	100.0		■		
	Clariant Oil Services UK Ltd, Yeadon, Leeds	100.0		■		
	Clariant Production UK Ltd, Yeadon, Leeds	100.0			■	■
	Clariant Services UK Ltd, Yeadon, Leeds	100.0	■			
Greece	Clariant (Hellas) SA, Lykovrisi	100.0		■		
Guatemala	Clariant (Guatemala) SA, Guatemala City	100.0		■	■	
	Clariant Trading (Guatemala) SA, Guatemala City	100.0		■		
Honduras	Clariant Honduras S.A. de C.V., San Pedro Sula	100.0		■	■	
India	Clariant Chemicals (India) Ltd, Thane	63.4		■	■	■
	Chemtreat Composites India Private Limited, Thane	63.4			■	
Indonesia	PT Clariant Indonesia, Tangerang	100.0		■	■	
Ireland	Clariant Masterbatches Ireland Limited, Naas	100.0		■	■	
Italy	Clariant (Italia) S.p.A., Milan	100.0	■			
	Clariant Masterbatches (Italia) S.p.A., Milan	100.0		■	■	■
	Clariant Prodotti (Italia) S.p.A., Milan	100.0			■	
Japan	Clariant (Japan) K.K., Tokyo	100.0		■	■	■
Korea	Clariant (Korea) Ltd, Seoul	100.0		■		
Liechtenstein	Clariant Insurance AG, Vaduz	100.0	■			
Luxembourg	Clariant Finance (Luxembourg) S.A., Luxembourg	100.0	■			
Malaysia	Clariant (Malaysia) Sdn. Bhd., Petaling Jaya	100.0		■		
	Clariant Masterbatches (Malaysia) Sdn Bhd, Petaling Jaya	60.0			■	
Mexico	Clariant (Mexico) S.A. de C.V., Ecatepec de Morelos	100.0		■	■	
	Clariant Productos Químicos S.A. de C.V., Ecatepec de Morelos	100.0	■			
Morocco	Clariant (Maroc) S.A., Casablanca	100.0		■	■	
Netherlands	Clariant Participations (The Netherlands) B.V., Maastricht	100.0	■			
New Zealand	Clariant (New Zealand) Ltd, Albany-Auckland	100.0		■	■	
Norway	Clariant Oil Services Scandinavia AS, Bergen	100.0	■	■		■
Pakistan	Clariant Pakistan Ltd, Karachi-Korangi	75.0		■	■	
Panama	Clariant Trading (Panamá), SA, Panamá	100.0		■		
Peru	Clariant (Perú) SA, Lima	90.8		■	■	
	Inversiones Techito S.A.C., Lima	60.3	■	■		
Philippines	Clariant (Philippines) Corp., Muntinlupa City	100.0		■		
Poland	COLEX Spolka z o.o., Zgierz	88.8		■	■	
Portugal	Nova Clariant Portugal, Unipessoal Lda, Vila Nova de Gaia	100.0	■			
Russia	Clariant (RUS) LLC, Moscow	100.0	■	■		
	Clariant Masterbatches (RUS) LLC, Nizhnnekamsk	100.0		■	■	
Saudi Arabia	Clariant Masterbatches (Saudi Arabia) Ltd, Riyadh	93.0		■	■	
Singapore	Clariant (Singapore) Pte. Ltd, Singapore	100.0		■	■	
Slovakia	Clariant Slovakia s.r.o., Senec	100.0		■		
South Africa	Clariant Southern Africa (Pty) Ltd, Weltevreden Park, Johannesburg	100.0		■	■	

Country	Company name	<i>Participation %</i>	<i>Holding/ Finance /Service</i>	<i>Sales</i>	<i>Production</i>	<i>Research</i>
Spain	Clariant Ibérica Producción S.A., El Prat de Llobregat, Barcelona	100.0			■	■
	Clariant Ibérica Servicios S.L., El Prat de Llobregat, Barcelona	100.0	■			
	Clariant Masterbatch Ibérica S.A., Sant Andreu de la Barca	100.0		■	■	
Sweden	Clariant (Sverige) Holding AB, Gothenburg	100.0	■			
	Clariant Masterbatches Norden AB, Malmö	100.0		■	■	■
Switzerland	Clariant Beteiligungen AG, MuttENZ	100.0	■			
	Clariant ChemieBeteiligungen AG, MuttENZ	100.0	■			
	Clariant Consulting (Middle East) Ltd, MuttENZ	100.0	■			
	Clariant Consulting AG, MuttENZ	100.0	■			
	Clariant International AG, MuttENZ	100.0	■			
	Clariant Oil Services AG, MuttENZ	100.0	■			
	Clariant Produkte (Schweiz) AG, MuttENZ	100.0			■	■
	EBITO ChemieBeteiligungen AG, MuttENZ	100.0	■			
Taiwan	Clariant Chemicals (Taiwan) Co., Ltd, Taipei	100.0		■	■	
Thailand	Clariant (Thailand) Ltd, Bangkok	100.0		■	■	
	Clariant Masterbatches (Thailand) Ltd, Chonburi	100.0		■	■	
Turkey	Clariant (Türkiye) A.S., Istanbul	100.0		■	■	
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	100.0		■		
Uruguay	Clariant (Uruguay) SA, Montevideo	100.0		■		
USA	Clariant Corporation, Charlotte, NC	100.0		■	■	■
Venezuela	Clariant Venezuela S.A., Maracay	100.0		■	■	
Vietnam	Clariant (Vietnam) Ltd, Ho Chi Minh City	100.0		■	■	

34. Events subsequent to the balance sheet date

There are no relevant events after the balance sheet date.

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 82 to 143), for the year ended 31 December 2010.

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 2010 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.

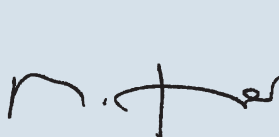
Report on other legal requirements

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.

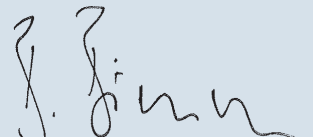
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Dr. Matthias Jeger
Audit expert
Auditor in charge



Bernhard Bichsel
Audit expert

Basel, 11 February 2011

**Consolidated financial statements of Clariant AG (the Guarantor)
and its consolidated subsidiaries as at and for the year ended 31
December 2009**

CONSOLIDATED FINANCIAL STATEMENTS OF THE CLARIANT GROUP
CONSOLIDATED BALANCE SHEETS at December 31, 2009 and 2008

ASSETS		31.12.2009		31.12.2008	
	Notes ¹	CHF mn	%	CHF mn	%
Non-current assets					
Property, plant and equipment	5	1 927		2 010	
Intangible assets	6	294		283	
Investments in associates	7	273		275	
Financial assets	8	19		21	
Prepaid pension assets	16	117		119	
Deferred income tax assets	9	75		67	
Total non-current assets		2 705	44.4	2 775	46.7
Current assets					
Inventories	10	853		1 373	
Trade receivables	11	1 102		1 110	
Other current assets	12	258		300	
Current income tax receivables		32		32	
Cash and cash equivalents	13	1 140		356	
Total current assets		3 385	55.6	3 171	53.3
Non-current assets held for sale	21	2	0.0	–	0.0
Total assets		6 092	100.0	5 946	100.0
EQUITY AND LIABILITIES		31.12.2009		31.12.2008	
	Notes ¹	CHF mn	%	CHF mn	%
Equity					
Share capital	14	921		921	
Treasury shares (par value)	14	– 17		– 15	
Other reserves		472		364	
Retained earnings		468		667	
Total capital and reserves attributable to Clariant shareholders		1 844		1 937	
Non-controlling interests		52		50	
Total equity		1 896	31.1	1 987	33.4
Liabilities					
Non-current liabilities					
Financial debts	15	1 553		1 297	
Deferred income tax liabilities	9	112		134	
Retirement benefit obligations	16	484		478	
Provision for non-current liabilities	17	241		191	
Total non-current liabilities		2 390	39.2	2 100	35.3
Current liabilities					
Trade payables	18	1 024		1 011	
Financial debts	19	132		268	
Current income tax liabilities		255		243	
Provision for current liabilities	17	395		337	
Total current liabilities		1 806	29.7	1 859	31.3
Total liabilities		4 196	68.9	3 959	66.6
Total equity and liabilities		6 092	100.0	5 946	100.0

¹ The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS for the years ended December 31, 2009 and 2008

	Notes ¹	2009		2008	
		CHF mn	%	CHF mn	%
Sales	20	6 614	100.0	8 071	100.0
Costs of goods sold		-4 749		-5 757	
Gross profit		1 865	28.2	2 314	28.7
Marketing and distribution		-1 008		-1 216	
Administration and general overhead costs		-462		-421	
Research and development		-150		-184	
Income from associates	7	25		37	
Gain from the disposal of activities not qualifying as discontinued operations	22	8		20	
Restructuring and impairment		-298		-321	
Operating loss/income		-20	-0.3	229	2.8
Finance income	24	10		17	
Finance costs	24	-111		-155	
Loss/Income before taxes		-121		91	
Taxes	9	-73		-119	
Net loss from continuing operations		-194	-2.9	-28	-0.3
Discontinued operations					
Loss from discontinued operations	21	-		-9	
Net loss		-194	-2.9	-37	-0.5
Attributable to:					
Shareholders of Clariant Ltd		-206		-45	
Non-controlling interests		12		8	
Net loss		-194	-2.9	-37	-0.5
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	25	-0.91		-0.16	
Discontinued operations	25	0.00		-0.04	
Total		-0.91		-0.20	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	25	-0.91		-0.16	
Discontinued operations	25	0.00		-0.04	
Total		-0.91		-0.20	

¹ The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME for the years ended December 31, 2009 and 2008

	Notes ¹	2009 CHF mn	2008 CHF mn
Net loss		-194	-37
Other comprehensive income:			
Net investment hedge	26	3	111
Currency translation differences		72	-400
Effect of the reclassification of foreign exchange difference on net investments in foreign entities		3	-1
Other comprehensive income for the period, net of tax		78	-290
Total comprehensive income for the period		-116	-327
Attributable to:			
Shareholders of Clariant Ltd		-129	-323
Non-controlling interests		13	-4

¹ The Notes form an integral part of the consolidated financial statements.

Changes in fair value of financial assets classified as available for sale amount to less than CHF 1 million in 2009 and 2008.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at December 31, 2009 and 2008

CHF mn			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 December 31, 2007	978	−16	767	−125	642	709	2 313	59	2 372
Total comprehensive income for the period				−278	−278	−45	−323	−4	−327
Dividends to non-controlling interests					−		−	−5	−5
Share capital reduction	−57				−		−57		−57
Employee share & option scheme:									
Effect of employee services					−	10	10		10
Treasury share transactions		1			−	−7	−6		−6
Balance December 31, 2008	921	−15	767	−403	364	667	1 937	50	1 987
Total comprehensive income for the period				77	77	−206	−129	13	−116
Dividends to non-controlling interests					−		−	−11	−11
Equity component of the convertible bond (see Note 15)			31		31		31		31
Employee share & option scheme:									
Effect of employee services					−	13	13		13
Treasury share transactions		−2			−	−6	−8		−8
Balance December 31, 2009	921	−17	798	−326	472	468	1 844	52	1 896

In 2008 Clariant reduced its share capital by CHF 0.25 per share resulting in a pay-out of CHF 57.5 million.

CONSOLIDATED STATEMENTS OF CASH FLOWS for the years ended December 31, 2009 and 2008

	Notes ¹	2009 CHF mn	2008 ² CHF mn
Net loss		-194	-37
Adjustment for:			
Depreciation of property, plant and equipment (PPE)	5	214	244
Impairment and reversal of impairment		58	209
Amortization of intangible assets	6	11	9
Impairment of working capital		99	70
Income from associates	7	-25	-37
Tax expense		73	119
Net financial income and costs		84	85
Gain from the disposal of activities not qualifying as discontinued operations	22	-8	-20
Loss on disposal of discontinued operations	21	-	9
Other non-cash items		5	50
Total reversal of non-cash items		511	738
Dividends received from associates	7	29	34
Interest paid		-72	-98
Interest received		9	15
Income taxes paid		-87	-109
Payments for restructuring ²		-182	-81
Cash flow before changes in working capital and provisions		14	462
Changes in inventories		460	-136
Changes in trade receivables		14	153
Changes in trade payables		-11	-106
Changes in other current assets and liabilities		25	-43
Changes in provisions (excluding payments for restructuring) ²		255	61
Cash flow from operating activities		757	391
Investments in PPE	5	-135	-270
Investments in financial assets and associates		-6	-17
Investments in other intangible assets	6	-35	-21
Changes in current financial assets		6	135
Sale of PPE and intangible assets		19	17
Acquisition of companies, businesses and participations	23	-	-42
Payments for the disposal of discontinued operations	21	-3	-14
Proceeds from the disposal of subsidiaries and associates	22	40	31
Cash flow from investing activities		-114	-181
Reduction of share capital to shareholders of Clariant Ltd		-	-57
Equity component of the convertible bond		31	-
Treasury share transactions		-12	-6
Proceeds from financial debts		419	289
Repayments of financial debts		-287	-552
Dividends paid to non-controlling interests		-11	-5
Cash flow from financing activities		140	-331
Currency translation effect on cash and cash equivalents		1	-32
Net change in cash and cash equivalents		784	-153
Cash and cash equivalents at the beginning of the period	13	356	509
Cash and cash equivalents at the end of the period	13	1 140	356

¹ The Notes form an integral part of the consolidated financial statements.² Reclassified (see Note 1.07)

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.

The Company 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 Swiss Exchange.

The Board of Directors has approved the consolidated financial statements for issue on 11 February 2010. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 29 March 2010.

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 with the following significant accounting policies. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments at fair value through profit or loss).

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions. These affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and circumstances, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under Note 3.

1.03 – INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE IN 2009

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

› IAS 1 (revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). This revised standard requires the presentation in a statement of changes in equity all owner changes in equity. All non-owner changes in equity are required to be presented separately in the statement of comprehensive income. As a result of this revised standard, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented accordingly.

As the new requirements concern disclosures only, they do not impact the Group’s accounting policies.

› IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 Segment Reporting. This standard requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The adoption of this standard does not have any material impact on the Group’s financial accounts. In April 2009, IASB published an amendment to IFRS 8 as a part of its annual improvements project (effective for annual periods beginning on or after 1 January 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The Group has adopted this amendment early.

› IAS 23 (revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). This revised standard requires that all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset be capitalized as part of the costs of that asset. The adoption of the revised IAS 23 did not have any material impact on the Group’s financial statements.

› IFRS 2 (amended), Share-based Payments (effective for accounting periods beginning on or after 1 January 2009) deals with two matters. It clarifies that vesting conditions can be service conditions and performance conditions only. Other features of share-based payments are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

› IFRS 7 (amendment), Financial Instruments – Disclosures (effective for accounting periods beginning on or after 1 January 2009) requires enhanced disclosures about fair value measurement and liquidity risk. The amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

› Annual improvements to IFRS (mostly effective as of 1 January 2009) – As a part of the annual improvement project the IASB issued minor, non-urgent changes to 20 International Financial Reporting Standards in May 2008. These changes did not have any impact on the Group's accounts.

The following new interpretations to existing standards became effective for accounting periods beginning on or after 1 January 2009, but do not have any material impact on the Group's accounts:

- › IFRIC 9, Reassessment of Embedded Derivatives (amended, effective for annual periods ending on or after 30 June 2009);
- › IFRIC 13, Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008);
- › IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- › IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).

1.04 – INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods. The Group has not early adopted them, but they would not have had any material impact on the Groups financial accounts of 2009. These are the following standards and interpretations:

- › IFRS 3 (revised), Business combinations (effective for accounting periods beginning on or after 1 July 2009);
- › IAS 27 (amended), Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);
- › IFRIC 17, Distributions of Non-cash Assets to owners (effective for annual periods beginning on or after 1 July 2009);
- › IFRIC 18, Transfer of Assets from Customers (effective for annual periods beginning on or after 1 July 2009);
- › IFRS 2 (amendments), "Group cash-settled and share-based payment transactions" (effective for annual periods beginning on or after 1 January 2010);
- › IFRIC 14, IAS 19, Limits on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction (effective for annual periods beginning on or after 1 January 2011);
- › IAS 24 (revised), Related Party Disclosures (effective for annual periods beginning on or after 1 January 2010);
- › IFRIC 19, Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after 1 July 2010);
- › IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2013);
- › Annual improvements to IFRS (mostly effective 1 January 2010). As part of the annual improvement project the IASB issued minor, non-urgent changes to 12 International Financial Reporting Standards in April 2009. The Group has early adopted the amendment to IFRS 8 operating segments regarding disclosure of information about segment assets and reports externally also the asset numbers reported for internal purposes. All the other changes are not expected to have any material impact on the Group's accounts.

With the exception of IFRS 8 (amendment), the above mentioned standards and interpretations will be adopted as they become effective.

1.05 – SCOPE OF CONSOLIDATION

› **Subsidiaries:** Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies. These entities are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date the control is terminated.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The costs of an acquisition are measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of the acquisition, irrespective of the extent of a non-controlling interest. The excess of the costs of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the costs of acquisition are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

› **Transactions with non-controlling interests:** The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

› **Investments in associates:** Associates are entities where the Group has between 20 percent and 50 percent of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

All associates use the same set of accounting policies (IFRS) that are applied to the consolidated accounts of 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 by applying uniform presentation and valuation principles.

Intercompany income and expenses, including unrealized gross profits from internal Group transactions and intercompany receivables and payables, are eliminated. The results of non-controlling interests are separately disclosed in the income statement and balance sheet.

1.07 – RECLASSIFICATION

The presentation of the cash flow statement was changed to provide separate information about payments for restructuring in "Cash flow before changes in working capital and provisions". Previously, the payments for restructuring were included in the line "Changes in provisions". The prior year presentation has been reclassified as follows: "Changes in provisions" adjusted from CHF –20 million to CHF 61 million; "Payments for restructuring" of CHF –81 million, the "Cash flow before changes in working capital and provisions" has changed from CHF 543 million down to CHF 462 million. This reclassification had no impact on the balance sheets.

1.08 – REVENUE RECOGNITION

Sales of goods are recognized when the significant risks and rewards of ownership of the assets have been transferred to a third party. They are reported net of sales, taxes and rebates. Provisions for rebates to customers are recognized in the same period in which the related sales are recorded, based on the contract terms.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group. Dividends are recognized when the right to receive payment is established.

1.09 – EXCHANGE RATE DIFFERENCES

› **Functional and presentation currency:** Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the parent.

› **Transactions and balances:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in "other comprehensive income" as qualifying cash flow hedges and net investment hedges. Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses.

› **Group companies:** 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. Exchange rate differences arising on the translation of the net investment in foreign entities and on borrowings and other currency instruments designated as hedges of such investments are taken to "other comprehensive income". Net investments also include loans for which settlement is neither planned nor likely to occur in the foreseeable future. When a foreign entity is sold, such exchange rate differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign entities after 31 March 2004 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.10 – PROPERTY, PLANT AND EQUIPMENT

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

› Buildings	40 years
› Machinery and equipment	16 years
› Furniture, vehicles, computer hardware	5 to 10 years
› Land is not depreciated	

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

1.11 – INTANGIBLE ASSETS

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in the investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

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. These costs 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 that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

1.12 – IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life, and thus are not subject to amortization, are tested annually for impairment. Property, plant and equipment and other non-current assets, including intangible assets with a finite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell or value in use. For the purpose of assessing impairment, assets are allocated to the lowest level in proportion to the actual use of the asset by the respective business, for which there are to a large extent separately identifiable cash flows (cash generating unit).

An impairment loss is recognized as an expense in the income statement and is first allocated to the goodwill associated with the cash generating unit and then to the other assets of the cash generating unit. An impairment loss may be reversed, for assets excluding goodwill, in subsequent periods if and only if there is a change in the estimates used to determine the asset's recoverable amount.

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 initially at fair value and subsequently measured at amortized cost, less impairment. An allowance for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the allowance is recognized in the income statement.

1.15 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on 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

Under IAS 39 derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Depending on the type of the derivative financial instrument, fair value calculation techniques include, but are not limited to, quoted market value, present value of estimated future cash flows (e.g. interest rate swaps) or corresponding exchange rates at the balance sheet date (e.g. forward foreign exchange contracts). The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designated to hedge a specific risk and qualifies for hedge accounting.

On the date a derivative contract is entered into, Clariant designates certain derivatives as either a) a hedge of the fair value of a recognized asset or liability (fair value hedge), b) a hedge of a forecast transaction (cash flow hedge) or firm commitment or c) a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives in fair value hedges that are highly effective are recognized in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Changes in the fair value of derivatives in cash flow hedges are included as a hedging reserve in shareholders' equity. Where the forecast transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously included in equity are included in the initial measurement of the asset or liability. Otherwise, amounts recorded in equity are transferred to the income statement and classified as income or expense in the same period in which the forecast transaction affects the income statement. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Hedges of net investments in foreign entities are accounted for similar to cash flow hedges. Clariant hedges certain net investments in foreign entities with foreign currency borrowings and cross-currency swaps. All foreign exchange gains and losses on the effective portion of the hedge are recognized in "other comprehensive income" and included in cumulative translation differences. Any gains or losses relating to an ineffective portion are recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the income statement when the committed or forecast transaction is ultimately recognized in the income statement. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement.

Certain derivative instruments, while providing effective economic hedges under Clariant policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for cash flow hedge accounting under IAS 39 are recognized immediately in the income statement.

Financial instruments are used in the normal course of the business to reduce risk arising from currency translation and interest rate or price movements. Clariant manages and records centrally its cover of various positions arising from existing assets and liabilities as well as future business transactions. To minimize counterparty risk, Clariant enters into financial instruments only with reputable international banks. The result of using financial instruments in Clariant's risk management program is permanently monitored, checked and communicated to Group management.

1.17 – LEASES

Leases under which the Clariant Group assumes substantially all of the risks and benefits of ownership are classified as finance leases. At the inception of the lease, the leased asset and a lease liability are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. In subsequent periods the leased asset is depreciated on a straight-line basis, like other property, plant and equipment, over the shorter of its estimated useful life or the lease term. The depreciation amount of the asset and the interest amount on the finance lease liability are charged to the income statement.

A lease is classified as an operating lease if the substance of the transaction does not meet any of the requirements of a finance lease. Lease payments under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

1.18 – CURRENT INCOME TAX

The taxable profit (loss) of Group companies, on which the reporting period's income tax payable (recoverable) is calculated using applicable local tax rates and is determined in accordance with the rules established by the taxation authorities of the countries in which they operate. Current income taxes for current and prior periods, to the extent they are unpaid, are recognized as liabilities. In case income taxes already paid in respect of current and prior periods exceed the income tax liability amount of those periods, the exceeding amounts are recognized as assets. Current income tax receivables and current income tax liabilities are offset if there is a legally enforceable right to set off the recognized amounts and if there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

1.19 – DEFERRED INCOME TAX

Deferred income tax is calculated using the comprehensive liability method. This method calculates a deferred tax asset or liability on the temporary differences that arise between the recognition of items in the balance sheets of the Group companies used for tax purposes and the one prepared for consolidation purposes. An exception is that no deferred income tax is calculated for the temporary differences in investments in Group companies and associates, provided that the investor (parent company) is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Furthermore, withholding taxes or other taxes on the eventual distribution of retained earnings of Group companies are only taken into account when a dividend has been planned, since generally the retained earnings are reinvested.

Deferred taxes, calculated using applicable local tax rates, are included in non-current assets and non-current liabilities, with any changes during the year recorded in the income statement. Changes in deferred taxes on items that are recognized in equity are recorded in "other comprehensive income".

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or the tax losses carried forward can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

1.20 – EQUITY COMPENSATION BENEFITS

In 2005 Clariant replaced its two equity compensation plans, the Clariant Executive Stock Option Plan (CESOP) and the Management Stock Incentive Plan (MSIP), by the Clariant Executive Bonus Plan (CEBP). Under this new plan, specific groups of executives and managers are granted a certain number of registered shares in Clariant Ltd. The options and shares granted under the old plans up to February 2005 continued to vest. In 2008 Clariant established a new stock option plan for the members of the management and the Board of Directors. The options granted under this plan entitle the holder to acquire registered shares of Clariant Ltd at a predetermined strike price. The fair value of the employee services received in exchange for the grant of the shares and options is recognized as an expense. The total amount to be expensed over the vesting and measurement periods is determined by reference to the fair value of the shares and options granted. An adjustment is made for dividends not distributed during the vesting period. Non-market vesting conditions are included in assumptions about the number of shares and options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of shares and options expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

1.21 – OBLIGATIONS FOR PENSIONS AND SIMILAR EMPLOYEE BENEFITS

Group companies operate various pension schemes. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For **defined contribution plans**, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recorded in the income statement in the period to which they relate.

For **defined benefit plans**, the amount to be recognized in the provision is determined using the Projected Unit Credit Method. According to this method, each period of employee service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Actuarial valuation techniques that take into consideration the demographic and financial assumptions are used to determine the carrying value of the net post-employment liability. Independent actuaries perform these valuations on a regular basis, at least every three years.

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

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

Termination benefits are provided for in accordance with the legal requirements of certain countries. Termination benefits are payable when the employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value. 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 and 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 due wholly within twelve months after the end of the period in which the employees render the related services. These include long-term compensated absences such as long-service or sabbatical leave and jubilee or other long-service benefits. The accounting policy for other long-term employee benefits is equal to that for post-employment benefits, with the exception that actuarial gains and losses and past service costs are recognized immediately in the income statement.

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

1.22 – PROVISIONS

Provisions are recognized when the Group has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Group created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the balance sheet date. The non-current provisions are discounted if the impact is material.

1.23 – RESEARCH AND DEVELOPMENT

Research and development expenses are capitalized to the extent that the recognition criteria according to IAS 38 are met. The Group considers that regulatory and other uncertainties inherent in the development of key new products preclude it from capitalizing the development costs. At the balance sheet date, no research and development projects met the recognition criteria. Laboratory buildings and equipment included in property, plant and equipment are depreciated over their estimated useful lives. The reason for this practice is the structure of research and development in the industries that Clariant engages in, making it difficult to demonstrate how singular intangible assets will generate probable future economic benefits.

1.24 – 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.

Based on internal management structures the world-wide activities of Clariant are divided into the following four divisions, which are at the same time the reporting segments of the Group:

- › Textile, Leather and Paper Chemicals (TLP)
- › Pigments & Additives (PA)
- › Functional Chemicals (FUN)
- › Masterbatches (MB)

These divisions can be described as follows:

The **Textile, Leather & Paper Chemicals Division** is a supplier of specialty chemicals and dyes for the textile, leather and paper industries. Textile dyes include dispersion, reactive, acid, metal complex and sulfur dyes. The Textile Business encompasses special chemicals for pre-treatment, dyeing, printing and finishing of textiles. Optical brighteners and chemicals for functional treatment are also part of the range. The Leather Business produces chemicals and colorants for tanning, re-tanning, dyeing and finishing. Its offering includes wet-end dyes and auxiliaries, wet-end chemicals and finishing chemicals. The Paper Business supplies paper dyes, optical brighteners and process and pulping chemicals.

The **Pigments & Additives Division** develops and produces colorants for paints and coatings, for plastics and for special applications. The product range includes high-performance pigments, pigment preparations and dyes to meet the specific demands of, for example, the automotive and electronics industries. Printing pigments are supplied to the printing ink industry and increasingly for non-impact printing, ink-jet and laser printing. The core business also includes additives to improve light and weather resistance as well as heat resistant properties in plastics and coatings. Non-halogenated flame retardants are used in protective coatings, resins, thermoplastics and polyester fibres. The division's portfolio also includes high-quality waxes based on various materials.

The **Functional Chemicals Division's** products are based on surfactants and polymers. The Detergents Business, which offers anionic and cationic surfactants, as well as bleach activators, is a partner to the detergent industry. Performance Chemicals supplies such different industries as personal care products, crop protection, paints, lacquers and plastics. The Process Chemicals Business markets products for the production and refining of oil and natural gas and for metal-working, mining and the aerospace and automotive industry.

The **Masterbatches Division** supplies color and additive concentrates and special mixtures of these components used by manufacturers of plastic goods. As a service, customers are supported in dealing with such issues as complex local and international regulations, multi-continent manufacturing, speed-to-market, pricing pressures and the demands of progressively more sophisticated consumers.

Corporate: Income and expenses relating to Corporate include the costs of the Group 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 divisions.

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

After the introduction of IFRS 8, Operating Segments, the composition of the reportable segments did not change compared to the previously reported segment information.

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

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

Inter-segment sales are determined on an arm's length basis.

The segment net operating assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables less operating 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 Group has adopted early the amendment to IFRS 8 in regard of the segment assets. The total assets are not included in the measure of segment assets reviewed by the Executive Committee and are not regularly provided to the Executive Committee.

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).

1.25 – TREASURY SHARES

Treasury shares are deducted from equity at their par value of CHF 4.00 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 – DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.27 – NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

1.28 – 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.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Other reserves comprise the following items:

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

› **Cumulative translation reserve:** The translation reserve comprises 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 foreign exchange differences arising on the translation of financial liabilities denominated in a currency other than the functional currency of the parent company and which are at the same time designated as a hedge of a net investment in a foreign entity, are also reported here.

1.29 – FINANCIAL DEBT

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value, is recognized in the income statement over the period of the financial debt.

Financial debt is classified as a current liability where it is due within twelve months from the balance sheet date. This includes the portion of non-current debt that is due within twelve months. Financial debt is classified as a non-current liability where the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

1.30 – INVESTMENTS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

› **Financial assets at fair value through profit or loss:** This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by the management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

› **Loans and receivables:** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money and goods directly to a debtor with no intention of trading the receivable. They are included in current assets in the balance sheet.

› **Held-to-maturity investments:** These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

› **Available-for-sale financial assets:** These are non-derivatives that are either designated to that category or not classified to any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognized on settlement date, which is the date on which the Group receives or delivers the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized costs using the effective interest rate method. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized costs of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in "other comprehensive income". Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in "other comprehensive income". When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent at arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

1.31 – EMISSION RIGHTS

In 2005 the European Union started a system whereby companies are granted certain amounts of rights to emit carbon dioxide. These rights are initially granted free of charge and can be exchanged with other companies. At present the accounting for such emission rights is not clearly regulated by IFRS. Clariant accounts for these rights as follows:

At the time the Group receives emission rights from the governments, these are recognized as intangible assets at fair value (usually represented by the market price). The difference between the amount paid which is usually nil, since the rights are assigned by the governments free of charge, and the fair value of the emission right, is recognized as a liability.

When the rights are used in operating activities, this is recognized by recording an expense based on the actual emission in the income statement and a liability in the balance sheet. At the same time, the liability recorded on initial recognition of the emission right is released proportionally to the income statement. At the end of the reporting period, the liability recorded as a result of the use of the emission rights and the asset initially recognized for emission rights, are offset against each other. If any emission rights are purchased from third parties, they are recorded at historical costs which is usually the fair value.

The carrying values of emission rights and the corresponding liability are not revalued due to the subsequent fluctuations in the market price.

When emission rights are sold, the respective amount recognized as an intangible asset and the respective amount recognized as a liability in the balance sheet are derecognized. The difference between the sale price obtained in the disposal and the net amount of the intangible asset and the liability derecognized is recorded as an income or an expense in the income statement.

2. ENTERPRISE RISK MANAGEMENT

Clariant's Enterprise Risk Management approach is designed to clarify the level of risk taken and encourage entrepreneurial behavior throughout the Group in order to reduce risks to an acceptable level. The process considers opportunities and threats to the short- and medium-term objectives of Clariant as decided by the Board of Directors.

The objectives of Clariant's Enterprise Risk Management are to ensure coordination and development of Risk Management activities through all decision levels within Clariant, to ensure that as part of the risk assessment all significant risks are communicated to the Executive Committee, the CEO and the Board of Directors, to communicate the process to the Board of Directors via the Audit Committee and to inform, train and motivate Clariant staff.

Risk Management Policy and Guideline are electronically available to Clariant managers worldwide.

Each member of the Executive Committee as well as the heads of Business Units and functions assesses threats and opportunities arising in their areas of responsibility. Each of the above and their direct reports are risk owners responsible for the identified risks and the measures taken. Measures are reviewed at least twice a year for any changes and the assessment of the effectiveness of measures.

Risk assessments as well as measures taken shall be linked to the short- and medium-term objectives for Clariant overall and the objectives of the individual making the assessment.

The risk assessment is made on an annual basis with quarterly updates and interim reporting of issues that arise, or risks that have changed substantially. The process has an initial and an update cycle designed to deliver up-to-date results in time for the preparation of the Annual Report.

Risk management reports are extended regularly to the Audit Committee as well as the CEO and the Executive Committee. A reporting structure is in place to inform the CEO of significant issues or changes.

Once a year, the Audit Committee considers the process, developments, and results of the mitigation measures for identified risks. The Audit Committee then reports to the Board of Directors on the efficacy of the Risk Management process.

2.1 – ENVIRONMENTAL AND PRODUCT RISKS

Aiming to minimize possible risks for the environment, safety and health, the relevant parameters from all the Group's sites are analyzed centrally to reduce the overall risk to an acceptable level. In order to protect itself against risks arising from public and product liability, the Group concludes insurance policies and books provisions. Potential inherited liabilities arising from acquisitions or disposals are limited through contractual agreements whenever possible.

2.2 – LITIGATION

The outcome of litigation in legal matters including tax law, patent law, product liability, competition, or environmental protection cannot always be predicted. For litigation which is not covered by insurance, appropriate provisions are booked.

2.3 – INFORMATION TECHNOLOGY RISKS

Business-critical systems are operated in a central computer center with two physically separated server parks. The Group's global network is managed centrally and its parallel architecture is able to deal with failures or breakdowns. Reliable and permanently updated tools guard against virus attacks. Emergency procedures are practiced regularly.

2.4 – FINANCIAL RISK

Financial risks and their management are described in detail in the following note.

3. FINANCIAL RISK MANAGEMENT

3.1 – FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk, liquidity risk and 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 to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Group Management and the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. Written principles for overall foreign exchange risk, credit risk, 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. 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 forward contracts and FX options, according to the Group's foreign exchange risk policy. Group Treasury is responsible, in close co-ordination with the Group's operating units, for managing the net position in each foreign currency by performing appropriate hedging actions.

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

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

As per December 31, 2009, a bond denominated in euro with a notional amount of EUR 600 million and a certificate of indebtedness denominated in euro with a notional amount of EUR 100 million were designated as hedges of a net investment. As per December 31, 2009 the unrealized foreign exchange gain, resulting from the translation of the bond into Swiss francs, amounted to CHF 3 million (2008: a gain of CHF 100 million) and the gain resulting from the translation of the certificate of indebtedness into Swiss francs amounted to less than CHF 1 million (2008: a gain of CHF 11 million). Both gains were recognized in the cumulative translation reserves in the shareholders' equity.

The purpose of this hedge is to offset part of the foreign exchange risk lying with the Group's European subsidiaries and resulting from movements in the exchange rate euro/Swiss francs.

› **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 observed at December 31, 2009.

At December 31, 2009, if the euro had strengthened/weakened by 8 percent (2008: 8 percent) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 13 million higher/lower (2008: CHF 10 million), mainly as a result of foreign exchange gains/losses on translation of euro-denominated cash and cash equivalents, intragroup financing and trade receivables. Equity would have been CHF 81 million lower/higher (2008: CHF 80 million), arising mainly from foreign exchange gains/losses on translation of the euro-denominated financial liabilities.

At December 31, 2009, if the US dollar had strengthened/weakened by 15 percent (2008: 13 percent) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 32 million higher/lower (2008: CHF 22 million) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated 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 December 31, 2009 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 2009, 100 percent of the net financial debt was at fixed rates (2008: 96 percent).

› **Interest rate risk management:** It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest-related derivatives. Group 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, cash and cash equivalents and the movements of the corresponding interest rates (interest rates comparison between end of 2009 and end of 2008):

At December 31, 2009, if the Swiss franc interest rates on net current financial debt issued at variable interest rates had been 134 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 1.9 million lower/higher (2008: CHF 1.2 million for a Swiss franc interest rate shift of 229 basis points).

At December 31, 2009, if the US dollar interest rates on net current financial debt issued at variable interest rates had been 50 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.2 million lower/higher (2008: CHF 2.9 million for a US dollar interest rate shift of 416 basis points).

Other price risk

With regard to the financial statements as per December 31, 2009 the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

Credit risk

› **Exposures to credit risk:** Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. As per December 31, 2009 and December 31, 2008, the Group had no significant concentration of credit risk regarding customers due to diversity in size of customers, risk categories and geographical distribution.

› **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 limit allocation process.

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfil the settlement terms of a contract. Clariant therefore only cooperates with counterparties or issuers that are at least A-rated. The cumulative exposure to these counterparties is constantly monitored by the Group management, therefore there is no expectation of a material loss due to counterparty risk in the future.

The Group maintains a 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 AA by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

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

Counterparty	Rating	31.12.2009	31.12.2008
Bank A	AA+	11.7%	–
Bank B	A+	21.4%	33.4%
Bank C	A	8.6%	8.0%
Bank D	AA–	–	3.4%

Liquidity risk

› **Liquidity risk management:** Cash flow forecasting is performed in the subsidiaries of the Group and in aggregate by Group Treasury. Group 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 committed and uncommitted borrowing facilities. At all times the Group aims to meet the requirements set by the covenants of any of its borrowing facilities. 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. At December 31, 2009, the Group held money market funds of CHF 388 million (2008: CHF 70 million) but no other liquid assets (2008: 0 CHF).

The table below 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 balance sheet.

As per December 31, 2009	<i>Less than 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Over 5 years</i>
<i>CHF mn</i>				
Borrowings	131	150	1 395	–
Interest on borrowings	61	60	110	–
Finance lease liabilities	3	3	5	16
Trade and other payables	720	–	–	–
Derivative financial instruments	4	–	–	–
Financial guarantees contracts	–	–	–	–

As per December 31, 2008	<i>Less than 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Over 5 years</i>
<i>CHF mn</i>				
Borrowings	265	3	1 266	–
Interest on borrowings	58	58	142	–
Finance lease liabilities	3	4	5	18
Trade and other payables	729	–	–	–
Derivative financial instruments	1	–	–	–
Financial guarantees contracts	23	–	–	–

The Group covers its liabilities out of operational cash flow generated, liquidity reserves in form of cash and cash equivalents including time deposits and money market deposits (December 31, 2009: CHF 1 140 million vs. December 31, 2008: CHF 356 million), non utilized, available asset-backed-security lines (December 31, 2009: CHF 52 million vs. December 31, 2008: CHF 35 million), committed open credit lines (December 31, 2009: CHF 400 million vs. December 31, 2008: CHF 750 million), uncommitted open cash pool limits (December 31, 2009: CHF 209 million vs. December 31, 2008: CHF 210 million), uncommitted net working capital facilities and through the selected issuance of capital market instruments.

In the current economic situation, scenarios are possible which could additionally affect the Group's liquidity temporarily in a negative manner.

3.2 – FAIR VALUE ESTIMATION

Effective as of 1 January 2009, the Group adopted the amendment to IFRS 7. This amendment requires the disclosure of fair value measurements in accordance with the fair value measurement hierarchy for financial instruments that are measured at fair value in the balance sheet:

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

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2009.

CHF mn	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets (see Note 8 and 12)			42	42
Forward foreign exchange rate contracts*		1		1
Total assets	1	42		43
Liabilities				
Forward foreign exchange rate contracts*		–4		–4
Total liabilities	–4			–4

* The fair value of forward foreign exchange rate contracts is determined using forward exchange market rates at the balance sheet date.

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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to 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, less cash and cash equivalents not needed for operating purposes, less net assets held for sale as reported in the consolidated balance sheet.

The Group is not subject to externally imposed capital requirements, except for the covenants as disclosed in Note 15.

Invested capital was as follows on December 31, 2009 and 2008 respectively:

CHF mn	2009	2008
Total equity	1 896	1 987
Total current and non-current financial liabilities	1 685	1 565
Estimated operating lease liabilities	445	492
Less cash and cash equivalents	–1 140	–356
Cash needed for operating purposes	132	161
Invested capital	3 018	3 849

At the end of 2009, 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 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 accounting policy stated above in Notes 1.11 and 1.12. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. In the same procedure, the recoverable value of property, plant and equipment is also assessed according to the same rules. 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 17 and 30).

4.3 – INCOME AND OTHER TAXES

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Some subsidiaries operate in a way that leads to tax losses, which can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the case that a tax loss is deemed to be recoverable, the capitalization of a deferred tax asset for such tax losses is then decided. The time horizon for such a calculation is in line with the mid-term planning scope of the Group.

4.4 – ESTIMATES FOR THE ACCOUNTING FOR EMPLOYEE BENEFITS

IAS 19, Employee Benefits requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, long-term increase in health care costs, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the Group's retirement benefit obligation and pension plan assets (see Note 16).

5. PROPERTY, PLANT AND EQUIPMENT

CHF mn	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	Total	Insured value at December 31
At January 1, 2008							
Cost	570	2 429	4 789	494	151	8 433	
Accumulated depreciation and impairment	-178	-1 687	-3 728	-423	-16	-6 032	
Net book value	392	742	1 061	71	135	2 401	
Additions		25	83	15	147	270	
Acquisitions			3			3	
Reclassifications	1	57	127	7	-192	-	
Disposals	-3	-9	-6	-1	-1	-20	
Depreciation		-58	-164	-22		-244	
Impairment		-49	-67			-116	
Reversal of impairment			2			2	
Exchange rate differences	-46	-101	-111	-7	-21	-286	
At December 31, 2008	344	607	928	63	68	2 010	
Cost	497	2 169	4 253	436	84	7 439	
Accumulated depreciation and impairment	-153	-1 562	-3 325	-373	-16	-5 429	
Net book value	344	607	928	63	68	2 010	8 491
Additions		22	46	7	60	135	
Change in the scope of consolidation			1			1	
Reclassifications		25	94	7	-126	-	
Reclassified to held for sale			-2			-2	
Disposals	-7	-10	-19	-1	-2	-39	
Depreciation		-51	-143	-20		-214	
Impairment		-5	-14	-1		-20	
Exchange rate differences	3	31	16	2	4	56	
At December 31, 2009	340	619	907	57	4	1 927	
Cost	493	2 189	3 925	403	20	7 030	
Accumulated depreciation and impairment	-153	-1 570	-3 018	-346	-16	-5 103	
Net book value	340	619	907	57	4	1 927	7 491

The net assets of the CGU Textile were tested for impairment in 2009. For the impairment testing procedure, the planning assumptions were critically reviewed. The estimated recoverable amount of the CGU Textile on a value in use basis exceeds its carrying amount. The recoverable amount would be equal to the carrying amount if the assumed annual sales growth rate were reduced by 1.62 percent, or alternatively, if the operating margin were reduced by 1.40 percent of sales.

If the assumed annual growth rate were reduced by one percentage point, the recoverable amount would exceed the carrying amount of the CGU's net assets by CHF 58 million. If raw material costs were

assumed to be one percentage point of sales higher, the recoverable amount of the net assets would exceed the carrying amount by CHF 47 million. In 2008, the net assets of Textile were already revalued for impairment in the amount of CHF 85 million. This impairment is reported in the line "Restructuring and impairment" in the income statement.

Impairments recognized in 2009 arose as a result of the restructuring measures and the entailing site closures.

As at December 31, 2009, commitments for the purchase of PPE totalled CHF 34 million (2008: CHF 46 million).

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land, buildings, furniture and machinery and equipment include the following amounts where the Group is a lessee under a finance lease:

CHF mn	31.12.2009	31.12.2008
Cost – capitalized finance leases	24	24
Accumulated depreciation	– 11	– 9
Net book value	13	15

Finance lease liability – minimum lease payments:

CHF mn	31.12.2009	31.12.2008
No later than one year	3	3
Later than one year but not later than five years	8	9
Later than five years	16	18
Total minimum lease payments	27	30
Future finance charge on finance leases	– 13	– 14
Present value of finance lease liabilities	14	16

The present value of finance lease liabilities is as follows:

CHF mn	31.12.2009	31.12.2008
No later than one year	2	2
Later than one year but not later than five years	5	7
Later than five years	7	7
Total minimum lease payments	14	16

The corresponding liability related to finance lease contracts is disclosed in Note 15.

6. INTANGIBLE ASSETS

CHF mn	Goodwill	Other	Total
At January 1, 2008			
Cost	406	146	552
Accumulated amortization and impairment	-100	-113	-213
Net book value	306	33	339
Additions		21	21
Acquisitions	19	17	36
Disposals		-2	-2
Reclassified	-1	1	-
Amortization		-9	-9
Impairment	-95		-95
Exchange rate differences	-6	-1	-7
At December 31, 2008	223	60	283
Cost	418	168	586
Accumulated amortization and impairment and impairment	-195	-108	-303
Net book value	223	60	283
Additions		35	35
Acquisitions		3	3
Amortization		-11	-11
Impairment	-14		-14
Exchange rate differences	-1	-1	-2
At December 31, 2009	208	86	294
Cost	417	198	615
Accumulated amortization and impairment	-209	-112	-321
Net book value	208	86	294

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

Impairment test for goodwill. Goodwill is allocated to the Group's cash generating units (CGU). Cash generating units consist of either business segments in accordance with the Group's segment reporting or, in the case where independent cash flows can be identified, of parts of the respective business units.

INTANGIBLE ASSETS (CONTINUED)

Goodwill is allocated to the following CGUs:

CHF mn	31.12.2009	31.12.2008
Textile	–	–
Leather	141	141
Pigments & Additives	13	27
Masterbatches	47	48
Functional Chemicals	7	7
Net book value	208	223

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a four-year period. No further growth is assumed beyond this four-year period. The main assumptions used for cash flow projections were EBITDA in percent of sales and sales growth. The assumptions regarding these two variables are based on Management's past experience and future expectations of business performance. The pre-tax discount rates used are based on the Group's weighted average cost of capital adjusted for specific country risks associated with the cash flow projections. The assumed pre-tax discount rate was 10.45 percent for all cash generating units (2008: 10.8 percent).

The major part of goodwill is the amount of CHF 141 million (2008: CHF 141 million) remaining from the BTP acquisition in 2000. This goodwill is allocated to the CGU Leather. The estimated recoverable amount of the CGU on a value in use basis exceeds its carrying amount including goodwill. The recoverable amount would be equal to the carrying amount if the assumed annual sales growth rate were reduced by 0.63 percent, or alternatively, if the operating margin were reduced by 0.71 percent of sales.

If the assumed annual growth rate were reduced by one percentage point the carrying amount would exceed the recoverable amount of the CGU's net assets by CHF 16 million and if it were reduced by two percentage points, the carrying amount would exceed the recoverable amount of the CGU's net assets by CHF 49 million. If the raw material costs were assumed to be one percentage point of sales higher, the carrying amount of the net assets would exceed the recoverable amount by CHF 9 million and if it were higher by two percentage points, the carrying amount of the net assets would exceed the recoverable amount by CHF 44 million. In 2006 and in 2008, the goodwill of Leather was already revalued for impairment in the amount of CHF 100 million and CHF 90 million respectively.

The CGU Pigments & Additives holds goodwill in the amount of CHF 13 million, the CGU Masterbatches holds goodwill in the amount of CHF 47 million and the CGU Functional Chemicals holds goodwill in the amount of CHF 7 million. For all these CGUs it was assumed that they would achieve sales growth in line with market growth. 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 goodwill impairment in 2009 in the amount of CHF 14 million concerned a Korean subsidiary pertaining to the division Pigments & Additives.

7. INVESTMENTS IN ASSOCIATES

CHF mn	2009	2008
Beginning of the year	275	294
Acquisitions	6	12
Disposals	-4	-3
Share of profit	25	37
Dividends received	-29	-34
Exchange rate differences	-	-31
End of the year	273	275

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

CHF mn	Country of incorporation	Assets	Liabilities	Revenue	Profit/(Loss)	Interest held %
2008						
Infraserv GmbH & Co. Höchst KG	Germany	1 460	936	1 665	47	32
Infraserv GmbH & Co. Gendorf KG	Germany	236	140	445	9	50
Infraserv GmbH & Co. Knapsack KG	Germany	199	89	309	23	21
Others		107	39	167	11	
Total		2 002	1 204	2 586	90	
2009						
Infraserv GmbH & Co. Höchst KG	Germany	1 618	1 129	1 754	42	32
Infraserv GmbH & Co. Gendorf KG	Germany	208	118	344	7	50
Infraserv GmbH & Co. Knapsack KG	Germany	196	84	269	20	21
Others		87	19	84	6	
Total		2 109	1 350	2 451	75	

There were no unrecognized losses in the years 2009 and 2008. No accumulated unrecognized losses existed as at the balance sheet date.

The Infraserv companies were set up by the former Hoechst Group to cater to the infrastructure needs of its subsidiaries prior to 1997. The shareholdings in associates summarized under "Other" concern mainly companies specializing in selling Clariant products. Due to the specialized nature of these companies, there is no active market in which these shareholdings could be traded, hence no fair value is indicated. However, there is no evidence that the recoverable amount would be lower than the carrying amount.

8. FINANCIAL ASSETS

CHF mn	2009	2008
Beginning of the year	21	17
Exchange rate differences	-1	-1
Additions	23	5
Impairment	-24	-
End of the year	19	21

Financial assets include a number of small scale participations in companies, mostly in Germany.

Financial assets are denominated in the following currencies:

CHF mn	31.12.2009	31.12.2008
EUR	18	19
USD	-	1
CHF	1	1
Total	19	21

The carrying amounts of the above assets are entirely classified as available for sale.

In 2009 a shareholding denominated in US dollar was impaired to nil. The income statement impact amounted to CHF 1 million.

In 2009 a loan in the amount of CHF 23 million was extended to an important supplier of intermediary products in Germany. Due to the financial situation of that company the loan was fully impaired on the inception date. Due to the strict operating nature of the loan, ensuring the continuing supply of important products, this expense was recorded in Restructuring and impairment in operating income and allocated to Corporate.

The maximum exposure to credit risk of financial assets at the reporting date is their fair value.

9. TAXES

CHF mn	2009	2008
Current income taxes	-102	-113
Deferred income taxes	29	-6
Total	-73	-119

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

	2009		2008	
	CHF mn	%	CHF mn	%
Loss/income before tax	-121		91	
Expected tax expense/rate¹	-13	-10.7	-86	94.5
Effect of taxes on items not tax-deductible	-69	-57.1	-39	42.9
Effect of utilization and changes in recognition of tax losses and tax credits	22	18.2	22	-24.1
Effect of tax losses and tax credits of current year not recognized	-23	-19.0	-60	65.9
Effect of adjustments to current taxes of prior periods	2	1.7	3	-3.3
Effect of tax exempt income	10	8.3	38	-41.8
Effect of other items	-2	-1.7	3	-3.3
Effective tax expense/rate	-73	-60.3	-119	130.8

¹ Calculated based on the income before tax of each subsidiary (weighted average).

The deviation in the expected tax rate from 2009 to 2008 is explained by the fact that in 2009 a pre-tax loss was reported, whereas in 2008 there was a pre-tax profit. In 2009 a number of companies operating in high-tax countries reported a taxable profit. As a result a tax expense was to be expected, even though a consolidated pre-tax loss was recorded.

The movement of the net deferred tax balance is as follows:

CHF mn	PPE and intangible assets	Retirement benefit obligations	Tax losses and tax credits	Other accruals and provisions	Total	Thereof offset with deferred tax assets within the same jurisdiction	Total
Deferred tax assets at January 1, 2008	41	57	82	53	233	-120	113
Deferred tax liabilities at January 1, 2008	-264	-2	-	-33	-299	120	-179
Net deferred tax balance at January 1, 2008	-223	55	82	20	-66	-	-66
Charged/credited to income	14	5	-37	12	-6		
Effect of acquisitions	-2	-	-	1	-1		
Currency differences	22	-6	-4	-6	6		
Net deferred tax balance at December 31, 2008	-189	54	41	27	-67		
Deferred tax assets at December 31, 2008	32	55	41	91	219	-152	67
Deferred tax liabilities at December 31, 2008	-221	-1	-	-64	-286	152	-134
Net deferred tax balance at December 31, 2008	-189	54	41	27	-67	-	-67
At January 1, 2009	-189	54	41	27	-67	-	-67
Charged/credited to income	-	-4	-3	36	29		
Currency differences	-8	1	-2	10	1		
Net deferred tax balance at December 31, 2009	-197	51	36	73	-37		
Deferred tax assets at December 31, 2009	31	52	36	106	225	-150	75
Deferred tax liabilities at December 31, 2009	-228	-1	-	-33	-262	150	-112
Net deferred tax balance at December 31, 2009	-197	51	36	73	-37	-	-37

Of the deferred tax assets capitalized on tax losses, CHF 17 million refer to tax losses of the French subsidiaries (2008: CHF 18 million), CHF 8 million to tax losses of the Italian subsidiaries (2008: CHF 7 million) and CHF 2 million to tax losses of the German subsidiaries (2008: CHF 0). Clariant considers it 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 643 million at December 31, 2009 (CHF 223 million at December 31, 2008).

Deferred income tax liabilities have not been established for the withholding tax and for other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently considered as permanently reinvested. These unremitted earnings totalled CHF 1 782 million at the end of 2009 (2008: CHF 1 839 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 14.9 percent) and in the United States (with a tax rate of 40.1 percent) and is not deemed to be recoverable before they expire.

TAXES (CONTINUED)

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

CHF mn	31.12.2009	31.12.2008
Expiry by:		
2009	–	520
2010	1	6
2011	53	60
2012	5	7
2013	16	–
after 2013 (2008: after 2012)	1 192	1 333
Total	1 267	1 926
CHF mn	31.12.2009	31.12.2008
Unrecognized tax credits	43	60

The tax credits expire between 2010 and 2014.

10. INVENTORIES

CHF mn	31.12.2009	31.12.2008
Raw material, consumables, work in progress	339	527
Finished products	514	846
Total	853	1 373
CHF mn	2009	2008
Movements in write-downs of inventories		
Beginning of the year	45	47
Additions	82	48
Reversals	–61	–44
Exchange rate differences	–1	–6
End of the year	65	45

As at December 31, 2009, inventories in the amount of CHF 18 million were pledged as collateral for liabilities (2008: CHF 18 million).

The cost for raw materials and consumables recognized as an expense and included in "Costs of goods sold" amounted to CHF 3 053 million (2008: CHF 3 905 million).

In 2009 the accounting estimates for inventories valued at fair value less costs to sell were reviewed and adapted to the latest market developments. This change in accounting estimate resulted in an additional charge for write-downs in the amount of CHF 23 million.

11. TRADE RECEIVABLES

CHF mn	31.12.2009	31.12.2008
Gross accounts receivable – trade	1 146	1 153
Gross accounts receivable – associates	10	5
Less: provision for impairment of accounts receivable	–54	–48
Total trade receivables – net	1 102	1 110

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

CHF mn	2009	2008
At January 1	–48	–49
Charged to the income statement	–27	–30
Amounts used	12	15
Unused amounts reversed	10	8
Exchange rate differences	–1	8
At December 31	–54	–48

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

CHF mn	31.12.2009	31.12.2008
Trade receivables aged up to six months	–12	–9
Trade receivables aged over six months	–37	–30
Total trade receivables – net	–49	–39

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 impairment of trade receivables in "Marketing and distribution" in the income statement.

The amount recognized in the books 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 taken in rare cases (2009: CHF 6 million, 2008: CHF 6 million).

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

CHF mn	31.12.2009	31.12.2008
Currency		
EUR	474	482
USD	242	245
GBP	18	18
JPY	58	74
CHF	4	4
Other	306	287
Total trade receivables – net	1 102	1 110

As of December 31, 2009, trade receivables in the amount of CHF 116 million (2008: CHF 171 million) were past due, but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

CHF mn	31.12.2009	31.12.2008
Up to three months past due, but not impaired	109	160
Three to six months past due, but not impaired	4	9
More than six months past due, but not impaired	3	2
Total trade receivables – net	116	171

12. OTHER CURRENT ASSETS

Other current assets include the following:

CHF mn	31.12.2009	31.12.2008
Other receivables	196	229
Current financial assets	23	29
Prepaid expenses and accrued income	39	42
Total	258	300

Other receivables include staff loans, advances, advance payments, VAT and sales tax receivables.

Current financial assets include deposits with an original maturity exceeding 90 days, securities and loans to third parties and are classified as available for sale.

The amount recognized in the books for other current assets is equal to their fair value.

The maximum exposure to credit risk of other current assets at the reporting date is their fair value.

There was no impairment of current financial assets in 2009 and 2008.

Other receivables are denominated in the following currencies:

CHF mn	31.12.2009	31.12.2008
Currency		
EUR	101	122
USD	11	6
GBP	4	3
JPY	12	17
CHF	2	7
Other	66	74
Total	196	229

Current financial assets are denominated in the following currencies:

CHF mn	31.12.2009	31.12.2008
EUR	22	28
Other	1	1
Total	23	29

13. CASH AND CASH EQUIVALENTS

CHF mn	31.12.2009	31.12.2008
Cash at bank and on hand	752	286
Short-term bank deposits	388	70
Total	1 140	356

The effective interest rate on short-term bank deposits in Swiss francs was 0.27 percent (2008: 2.44 percent); these deposits have an average maturity of 57 days (2008: 58 days).

The effective interest rate on short-term bank deposits in euro was 0.78 percent (2008: 4.51 percent); these deposits have an average maturity of 33 days (2008: 13 days).

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

The maximum exposure to credit risk on cash and cash equivalents is equal to their book value.

14. CHANGES IN SHARE CAPITAL AND TREASURY SHARES

Registered shares each with a par value of CHF 4.00 (2008: CHF 4.00)	Number of shares 2009	Par value 2009	Number of shares 2008	Par value 2008
		CHF mn		CHF mn
At January 1	230 160 000	921	230 160 000	978
At December 31	230 160 000	921	230 160 000	921
Treasury shares	-4 269 387	-17	-3 826 600	-15
Outstanding capital at December 31	225 890 613	904	226 333 400	906

Treasury shares (number of shares)	2009	2008
Holdings at January 1	3 826 600	3 792 691
Shares purchased at fair market value	1 867 345	686 000
Shares sold at fair market value	-550 458	-105 009
Shares transferred to employees	-874 100	-547 082
Holdings at December 31	4 269 387	3 826 600

All shares are duly authorized and fully paid in.

Dividends are paid out as and when declared and are paid out equally on all shares, including treasury shares.

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. A shareholder can only vote for his own shares and for represented shares, up to a maximum of 10 percent of the total share capital.

At December 31, 2009 the following shareholders held a participation of 3 percent or more of the total share capital: BlackRock Inc., New York (USA), 4.11 percent (2008: <3 percent), JPMorgan Chase & Co., New York (USA) 3.71 percent (2008: <3 percent), ABN Amro Bank N.V., Amsterdam (NL), 3.34 percent (2008: <3 percent), Dimensional Fund Advisors, Austin (USA), 3.11 percent (2008: <3 percent). Bestinver Gestión S.A., Madrid (ES) held a participation of less than 3 percent (2008: 4.97 percent). No other shareholder is registered as holding more than 3 percent of the total share capital.

15. NON-CURRENT FINANCIAL DEBTS

CHF mn	Interest rate in %	Term	Notional amount	Net amount 31.12.2009	Net amount 31.12.2008
Straight bond	3.125	2007–2012	250 CHF mn	250	250
Straight bond	4.375	2006–2013	600 EUR mn	874	878
Certificate of indebtedness	mixed	2008–2011	100 EUR mn	148	149
Convertible bond	3.000	2009–2014	300 CHF mn	264	
Total bonds and certificate of indebtedness				1 536	1 277
Liabilities to banks and other financial institutions¹				5	6
Obligations under finance leases				12	14
Subtotal				1 553	1 297
Less: current portion				–	–
Total				1 553	1 297
The value of the liability part of the convertible bond recognised in the balance sheet is calculated as follows:					
Face value				300	–
Equity component				–31	–
Liability component on initial recognition on 2 July 2009				269	–
Transaction cost				–7	–
Interest expense				2	–
Interest paid				–	–
Liability component on 31 December 2009				264	–
Breakdown by maturity			2010	–	1
			2011	155	154
			2012	251	250
			2013	875	878
			2014	264	–
			thereafter	8	14
Total				1 553	1 297
Breakdown by currency			CHF	514	250
			EUR	1 036	1 041
			other	3	6
Total				1 553	1 297
Fair value comparison (including current portion)					
Straight bonds				1 135	934
Certificate of indebtedness				148	149
Convertible bond				421	–
Others				17	20
Total				1 721	1 103
Total net book value of assets pledged as collateral for financial debts				50	41
Total collateralized financial debts				16	21

¹ Average interest rate in 2009: 10.34% (Pakistan, GB and Germany) (2008: 15.0% Pakistan only).

NON-CURRENT FINANCIAL DEBTS (CONTINUED)

At the beginning of July 2009 Clariant placed a CHF 300 million senior unsecured convertible bond maturing in 2014. The conversion price was set at CHF 8.55 per share, which represents a 30 percent premium over the reference price. The coupon was set at 3.00 percent per annum, payable semi-annually in arrears.

Valuation. Non-current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no long-term financial liabilities valued at fair value through profit and loss.

The value of the liability component and the equity component of the convertible bond was determined at the issuance of the bond. The fair value of the liability component, included in the non-current borrowings, was calculated using a market rate of interest for an equivalent bond without conversion rights. The residual amount, representing the value of the equity conversion option, is included in shareholder's equity in share premium reserve.

The fair values for the bonds and convertible bond are quoted market prices as of the balance sheet date. The fair values of the other non-current financial debts, which are equal to their book value, are determined on a discounted cash flow basis.

Covenants. Clariant Ltd is borrowing and guaranteeing all obligations under one syndicated bank facility. The facility ranks *pari passu* with all other unsubordinated third-party debt.

The facility contains customary covenants that restrict the sale of assets, mergers, lines, sale-leaseback transactions and acquisitions, and requires the Group to maintain specified interest and debt cover ratios. These ratios are tested at the end of each financial quarter-year. The facility does not affect the ability of the Group to utilize its accounts receivable securitization program. The Group is in compliance with all covenants.

Exposure of the Group's borrowings to interest rate changes

- › Bonds: the interest rates of all bonds, including the convertible bond, are fixed.
- › Liabilities to banks and other financial institutions: mostly consisting of syndicated bank loans with variable interest rates (LIBOR plus applicable margin according to a defined pricing grid based on the Group's performance).
- › Other financial debts: mostly current debt at variable interest rates.

- › Certificate of indebtedness of EUR 100 million, issued in two parts: A part of EUR 20 million with a fixed interest rate of 6.211 percent and a second part of EUR 80 million with a floating interest rate of 2.272 percent (December 31, 2008: 6.485 percent).

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

The assets are pledged at the usual market conditions.

16. 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.

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 values. US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to June 30, 1997.

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:

CHF mn	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2009	2008	2009	2008
Beginning of the year	1 765	2 012	80	88
Change in the scope of consolidation	–	–7	–	–
Current service cost	48	59	1	2
Interest costs on obligation	86	91	5	5
Contributions to plan by employees	14	14	–	–
Benefits paid out to personnel in reporting period	–86	–76	–4	–3
Actuarial losses / gains of reporting period	86	–124	–	–5
Termination benefits	8	–	–	–
Effect of curtailments	–6	–	–	–
Effect of settlements	–	5	–3	–
Exchange rate differences	18	–209	–1	–7
End of the year	1 933	1 765	78	80

Changes in the fair value of plan assets:

CHF mn	2009	2008
Beginning of the year	1 294	1 743
Expected return on plan assets	68	91
Contributions to plan by employees	14	14
Contributions to plan by employer	47	52
Benefits paid out to personnel in reporting period	–64	–54
Actuarial gain / loss of the reporting period	95	–394
Effect of settlements	–3	9
Exchange rate differences	10	–167
End of the year	1 461	1 294

The Group expects to contribute CHF 48 million to its defined benefit pension plans in 2010.

As at December 31, 2009 and 2008, the pension plan assets included no registered shares issued by the Company.

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The amounts recognized in the balance sheet:

CHF mn	Defined benefit pension plans		Post-employment medical benefits		Total	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Present value of funded obligations	-1 534	-1 413			-1 534	-1 413
Fair value of plan assets	1 461	1 294			1 461	1 294
Deficit/surplus	-73	-119	-	-	-73	-119
Present value of unfunded obligations	-399	-352	-78	-80	-477	-432
Unrecognized actuarial losses (gains)	211	225	-5	-5	206	220
Unrecognized past service costs (gains)	-	-	-4	-7	-4	-7
Limitation on recognition of assets	-	-	-	-	-	-
Net liabilities in the balance sheet	-261	-246	-87	-92	-348	-338

Thereof recognized in:

CHF mn	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Retirement benefit obligation	-378	-365	-87	-92	-465	-457
Prepaid pension assets	117	119			117	119
Net liabilities in the balance sheet for defined benefit plans	-261	-246	-87	-92	-348	-338

The amounts recognized in the income statement are as follows:

CHF mn	2009	2008	2009	2008	2009	2008
Current service cost	-48	-59	-1	-2	-49	-61
Interest cost	-86	-91	-5	-5	-91	-96
Expected return on plan assets	68	91	-	-	68	91
Net actuarial losses recognized in the current year	-10	-2	-	-	-10	-2
Past service costs recognized in the current year	-1	-	3	3	2	3
Termination benefits	-8	-	-	-	-8	-
Effect of curtailments	3	1	-	-	3	1
Effect of settlements	-	-	3	-	3	-
Limitation on recognition of assets	-	-10	-	-	-	-10
Total expenses	-82	-70	-	-4	-82	-74

CHF mn	2009	2008	2009	2008	2009	2008
Actual return on plan assets	163	-303	-	-	163	-303

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

CHF mn	31.12.2009	31.12.2008
Defined benefit obligation	-465	-457
Defined contribution obligation	-19	-21
Retirement benefit obligation	-484	-478
Prepaid pension plan asset	117	119
Net retirement benefit obligation recognized	-367	-359

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

	31.12.2009	31.12.2008
	%	%
Equities	33	28
Bonds	32	42
Cash	9	5
Property	15	16
Alternative investments	11	9

Principal actuarial assumptions at the balance sheet date in percent weighted average:

	2009	2008
	%	%
Discount rate	4.5	4.9
Expected return on plan assets	5.3	5.2
Expected inflation rate	1.8	2.1
Future salary increases	3.0	2.9
Long-term increase in health care costs	8.1	8.8
Current average life expectancy for a 65 year old male	in years 18	18
Current average life expectancy for a 65 year old female	in years 21	22

The weighted average expected long-term rate of return on plan assets represents the average rate of return expected to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Group considers long-term compound annualized returns of historical market data for each asset category, as well as historical actual returns on the Group's plan assets. Using this reference information, the Group develops for each pension plan a weighted average expected long-term rate of return.

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

A one percentage point change in health care cost trend rates would have the following effects on the obligation for post-employment medical benefits:

CHF mn	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	-1
Effect on defined benefit obligation	8	-6

Amounts for current and previous periods:

Defined benefit pension plans	2009	2008	2007	2006
CHF mn				
Defined benefit obligation for pension plans, funded and unfunded	-1 933	-1 765	-2 012	-2 080
Fair value of plan assets	1 461	1 294	1 743	1 698
Deficit	-472	-471	-269	-382
Experience adjustments on plan liabilities	25	27	-23	3
Experience adjustments on plan assets	95	-394	-24	48
Post-employment medical benefits	2009	2008	2007	2006
CHF mn				
Defined benefit obligation for post-employment medical plans	-78	-80	-88	-95
Experience adjustments on plan liabilities	-7	-2	-2	-2

Defined contribution post-employment plans. In 2009, CHF 28 million were charged to the income statements of the Group companies as contributions to defined contribution plans (2008: CHF 33 million).

In Germany, approximately 6 600 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 2008, the pension fund's obligations are fully funded. Also for 2009 it is anticipated that the pension plan liabilities are covered by the respective assets.

In case the multi-employer plan faces a situation where the pension plan liabilities exceed the assets, this can be remedied either by increasing the employer's contributions to the pension plan or by reducing the benefits which are paid out to the entitled parties. In the case of a reduction of the benefits it has to be verified whether this triggers the requirement for additional funding by the employer. The decision is at the discretion of the board of the pension fund, which is constituted by representatives of the companies participating in the multi-employer plan and their employee representatives.

Clariant contributions to this pension plan amounted to CHF 15 million in 2009 (CHF 17 million in 2008).

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.

17. MOVEMENTS IN PROVISIONS

CHF mn	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	Total provisions 2009	Total provisions 2008
At January 1	124	121	135	148	528	659
Additions	11	187	271	97	566	475
Effect of acquisitions					–	3
Effect of disposals					–	–1
Reclassifications	13	–	–9	–4	–	–
Amounts used	–19	–124	–182	–86	–411	–459
Unused amounts reversed		–24	–33	–16	–73	–76
Changes due to the passage of time and changes in discount rates	3	1	–	3	7	8
Exchange rate differences	2	3	2	12	19	–81
At December 31	134	164	184	154	636	528
Of which						
– Current portion	37	117	166	75	395	337
– Non-current portion	97	47	18	79	241	191
Total provision	134	164	184	154	636	528
Expected outflow of resources						
Within one year	37	117	166	75	395	337
Between one and three years	46	33	13	29	121	66
Between three and five years	32	5	5	6	48	53
Over five years	19	9	–	44	72	72
Total provision	134	164	184	154	636	528

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, the United Kingdom, 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.

MOVEMENTS IN PROVISIONS (CONTINUED)

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. The restructuring provisions newly added in 2009 concern site closures and headcount reductions in various countries with the largest amounts incurred in Germany, France, Spain, UK and Switzerland.

Other provisions. Other provisions include provisions for obligations relating to tax and legal cases and other items in various countries for which no invoice has been received at the reporting date 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.

18. TRADE PAYABLES

CHF mn	31.12.2009	31.12.2008
Trade payables	521	518
Payables to associates	38	42
Accruals	303	282
Other payables	162	169
Total	1 024	1 011

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

19. CURRENT FINANCIAL DEBTS

CHF mn	31.12.2009	31.12.2008
Banks and other financial institutions	132	268
Total	132	268

Breakdown by maturity:

CHF mn	31.12.2009	31.12.2008
Up to three months after the balance sheet date	101	138
Three to six months after the balance sheet date	15	91
Six to twelve months after the balance sheet date	16	39
Total	132	268

Current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no current financial liabilities valued at fair value through profit and loss.

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.

20. SEGMENT INFORMATION

Intersegment transactions are entered into under the normal circumstances and terms and condition that would also be available to unrelated third parties.

Segment assets consist of property, plant and equipment, goodwill, 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 taxation, provisions for liabilities and corporate borrowings.

SEGMENTS CHF mn	Textile, Leather & Paper Chemicals (TLP)		Pigments & Additives (PA)	
	2009	2008	2009	2008
Segment sales	1 652	2 025	1 502	2 004
Sales to other segments	-4	-5	-43	-56
Total sales	1 648	2 020	1 459	1 948
Operating expenses	-1 604	-1 933	-1 419	-1 757
Income from associates			18	25
Gain from the disposal of subsidiaries and associates	4	3		17
Restructuring and impairment	-28	-221	-108	-35
Operating loss/income	20	-131	-50	198
Finance income				
Finance costs				
Loss/income before taxes				
Taxes				
Net loss from continuing operations				
Discontinued operations:				
Loss from discontinued operations				
Net loss				
Operating assets	1 179	1 346	1 344	1 582
Operating liabilities	-142	-109	-106	-116
Net operating assets	1 037	1 237	1 238	1 466
Corporate assets without cash				
Corporate liabilities without financial liabilities				
Net debts ²				
Total net assets	1 037	1 237	1 238	1 466
Thereof:				
Investments in PPE and intangibles for the period	28	51	51	85
Investments in associates	5	2	194	136
Operating loss/income	20	-131	-50	198
Add: systematic depreciation of PPE	48	65	66	75
Add: impairment loss on PPE, goodwill and financial assets	2	183	26	12
Add: amortization of other intangibles			1	2
EBITDA¹	70	117	43	287
Add: restructuring and impairment	28	221	108	35
Less: impairment loss on PPE, goodwill and financial assets (reported under restructuring and impairment)	-2	-183	-26	-12
Less: gain from the disposal of subsidiaries and associates	-4	-3	-	-17
EBITDA before restructuring and disposals	92	152	125	293
Operating loss/income	20	-131	-50	198
Add: restructuring and impairment	28	221	108	35
Less: gain from the disposal of subsidiaries and associates	-4	-3	-	-17
Operating income before restructuring, impairment and disposals	44	87	58	216

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

² Calculation of net debt	31.12.2009	31.12.2008
CHF mn		
Non-current financial debt	1 553	1 297
Add: current financial debt	132	268
Less: cash and cash equivalents	-1 140	-356
Less: current deposits 90 to 365 days	-	-
Net debt	545	1 209

Capital expenditure comprises additions to property, plant and equipment and intangibles.

	Master-batches (MB)		Functional Chemicals (FUN)		Total segments continuing operations		Corporate		Total Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	1 122	1 279	2 440	2 881	6 716	8 189	–	–	6 716	8 189
	–	–1	–55	–56	–102	–118	–	–	–102	–118
	1 122	1 278	2 385	2 825	6 614	8 071	–	–	6 614	8 071
	–1 048	–1 191	–2 175	–2 584	–6 246	–7 465	–123	–113	–6 369	–7 578
	–	2	7	8	25	35		2	25	37
	–1	1	4		7	21	1	–1	8	20
	–36	–14	–38	–13	–210	–283	–88	–38	–298	–321
	37	76	183	236	190	379	–210	–150	–20	229
									10	17
									–111	–155
									–121	91
									–73	–119
									–194	–28
									–	–9
									–194	–37
	638	656	1 225	1 370	4 386	4 954			4 386	4 954
	–92	–74	–175	–163	–515	–462			–515	–462
	546	582	1 050	1 207	3 871	4 492	–	–	3 871	4 492
							566	636	566	636
							–1 996	–1 932	–1 996	–1 932
							–545	–1 209	–545	–1 209
	546	582	1 050	1 207	3 871	4 492	–1 975	–2 505	1 896	1 987
	19	49	64	95	162	280	8	11	170	291
	9	8	63	127	271	273	2	2	273	275
	37	76	183	236	190	379	–210	–150	–20	229
	29	32	65	66	208	238	6	6	214	244
	5	2	1	2	34	199	24	10	58	209
	2	1	1	1	4	4	7	5	11	9
	73	111	250	305	436	820	–173	–129	263	691
	36	14	38	13	210	283	88	38	298	321
	–5	–2	–1	–2	–34	–199	–24	–10	–58	–209
	1	–1	–4	–	–7	–21	–1	1	–8	–20
	105	122	283	316	605	883	–110	–100	495	783
	37	76	183	236	190	379	–210	–150	–20	229
	36	14	38	13	210	283	88	38	298	321
	1	–1	–4	–	–7	–21	–1	1	–8	–20
	74	89	217	249	393	641	–123	–111	270	530

Reconciliation operating assets to total assets

CHF mn

	31.12.2009	31.12.2008
Operating assets	4 386	4 954
Corporate assets without cash	566	636
Cash	1 140	356
Total assets	6 092	5 946

The Group does not have sales in excess of 10 percent of the total sales to any single external customer.

SEGMENT INFORMATION (CONTINUED)

Geographic information	<i>Sales¹</i>		<i>Non-current assets²</i>	
<i>CHF mn</i>				
	2009	2008	2009	2008
Continuing operations				
Europe	2 936	3 861	1 683	1 763
<i>thereof in Germany</i>	885	1202	887	948
<i>thereof in Switzerland</i>	102	141	222	110
The Americas	1 930	2 255	526	511
<i>thereof in the US</i>	718	900	167	202
<i>thereof in Brazil</i>	527	583	226	176
Asia / Africa / Australia	1 748	1 955	305	314
<i>thereof in China</i>	361	366	101	94
Total continuing operations	6 614	8 071	2 514	2 588

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.

21. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

During the years 2009 and 2008 there were no discontinued operations. The loss from discontinued operations in the amount of CHF 9 million in the income statement of 2008 pertains to the settlement of a claim from Archimica Group Holdings B.V. for which detailed information is provided in Note 30 "Commitments and contingencies".

In 2009 CHF 3 million was paid to Archimica Group Holdings B.V. In 2008 an amount of CHF 14 million was paid in relation to the sale of the Custom Manufacturing business which was provided for completely in 2007. These amounts are disclosed in the cash flow statement in the line "Payments for/Proceeds from the disposal of discontinued operation".

Assets held for sale in the amount of CHF 2 million as at December 31, 2009 pertain to the business of Diketene and downstream intermediate products. This is a part of the Pigments & Additives division in India, which is expected to be sold in 2010.

**22. 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 2009 and 2008:

On September 30, 2009 Clariant Peru sold its emulsion business. On September 15, 2009 Clariant disposed of the subsidiary Clariant Masterbatches (Korea) Ltd. On September 1, 2009 the industrial park services in Griesheim in Germany were sold. On August 31,

2009 the activities of Clariant Life Science Molecules (Florida) Inc. in the United States were sold. The emulsion business in Guatemala was sold on April 16, 2009. Clariant India disposed of its flexible laminating adhesives business on March 7, 2009.

On December 28, 2008, Clariant sold the subsidiary Dick Peters B.V., Netherlands. On June 30, 2008 Clariant sold the subsidiary Technische Services Gersthofen, GmbH, Germany.

The net cash flow reported in this note also includes the proceeds from the liquidation of a minor subsidiary.

Net income and cash flow from the disposal of activities	2009	2008
<i>CHF mn</i>		
Consideration for sale received	40	30
Consideration for sale receivable	4	–
Total consideration for sale	44	30
Net assets sold including disposal-related expenses:		
PPE and Intangibles	23	5
Inventories	8	7
Trade and other receivables	10	9
Cash and cash equivalents	–	1
Payables and other liabilities	–10	–16
Net assets disposed off	31	6
Disposal related costs	5	4
Total net assets sold including disposal-related expenses	36	10
Gain on disposals	8	20
Net cash flow	40	31

23. BUSINESS COMBINATIONS

In 2009 Clariant acquired the activities of XL Performance Chemicals in the United States. Net assets acquired amounted to a fair value of about CHF 3 million and did not result in any immediate cash outflows. The purchase price depends on the performance achieved and will be paid over the next five years.

Rite Systems Inc., Ricon Colors Inc. On July 1, 2008, Clariant acquired 100 percent of the shares of the combined US companies Rite Systems Inc. and Ricon Colors Inc., leading US Masterbatch suppliers for the amount of CHF 39 million. The acquired business

contributed sales of CHF 18 million and net profit of CHF 1 million to the Group for the period from July 1, 2008 to December 31, 2008. If the acquisition had occurred on January 1, 2008, Group sales would have increased additionally by CHF 27 million and net income would have increased additionally by CHF 2 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustment to intangibles had applied from January 1, 2008, together with the consequential tax effects. Acquisition related costs amounted to CHF 0.3 million.

Details of net assets acquired and goodwill are as follows:

Purchase consideration

CHF mn

Cash paid	39
Total purchase consideration	39
Fair value of net assets acquired	-20
Goodwill	19

The goodwill recognized on the acquisition is justified due to the expected synergies from the transaction and the assembled workforce.

The assets and liabilities as of July 1, 2008 arising from the acquisition are as follows:

Purchase consideration

CHF mn

	Pre-acquisition	Fair value adjustments	Recognized carrying amounts
Property, plant and equipment	2	1	3
Intangibles	–	17	17
Inventories	4	–	4
Trade receivables (gross)	6	–	6
Trade payables	–5	–1	–6
Provisions	–2	–1	–3
Deferred tax liabilities	–	–1	–1
Net assets acquired	5	15	20
Purchase consideration settled in cash			39
Cash flow on acquisition			39
Cash outflow for Toschem and Masterandino in 2008			3
Total cash flow on acquisition			42

24. FINANCE INCOME AND COSTS

Finance income	2009	2008
<i>CHF mn</i>		
Interest income	7	14
<i>thereof interest on loans and receivables</i>	5	12
<i>thereof income from financial assets held to maturity</i>	2	1
Other financial income	3	3
<i>thereof gains on the valuation of fair value hedges</i>	0	0
Total finance income	10	17
Finance costs	2009	2008
<i>CHF mn</i>		
Interest expense	-80	-85
<i>thereof effect of discounting of non-current provisions</i>	-7	-8
Other financial expenses	-14	-17
Currency result, net	-17	-53
Total finance costs	-111	-155

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

In 2009 and 2008, no gains or losses on fair value hedges or cash flow hedges transferred from equity, no ineffective parts of cash flow hedges or hedges of a net investment were recorded in the income statement.

Interest costs capitalized on qualifying assets for 2009 is less than CHF 1 million.

Interest income on impaired financial assets amounted to less than CHF 1 million in 2009 (2008: CHF 0).

25. 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).

	2009	2008
Net loss attributable to shareholders of Clariant Ltd (CHF mn)		
Continuing operations	-206	-36
Discontinued operations	-	-9
Total	-206	-45
Diluted net loss attributable to shareholders of Clariant Ltd (CHF mn)		
Continuing operations	-206	-36
Discontinued operations	-	-9
Total	-206	-45
Shares		
Holdings on January 1	226 333 400	226 367 309
Effect of the issuance of share capital and transactions with treasury shares on weighted average number of shares outstanding	-428 145	165 427
Weighted average number of shares outstanding	225 905 255	226 532 736
Adjustment for granted Clariant shares	1 645 807	1 110 501
Weighted average diluted number of shares outstanding	227 551 062	227 643 237
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	-0.91	-0.16
Discontinued operations	0.00	-0.04
Total	-0.91	-0.20
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	-0.91	-0.16
Discontinued operations	0.00	-0.04
Total	-0.91	-0.20

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 January 1 of the respective period. The other 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 January 1 of the same period. The third dilution effect arises from the convertible bond issued in 2009. If the outstanding convertible bond is to be converted then this would lead to a reduction in interest expense and an increase in the number of shares, which may have a net dilutive effect on the earnings per share.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years 2009 and 2008 there is no dilutive effect, because the Group incurred a net loss. Therefore, basic and diluted earnings per share are equal.

No dividends have been paid out to shareholders in 2009 and 2008.

26. 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, and other financial instruments to hedge the Group's risk exposure to volatility in interest rates and currencies and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management. It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest-related derivatives.

Foreign exchange management. To manage the exposure to the fluctuations in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk, partially through the use of forward contracts and currency swaps in various currencies. In order to minimize financial expenses, the Group does not hedge the entire exposure.

The following tables show the contract or underlying principal amounts and the respective fair value of financial instruments by type at year-end.

The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk.

Financial instruments <i>CHF mn</i>	<i>Contract or underlying principal amount</i>		<i>Positive fair values</i>		<i>Negative fair values</i>	
	31.12.2009	<i>31.12.2008</i>	31.12.2009	<i>31.12.2008</i>	31.12.2009	<i>31.12.2008</i>
Currency related instruments						
Forward foreign exchange rate contracts	203	93	1	2	-4	-1
Total financial instruments	203	93	1	2	-4	-1

The fair value of these financial instruments is recorded in "Other current assets" in the balance sheet in the case of a positive value or as an accrual in "Trade payables" in the case of a negative value.

Financial instruments by maturity

<i>CHF mn</i>	31.12.2009	<i>31.12.2008</i>
Currency related instruments		
Forward foreign exchange rate contracts	203	93
Due dates:		
Up to one month after the balance sheet date	14	14
Two to three months after the balance sheet date	22	22
Four to twelve months after the balance sheet date	19	57
One to five years after the balance sheet date	148	-
Total financial instruments	203	93

FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by currency	31.12.2009	31.12.2008
<i>Forward foreign exchange rate contracts</i>		
<i>CHF mn</i>		
USD	42	39
EUR	149	45
BRL	2	–
JPY	10	9
Total financial instruments	203	93
Financial instruments effective for hedge-accounting purposes	31.12.2009	31.12.2008
<i>CHF mn</i>		
Fair value of hedges of net investments in foreign entities:		
Contracts with positive fair values	–	–
Contracts with negative fair values	–	–
Borrowings denominated in foreign currencies	–1 023	–1 027

On April 6, 2006, Clariant issued a bond in the amount of EUR 600 million, denominated in euros (see Note 15). The bond was designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange gain as at December 31, 2009 in the amount of CHF 3 million (2008: CHF 100 million gain), resulting from the translation of the bond into Swiss francs, was recognized in the cumulative translation reserves in Shareholders' equity.

On July 17, 2008 Clariant issued a Certificate of indebtedness in the amount of EUR 100 million, denominated in euros (see Note 15). The certificate of indebtedness was designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange gain as at December 31, 2009 in the amount of less than CHF 1 million (2008: CHF 11 million gain), resulting from the translation of the certificate of indebtedness into Swiss francs, was recognized in the cumulative translation reserves in shareholders' equity.

Volumes of securitization of trade receivables	31.12.2009	31.12.2008
<i>CHF mn</i>		
Trade receivables denominated in US dollars	–	50
Total	–	50
Related liability in the balance sheet denominated in US dollars	–	50
Total	–	50

Securitization. For a number of years, Clariant has been using securitization as a means of financing. Trade receivables from certain companies are sold in asset-backed securities (ABS) programs. Clariant retains the credit risk of the trade receivables and the interest rate risk liability incurred. Therefore the trade receivables are not derecognized from the balance sheet until payments from the customers are obtained and a current financial liability is recorded for the amount borrowed under the security of the trade receivables. At the end of 2009 there were no securitized trade receivables.

27. EMPLOYEE PARTICIPATION PLANS

Clariant maintains an incentive plan called the Clariant Executive Bonus Plan (CEBP).

The number of shares to be granted under CEBP depends both on the performance of the Group and the performance of the Division/Function in which incentive plan members work.

The granted registered shares of Clariant Ltd become vested and are exercisable after three years. No options are granted under the CEBP.

The options granted under the former CESOP entitle the holder to acquire registered shares in Clariant Ltd. (one share per option) at a predetermined strike price. They become vested and are exercisable after three years and expire after ten years.

In April 2008, Clariant established a new stock option plan for members of management and the Board of Directors. The options granted under this plan entitle the holder to acquire registered shares of Clariant Ltd (one share per option) at a predetermined strike price. Alternatively, the options can be sold at the Swiss Exchange. They become vested and are exercisable after two years and expire after five years. The fair value of the stock options at grant date was determined using a share price of CHF 8.58 and an exercise price of

CHF 12.50. The expected volatility was determined at 46.4 percent, based on market assumptions. Assumed dividends range between CHF 0.25 and CHF 0.30 for later periods. The risk-free interest rate was determined at 3.06 percent. The trinomial model was used to determine the fair values.

The expense recorded in the income statement spreads the costs of each grant equally over the measurement period of one year and the vesting period of three years for shares and the vesting period of two years for options. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for the vested amounts. As permitted by the transitional rules of IFRS 2, grants of options and shares prior to November 7, 2002 have not been restated.

During 2009, CHF 13 million (2008: CHF 10 million) for equity-settled share-based payments and less than CHF 1 million (2008: less than CHF 1 million) for cash-settled share-based payments were charged to the income statement.

As of December 31, 2009 the total carrying value of liabilities arising from share-based payments is CHF 17 million (2008: CHF 13 million). Thereof CHF 16 million (2008: CHF 12 million) was recognized in equity for equity-settled share-based payments and CHF 1 million (2008: CHF 1 million) in non-current liabilities for cash-settled share-based payments.

Options for Board of Directors (non-executive members)¹

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	Number 31.12.2009	Number 31.12.2008
1999	1999	2002	2009	61.80	60.76	—	10 418
2000	2000	2003	2010	48.00	47.97	6 229	6 229
2008	2008	2010	2013	12.50	8.58	260 000	260 000
Total						266 229	276 647

¹ Past and current members.

EMPLOYEE PARTICIPATION PLANS (CONTINUED)**Options for senior members of Management and the Board of Management¹**

<i>Base year</i>	<i>Granted</i>	<i>Exercisable from</i>	<i>Expiry date</i>	<i>Exercise price</i>	<i>Share price at grant date</i>	Number 31.12.2009	<i>Number 31.12.2008</i>
1998	1999	2002	2009	61.80	62.09	—	358 789
1999	2000	2003	2010	48.00	47.97	106 191	106 191
2000	2001	2004	2011	41.80	42.02	7 229	7 229
2001	2002	2005	2012	27.20	26.87	166 354	166 354
2002	2003	2006	2013	14.80	14.88	87 352	87 352
2003	2004	2007	2014	12.00	18.74	49 326	49 326
2003	2004	2007	2014	16.30	18.74	53 479	53 479
2004	2005	2008	2015	19.85	19.85	146 237	146 237
Total						616 168	974 957

Options for members of Management and the Board of Management¹

<i>Base year</i>	<i>Granted</i>	<i>Exercisable from</i>	<i>Expiry date</i>	<i>Exercise price</i>	<i>Share price at grant date</i>	Number 31.12.2009	<i>Number 31.12.2008</i>
2008	2008	2010	2013	12.50	8.58	2 257 000	2 431 000
Total						2 257 000	2 431 000

¹ Past and current members.

As per December 31, 2009, the weighted average remaining contractual life of the share options was 3.2 years (2008: 3.6 years).

Shares for Board of Directors (non-executive members)

<i>Base year</i>	<i>Granted</i>	<i>Vesting in</i>	<i>Share price at grant date</i>	Number 31.12.2009	<i>Number 31.12.2008</i>
2006	2006	2009	19.60	—	6 378
2007	2007	2010	19.15	10 443	10 443
2008	2008	2011	9.45	6 615	6 615
Total				17 058	23 436

Shares for members of Management and the Board of Management

<i>Base year</i>	<i>Granted</i>	<i>Vesting in</i>	<i>Share price at grant date</i>	Number 31.12.2009	<i>Number 31.12.2008</i>
2005	2006	2009	19.60	—	247 047
2006	2007	2010	19.15	325 844	367 039
2007	2008	2011	9.45	397 365	472 979
2008	2009	2012	7.45	805 540 ¹	—
Total				1 528 749	1 087 065

¹ Not included are 100'000 shares for the compensation of forfeited contractual entitlements from former employment contracts, granted in 2009, vesting until 2011.

	Weighted average exercise price	Options 2009	Shares 2009	<i>Weighted average exercise price</i>	<i>Options 2008</i>	<i>Shares 2008</i>
Shares / options outstanding at January 1	19.64	3 682 604	1 110 501	37.61	1 296 525	1 181 689
Granted			1 133 531		2 900 000	557 289
Exercised / distributed	7.93	–132 000	–587 710	10.03	–200 000	–584 726
Cancelled / forfeited		–411 207	–10 515		–313 921	–43 751
Outstanding at December 31	15.08	3 139 397	1 645 807	19.64	3 682 604	1 110 501
Exercisable at December 31	25.52	622 397		39.03	991 604	
Fair value of shares / options outstanding in CHF		10 732 461	20 111 762		4 800 743	7 917 872

The fair value of shares granted during 2009 is CHF 12 million (2008: CHF 5 million) calculated based on market value of shares at grant date.

In 2009 no options were granted. In 2008 the fair value of options granted was CHF 7 million calculated based on the trinomial model.

Additionally, in 2009 as a result of contractual changes, 350 000 shares have been claimed with immediate effectiveness. In the prior year these shares had been allocated over a five-year period. The corresponding expense was charged to the income statement immediately. The fair value of the shares at the grant date was at CHF 10.33 per share.

28. PERSONNEL EXPENSES

<i>CHF mn</i>	2009	<i>2008</i>
Wages and salaries	–1 344	–1 326
Social welfare costs	–289	–315
Shares and options granted to directors and employees	–14	–11
Pension costs – defined contribution plans	–28	–33
Pension costs – defined benefit plans	–82	–70
Other post-employment benefits	–	–4
Total	–1 757	–1 759

29. RELATED PARTY TRANSACTIONS

Clariant maintains business relationships with related parties. One group consists of the associates, 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. In addition to this, Clariant exchanges services and goods with other parties which are associates, i.e. in which Clariant holds a stake of between 20 and 50 percent.

The second group of related parties is key management comprising the Board of Directors and the Board of Management. 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 Board of Management is disclosed in the Statutory Accounts of Clariant Ltd on pages 119 to 122 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 UK and the US. These services comprise mainly administrative and trustee services. The total cost of these services is CHF 1 million (2008: CHF 1 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these are approximately 6 (2008: 6).

Transactions with associates	2009	2008
<i>CHF mn</i>		
Income from the sale of goods to related parties	23	27
Income from the rendering of services to related parties	8	3
Expenses from the purchase of goods to related parties	-46	-46
Expenses from services rendered by related parties	-235	-266
Payables and receivables with associates	31.12.2009	31.12.2008
<i>CHF mn</i>		
Receivables from related parties	10	5
Payables to related parties	38	42

Transactions with Key Management	2009	2008
<i>CHF mn</i>		
Salaries and other short-term benefits	9	7
Termination benefit	7	3
Post-employment benefits	3	2
Share-based payments ¹	6	3
Total	25	15

¹ Includes one-time grant of shares to compensate for forfeited contractual entitlements from former employment contracts.

There are no outstanding loans by the Group to any members of the Board of Directors or Board of Management.

30. COMMITMENTS AND CONTINGENCIES

Leasing commitments. The Group leases various 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.

	31.12.2009	31.12.2008
<i>CHF mn</i>		
2009	—	53
2010	47	36
2011	31	22
2012	20	17
2013	17	15
2014	7	—
Thereafter	19	24
Total	141	167
Guarantees in favor of third parties	44	77

Expenses for operating leases were CHF 66 million in 2009 (2008: CHF 71 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 46 million (2008: CHF 75 million).

Contingencies. Clariant operates in countries where political, economic, social, legal and regulatory developments can have an impact on the operational activities. The effects of such risks on the Company's results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In 2006, Clariant sold its Pharmaceutical Fine Chemicals business to Archimica, a company pertaining to Towerbrook Capital Partners. On October 25, 2007, Archimica Group Holdings B.V. filed a request for arbitration against Clariant at the Zurich Chamber of Commerce, raising various claims under the purchase agreement in an amount of EUR 42 million. In January 2009, the claim was settled with an impact of CHF 9 million on the income statement. This settlement was fully recognized in the books in 2008.

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 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.

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 Group permanently monitors the various sites identified at risk for environmental exposure. Clariant believes that its provisions are adequate based upon currently available information, however given the inherent difficulties in estimating liabilities in this area, there is no guarantee that additional costs will not be incurred.

31. EXCHANGE RATES OF PRINCIPAL CURRENCIES

Rates used to translate the consolidated balance sheets (closing rate):

	31.12.2009	31.12.2008
1 USD	1.03	1.06
1 GBP	1.66	1.53
100 JPY	1.12	1.17
1 EUR	1.49	1.49

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2009	2008
1 USD	1.09	1.08
1 GBP	1.70	2.02
100 JPY	1.16	1.05
1 EUR	1.51	1.59

32. IMPORTANT SUBSIDIARIES

Country	Company name	Participation %	Holding/ Finance /Service	Sales	Production	Research
Argentina	Clariant (Argentina) SA, Lomas de Zamora, Buenos Aires	100.0		■	■	
Australia	Clariant (Australia) Pty. Ltd, Glen Waverley	100.0		■	■	
Austria	Clariant (Österreich) GmbH, Vienna	100.0		■	■	
Bangladesh	Clariant (Bangladesh) Ltd, Dhaka	100.0		■		
Belgium	Clariant Masterbatches Benelux SA, Louvain-La-Neuve	100.0		■	■	
	Clariant Distribution (Belgium) S.A. NV, Louvain-La-Neuve	100.0		■		
Brazil	Clariant S.A., São Paulo	100.0		■	■	
Canada	Clariant (Canada) Inc., St Laurent, Québec	100.0		■	■	
Chile	Clariant Colorquímica (Chile) Ltda., Maipú-Santiago de Chile	100.0		■	■	
China	Clariant (China) Ltd, Hong Kong	100.0		■	■	
	Clariant (Tianjin) Ltd, Tianjin	94.8		■	■	
	Clariant Chemicals (China) Ltd, Shanghai	100.0		■	■	
	Clariant Masterbatches (Guangzhou) Ltd, Guangzhou	100.0		■	■	
	Clariant Masterbatches (Shanghai) Ltd, Shanghai	100.0		■	■	
	Clariant Pigments (Tianjin) Ltd, Tianjin	60.0		■	■	
Colombia	Clariant (Colombia) SA, Cota-Cundinamarca	100.0		■	■	
Denmark	Clariant (Danmark) A/S, Store Heddinge	100.0		■		
Ecuador	Clariant (Ecuador) S.A., Quito	100.0		■		
Egypt	Clariant (Egypt) SAE, Cairo	96.7		■	■	
	The Egyptian German Co. for Dyes & Resins SAE, Cairo	100.0		■	■	
Finland	Clariant (Finland) Oy, Vantaa	100.0		■		
	Clariant Masterbatches (Finland) Oy, Vantaa	100.0		■	■	
France	Clariant Distribution (France), Nanterre	100.0		■		
	Clariant Masterbatches (France), Nanterre	100.0		■	■	
	Clariant Masterbatches Huningue, Nanterre	100.0		■	■	■
	Clariant Production (France), Nanterre	100.0			■	■
Germany	Clariant Masterbatches (Deutschland) GmbH, Lahnstein	100.0		■	■	■
	Clariant Produkte (Deutschland) GmbH, Frankfurt-Höchst	100.0	■		■	■
	Clariant Vertrieb (Deutschland) GmbH und Co. KG, Frankfurt-Höchst	100.0		■		
Great Britain	Clariant Distribution UK Limited, Yeadon, Leeds	100.0		■		
	Clariant Production UK Ltd, Yeadon, Leeds	100.0			■	■
Greece	Clariant (Hellas) SA, Lykovrisi	100.0		■		
Guatemala	Clariant (Guatemala) SA, Guatemala City	100.0		■	■	
Honduras	Clariant Honduras S.A. de C.V., San Pedro Sula	100.0		■	■	
India	Clariant Chemicals (India) Ltd, Mumbai	63.4		■	■	■
Indonesia	PT Clariant Indonesia, Tangerang	100.0		■	■	
Ireland	Clariant Masterbatches Ireland Limited, Naas	100.0		■	■	
Italy	Clariant Distribuzione (Italia) S.p.A., Milan	100.0		■		
	Clariant Masterbatches (Italia) S.p.A., Milan	100.0		■	■	■
	Clariant Prodotti (Italia) S.p.A., Milan	100.0			■	
Japan	Clariant (Japan) K.K., Tokyo	100.0		■	■	■

Country	Company name	Participation %	Holding/ Finance /Service	Sales	Production	Research
Korea	Clariant (Korea) Ltd, Seoul	100.0		■		
	Clariant Pigments (Korea) Ltd, Ulsan-Si	99.8		■	■	
Luxembourg	Clariant Finance (Luxembourg) S.A., Luxemburg	100.0	■			
Malaysia	Clariant (Malaysia) Sdn. Bhd., Shah Alam	100.0		■		
Mexico	Clariant (Mexico) S.A. de C.V., Naucalpan de Juárez	100.0		■	■	
Morocco	Clariant (Maroc) S.A., Casablanca	100.0		■	■	
Netherlands	Clariant Distributie (Nederland) BV, Maastricht	100.0		■		
New Zealand	Clariant (New Zealand) Ltd, Albany-Auckland	100.0		■	■	
Norway	Clariant Oil Services Scandinavia AS, Bergen	100.0		■		■
Pakistan	Clariant Pakistan Ltd, Karachi-Korangi	75.0		■	■	
Panama	Clariant Trading (Panamá), SA, Panamá	100.0		■		
Peru	Clariant (Perú) SA, Lima	90.8		■	■	
Philippines	Clariant (Philippines) Corp., Muntinlupa City	100.0		■		
Poland	COLEX Spolka z o.o., Zgierz	88.8		■	■	
Russia	Clariant (RUS) LLC, Moscow	100.0		■		
Saudi Arabia	Clariant Masterbatches (Saudi Arabia) Ltd, Riyadh	93.0		■	■	
Singapore	Clariant (Singapore) Pte. Ltd, Singapore	100.0		■	■	
South Africa	Clariant Southern Africa (Pty) Ltd, Weltevreden Park, Johannesburg	100.0		■	■	
Spain	Clariant Ibérica Comercial S.L., L'Hospitalet de Llobregat, Barcelona	100.0		■		
	Clariant Ibérica Producción S.A., L'Hospitalet de Llobregat, Barcelona	100.0			■	■
	Clariant Masterbatch Ibérica S.A., Sant Andreu de la Barca	100.0		■	■	
Sweden	Clariant (Sverige) AB, Gothenburg	100.0		■		
	Clariant Masterbatches Norden AB, Malmö	100.0		■	■	■
Switzerland	Clariant Export AG, Muttentz	100.0		■		
	Clariant International AG, Muttentz	100.0	■			
	Clariant Produkte (Schweiz) AG, Muttentz	100.0			■	■
Taiwan	Clariant Chemicals (Taiwan) Co., Ltd, Taipei	100.0		■	■	
Thailand	Clariant (Thailand) Ltd, Bangkok	100.0		■	■	
	Clariant Masterbatches (Thailand) Ltd, Chonburi	100.0		■	■	
Turkey	Clariant (Türkiye) A.S., Istanbul	100.0		■	■	
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	100.0		■		
Uruguay	Clariant (Uruguay) SA, Montevideo	100.0		■		
USA	Clariant Corporation, Charlotte, NC	100.0		■	■	■
Venezuela	Clariant Venezuela S.A., Maracay	100.0		■	■	
Vietnam	Clariant (Vietnam) Ltd, Ho Chi Minh City	100.0			■	

33. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Clariant decided to announce on February 16, 2010 the closure of production facilities in MuttENZ, Switzerland, and Thane, India, pertaining to the divisions Textile, Leather, Paper and Pigments & Additives. The closures will lead to a reduction of 500 positions and restructuring and impairment expenses of up to CHF 150 million. This expense will be charged to the income statement from 2010 onwards in line with the requirements of IFRS.

On February 11, 2010 Clariant decided to tender notice of cancellation of its committed open credit lines in the amount of CHF 400 million. The cancellation will become effective before the end of February 2010.

**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 cash flows, consolidated statement of changes in equity and notes (pages 52 to 110), for the year ended 31 December 2009.

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 2009 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.

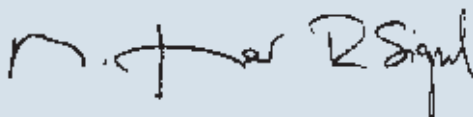
REPORT ON OTHER LEGAL REQUIREMENTS

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 AG



Dr. Matthias Jeger
Audit expert
Auditor in charge

Ruth Christine Sigel
Audit expert

Basel, 11 February 2010

**Consolidated financial statements of Süd-Chemie AG as at and
for the year ended 31 December 2010**

Consolidated Financial Statements of Süd-Chemie AG

Income statement (1 January to 31 December)

EUR million	Notes	2010	2009 ¹⁾
Revenue (Sales)	(1)	1,225.0	1,072.3
Cost of sales	(2)	– 867.8	– 757.9
Gross profit		357.2	314.4
Distribution costs	(7)	– 106.5	– 101.2
Costs of research and development	(8)	– 60.4	– 55.7
Administrative expenses	(9)	– 100.2	– 79.7
Other operating income	(10)	79.3	47.0
Other operational expenses	(11)	– 29.7	– 28.3
EBIT²⁾		139.7	96.5
Income/(loss) from associated companies	(13)	0.0	0.0
Other investment income	(13)	0.0	0.0
Investment income	(13)	0.0	0.0
Interest income	(14)	1.5	1.0
Interest expense	(14)	– 27.6	– 32.7
Net interest expense	(14)	– 26.1	– 31.7
Financial result	(12)	– 26.1	– 31.7
EBT³⁾		113.6	64.8
Income tax expenses	(15)	– 32.5	– 22.4
Profit for the period		81.1	42.4
– attributable to equity holders of Süd-Chemie AG	(19)	70.3	34.1
– attributable to non-controlling interest	(20)	10.8	8.3
Earnings per share (EUR)	(21)		
Total basic/diluted earnings per share (EUR)		6.85	3.58

1) After adjustments in accordance with IFRS 5/IAS 8.41

2) Earnings before interest and taxes (profit from operations)

3) Earnings before taxes (profit from ordinary operations)

Statement of Comprehensive Income (1 January to 31 December)

EUR million	Notes	2010	2009 ¹⁾
Profit for the period	(18)	81.1	42.4
Currency translation differences	(34)	23.6	1.4
Actuarial gains/losses from defined benefit plans	(34)	– 5.7	0.5
Effective portion of changes in fair value of derivatives and the underlying hedged items that are designated and qualified as cash flow hedges and recognised in equity (hedge reserve)	(34)	2.7	– 2.8
Exchange rate differences from net investment in foreign operations not affecting net income in accordance with IAS 21.15	(34)	1.4	2.0
Deferred taxes on items recognised directly in equity	(15)	0.9	– 0.5
Net income (expense) recognised directly in equity		22.9	0.6
Total comprehensive income for the period		104.0	43.0
– attributable to shareholders of Süd-Chemie AG	(19)	87.2	35.8
– attributable to non-controlling interest	(20)	16.8	7.2

1) After adjustments in accordance with IFRS 5/IAS 8.41

Statement of Changes in Equity (1 January to 31 December)

EUR million	Notes	Issued Capital	Capital- reserve	Legal reserve	Other reserves	Equity attributable to shareholders of Süd-Chemie AG	Equity attributable to non-controlling interest	Total
Financial year 2010								
As of 31 December 2010		30.3	23.1	1.6	365.0	420.0	66.8	486.8
Gains recognised in the income statement	(34)				87.2	87.2	16.8	104.0
Capital transactions with equity holders	(20/34)				– 13.0	– 13.0	– 6.4	– 19.4
Change in equity resulting from consolidation							0.2	0.2
Other changes outside profit and loss					– 0.8	– 0.8		– 0.8
As of 1 January 2010		30.3	23.1	1.6	291.6	346.6	56.2	402.8
Financial year 2009								
As of 31 December 2009		30.3	23.1	1.6	291.6	346.6	56.2	402.8
Gains recognised in the income statement	(34)				38.8	38.8	7.2	46.0
Profit adjustment in accordance with IAS 8.41					– 3.0	– 3.0		– 3.0
Capital transactions with equity holders	(20/34)				– 13.0	– 13.0	– 4.7	– 17.7
As of 1 January 2009		30.3	23.1	1.6	268.8	323.8	53.7	377.5

Balance Sheet (31 December)

ASSETS

EUR million	Notes	31 Dec 2010	31 Dec 2009 ¹⁾
Intangible assets	(23)	194.6	144.0
Property, plant and equipment	(24)	618.7	566.6
Investment in associated companies	(25)	5.7	5.7
Other financial investments	(25)	0.9	0.8
Other non-current assets	(26/29/31)	11.0	10.5
Deferred tax assets	(15/27)	15.7	12.7
Total non-current assets		846.6	740.3
Inventories	(28)	205.7	178.9
Payments in advance	(28)	2.4	1.4
Trade receivables	(29/30)	181.4	164.0
Amount owed by other group companies	(29)	2.3	0.0
Income tax receivables	(32)	8.1	5.2
Other current assets	(32)	35.1	33.5
Cash and cash equivalents	(33)	23.7	23.4
Total current assets		458.7	406.4
Total assets		1,305.3	1,146.7

EQUITY AND LIABILITIES

EUR million	Notes	31 Dec 2010	31 Dec 2009 ¹⁾
Issued capital	(34)	30.3	30.3
Capital reserve	(34)	23.1	23.1
Legal reserve	(34)	1.6	1.6
Other reserves	(34)	365.0	291.6
Equity attributable to equity holders of Süd-Chemie AG	(34)	420.0	346.6
Equity attributable to non-controlling interest	(34)	66.8	56.2
Total equity		486.8	402.8
Non-current financial liabilities	(35/36)	259.2	279.6
Other non-current liabilities	(35/37)	12.6	17.6
Total non-current liabilities		271.8	297.2
Retirement benefits and similar obligations	(38/39)	79.2	79.6
Other non-current provisions	(38/41)	10.2	10.3
Deferred tax liabilities	(15/40)	41.9	32.0
Total non-current provisions		131.3	121.9
Total non-current liabilities and provisions		403.1	419.1
Current financial liabilities	(35/36)	147.7	106.3
Trade payables	(37)	152.6	128.7
Prepayments received	(37)	26.0	11.7
Amounts owed to other group companies	(37)	0.0	0.0
Income tax liabilities	(37)	2.5	6.2
Other current liabilities	(37)	72.2	52.0
Total current liabilities		401.0	304.9
Tax provisions	(38/42)	5.6	11.5
Other current provisions	(38/41)	8.8	8.4
Total current provisions		14.4	19.9
Total current liabilities and provisions		415.4	324.8
Total equity and liabilities		1,305.3	1,146.7

1) After adjustments in accordance with IFRS 5/IAS 8.41

Cash Flow Statement (1 January to 31 December)

EUR million	Notes	2010	2009 ¹⁾
Earnings before taxes		113.6	64.8
Net of income taxes paid/received	(15)	– 45.0	– 26.0
Depreciation of non-current assets	(6)	66.5	61.2
Increase/decrease in non-current provisions		– 16.0	– 9.1
Interest income	(14)	– 1.5	– 1.0
Interest expense	(14)	27.5	32.5
Other non-cash expenses and income (balance)		– 49.4	– 14.0
Operational cash flow		95.7	108.4
Increase/(decrease) in inventory	(28)	– 13.8	33.5
(Increase)/decrease in trade receivables	(30)	– 5.7	– 2.5
Increase/(decrease) in other assets	(26/29/31)	0.4	1.6
(Increase)/decrease in current provisions	(41)	– 1.5	– 6.8
(Increase)/decrease in trade payables	(37)	14.7	– 16.2
(Increase)/decrease in other payables	(37)	25.2	– 9.4
Gains/(losses) on disposal of assets		1.0	0.9
Changes from consolidation		– 1.4	3.4
Cash flow from operating activities		114.6	112.9
Proceeds from disposal of intangible assets		0.1	0.0
Payments for development costs recognised as assets		– 4.7	– 2.8
Purchases of other intangible assets	(23)	– 3.5	– 5.0
Proceeds from disposal of property, plant and equipment		1.4	2.4
Purchases of property, plant and equipment	(24)	– 78.4	– 60.1
Proceeds from disposal of financial assets		0.0	0.1
Purchases of financial assets	(25)	– 0.1	– 5.6
Acquisition of consolidated companies less cash and cash equivalents acquired		– 12.3	– 19.2
Cash flow from investment activities		– 97.5	– 90.2
Free cash flow		17.1	22.7
Proceeds from bank loans raised	(36)	59.1	58.8
Repayment of borrowings	(36)	– 42.3	– 28.7
Increase/(decrease) in finance lease liabilities	(36)	– 0.5	– 1.8
(Increase)/decrease in other financial liabilities	(36)	4.7	– 3.5
Interest received	(14)	1.2	0.8
Interest paid	(14)	– 19.3	– 18.6
Dividends paid to equity holders of Süd-Chemie AG	(34)	– 13.0	– 13.0
Dividends paid to non-controlling interest	(20)	– 6.4	– 4.7
Net cash (used in)/from financing activities		– 16.5	– 10.7
Net increase/(decrease) in cash and cash equivalents		0.6	12.0
Effect of changes in foreign exchange rates and scope of consolidation		– 0.3	0.2
Cash and cash equivalents as of 1 January	(33)	23.4	11.2
Cash and cash equivalents as of 31 December	(33)	23.7	23.4

1) After adjustments in accordance with IFRS 5/IAS 8.41

Segment Information (for the financial year, 1 January to 31 December)

BUSINESS UNIT AND DIVISION REPORTING	Adsorbents and Additives		Foundry Products and Specialty Resins		Performance Packaging		Water Treatment		Division Adsorbents	
	2010	2009 ¹⁾	2010	2009 ¹⁾	2010	2009 ¹⁾	2010	2009 ¹⁾	2010	2009 ¹⁾
EUR million										
Segment revenue	302.7	239.5	207.5	162.8	127.4	126.3	84.3	67.6	721.9	596.2
Internal revenue	0.0	– 0.8	– 0.3	0.0	– 0.1	0.0	– 0.2	0.0	– 0.6	– 0.8
External revenue	302.7	238.7	207.2	162.8	127.3	126.3	84.1	67.6	721.3	595.4
as % of Group revenue	24.7	22.3	16.9	15.2	10.4	11.8	6.9	6.3	58.9	55.6
EBITDA ²⁾	49.3	34.8	10.6	8.7	23.6	23.3	13.3	8.9	96.8	75.7
as % of external revenue	16.3	14.6	5.1	5.3	18.5	18.4	15.8	13.2	13.4	12.7
Amortisation of intangible assets	– 0.8	– 0.7	– 1.7	– 1.8	– 0.8	– 0.6	– 0.1	0.0	– 3.4	– 3.1
Depreciation of property, plant and equipment	– 13.1	– 10.1	– 5.1	– 5.0	– 9.3	– 7.7	– 1.3	– 1.1	– 28.8	– 23.9
Total amortisation/depreciation	– 13.9	– 10.8	– 6.8	– 6.8	– 10.1	– 8.3	– 1.4	– 1.1	– 32.2	– 27.0
Other segment income	10.0	8.6	3.3	4.3	2.6	2.7	2.4	1.2	18.3	16.8
Other segment expenses	– 263.4	– 212.5	– 199.9	– 158.4	– 106.3	– 105.7	– 73.2	– 59.9	– 642.8	– 536.5
Segment result (EBIT³⁾)	35.4	24.0	3.8	1.9	13.5	15.0	11.9	7.8	64.6	48.7
as % of external revenue	11.7	10.1	1.8	1.2	10.6	11.9	14.1	11.5	9.0	8.2
Income/(loss) from associated companies										
Financial result excluding income/(loss) from associated companies	– 6.4	– 7.1	– 3.5	– 3.7	– 1.7	– 3.4	– 0.8	– 1.0	– 12.4	– 15.2
EBT⁴⁾	29.0	16.9	0.3	– 1.8	11.8	11.6	11.1	6.8	52.2	33.5
Income tax expenses	– 8.3	– 5.4	– 0.1	0.6	– 3.4	– 3.7	– 3.2	– 2.2	– 15.0	– 10.7
Profit for the period	20.7	11.5	0.2	– 1.2	8.4	7.9	7.9	4.6	37.2	22.8
Operational cash flow	33.3	22.7	– 2.1	7.9	18.1	16.5	9.3	5.8	58.6	52.9
Cash flow from operating activities	27.6	23.2	3.3	14.0	17.5	16.2	9.2	6.1	57.6	59.5
Cash flow from investment activities	– 14.3	– 12.2	– 12.4	– 22.1	– 6.6	– 6.9	– 1.4	– 1.5	– 34.7	– 42.7
Free cash flow	13.3	11.0	– 9.1	– 8.1	10.9	9.3	7.8	4.6	22.9	16.8
Purchase of intangible assets	0.3	0.3	0.3	0.8	0.2	0.4	0.4	0.4	1.2	1.9
Purchase of property, plant and equipment	14.8	10.5	5.5	5.7	5.4	6.5	1.1	1.1	26.8	23.8
Capital expenditure (excl. financial investments)	15.1	10.8	5.8	6.5	5.6	6.9	1.5	1.5	28.0	25.7
Segment assets	288.5	236.0	166.6	121.8	80.6	111.0	39.8	35.6	575.5	504.4
– of which investments in associates										
Segment liabilities	– 157.6	– 132.8	– 99.0	– 74.0	– 46.1	– 61.5	– 22.8	– 20.6	– 325.5	– 288.9
Number of employees										
Annual average	1,692	1,625	795	844	645	677	303	300	3,435	3,446
At 31 December	1,691	1,649	727	823	632	682	301	307	3,351	3,461

1) After adjustments in accordance with IFRS 5/IAS 8.41

2) Earnings before interest, taxes, depreciation and amortisation

3) Earnings before interest and taxes (profit from operations)

4) Earnings before taxes (profit from ordinary operations)

Catalytic-Technologies		Energy and Environment		Division Catalysts		Operations Total		Central Functions		Group Reconciliation		Group Total	
2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
444.0	441.4	59.9	35.7	503.9	477.1	1,225.8	1,073.3			- 0.8	- 1.0	1,225.0	1,072.3
- 0.2	- 0.2	0.0	0.0	- 0.2	- 0.2	- 0.8	- 1.0			0.8	1.0		
443.8	441.2	59.9	35.7	503.7	476.9	1,225.0	1,072.3					1,225.0	1,072.3
36.2	41.1	4.9	3.3	41.1	44.5	100.0	100.0					100.0	100.0
99.5	112.1	- 8.2	- 12.5	91.3	99.6	188.1	175.3	18.0	- 17.8			206.1	157.5
22.4	25.4	- 13.7	- 35.0	18.1	20.9	15.4	16.3					16.8	14.7
- 1.8	- 1.5	- 1.2	- 1.2	- 3.0	- 2.7	- 6.4	- 5.8	- 2.1	- 1.8			- 8.5	- 7.6
- 24.2	- 25.2	- 2.4	- 2.2	- 26.6	- 27.4	- 55.4	- 51.3	- 2.5	- 2.1			- 57.9	- 53.4
- 26.0	- 26.7	- 3.6	- 3.4	- 29.6	- 30.1	- 61.8	- 57.1	- 4.6	- 3.9			- 66.4	- 61.0
15.6	30.7	3.0	1.9	18.6	32.6	36.9	49.4	89.7	41.4	- 47.3	- 43.8	79.3	47.0
- 359.9	- 359.8	- 71.1	- 50.1	- 431.0	- 409.9	- 1,073.8	- 946.4	- 71.7	- 59.2	47.3	43.8	- 1,098.2	- 961.8
73.5	85.4	- 11.8	- 15.9	61.7	69.5	126.3	118.2	13.4	- 21.7			139.7	96.5
16.6	19.4	- 19.7	- 44.5	12.2	14.6	10.3	11.0					11.4	9.0
								0.0	0.0			0.0	0.0
- 11.2	- 13.2	- 1.9	- 2.2	- 13.1	- 15.4	- 25.5	- 30.6	- 0.6	- 1.1			- 26.1	- 31.7
62.3	72.2	- 13.7	- 18.1	48.6	54.1	100.8	87.6	12.8	- 22.8			113.6	64.8
- 17.8	- 23.7	3.9	5.3	- 13.9	- 18.4	- 28.9	- 29.1	- 3.6	6.7			- 32.5	- 22.4
44.5	48.5	- 9.8	- 12.8	34.7	35.7	71.9	58.5	9.2	- 16.1			81.1	42.4
68.5	77.4	- 6.5	- 6.6	62.0	70.8	120.6	123.7	- 43.0	- 33.1	18.1	17.8	95.7	108.4
44.2	109.2	- 0.4	- 15.2	43.8	94.0	101.4	153.5	- 4.9	- 58.4	18.1	17.8	114.6	112.9
- 37.9	- 31.8	- 18.0	- 4.0	- 55.9	- 35.8	- 92.1	- 78.5	- 5.4	- 11.7			- 97.5	- 90.2
6.3	77.4	- 18.4	- 19.2	- 12.1	58.2	9.3	75.0	- 10.3	- 70.1	18.1	17.8	17.1	22.7
2.9	1.8	0.5	0.5	3.4	2.3	4.6	4.2	3.6	3.6			8.2	7.8
30.6	30.2	17.6	3.7	48.2	33.9	75.0	57.7	3.4	2.4			78.4	60.1
33.5	32.0	18.1	4.2	51.6	36.2	79.6	61.9	7.0	6.0			86.6	67.9
497.6	445.9	86.3	63.2	583.9	509.1	1,159.4	1,013.5	145.9	133.2			1,305.3	1,146.7
								5.7	5.7			5.7	5.7
- 265.2	- 251.5	- 44.6	- 30.1	- 309.8	- 281.6	- 635.3	- 570.5	- 183.2	- 173.4			- 818.5	- 743.9
2,396	2,235	224	210	2,620	2,445	6,055	5,891	418	416			6.473	6.307
2,389	2,420	232	212	2,621	2,632	5,972	6,093	433	429			6.405	6.522

Notes to the Consolidated Financial Statements of Süd-Chemie AG

General Information

The consolidated financial statements prepared by Süd-Chemie Aktiengesellschaft (Süd-Chemie AG) for the 2010 financial year were approved for publication by the Board of Directors on 9 March 2011 and are due to be approved by the Supervisory Board of Süd-Chemie AG on 18 March 2011. Süd-Chemie AG is a public limited company with its registered office at Lenbachplatz 6, 80333 Munich, Germany. Its shares are publicly traded on the Official Market at the Munich and Berlin Stock Exchanges and on the Open Market at the Frankfurt and XETRA Stock Exchanges. The company is listed in the Commercial Register at the Munich District Court under HRB 1019. Süd-Chemie AG is an affiliated company of JP Morgan Chase & Co., New York/USA via SC-Beteiligungsgesellschaft mbH Frankfurt, which holds 50.41% of the voting rights and capital. The principal activities of the Süd-Chemie Group are described in the segment reporting and in the joint report of managing board.

Süd-Chemie AG prepared its consolidated financial statements for the 2010 financial year in accordance with Section 315a of the German Commercial Code (HGB) and based on international accounting rules, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), as they apply in the European Union, as well as the interpretations of the Standing Interpretation Committee (SIC). IFRS standards and interpretations applicable to financial years beginning 1 January 2010 have been applied.

The accounting and valuation as well as comments and information on the consolidated financial statements for the 2010 financial year are based on the same accounting and valuation methods upon which the consolidated financial statements for 2009 were based, with the exception of changes in IFRS accounting that became compulsory from 1 January 2010. The consolidated financial statements have been produced on the basis of historical costs (acquisition cost method) with the exception of the financial assets and liabilities shown at fair value, in particular derivative financial instruments. The accounting and valuation methods are presented and explained in more detail in the section 'Accounting and Valuation Principles'

The requirements of the applicable standards have been complied with in full and lead to a true and fair view of the assets, financial position and earnings of the Süd-Chemie Group. In accordance with IAS 1 (Presentation of Financial Statements), current and non current assets, provisions and liabilities must be stated separately. Assets, provisions and liabilities are classified as current if they can be realised or become due within one year. The income statement has been prepared in accordance with the cost of sales method.

The consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. Information in the notes includes reporting on the business units and divisions (segment reporting). A group joint report of the managing board has been produced. Additional information required in accordance with the German Commercial Code (HGB) has been added to the consolidated financial statements. The consolidated financial statements are presented in EUR. Unless otherwise indicated, all amounts are shown in millions of EUR (EUR million). For accounting reasons, rounding differences to mathematically exact values may occur in the tables and references. Certain items have been combined and explained separately in the notes to improve the clarity of the income statement and balance sheet. The consolidated financial statements will be published in the electronic version of the Federal Gazette (eBANZ).

Subsequent Adjustments to the Consolidated Financial Statements as at 31 December 2009

Subsequent adjustments to the consolidated financial statements as at 31 December 2009 result from the adjustment of the purchase price allocation for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China acquired in the 2009 financial year, and from the reclassification of the area of operations of Phostech Inc., St. Bruno/Canada as continuing operations (classified in the previous year as discontinued operations).

Adoption of standard IAS 8.41 Errors

Following a further check of the purchase price allocation for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China acquired in the 2009 financial year, it was established whilst preparing the consolidated financial statements that the earnings performance in the company plan based on the preliminary purchase price allocation was incorrect and consequently no tax deduction claims could be made on the basis of the tax losses carried forward on the closing date of 31 July 2009 and the balance sheet date in the previous year, within the period of five years applicable in accordance with Chinese tax law. The preliminary purchase price allocation and the company's IFRS consolidated financial statements as at 31 December 2009 have therefore been subsequently adjusted such that no deferred tax assets have been recognised for the tax losses carried forward existing on the acquisition date and at the end of 2009.

The negative difference affecting net income of EUR 17.3 million between the purchase price, including incidental acquisition costs and a claim from a contingent consideration, and the company's existing assets and liabilities valued at fair value, determined in the Group during the reporting period for the previous year has been adjusted to EUR 14.9 million in accordance with IAS 8.41. Further details regarding the final purchase price allocation for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China acquired in the 2009 financial year are given below. As a result of the subsequent adjustment there has been a negative impact on the company's tax result and thus the Group profit for the period for 2009 amounting to EUR 0.6 million.

Adjustment of the purchase price allocation for Süd-Chemie Catalysts (Nanjing) Co., Ltd., acquired in 2009

Engelhard China Limited, Shanghai/China, a subsidiary of BASF (China) Co., Ltd, Shanghai/China and Süd-Chemie South-East Asia Pte. Ltd., Singapore/Singapore agreed the purchase of shares in BASF (China) Co., Ltd., Nanjing/China, on 17 April 2009. The object of the acquiree, which changed its name to Süd-Chemie Catalysts (Nanjing) Co., Ltd. following the acquisition, is the production and sale of synthesis gas catalysts. The transfer of activities and first-time consolidation of the company in the consolidated financial statements took place with closing on 31 July 2009.

The preliminary purchase price including transaction costs amounted to EUR 1.1 million. A contingent consideration was arranged as part of the purchase price agreement, whereby compensation was granted resulting from the difference between the fair value of the net current assets at the time of closing and a contractually stipulated amount. The fair value of the contingent compensation, which was confirmed by an auditing company and was classified as likely to be claimed amounted to EUR 0.6 million. The subsequent agreement with the vendor led to an increase in the fair value of the current assets transferred of EUR 0.6 million with a simultaneous waiver of the contingent equalisation claim of EUR 0.6 million.

As part of the preliminary purchase price allocation, the fair value of property, plant and equipment was determined on the basis of an external report and led to an increase in tangible assets of EUR 5.2 million to EUR 12.9 million. Building and land use rights accounted for a total of EUR 6.8 million of the fair value determined by the expert report, and technical systems and equipment and other capital equipment accounted for EUR 6.1 million. The calculation of fair value for property was based on a mark-to-market approach and for technical systems and equipment on replacement costs or the reproduction cost in consideration of their condition and estimated remaining useful life. The review of the recoverability of the current assets, especially in the area of inventories, led initially to a lower valuation of current assets

of EUR 1.6 million. Current and non-current provisions increased as a result of the allocation of provisions for the costs of environmental impact and a provision for contingent loss by a total of EUR 3.9 million. In addition, liabilities have been recorded at the amount of EUR 0.5 million for obligations that were not considered in the company's balance sheet on the transfer date. The calculation of provisions for environmental risks was based on ground surveys carried out by external experts at the company site. For differences between tax estimates and the fair value of assets and liabilities resulting from the purchase price allocation as well as for future tax losses carried forward, deferred tax assets totalling EUR 4.0 million have been recognised.

The review of the purchase price allocation using the corrected company plan led to an adjustment of the amount of deferred tax assets reported in the preliminary purchase price allocation and thus of the difference on the liabilities side of EUR 2.4 million to EUR 14.9 million; the consolidated financial statements for the previous year have been adjusted accordingly pursuant to IAS 8.41.

PURCHASE PRICE ALLOCATION FOR SÜD-CHEMIE CATALYSTS (NANJING) CO., LTD

	Book value	Fair value
EUR million		
Purchase price/purchase price payment including transaction costs		1.1
Cash and cash equivalents acquired	1.3	1.3
Acquired assets and liabilities		
Intangible assets	0.0	0.0
Property, plant and equipment	7.7	12.9
Deferred tax assets		1.6
Current assets	6.5	5.5
Non-current and current provisions	0.0	- 3.9
Non-current and current liabilities	- 0.9	- 1.4
Equity	14.6	16.0
Pro-rata share of equity		16.0
Difference on the liabilities side		14.9

The company's equity that was revalued following the revaluation method of assets and liabilities and the subsequent agreement reached with the vendor on the first-time consolidation date amounted to EUR 16.0 million. The negative difference between the purchase price including incidental acquisition costs and the revalued equity of EUR 14.9 million was dissolved affecting net income in the 2009 financial year in accordance with IFRS 3.34.

Adoption of standard IFRS 5 Discontinued operations

From April 2005 to the end of 2008, Süd-Chemie AG gradually acquired all shares in Phostech Lithium Inc., St. Bruno/ Canada. Classified as start-up, the area of operation of the company includes the development, production and sale of lithium iron phosphate. Production is based on dry-chemical production technology (P1 process). Phostech Lithium Inc. developed this P1 lithium iron phosphate through to the mass production stage and successfully introduced it to the market. In Germany, Süd-Chemie AG had simultaneously developed another type of lithium iron phosphate to market-readiness

and introduced it to the market, namely P2 lithium iron phosphate that is produced using a hydro-thermal process.

With the approval of the Supervisory Board, the Board of Directors of Süd-Chemie AG decided on 21 December 2009 to sell the Phostech Lithium Inc. P1 technology area of operation as part of an asset deal during the 2010 financial year and focus activities on the P2 segment for strategic reasons. The sales process was initiated at the end of the 2009 financial year and offers were sought from potential buyers.

In accordance with standard IFRS 5, the income/loss attributable to operations to be discontinued was reclassified as discontinued operations in the previous year. Earnings after tax from discontinued operations have been reported separately in the income statement before the Group profit for the period. Assets and liabilities attributable to operations to be discontinued have been reported separately on the balance sheet.

Demand for both P1 and P2 experienced positive trends during the 2010 financial year. Against the backdrop of the differentiation of the growing market, the portfolio strategy adopted by Süd-Chemie in the area of lithium iron phosphate proved extremely successful. Only by utilising all the capacity available in the P1 and P2 segments was it possible to satisfy market demand. EUR 60 million was invested in the construction of a plant which began mid way through 2010 for producing 2,400 tons of lithium iron phosphate according to the P2 process per year at the Phostech Lithium Inc. site. The plant will be operational from the end of 2011.

In order to meet the increasing and differentiated demand for P1 and P2 products and thus the market requirements on a sustained basis until the new plant is completed, the Board of Directors decided at its meeting on 22 November 2010, with the approval of the Supervisory Board on 3 December 2010, to continue the P1 business and not to pursue the sale of this operating division.

In accordance with standard IFRS 5, the income/loss attributable to discontinued operations for the 2009 financial year have subsequently been reclassified as continued operations and the consolidated income statement for the previous year has been adjusted accordingly.

Effect of adjustments in accordance with IFRS 5 and IAS 8.41 on the 2009 financial statements

The effects on the income statement of the adjustment of the capitalisation of the deferred assets on tax losses carried forward in accordance with IAS 8.41 for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China acquired in the 2009 financial year and the reclassification as continued operations of the Phostech Lithium Inc., St. Bruno/Canada area of operation in accordance with IFRS 5 are shown in the table below:

EFFECT OF THE ADJUSTMENTS IN ACCORDANCE WITH IFRS 5 AND IAS 8.41 ON THE 2009 INCOME STATEMENT	Income statement before adjustments	Adjustments according to IAS 8.41	Income statement after adjustments according to IAS 8.41	Adjustment according to IFRS 5	Group income statement after adjustments
EUR million					
Revenues	1,071.6		1,071.6	0.7	1,072.3
Cost of sales	- 755.2		- 755.2	- 2.7	- 757.9
Gross profit	316.4		316.4	- 2.0	314.4
Distribution costs	- 100.9		- 100.9	- 0.3	- 101.2
Costs of research and development	- 54.9		- 54.9	- 0.8	- 55.7
Administrative expenses	- 78.2		- 78.2	- 1.5	- 79.7
Other operating income	49.4	- 2.4	47.0	0.0	47.0
Other operating expenses	- 28.3		- 28.3	0.0	- 28.3
EBIT¹⁾	103.5	- 2.4	101.1	- 4.6	96.5
Income/(loss) from associated companies	0.0		0.0		0.0
Other investment income	0.0		0.0		0.0
Investment income	0.0		0.0		0.0
Interest income	1.0		1.0		1.0
Interest expense	- 32.3		- 32.3	- 0.4	- 32.7
Net interest expense	- 31.3		- 31.3	- 0.4	- 31.7
Financial result	- 31.3		- 31.3	- 0.4	- 31.7
EBT²⁾	72.2	- 2.4	69.8	- 5.0	64.8
Income tax expenses	- 22.9	- 0.6	- 23.5	1.1	- 22.4
Profit from continuing operations	49.3	- 3.0	46.3	- 3.9	42.4
Profit from discontinued operations	- 3.9		- 3.9	3.9	
Profit for the period	45.4	- 3.0	42.4		42.4
Earnings per share (EUR)					
Total earnings per share (EUR)	3.83	- 0.25	3.58		3.58
Earnings per share from continuing operations (EUR)	4.16	- 0.25	3.91	- 0.33	3.58
Earnings per share from discontinued operations (EUR)	- 0.33		- 0.33	0.33	

1) Earnings before interest and taxes (profit from operations)

2) Earnings before taxes (profit from ordinary operations)

After adjustment of the purchase price allocation and the subsequent income/loss adjustment for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, in accordance with IAS 8.41, the income statement shows earnings before interest and taxes (EBIT) of EUR 101.1 million and a Group profit for the period of EUR 46.3 million. As a result of these subsequent adjustments, earnings per share of EUR 3.83 decreased by EUR 0.25 to EUR 3.58 and earnings per share in respect of continued operations also decreased EUR 0.25 to EUR 3.91.

As a result of the reclassification as continued operations of the Phostech Lithium Inc., St. Bruno/Canada area of operation, classified in the previous year as discontinued operations,

revenues increased to EUR 1,072.3 million. The earnings before interest and taxes (EBIT) of continued operations of EUR 101.1 million reduced after the adjustments made in accordance with IAS 8.41 was adjusted in accordance with the loss from discontinued operations of EUR -4.6 million to EUR 96.5 million. The 2009 Group profit of the period was not affected by the subsequent adjustments in accordance with IFRS 5. As a result of the adjustments in accordance with IFRS 5, earnings per share from continued operations decreased by EUR 0.33 from EUR 3.91 to EUR 3.58.

EFFECT OF ADJUSTMENTS IN ACCORDANCE WITH IFRS 5 AND IAS 8.41 ON THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009					
EUR million	31 Dec 2009 before adjustments	Adjustments according to IAS 8.41	31 Dec 2009 after adjustments according to IAS 8.41 2009	Adjustments according to IFRS 5	31 Dec 2009 after adjustments
Assets					
Total non-current assets	737.0	- 3.0	734.0	6.3	740.3
Total current assets	405.3		405.3	1.1	406.4
Assets attributable to discontinued operations	7.4		7.4	- 7.4	
Total assets	1,149.7	- 3.0	1,146.7		1,146.7
Equity and liabilities					
Equity	405.8	- 3.0	402.8		402.8
Total non-current liabilities	297.2		297.2		297.2
Total non-current provisions	121.9		121.9		121.9
Total non-current liabilities and provisions	419.1		419.1		419.1
Total current liabilities	304.0		304.0	0.9	304.9
Total current provisions	19.8		19.8	0.1	19.9
Total current liabilities and provisions	323.8		323.8	1.0	324.8
Liabilities attributable to discontinued operations	1.0		1.0	- 1.0	
Total equity and liabilities	1,149.7	- 3.0	1,146.7		1,146.7

As a result of the adjustment of the capitalisation of deferred tax on tax losses carried forward in accordance with IAS 8.41 for Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China acquired during the 2009 financial year, deferred tax assets shown under non-current assets and equity decreased by EUR 3.0 million. The subsequent adjustment led to a decrease in the balance sheet total as at 31 December 2009 by EUR 3.0 million to EUR 1,146.7 million. Adjusted equity after adjustment amounted to EUR 402.8 million as at 31 December 2009; the equity ratio fell 0.2 percentage points from 35.3% to 35.1%.

The subsequent adjustments as a result of the reclassification of the Phostech Lithium Inc., St. Bruno/Canada area of operation in accordance with IFRS 5 led firstly to an increase in non-current long-term assets by EUR 6.3 million and in current assets by EUR 1.1 million, and secondly to an increase in current liabilities and provisions totalling EUR 1.0 million. The balance sheet total was not affected by the subsequent adjustments in accordance with IFRS 5.

Adoption of New Accounting Standards

Standards, interpretations and changes to standards to be applied for the first time

Insofar as they are basically relevant to the Süd-Chemie Group, the following standards, interpretations of and changes or improvements to standards and interpretations intended to

be applied for the first time in the 2010 financial year, have been applied as follows, or not applied if not relevant:

STANDARDS, INTERPRETATIONS OF STANDARDS AND AMENDMENTS TO STANDARDS FOR FIRST TIME ADOPTION

Standard/Interpretation	Adoption mandatory for financial years starting	Effects
Change to IAS 39 - eligible hedge items	July 2009	None
IFRS 1 First adoption of the IFRS (revised 2008)		
and change to IFRS 1 - Additional exceptions for first-time adopters	January 2010	None
Amendments to IFRS 2 - Group cash settled share-based payments transaction effective	January 2010	See explanation
IFRS 3 Business Combinations (revised 2008) and IAS 27 Consolidated and separate financial statements (revised 2008)	July 2009	See explanation
IFRIC 12 Service concession agreements	March 2009	None
IFRIC 16 Hedging of a net investment in foreign operation	July 2009	None
IFRIC 17 Distributions of non-cash assets to owners	November 2009	None
IFRIC 18 Transfer of assets from a customer	November 2009	None
Improvements to IFRS 2008 - amendments to IFRS 5	July 2009	None
Improvements to IFRS 2009	January 2010	None of significance

Amendment to IAS 39 – eligible hedge items

The addition to IAS 39 clarifies that it is permissible to designate only a part of the changes in fair value or cash flow fluctuations of a financial instrument as an underlying transaction. This also includes the designation of inflation risks as hedged risks or the partial designation of inflation risks as hedged risks in certain cases.

This addition to IAS 39 is applicable to financial years beginning on or after 1 July 2009. The accounting of hedging instruments at Süd-Chemie is not currently affected by the addition to this standard.

IFRS 1 – First-time adoption of IFRS (revised 2008) and change to IFRS 1 – Additional exceptions for first-time adopters

The changes in connection with the restructuring of the standard were adopted by EU law on 26 November 2009. They only affect the layout of IFRS 1 as its actual content remains unchanged. The new structure is designed to improve the clarity and applicability of the standard.

On 23 July 2009, the IASB published changes to IFRS 1, which were adopted into EU law on 24 June 2010. The changes relate to the retrospective application of IFRS in particular situations and are designed to ensure that companies do not incur disproportionately high costs when moving over to IFRS.

The changes to IFRS 1 will be compulsory from the start of the first financial year beginning after 31 December 2009 at the latest. They may be applied earlier. Accounting at Süd-Chemie will not be affected by the change to IFRS 1.

Changes to IFRS 2 – Group cash settled share-based payments transaction effective

The changes to IFRS 2 were published by IASB on 18 June 2009 and clarify the scope of application of IFRS 2 and the interaction between IFRS 2 and other standards. The changes to IFRS 2 also involve the inclusion of guidelines in the standard that were previously contained in IFRIC 8 and IFRIC 11. Consequently, the IASB withdrew the IFRIC 8 and IFRIC 11 interpretations.

The changes must be applied for the first time to financial years beginning on or after 1 January 2010. Due to the changes in IFRS 2, the Süd-Chemie management investment programme, which has been classified to date as cash-settled share-based payment, will from now on be treated as share-based payment with settlement through equity instruments as Süd-Chemie has no cash settlement obligation. Reclassification will be performed retrospectively. Consequently, for accounting purposes in accordance with IFRS 2, it will depend on the fair value of the commitments on the awarding date. Thus changes in value in the management investment programme will no longer affect the assets, financial position and earnings of Süd-Chemie.

IFRS 3 Business combinations (revised 2008) and IAS 27 Consolidated and separate financial statements (revised 2008)

IFRS 3 (revised 2008) contains substantial changes regarding the accounting for business combinations. The changes affect the valuation of shares with non-controlling interests, the accounting of transaction costs, the first-time recording and follow-up valuation of contingent considerations and business combinations achieved in stages. These new regulations will affect the valuation of goodwill, earnings in the reporting period in which a business combination takes place and future earnings.

IAS 27 (revised 2008) now stipulates that changes in the participating interest in a subsidiary which do not lead to a loss of control should be reported as transactions with shareholders in their capacity as shareholders. Therefore, such transactions cannot result in goodwill or profit/loss. Provisions for the distribution of losses to parent company shareholders and shares with non-controlling interest and accounting policies for transactions which lead to a loss of control have also been changed.

Both revised standards must be applied to financial years beginning on or after 1 July 2009.

In the 2010 financial year in particular, the new regulations in IFRS 3 (revised 2008) and IAS 27 (revised 2008) led to the transaction costs of company acquisitions being reported as affecting net income. In the context of the new joint venture, Süd-Chemie lost control of five subsidiaries. As a result of the changes to IAS 27.34, income from the deconsolidation has been shown as affecting net income.

The changes to IFRS 3 will affect future acquisitions or losses of control in subsidiaries and transactions involving shares without a controlling interest at Süd-Chemie.

IFRIC 12 Service concession arrangements

IFRC 12 clarifies how the provisions of the International Financial Reporting Standard already endorsed by the EU Commission shall be applied to service concession arrangements.

IFRC 12 is applicable to financial years beginning on or after 30 March 2009. The change to IFRC 12 does not currently affect accounting at Süd-Chemie since none of the companies included in the consolidated financial statements are concession holders in the sense of IFRC 12.

IFRIC 16 Hedges of a net investment in a foreign operation

IFRC 16 includes accounting regulations for hedges in a net investment in a foreign operation. The interpretation provides guidelines for identifying foreign currency risks that can be hedged as part of the hedging of a net investment in order to determine which Group companies can hold the hedging instruments to hedge net investments, and to calculate foreign currency gains or losses which are to be reclassified from equity to the income statement upon the sale of the hedged foreign operation.

IFRC 16 is applicable to financial years beginning on or after 1 July 2009. The change to IFRC 16 will not affect the Süd-Chemie financial statements as Süd-Chemie has not designated any such hedging relationships.

IFRIC 17 Distributions of non-cash assets to owners

IFRC 17 clarifies and explains the accounting procedures for distributions of non-cash assets to company owners. IFRC 17 is applicable to financial years beginning on or after 1 November 2009. IFRC 17 will not affect the Süd-Chemie financial statements as a distribution of non-cash assets is not expected.

IFRIC 18 Transfers of assets from customers

IFRC 18 clarifies and explains the accounting procedures for the transfer of tangible assets or means of payment by a customer for the construction or purchase of a tangible asset. IFRC 18 is applicable to financial years beginning on or after 1 November 2009.

IFRS 18 will not affect the Süd-Chemie consolidated financial statements since Süd-Chemie does not conduct such business transactions.

Improvements to IFRS 2008 – Amendments to IFRS 5

The changes to IFRS 5 clarify that if a company is committed to a sale involving the loss of control of a subsidiary, all assets and liabilities of that subsidiary must be classified as held for sale even if the company will retain a non-controlling interest in the former subsidiary after the sale.

IFRS 5 is applicable to financial years beginning on or after 1 July 2009. Adoption of IFRS 5 for the first time will not significantly affect the Süd-Chemie consolidated financial statements.

Improvements to IFRS 2009

The changes arising from the 2009 improvements were published by the IASB in April 2009 and incorporated into EU law in March 2010. The changes indicated below are applicable for the first time to financial years beginning on or after 1 January 2010. Application of the changes for the first time has not resulted in any significant impact on the Süd-Chemie consolidated financial statements.

Improvements to IFRIC 2 (Share-based payment) and IFRS 3 (Business combinations)

The amendments to IFRS 2 clarify that apart from business combinations within the scope of IFRS 3, the formation of joint ventures or transactions under joint control are also exempt from the scope of IFRS 2.

Improvements to IFRS 5 (Non-current assets held for sale and discontinued operations)

Clarification was provided with the addition of a new provision in IFRS 5.5B that an obligation to disclose beyond the scope required by IFRS 5 only exists if a standard calls for separate obligations to disclose even for non-current assets held for sale and for discontinued operations or for assets and liabilities of a disposal group that are assessed based on other standards, and the other standards require certain disclosures for the valuation of these assets and liabilities that are not otherwise stated in the notes.

Improvements to IAS 7 (Statement of cash flows)

The IASB provided clarification in IAS 7.16 that only those expenses leading to an asset recognised in the balance sheet can be stated as cash flow from investing activities.

Improvements to IFRS 8 (Operating segments)

It was clarified in a change to IFRS 8.23 that in the context of segment reporting, assets and liabilities have to be quantified only if this information is included in regular reports to the key-decision maker within the company.

Improvements to IAS 17 (Leases)

The change to IAS 17 concerns the classification of leases for land and buildings. The improvements include clarifications regarding the criteria for classifying leases for land and buildings.

Improvements to IAS 18 (Revenue)

General guidelines have been included in the appendix of IAS 18 for determining the principal and agent in transactions. Now all the relevant facts and circumstances have to be assessed and considered in order to determine whether a company is acting as a principal or agent.

Improvements to IAS 36 (Impairment of assets)

IAS 36.80 states that the allocation of goodwill must be based on the lowest level of an operating segment as defined in IFRS 8.5.

Improvements to IAS 38 (Intangible assets)

Clarification was given in IAS 38.36 that an intangible asset acquired as part of a business combination is potentially only separable in conjunction with a corresponding contract, an identifiable asset or a liability. Furthermore, it was clarified in IAS 38.37 that a group of complementary intangible assets with a similar useful life may be recognised as a single asset.

Moreover, the regulation in IAS 38.41 was amended insofar as the prerequisites were dropped for reporting companies in that they have to be regularly involved in the purchase or sale of intangible assets and that these assets need to be unique. Clarification was also given that the stated methods for indirect calculation of the fair value of intangible assets are examples only and not an exhaustive list of valuation procedures.

Improvements to IAS 39 (Financial instruments: recognition and measurement)

As part of the revisions made to IAS 39, IAS 39 A 30 (g) was amended to the extent that now a variable prepayment penalty amounting to the difference between the original effective rate and the effective rate achievable by reinvesting the amount paid to compensate creditors for the loss of interest suffered does not preclude a close link between repayment option and loan commitment.

Improvements to IFRIC 9 (Reassessment of embedded derivatives)

IFRC 9 now clarifies that in addition to contracts that were acquired as part of a business combination in accordance with IFRS 3, contracts that devolve as part of business combinations with corporate or business operation involvement under joint control or during the formation of a joint venture are also not included within the scope of IFRIC 9.

Improvements to IFRIC 16 (Hedges of a net investment in a foreign operation)

The change to IFRIC 16 has resulted in a lifting of the restriction whereby instruments held by a foreign operation to be hedged were excluded from the range of permissible hedging transactions.

Standards, interpretations and changes to standards incorporated into EU law as of 31 December 2010, but not applicable to the reporting year

The following standards and interpretations have already been incorporated into EU law. These standards and interpretations, which were not compulsory for the 2010 financial year, have not been voluntarily adopted ahead of schedule. Süd-Chemie will adopt these standards in the financial year when they become compulsory.

Standard/Interpretation	Adoption mandatory for financial years starting	Effects
IAS 24 Related party disclosures (revised 2009)	January 2011	None
Amendments to IAS 32 - Classification of rights issues	February 2010	None
Amendments to IFRS 1 - Limited exemption from comparative IFRS 7 disclosures for first time adopters	July 2010	None
Amendments to IFRIC 14 - Advance payments made as part of minimum funding requirements	January 2011	None
IFRIC 19 Extinguishing financial liabilities with equity instruments	July 2010	See explanation

IAS 24 Related party disclosures (revised 2009)

The amended IAS 24 was published by the IASB on 4 November 2009. The changes concern in particular the simplification of disclosure requirements for government-related companies and clarifications regarding the definition of a related party. The changes to the standard are applicable for the first time to financial years beginning on or after 1 January 2011. At Süd-Chemie the changes to IAS 24 will not affect related party disclosures.

Amendment to IAS 32 – Classification of right issues

The amendment to IAS 32 clarifies the accounting procedure for certain subscription rights if the financial instruments are not issued in the functional currency of the issuer. This change to IAS 32 is applicable to financial years beginning on or after 1 February 2010. This change to the standard will not affect the Süd-Chemie consolidated financial statements as Süd-Chemie has not designated any such subscription rights.

Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first time adopters

The amendment to IFRS 1 published by the IASB on 28 January 2010 now allows companies adopting IFRS for the first time to claim exemption from comparative disclosures for fair values and liquidity risk. IFRS 7 provides for these exemptions in cases where the comparative periods end before 31 December 2009. The changes to IFRS 1 and IFRS 7 must be adopted at the start of the first financial year beginning after 30 June 2010. This change will not affect the Süd-Chemie consolidated financial statements.

Amendment to IFRIC 14 – Advance payments made as part of minimum funding requirements

The amendment to IFRIC 14 was published on 26 November 2009. The change applies in limited circumstances where a company is subject to minimum funding requirements and makes an advance payment of contributions that meet these requirements. After the change an entity is now permitted to show the benefits received from this type of advance payment as assets. The changes to the standard are applicable for the first time to financial years beginning on or after 1 January 2011. The change to IFRIC 14 will not affect the assets, financial position and earnings of Süd-Chemie.

IFRIC 19 Extinguishing financial liabilities with equity instruments

IFRIC published IFRIC 19 on 26 November 2009, and it explains the accounting requirements under IFRS when a company extinguishes a liability fully or partially by issuing shares or other equity instruments.

The amendments to the standard shall be applicable for the first time to financial years beginning on or after 1 July 2011. IFRIC 19 will only be relevant for Süd-Chemie when financial liabilities are extinguished with equity instruments.

Published standards and interpretations not yet incorporated into EU law as of 31 December 2010

The following published standards and interpretations and amendments to standards and interpretations had not been incorporated into European law as of 31 December 2010. The standards and interpretations have therefore not been adopted.

	Mandatory adoption provided for by the IASB as of financial years starting	Effects
Standard/Interpretation		
Amendments to IAS 12 - Deferred taxes: Recovery of underlying assets	January 2012	None
Amendments to IFRS 1 - Severe hyperinflation and removal of fixed dates for first-time adoption	July 2011	None
Amendments to IFRS 7 - Financial instruments: Details	July 2011	None of significance
IFRS 9 Financial instruments: Classification and valuation and development of		
IFRS 9 - Accounting of financial liabilities	January 2013	None of significance
Improvements to IFRS 2010 IFRS 2010	July 2010/January 2011	None of significance

Amendment to IAS 12 – Deferred taxes: Recovery of underlying assets

The IASB published changes to IAS 12 Income taxes on 20 December 2010, which result in changes in the scope of SIC-21 (Income taxes - recovery of revalued non-depreciable assets). The amendment contains a partial clarification of the handling of temporary tax differences in connection with the adoption of the fair value model in IAS 40. It is often difficult in the case of property held as a financial investment to assess whether existing differences are reversed through continued use or through sale. The clarification therefore introduces the assumption that reversal will normally be through sale. The changes do not currently affect Süd-Chemie.

Amendment to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adoption

The IASB published changes to IFRS 1 on 20 December 2010. As a result of this change existing references to 1 January 2004 will be replaced by a reference to the date of transition to IFRS. In addition, rules are included for cases where an entity is not in a position to comply with all the IFRS regulations as a result of hyperinflation. This change has not affected the Süd-Chemie consolidated financial statements.

Amendment to IFRS 7 – Financial instruments: Disclosures

The IASB published changes to IFRS 7 on 7 October 2010, which led to extensive standardisation of the corresponding disclosure obligations in accordance with the International Financial Reporting Standard (IFRS) and the disclosure obligations in accordance with US-GAAP (Generally Accepted Accounting Principles). These changes relate to enhanced disclosure requirements when transferring financial assets and should help investors to better understand the impact of the residual risks for entities. Appropriate comparative disclosures will not be necessary in the first year of adoption. This change has not affected the Süd-Chemie consolidated financial statements.

IFRS 9 Financial instruments: Classification and measurement and further development of IFRS 9 – Accounting for financial liabilities

IFRS 9 published by the IASB on 12 November 2009 (Financial instruments: Classification and measurement) only contains requirements regarding the classification and measurement of financial liabilities. Additions were published by the IASB in October 2010. The additions to IFRS 9 contain requirements regarding the classification and measurement of financial liabilities as well as the writing off of financial assets and liabilities.

With the exception of the fair value option, these additions to IFRS 9 do not contain any significant changes. Fair value changes under the fair value option based on 'own credit' risk are recorded as other income, all other fair value changes are recorded on the income statement (one-step approach). With regard to write-offs, the addition to IFRS 9 adopts the provisions set out in IAS 39 applicable currently. From the current perspective, adoption of IFRS 9 will not have any significant impact on the assets, financial position and earnings of Süd-Chemie.

Improvements to IFRS 2010

The changes arising from the 2010 amendments were published by the IASB in May 2010, but have not yet been incorporated into EU law. Adoption of these changes for the first time will not have any significant impact on the Süd-Chemie consolidated financial statements.

Improvements to IFRS 1 (First-time adoption of IFRS)

The IASB has clarified that a first-time adopter of IFRS changing its accounting methods or the use of IFRS 1 exemption provisions after the publication of an interim report must explain the changes made and adjust its equity reconciliation statement in the interim report accordingly.

Furthermore, IFRS 1.D8 includes a clarification according to which a fair value calculated prior to the transition to IFRS in the course of privatisation or an IPO, which has been used instead of the acquisition or manufacturing cost, may still be used if the event-driving valuation took place on or after the date of transition to IFRS, but not in the period covering the first IFRS financial statements.

Any change arising as a result of the event-driven valuation shall be recorded directly on the valuation date under earnings reserves or another appropriate equity item. Moreover, first-time adopters of IFRS will be permitted in accordance with current accounting principles to transfer estimated values for tangible or intangible assets used as part of price-regulating activities as at the transition date as acquisition or manufacturing costs.

Improvements to IFRS 3 (Business combinations)

IFRS 3.19 has been amended to the effect that showing the valuation option for all non-controlling interests in the acquired entity, either at fair value or at the corresponding percentage of the identifiable net assets of the acquired entity, only applies to instruments with a current claim to a share in the net asset in the event of the dissolution or winding-up of the acquired subsidiary. Other elements of non-controlling interests in an acquired subsidiary, for example share options classified as equity, shall be valued in accordance with the IFRS relevant to these instruments or at fair value.

Furthermore, as part of the current amendments, the accounting rules in IFRS 3.B56 and 3.B62 have been changed and explicit guidelines provided. This has clarified that these principles apply to all share-based payments that form part of a business combination. These regulations also apply to share-based payments that do not become invalid as a result of a business combination and which are not paid back by the purchaser or replaced by own share-based payments.

Within this context IFRS 3.30 has also been amended with regard to the valuation of share-based payment premiums, such that the valuation regulations also apply to share-based payments that are not paid back by the purchaser. Moreover, the terminology in IFRS 3 has been brought in line with IFRS 2 (share-based payment). The term 'share-based payment premium' used to date in IFRS 3.30 has been replaced with the term 'share-based payment transactions'.

Improvements to IFRS 7 (Financial instruments: Disclosures)

The amendments to IFRS 7 concern disclosures regarding the nature and extent of risks arising from financial instruments, and clarifications of content and changes. The amendments clarify that qualitative disclosures in accordance with IFRS 7.33 are intended to supplement and support the quantitative disclosures in accordance with IFRS 7.34-42 in order to provide investors with an overall impression of the nature and extent of risks. The instruction in IFRS 7.34 (b) that quantitative disclosures regarding significant risks are not required has also been dropped.

The materiality of disclosures shall be assessed in accordance with IAS 1 (Presentation of financial statements). Clarification has been provided with regard to disclosures relating to credit risks, namely that the maximum exposure of a financial asset to default shall only be shown in accordance with IFRS 7.36 (a) insofar as this does not correspond to the book value of the asset. The extent to which securities held and other credit collateralisation reduce the maximum credit risk shall be quantified (see IFRS 7.36(b)).

Disclosures regarding securities held and credit collateralisation shall only be required in accordance with IFRS 7.38 in respect of assets still in the portfolio on the balance sheet date. Disclosure of the book value of financial assets, the conditions of which have been renegotiated since they would otherwise have been overdue or impaired (see IFRS 7.36(d)), and a description of the securities held and other credit collateralisation together with an estimate of their fair value (see IFRS 7.37(c)) have been removed for practical reasons.

Improvements to IAS 1 (Presentation of financial statements)

During the course of the revision of the IAS 27 (Consolidated and separate financial statements), the regulation in IAS 1.106 for the changes in a statement of changes in equity was adjusted. The adjustment raised various questions regarding the breakdown of »other comprehensive income«. Consequently, by means of a corresponding change to IAS 1, the clarification that the required breakdown of »other comprehensive income« into its separate items can be made during the transfer of the equity components, can also be made in the notes to the financial statement.

Improvements to IAS 27 (Consolidated and separate financial statements)

As part of Business Combinations Phase II and in addition to IFRS 3 (Business combinations), IAS 27 (Consolidated and separate financial statements) was also changed, leading to further changes to IAS 21, IAS 28 and IAS 31, for which the effective dates were not specified. The corresponding changes must therefore be fully applied retroactively pursuant to IAS 8 (Accounting policies, changes in accounting estimates and errors).

The rules for adoption have now been adjusted accordingly by the IASB in IAS 21, IAS 28 and IAS 31. The changes that arise as a result and which begin on or after 1 July 2009 shall consequently be adopted prospectively to subsequent financial years. Provided that the amended IAS 27 is adopted voluntarily at an earlier date, then the amendments to IAS 21, IAS 28 and IAS 31 will also be adopted voluntarily at an earlier date.

Improvements to IAS 34 (Interim financial reporting)

As part of the ongoing improvements, IAS 34 was supplemented to the effect that as of January 2011, information on changes in the business environment or in the general economic environment that influence the fair value of financial assets and liabilities must be included in the interim financial report, irrespective of whether the corresponding fair value of financial assets and liabilities or of the purchase costs are included in the balance sheet.

Furthermore the interim financial report must explain the transition between the various levels of fair value hierarchy which form the basis for determining the fair value, as well as the reclassification of financial assets, based upon a change in the purpose or usage.

IFRIC 13 (Determining fair value)

The changes to IFRIC 13 clarify that the fair value to be applied to a loyalty award is generally the amount at which the loyalty award could be sold separately. If this value cannot be determined, then it can be ascertained based upon the fair value of the award for which the loyalty award could be redeemed, adjusted by the benefits that the company grants to customers outside of the customer loyalty programme, as well as by the awards that have probably not been redeemed.

Basic Accounting Policies

Consolidation principles

The consolidated financial statement includes the financial statements prepared by Süd-Chemie AG and its subsidiaries, joint ventures, as well as the investments included in the balance sheet under the equity method. The financial year is equivalent to the calendar year. In deviation from this, the financial year of Exaloid Süd-Chemie S.L. Arceniega/Spain ends on 30 September, and the financial year for Süd-Chemie India Pvt. Ltd., Cochin/India, Süd-Chemie Adsorbents Pvt. Ltd, New Delhi/India, and ASK Chemicals Foundry Solution India Pvt. Ltd. which was renamed in the reporting year (previously: Ajay Metachem Süd-Chemie Pvt. Ltd.), Pune/India ends on 31 March. These companies were included in the consolidated financial statement, based upon the interim financial statement prepared on 31 December.

Subsidiaries are fully consolidated as of the acquisition date, meaning the date at which Süd-Chemie obtains control. The consolidation ends as soon as the control no longer exists. The consolidated financial statement is based upon the IFRS financial statements of Süd-Chemie AG and subsidiaries and joint ventures, along with the financial statements of associated companies. Any amounts that are based on tax regulations are not applied in the consolidated financial statement. All balances within the group, business transactions, unrealised gains and losses from transactions and dividends within the group are eliminated at the full amount. Losses of a subsidiary are also allocated to non-controlling interests if these result in a negative balance.

A change in a parent's ownership interest in a subsidiary that does not result in a loss of control is accounted in the balance sheet as an equity transaction. If the parent company loses control over a subsidiary, then the deconsolidation is implemented in accordance with the rules of IAS 27.34. In so doing the financial assets, including goodwill and liabilities, non-controlling interests and cumulative exchange differences in equity that are attributable to the subsidiary are to be derecognised. The consideration received plus the shares remaining in the investment are to be recorded at fair value, and the profit or loss in earnings from the transaction recorded in the income statement.

Business combinations and goodwill

Business combinations are recorded in the balance sheet in accordance with IFRS 3 (business combinations) with application of the acquisition method. The acquisition costs for any company acquisition are calculated as the sum of the consideration transferred, assessed at the fair value at the acquisition date and of the non-controlling interests in the acquiree. With each business combination the non-controlling interests in the acquiree are valued either at the fair value or at the corresponding share of the identifiable net assets of the acquiree. Expenses incurred as a part of the business combination are recorded as expenses and are accounted for as administrative expenses.

For any business combinations, the appropriate classification and designation of the financial assets and assumed liabilities are evaluated in accordance with the contractual provisions, economic circumstances and the prevailing conditions at the acquisition date.

The goodwill is initially assessed at the acquisition costs, which is measured as net income for the total consideration transferred and the amount of the non-controlling interests over the identifiable assets and assumed liabilities acquired by the Group. If this consideration is lower than the fair value of the net assets of the acquiree, then the difference is recorded in the income statement. After the initial assessment the goodwill is assessed at acquisition costs with deduction of accumulated impairment losses.

For all companies that were first consolidated prior to 1 January 2004, the updated values from the capital consolidation have not been restated in accordance with the German Commercial Code, with application of the relief provisions pursuant to IFRS 1.

Shares in joint ventures

Süd-Chemie records its shares in joint ventures in the balance sheet by applying proportional consolidation pursuant to IAS 31. Shares in the assets, liabilities, income and expenses of the joint ventures are recorded in the corresponding items of the consolidated financial statement, taking into account the amount of the investment.

The inclusion of a joint venture in the consolidated financial statement by means of proportional consolidation ends from the point in time that Süd-Chemie no longer participates in the joint control of the joint venture. With the loss of joint control Süd-Chemie assesses the remaining shares at their fair value. Differences between the book value of the formally joint venture company at the time of the loss of joint control and the fair value of the remaining shares, as well as the income from the sale, are recorded in the income statement. Where a significant influence remains on the investment it is entered in the balance sheet as a share in an associated company.

Shares in an associated company

The shares of Süd-Chemie in an associated company are recorded in the balance sheet in accordance with the equity method pursuant to IAS 28. According to the equity method, investments are included in the consolidated financial statement where Süd-Chemie AG indirectly or directly exercises a significant influence. For investments that are valued according to the equity method the acquisition costs are increased or reduced each year by the proportionate changes in equity. For the primary inclusion, a purchase price allocation is carried out pursuant to IFRS 3 (revised). Goodwill resulting from this is contained in the equity book value of the investment. Interim profits and losses from business relationships either with these companies or between these companies were not eliminated in the reporting year and in the previous year as they were immaterial.

With the loss of significant influence, Süd-Chemie values all shares that it retains in former associated companies at their fair value. Differences between the book value of the share in associated companies at the time of the loss of significant influence and the fair value of the retained shares along with the income from the sale are recorded in the income statement.

Foreign currency conversions

The annual financial statements of the foreign group companies included that have been prepared in a foreign currency are converted to EUR pursuant to IAS 21 (Effects of changes in foreign exchange rates), following the concept of functional currency. The functional currency of foreign companies is determined by the primary economic environment in which these companies carry out their transactions financially, economically and organisationally, and in which they mainly obtain and use the currency. In the

Süd-Chemie group, the functional currency corresponds to the respective local currency, with the exception of the subsidiaries Süd-Chemie Peru S.A., Callao/Peru, and Minera Doña Herminia S.A., Callao/Peru, as well as P.T. Kujang Süd-Chemie Catalysts, Cikampek/Indonesia, which use the US dollar as the functional currency.

In the consolidated financial statement the assets and liabilities of the subsidiaries included are accordingly converted using the rate on the balance-sheet date, and the expenses and income are converted using the respective annual average rates. The differences resulting from the currency conversion on assets and liabilities compared with the currency conversion from the previous year, along with the conversion differences between the income statement and the balance sheet are recorded in the equity without affecting the net operating result. The currency conversion differences in equity are stated separately as a difference from the currency conversion. In the 2010 financial year an increased total of EUR 23.6 million (previous year: EUR 1.4 million) in currency conversion differences were offset against equity.

For the first time consolidation of foreign companies, assets and liabilities of these companies are converted using the rates at the acquisition date.

Receivables and liabilities in a foreign currency in the local financial statements of the companies included in the consolidated financial statement are converted at the exchange rate valid at the balance-sheet date. Exchange rate differences resulting from this are recorded as affecting net income in other operating income and other operating expenses. Exchange rate differences that are used as net investments in a foreign business operation in accordance with IAS 21.15 provide an exception to this. Up until the sale of the net investment, these go directly into equity and are only recorded in the income of the period upon disposal. Deferred taxes resulting from the exchange rate differences of these foreign currency loans are also directly accounted for in the equity without affecting the net operating result. The exchange rate gains resulting from this in the 2010 financial year amount to EUR 1.4 million (previous year: EUR 2.0 million). Gains from unrealised currency differences which are accounted for in the income statement in the 2010 financial year amount to a total balance of EUR 1.3 million as compared with unrealised currency losses in the previous year of EUR 3.4 million.

The regulations in IAS 29 on the valuation and currency conversion of assets and liabilities of subsidiaries in highinflationary economies was not applicable for Süd-Chemie in the 2010 financial year in the same way that it was not applicable in the previous year.

The exchange rate that forms the basis of the currency conversion of the currencies relevant for the Süd-Chemie Group in relation to the euro developed as follows:

Currency		Exchange rate on balance sheet date			Average annual rate		
		31 Dec 2010	31 Dec 2009	Change %	2010	2009	Change %
Australian dollar	AUD	1.3136	1.6008	17.9	1.4422	1.7726	18.6
Brazilian real	BRL	2.2177	2.5113	11.7	2.3317	2.7676	15.8
British pound	GBP	0.8610	0.8888	3.1	0.8579	0.8910	3.7
Chinese renminbi yuan	CNY	8.8220	9.8350	10.3	8.9736	9.5278	5.8
Danish krone	DKK	7.4535	7.4418	-0.2	7.4473	7.4462	0.0
Hong Kong dollar	HKD	10.3856	11.1709	7.0	10.3023	10.8115	4.7
Indian rupee	INR	59.7580	67.0400	10.9	60.6000	67.3646	10.0
Indonesian rupee	IDR	12,002.14	13,626.13	11.9	12,044.37	14,445.13	16.6
Japanese yen	JPY	108.6500	133.1600	18.4	116.2598	130.3301	10.8
Canadian dollar	CAD	1.3322	1.5128	11.9	1.3654	1.5849	13.8
Malawi kwacha	MWK	203.0790	213.2350	4.8	203.3874	201.9270	-0.7
Malaysian ringgit	MYR	4.0950	4.9330	17.0	4.2677	4.9080	13.0
Moroccan dirham	MAD	11.2412	11.4216	1.6	11.2542	11.3390	0.7
Mexican peso	MXN	16.5475	18.9200	12.5	16.7408	18.7993	10.9
New Turkish lira	TRY	2.0690	2.1550	4.0	1.9969	2.1630	7.7
Norwegian krone	NOK	7.8000	8.3000	6.0	8.0044	8.7277	8.3
Polish zloty	PLN	3.9750	4.1045	3.2	3.9943	4.3276	7.7
Qatar rial	QAR	4.8282	5.2229	7.6	4.8386	5.0885	4.9
Russian ruble	RUB	40.8200	43.1540	5.4	40.2726	44.1373	8.8
Swedish crown	SEK	8.9655	10.2520	12.5	9.5368	10.6199	10.2
Swiss franc	CHF	1.2504	1.4836	15.7	1.3802	1.5101	8.6
Singapore dollar	SGD	1.7136	2.0194	15.1	1.8058	2.0242	10.8
South African rand	ZAR	8.8630	10.6660	16.9	9.6996	11.6736	16.9
South Korean won	KRW	1,499.06	1,666.97	10.1	1,531.94	1,772.97	13.6
Thai baht	THB	40.1700	47.9860	16.3	42.0227	47.8061	12.1
Czech krone	CZK	25.0610	26.473	5.3	25.2827	26.4342	4.4
Ukrainian hryvnia	UAH	10.5731	11.6374	9.1	10.5891	11.3576	6.8
us-dollar	USD	1.3362	1.4406	7.2	1.3261	1.3948	4.9

Group of consolidated companies

Number	Germany	Rest of world	Total	Total
	31 Dec 2010		31 Dec 2009	
Fully consolidated companies	6	56	62	69
Joint ventures consolidated on a pro rata basis	7	34	41	20
Companies consolidated at equity (associated companies)		8	8	7
	13	98	111	96

The scope of consolidation comprises all of the operationally active group companies including Süd-Chemie AG, as well as intermediate holding companies and one financing company, i.e. a total of 111 (previous year: 96) companies.

The consolidated financial statement comprises a total of 62 (31 December 2009: 69) affiliated companies including Süd-Chemie AG, for which Süd-Chemie AG directly or indirectly holds the majority of voting rights, or exercises a controlling influence in some other way. As a result of the contribution of affiliated companies into the existing joint venture with Ashland International Holdings Inc., Wilmington/USA, a

wholly-owned subsidiary of Ashland Inc., Covington/USA (Ashland), the number of fully consolidated companies decreased by 5 companies; furthermore, one group company was liquidated in the reporting year and there was a change in the type of consolidation of another affiliated company.

The consolidated financial statement covers 7 domestic joint ventures (31 December 2009: 5) and 34 foreign (31 December 2009: 15) in accordance with the requirements of pro rata consolidation. The changes as compared with the previous year result in particular from the expansion of the existing joint venture with Ashland.

Companies in which Süd-Chemie AG has the ability to participate, either directly or indirectly, in the operating policy decisions, are included in the consolidated financial statement as associated companies based on the equity method. A total of 8 companies are now included in the consolidated financial statement (31 December 2009: 7) as associated companies.

CHANGES IN THE SCOPE OF CONSOLIDATION	Germany	Rest of world	Total	Total
Number	2010			2009
Fully consolidated companies				
As of 1 January	8	61	69	66
Addition from acquisition				1
Addition from new formation				2
Disposal through contribution	- 2	- 3	- 5	
Disposal through change in type of consolidation		- 1	- 1	
Disposal through liquidation		- 1	- 1	
As of 31 December	6	56	62	69
Joint ventures consolidated on a pro rata basis				
As of 1 January	5	15	20	19
Addition from acquisition				1
Addition from new formation		8	8	
Addition through contribution	2	9	11	
Addition through change in type of consolidation		2	2	
As of 31 December	7	34	41	20
Companies consolidated at equity (associated companies)				
As of 1 January		7	7	1
Addition from acquisition				6
Addition from new formation		2	2	
Disposal through change in type of consolidation		- 1	- 1	
As of 31 December		8	8	7
	13	98	111	96

The complete participation list of Süd-Chemie AG can be found in the List of Shareholdings on pages 291 to 294.

Changes in the scope of consolidation

In the reporting year there were business combinations amounting to EUR 123.7 million (previous year: EUR 12.9 million). For this, purchase price payments were made less cash acquired amounting to EUR 8.0 million (previous year: EUR 7.3 million) and for acquired net assets including cash amounting to EUR 80.1 million (previous year: EUR 19.3 million) in total liabilities amounting to EUR 51.1 million

(previous year: EUR 6.8 million) were assumed. The liabilities from agreed purchase prices yet to be paid amounted at the balance sheet date to a total of EUR 15.7 million (previous year: EUR 13.5 million).

CHANGES IN THE FINANCIAL YEAR	Equity interest (%)	Voting rights (%)	Date of first time consolidation	Note	Allocated to Business Unit
Company					
Additions as a result of expansion of joint venture with Ashland Inc.					
ASK Chemicals Pte. Ltd., Singapore/Singapore	50.00	50.00	5 Aug 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals L.P., Wilmington/USA	50.00	50.00	20 Aug 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals UK Ltd., London/Great Britain	50.00	50.00	24 Aug 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals Canada Corp., Halifax/Canada	50.00	50.00	31 Aug 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals Italia S.r.l., Milan/Italy	50.00	50.00	30 Sep 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals de Mexico S. de R.L. de c.v., Mexico-City/Mexico	50.00	50.00	20 Oct 2010	Formation	Foundry Products and Specialty Resins
ASK Chemicals CIS LLC, St. Petersburg/Russia	50.00	50.00	24 Nov 2010	Formation	Foundry Products and Specialty Resins
ASK Produtos Químicos do Brasil Ltda., Campinas/Brazil	50.00	50.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
ASK Chemicals Japan Co., Ltd., Yokohama/Japan	50.00	50.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
ASK Chemicals España S.A., Getxo/Spain	50.00	50.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
ASK Chemicals Kemen, S.L., Getxo/Spain	50.00	50.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
ASK Chemicals Portugal Lda., Lisbon/Portugal	30.00	30.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
ASK Chemicals Korea Ltd., Ulsan/South Korea	25.01	25.00	1 Dec 2010	Contribution	Foundry Products and Specialty Resins
Disposals as a result of expansion of joint venture with Ashland Inc.					
skw Giesserei GmbH, Unterneukirchen	50.00	50.00	30 Nov 2010	Contribution	Foundry Products and Specialty Resins
wd-Giesserei-Technik GmbH, Fuldabrück	50.00	50.00	30 Nov 2010	Contribution	Foundry Products and Specialty Resins
Ajay Metachem Süd-Chemie Pvt. Ltd., Pune/India	50.00	50.00	30 Nov 2010	Sale	Foundry Products and Specialty Resins
Süd-Chemie Hi-Tech Ceramics Inc., Wilmington/USA	50.00	50.00	30 Nov 2010	Contribution	Foundry Products and Specialty Resins
Tecpro Corporation Inc., Atlanta/USA	50.00	50.00	30 Nov 2010	Contribution	Foundry Products and Specialty Resins
Other additions					
Süd-Chemie (Schweiz) S.A., Romont/Switzerland	49.00	49.00	17 Nov 2010	Acquisition	Performance Packaging
ASK Chemicals TR Ticaret Ltd. Sti., Ankara/Turkey	50.00	50.00	14 Sep 2010	Formation	Foundry Products and Specialty Resins
GTC Technology Europe s.r.o., Brunn/Czech Republic	25.00	25.00	5 Jan 2010	Formation	Catalytic Technologies
Neville Venture Pte. Ltd., Singapore/ Singapore	12.50	12.50	23 Aug 2010	Formation	Catalytic Technologies
Other disposals					
Süd-Chemie Properties (Pty) Ltd, Chloorkop/South Africa	100.00	100.00	21 July 2010	Deregistration	Catalytic Technologies

Global joint venture with Ashland

In a contract dated 14 July 2010 and supplementary agreement dated 28 November 2010, Süd-Chemie AG agreed with Ashland Inc., Wilmington/USA, (Ashland) on the global expansion of the existing joint venture with Ashland under the management of the renamed joint venture company ASK Chemicals GmbH (previously: Ashland-Südchemie-Kernfest GmbH), Hilden. The expansion of the joint venture comprises Ashland's worldwide foundry chemical business (Casting Solutions), as well as the activities of Süd-Chemie, which are attributed to Business Unit Foundry Products and Specialty Resins. Moreover, the areas of foundry sales and marketing as well as product development are merged with those of ASK Chemicals GmbH as part of the joint venture. The joint venture results in one of the world's largest providers of foundry chemicals. Closing took place following submission of the approval by the European anti-trust authority on 30 November 2010; the business transfer took place after 30 November 2010.

The activities of Süd-Chemie transferred into the joint venture comprise the companies operating in the Business Unit Foundry Products and Special Resins: skw Giesserei GmbH, Unterneukirchen, wd-Giesserei-Technik GmbH, Fuldabrück, Tecpro Corporation Inc., Atlanta/USA, Süd-Chemie Hi-Tech Ceramics Inc., Wilmington/USA and Ajay Metachem Süd-Chemie Pvt. Ltd., Pune/India, as well as the shares held in Ashland-Avébène S.A.S., St. Pierre la Garenne/France by Süd-Chemie France S.A.S., Choisy le Roi/France.

The activities contributed by Ashland include these companies operating in the area of foundry chemicals of Ashland: Ashland Korea Foundry Products Ltd., Ulsan/South Korea, Ashland Japan Co., Ltd., Yokohama/Japan, Iberia Ashland Chemical S.A., Getxo/Spain, Kemen Manguitos S.L., Getxo/Spain, Ashland Quimica Portuguesa Lda., Lisbon/Portugal, Ashland Resinas Ltda., Campinas/Brazil, as well as the shares in Ashland-Avébène S.A.S., St. Pierre la Garenne/France.

Moreover, the foundry chemical business operated by Ashland in Canada, USA, Mexico, the United Kingdom and Italy has been transferred to the newly founded subsidiaries of ASK Chemicals GmbH in these countries. The operational activities associated with the foundry chemical business were sold by Ashland India Pvt. Ltd., Mumbai/India, to Ajay Metachem Süd-Chemie Pvt. Ltd., Pune/India. The transfer of the foundry chemical business operated by Jiangsu Süd-Chemie Chemical Materials Co., Ltd., Zhenjiang/China and Ashland (China) Holdings, Co., Ltd., Shanghai/China, as well as Ashland (Changzhou) Advanced Chemical Co., Ltd., Changzhou

City/China, to a newly founded company is expected to take place after registration of the company in the 1st quarter of 2011.

Within the framework of implementing the global joint venture, the subsidiaries brought into the joint venture by Süd-Chemie, Ashland-Südchemie-Kernfest GmbH and their subsidiaries and investments, as well as the companies brought in by Ashland for the purpose of creating an individual corporate identity, were renamed as follows:

Prior to change of name	After change of name
Companies of Süd-Chemie group	
wd Giesserei-Technik GmbH, Fulda/Brück	ASK Chemicals Core Tech GmbH, Fulda/Brück
skw Giesserei GmbH, Unterneukirchen	ASK Chemicals Metallurgy GmbH, Unterneukirchen
Süd-Chemie Hi-Tech Ceramics Inc., Wilmington/USA	ASK Chemicals Hi-Tech LLC, Wilmington/USA
Tecpro Corporation Inc., Atlanta/USA	ASK Chemicals Metallurgy Inc., Atlanta/USA
Ajay Metachem Süd-Chemie Pvt. Ltd., Pune/India	ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India
Companies of Ashland-Südchemie-Kernfest GmbH	
Ashland-Südchemie-Kernfest GmbH, Hilden	ASK Chemicals GmbH, Hilden
AS Lungen GmbH, Bendorf	ASK Chemicals Feeding Systems GmbH, Bendorf
Ashland Südchemie Hantos GmbH, Vienna/Austria	ASK Chemicals Austria GmbH, Vienna/Austria
Ashland-Südchemie-Gremolith AG, Bazenheid/Switzerland	ASK Chemicals Gremolith AG, Bazenheid/Switzerland
AS-Polska Sp. z o.o., Oswiecim/Poland	ASK Chemicals Polska Sp. z o.o., Oswiecim/Poland
Webacem OY, Kangasala/Finland	ASK Chemicals Finland OY, Kangasala/Finland
Ashland-Avébène S.A.S., St. Pierre la Garenne/France	ASK Chemicals France S.A.S., St. Pierre la Garenne/France
Ashland-Südchemie-Necof B.V., Waalwijk/Netherlands	ASK Chemicals Benelux B.V., Waalwijk/Netherlands
Ashland-Südchemie-Norge AS, Lunde/Norway	ASK Chemicals Norge AS, Lunde/Norway
Kernfest-Webac AB, Älvsjö/Sweden	ASK Chemicals Scandinavia AB, Älvsjö/Sweden
Ashland-Südchemie-cz s.r.o., Brno/Czech Republic	ASK Chemicals Czech s.r.o., Brno/Czech Republic
Companies of Ashland group	
Ashland Quimica Portuguesa Lda., Lisbon/Portugal	ASK Chemicals Portugal Lda., Lisbon/Portugal
Iberia Ashland Chemical S.A., Getxo/Spain	ASK Chemicals España S.A., Getxo/Spain
Kemen Manguitos S.L., Getxo/Spain	ASK Chemicals Kemen, S.L., Getxo/Spain
Ashland Resinas Ltda., Campinas/Brazil	ASK Produtos Químicos do Brasil Ltda, Campinas/Brazil
Ashland Japan Co. Ltd., Yokohama/Japan	ASK Chemicals Japan Co. Ltd., Yokohama/Japan
Ashland Korea Foundry Products Ltd., Ulsan/South Korea	ASK Chemicals Korea Ltd., Ulsan/South Korea

The transfers occurred, with the exception of the shares held by Süd-Chemie France S.A.S. in ASK Chemicals France S.A.S., as well as the shares held by Süd-Chemie AG in ASK Chemicals Foundry Solution India Pvt. Ltd., via contributions in exchange for participation rights granted in ASK Chemicals GmbH, as well as in the newly founded ASK Chemicals L.P. amounting to a total of EUR 190.8 million; EUR 81.9 million thereof is granted to Süd-Chemie and EUR 108.9 million to Ashland. The contributions in exchange for granted participation rights led

to an increase in equity of EUR 117.1 million at ASK Chemicals GmbH and of EUR 73.7 million at ASK Chemicals L.P. For the purpose of balancing the percentages of ownership in ASK Chemicals L.P., Süd-Chemie purchased via its subsidiary Tecpro Holding Corporation Inc. shares in ASK Chemicals L.P. amounting to 20.15% from by Ashland Inc. at a purchase price of EUR 14.9 million. The managing general partner of ASK Chemicals L.P. is ASK Chemicals GmbH with a share of 0.1%.

The shares in ASK Chemicals France s.A.S. held by Süd-Chemie France s.A.S. were sold to ASK Chemicals GmbH at a purchase price of EUR 4.9 million, along with the shares in ASK Chemicals Foundry Solution India Pvt. Ltd. held by Süd-Chemie AG at a purchase price of EUR 10.0 million.

The foundry chemical business operated by Ashland in Canada, USA, Mexico, United Kingdom and Italy was sold to the newly founded subsidiaries of ASK Chemicals GmbH in these countries at a total purchase price of EUR 9.9 million, along with the foundry chemical business operated in India of Ashland India Pvt. Ltd., Mumbai/India, which was sold to ASK Chemicals Foundry Solution India Pvt. Ltd. at a purchase price of EUR 0.4 million.

The financial receivables and liabilities from sales transactions between ASK Chemicals GmbH and the joint venture partners,

as well as between the companies of the joint venture partners, with the exception of the receivables from the sale of the net current assets in India, were transferred to ASK Chemicals GmbH via assignment agreements.

After equal allocation of the capital shares to the joint venture partners along with the netting of the receivables and liabilities arising as a result from the assignments to ASK Chemicals GmbH, a residual liability to Ashland resulted amounting to EUR 22.0 million which was paid to Ashland by ASK Chemicals GmbH on the day of closing.

The total value contributed by the joint venture partners and their subsidiaries amounted to EUR 216.0 million and can be allocated to the contributing companies and areas of activity as follows:

		Agreed consideration
EUR million		
Contribution of activities by Süd-Chemie		
ASK Chemicals Metallurgy GmbH, Unterneukirchen	Contribution into ASK Chemicals GmbH, Hilden	48.5
ASK Chemicals Core Tech GmbH, Fuldabrück	Contribution into ASK Chemicals GmbH, Hilden	11.4
ASK Chemicals Metallurgy Inc., Atlanta/USA	Contribution to ASK Chemicals L.P., Wilmington/USA	4.0
ASK Chemicals Hi-Tech LLC, Wilmington/USA	Contribution to ASK Chemicals L.P., Wilmington/USA	18.0
ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India	Sale to ASK Chemicals Pte. Ltd., Singapore/Singapore	10.0
ASK Chemicals France s.A.S., St. Pierre la Garenne/France	Sale to ASK Chemicals GmbH, Hilden	4.9
		96.8
Contribution of activities by Ashland		
ASK Chemicals Korea Ltd., Ulsan/South Korea	Contribution into ASK Chemicals GmbH, Hilden	2.1
ASK Chemicals Japan Co. Ltd., Yokohama/Japan	Contribution into ASK Chemicals GmbH, Hilden	10.5
ASK Produtos Químicos do Brasil Ltda, Campinas/Brazil	Contribution into ASK Chemicals GmbH, Hilden	31.4
ASK Chemicals España S.A., Getxo/Spain	Contribution into ASK Chemicals GmbH, Hilden	8.3
ASK Chemicals France s.A.S., St. Pierre la Garenne/France	Contribution into ASK Chemicals GmbH, Hilden	4.9
Business of Casting Solutions of Ashland Inc., Covington/USA and Ashland Licensing and Intellectual Property LLC, Wilmington/USA	Contribution to ASK Chemicals L.P., Wilmington/USA	51.7
Business of Casting Solutions of Ashland Canada Corp./Corporation Ashland Canada, Halifax/Canada	Sale to ASK Chemicals Canada Corp., Halifax/Canada	3.8
Business of Casting Solutions of Ashland Chemical de Mexico, S.A. de C.V., Mexico-City/Mexico	Sale to ASK Chemicals de Mexico S. de R.L. de C.V., Mexico-City/Mexico	2.7
Business of Casting Solutions of Ashland UK Limited, Kidderminster/United Kingdom	Sale to ASK Chemicals UK Ltd., London/United Kingdom	2.8
Business of Casting Solutions of Ashland Italia S.p.A. Milan/Italy	Sale to ASK Chemicals Italia S.r.l., Milan/Italy	0.6
Business of Casting Solutions of Ashland India Pvt. Ltd., Mumbai/India	Sale to ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India	0.4
		119.2
		216.0

The transfer of activities and the initial inclusion of the assets and liabilities from activities transferred by Ashland into the joint venture in the consolidated financial statement of Süd-Chemie occurred after 30 November 2010.

Fully consolidated company

At the balance sheet date, including Süd-Chemie AG there are 6 domestic and 56 foreign affiliated companies included in the consolidated financial statement, i.e. a total of 62 (previous year: 69), in which Süd-Chemie AG indirectly or directly holds the majority of voting rights, or exercises a controlling influence in any other way.

Divestitures via contribution/sale

Expansion of the joint venture with Ashland

The shares held by Süd-Chemie AG amounting to 51.0% in ASK Chemicals Foundry Solution India Pvt. Ltd. were sold at a purchase price of EUR 10.0 million to intermediate holding company ASK Chemicals Pte. Ltd., Singapore, which was newly founded by ASK Chemicals GmbH. Ltd., Singapore. The obligation of Süd-Chemie AG to purchase the remaining shares in the company by 31 March 2013 at the latest at a purchase price of EUR 9.5 million was assumed by the buyer.

The shares valued at a total of EUR 59.9 million in ASK Chemicals Metallurgy GmbH and ASK Chemicals Core Tech GmbH were contributed to ASK Chemicals GmbH, and the shares valued at a total of EUR 22.0 million in ASK Chemicals Metallurgy Inc., Atlanta/USA, and ASK Chemicals Hi-Tech LLC, Wilmington/USA, were contributed to the newly founded ASK Chemicals L.P., Wilmington/USA in exchange for the granting of corporate rights.

The companies introduced into the joint venture with Ashland were reclassified on 1 December 2010 into the group of joint ventures included proportionally.

Up to the time of deconsolidation, with a turnover of EUR 106.8 million these companies achieved earnings from operational activity amounting to EUR 3.8 million plus annual earnings of EUR 2.1 million. At this point in time there were 637 employees in these companies.

INCOME FROM DECONSOLIDATION

EUR million	
Investment increase	91.9
Transfer of purchase price obligation	9.5
Release of foreign currency effects offset in earnings reserves	1.5
	102.9
Net assets of transferred companies	– 44.5
Goodwill	– 12.1
Income from deconsolidation	46.3

From the deconsolidation of the previously fully consolidated companies contributed to the joint venture by Süd-Chemie, and the divestiture of the purchase price liability for the acquisition of the remaining shares in ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India, earnings of EUR 46.3 million were made with application of IFRS 27.34. The income results substantially from the difference between the contribution value and the net assets of the group companies brought into the joint venture, minus the good will of these companies previously entered in the Süd-Chemie balance sheet from capital consolidation.

Change in the type of consolidation

As a consequence of the increased operational involvement of the previously fully consolidated ASK Chemicals Polska Sp. z o.o. (previously: AS-Polska Sp. z o.o.), Oswiecim/Poland – in which Süd-Chemie AG has a direct holding with 31.76% and ASK Chemicals GmbH, Hilden, has a direct holding with 68.24% – in the existing joint venture with Ashland under the management of ASK Chemicals GmbH, the company was reclassified in the group of companies to be proportionally consolidated. The transition consolidation in accordance with IFRS 27.34 results in earnings of EUR 0.4 million.

Other changes

Restructuring in connection with the expansion of the existing joint venture with Ashland

With a contract dated 19 November 2010 and with economic effect from 22 November 2010, 50.0% of the shares held by Süd-Chemie AG in Süd-Chemie Hi-Tech Ceramics Inc., Wilmington/USA, were sold at EUR 9.0 million to Tecpro Holding Corporation Inc., Wilmington/USA. Also with a contract dated 19 November 2010 and with economic effect from 22 November 2010, the remaining 50.0% of shares in Süd-Chemie Hi-Tech Ceramics Inc. were contributed to Tecpro Holding Corporation Inc. against an increase of capital reserves by EUR 9.0 million. Süd-Chemie Hi-Tech Ceramics Inc. was subsequently converted into a private company and renamed ASK Chemicals Hi-Tech LLC.

Furthermore, in a contract dated 29 November 2010 and with economic effect from 30 November 2010, the shares valued at EUR 18.0 million and held by Tecpro Holding Corporation Inc. in ASK Chemicals Hi-Tech LLC, along with shares valued at EUR 4.0 million in the company Tecpro Corporation Inc. renamed ASK Chemicals Metallurgy Inc., Atlanta/USA, were contributed to ASK Chemicals L.P., Wilmington/USA, which was newly founded on 20 August 2010, in exchange for the granting of corporate rights amounting to 29.8%. Further shares amounting to 70.1% in ASK Chemicals L.P. were assumed by Ashland Inc. via the contribution of the foundry chemical business to ASK Chemicals L.P., including the corresponding patents and licenses.

For the purpose of balancing the proportional ownership of ASK Chemicals L.P., Tecpro Holding Corporation Inc. subsequently acquired the shares held by Ashland Inc. amounting to 20.15% in ASK Chemicals L.P., the management of which was assumed by ASK Chemicals GmbH with a share of 0.1%. Following these transactions, Süd-Chemie AG now has a total 50.0% holding in ASK Chemicals L.P. via Tecpro Holding Corporation Inc. and via ASK Chemicals GmbH.

Restructuring operations in South Africa

For the purposes of further reducing the complexity of the organisational structure and thereby streamlining administrative processes, the operational business of Süd-Chemie Water & Process Technologies (Pty) Ltd, Chloorkop, and of Süd-Chemie Adsorbents SA (Pty) Ltd, Chloorkop, were transferred from 1 January 2010 to Süd-Chemie SA (Pty) Ltd, Chloorkop. In connection with the transfer of the operational business of the sc Zeolite Partnership, Chloorkop/South Africa, to Süd-Chemie Zeolites (Pty) Ltd, Chloorkop/South Africa, which had already taken place in January 2008, the immovable property of Süd-Chemie Properties (Pty) Ltd, Chloorkop/South Africa, was transferred to Süd-Chemie Zeolites (Pty) Ltd, Chloorkop/South Africa. The deregistration subsequently applied for by Süd-Chemie Properties (Pty) Ltd occurred on 21 July 2010.

Acquisition of the remaining shares in Süd-Chemie (Switzerland) AG/Closing of the location

In the reporting year the minority shareholder of Süd-Chemie (Switzerland) AG, Romont/Switzerland, exercised its contractual right to tender its share in Süd-Chemie AG at a purchase price of EUR 2.3 million. At the end of 2010, operations of Süd-Chemie (Switzerland) AG, Romont, with a total of 36 employees, were discontinued due to sustained losses resulting from the difficult market conditions, and the operational business was transferred to group company Airsec

s.A.S., Choisy Le Roi/France, at the beginning of 2011. The company produces performance packaging tubes for the pharmaceutical and food supplement industry.

Phostech Lithium Inc. capital increase

A resolution was passed dated 22 December 2010 at Phostech Lithium Inc., St. Bruno/Canada, for a capital increase of EUR 20.6 million (CAD 27.3 million). The capital increase is for the financing of an investment of over EUR 60 million in the world's largest series production of the battery material lithium iron phosphate for automotive electric drives at the Candiac/Canada location.

The affiliated companies that are fully consolidated besides Süd-Chemie AG are listed in the List of Shareholdings on pages 291 to 294.

Companies consolidated on a proportional basis

There are 7 domestic and 34 foreign joint ventures recorded in the consolidated financial statement in accordance with the rules on proportional consolidation. The consolidated joint ventures substantially cover the Business Unit Foundry Products and Specialty Resins under the management of ASK Chemicals GmbH (previously: Ashland-Südchemie-Kernfest GmbH), Hilden, Scientific Design Company, Inc., Little Ferry/USA, operating in Business Unit Catalytic Technologies, as well as Süd-Chemie India Pvt. Ltd., Cochin/India, also operating in Business Unit Catalytic Technologies.

Additions through expansion of the joint venture with Ashland Inc.

The previously fully consolidated companies introduced by Süd-Chemie into the joint venture were reclassified on 1 December into the group of companies for proportional consolidation.

With the share contribution agreement dated 29 November 2010, and with economic effect after 30 November 2010, Ashland International Holdings Inc., Wilmington/USA, a subsidiary of Ashland Inc., Covington /USA, contributed its shares valued at EUR 2.1 million in ASK Chemicals Korea Ltd., Ulsan/South Korea, its shares valued at EUR 10.5 in ASK Chemicals Japan Co. Ltd., Yokohama/Japan, and its shares valued at EUR 31.4 million in ASK Produtos Quimicos do Brasil Ltda, Campinas/Brazil, along with its shares valued at EUR 4.9 million in ASK Chemicals France s.A.S., St. Pierre la Garenne/France, to ASK Chemicals GmbH in exchange for the granting of corporate rights.

Furthermore, with the share contribution agreement dated 30 November 2010, and with economic effect after 30 November 2010, Ashland International Holdings Inc., Wilmington/USA, contributed with its shares valued at EUR 8.3 million in ASK Chemicals España S.A., Getxo/Spain, to ASK Chemicals GmbH in exchange for the granting of corporate rights.

The companies founded before closing for assumption by Ashland of the activity areas being contributed to the joint venture, i.e. ASK Chemicals Canada Corp., Halifax/Canada, ASK Chemicals de Mexico S. de R.L. de C.V., Mexico-City/Mexico, ASK Chemicals UK Ltd., London/United Kingdom, ASK Chemicals Italia S.r.l., Milan/Italy, and ASK Chemicals L.P., Wilmington/USA, were included for the first time as companies to be recorded proportionally in the consolidated financial statement at the corresponding time of founding.

For the purposes of managing operational activities in India, Korea, Japan and China, ASK Chemicals GmbH founded ASK Chemicals Pte. Ltd., Singapore/Singapore as an intermediate holding company, and the companies in these countries contributed to the joint venture by Süd-Chemie and Ashland were transferred to ASK Chemicals Pte. Ltd. As a consequence of the expansion of the existing joint venture with Ashland, the number of proportionally consolidated companies in the consolidated financial statement increased by a total of 18 companies.

PRELIMINARY PURCHASE PRICE ALLOCATION	Süd-Chemie		Ashland		ASK sub-group		Süd-Chemie group	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Pro-rata carrying amount	Pro-rata fair value
EUR million								
Fair value of contractually agreed consideration		96.8		119.2		216.0		108.0
Purchase price increases				5.7		5.7		2.9
Purchase price obligation transferred				9.5		9.5		4.8
Liability from offsetting								
net working capital / net financial debt				11.6		11.6		5.8
Total acquisition costs		96.8		146.0		242.8		121.4
Cash and cash equivalents acquired	0.9	0.9	7.2	7.2	8.1	8.1	4.1	4.1
Acquired assets and liabilities								
Intangible assets	15.6	28.0	0.7	40.9	16.3	68.9	8.2	34.5
Other non-current assets	31.8	32.0	28.0	41.9	59.8	73.9	29.9	37.0
Deferred tax assets	0.3	0.3	2.3	3.2	2.6	3.5	1.3	1.8
Current assets	44.8	45.9	59.7	62.0	104.5	107.9	52.3	54.0
Non-current and current provisions	- 13.5	- 13.5	- 2.5	- 7.5	- 16.0	- 21.0	- 8.0	- 10.5
Deferred tax liabilities	- 2.8	- 7.4	0.0	- 18.2	- 2.8	- 25.6	- 1.4	- 12.8
Non-current and current liabilities	- 28.2	- 28.2	- 24.9	- 24.9	- 53.1	- 53.1	- 26.6	- 26.6
Equity/Net assets	48.9	58.0	70.5	104.6	119.4	162.6	59.7	81.3
Pro-rata equity/net assets		58.0		101.4		159.4		79.7
Goodwill		38.8		44.6		83.4		41.7

The total value of the business combination amounts to EUR 242.8 million. The total value includes the investment increases of business shares in exchange for corporate rights amounting to EUR 190.8 million, as well as the purchase price of the companies and areas of activity purchased by ASK Chemicals amounting to EUR 25.2 million. The total value of the transaction also contains the compensation paid to Ashland by ASK Chemicals GmbH amounting to EUR 22.0 million, the fair value of ASK Chemicals Pte. Ltd., Singapore/Singapore, assumed purchase price obligations of Süd-Chemie AG for the remaining shares in ASK Chemicals Foundry Solution India Pvt. Ltd. amounting to EUR 9.5 million,

as well as a further liability to Ashland amounting to EUR 17.3 million. The liability is the result of compensation agreed contractually between the joint venture partners for the difference between the contractually agreed and actual minimum or maximum values of the current net assets transferred at the time of closing in the transferred companies and areas of activity or in the net financial liabilities stated in the transferred companies.

Of the liability to Ashland of EUR 17.3 million, EUR 5.7 million was allocated to purchase price increases for the areas of activity transferred by Ashland. The allocation of the remaining amount of EUR 11.6 million has not yet been debated.

The ancillary acquisition costs accrued that are connected with creating the global joint venture in the reporting period in the Süd-Chemie group amounting to EUR 5.1 million were recognised as expenses as a consequence of the changes to standard IFRS 3 on business combinations (revised). The capitalised ancillary acquisition costs for this acquisition project up to the balance sheet date at 31 December 2009 amounting to EUR 3.0 million were offset against the reserves without affecting income.

Contribution of activities by Ashland

During the course of the expansion of the joint venture with Ashland Inc., Ashland Inc. contributed, at the time of the closing, companies, assets and liabilities of the Casting Solutions area of activities for a contractual consideration amounting to a total of EUR 119.2 million to the sub-group under the management of ASK Chemicals GmbH, Hilden. In addition to the compensation payment to Ashland amounting to EUR 22.0 million, the fair price of the consideration includes the contribution of company shares in exchange for the granting of corporate rights in ASK Chemicals GmbH and in the newly founded ASK Chemicals L.P., as well as the sale of the areas of activity to the newly founded companies of ASK Chemicals GmbH. The assessment of the transferred companies and areas of activity was verified by an external audit. The contribution of company shares in exchange for the granting of corporate rights also includes the 50.0% of the shares in ASK Chemicals France S.A.S., St. Pierre la Garenne/France that was held by Ashland.

The existing assets and liabilities in the contributed companies and areas of activities were recorded as part of the purchase price allocation with fair prices. The determination of fair values for intangible assets by an external auditor was based upon the capital value-based process and resulted in a total value of EUR 40.9 million, consisting of customer relations amounting to EUR 23.1 million with an estimated economic useful life of up to 25 years, as well as industrial property rights and copyrights, technology and know-how with an estimated economic useful life of up to 19 years, amounting to a total of EUR 17.7 million. The value of the order backlogs also taken into account was assessed at EUR 0.1 million.

The fair values of tangible assets were also primarily determined based on external auditing, and resulted in an adjustment of the market value of the fixed assets by EUR 12.6 million to EUR 37.3 million. Of the fair value of the tangible assets, EUR 19.5 million applies to property and buildings, as well as advance payments made for technical facilities, machines and remaining assets totalling EUR 17.8 million. The fair value for property was ascertained based on the market valuation approach, and for the technical facilities and machines on replacement costs, taking into consideration the condition and the estimated remaining useful life of the asset.

The determination of the fair value of the inventory at the time of acquisition in accordance with IFRS 3.18 results in a value rate that is higher by EUR 2.3 million. A review of the recoverability of the receivables assessed at fair values along with the remaining asset value of current assets amounting to EUR 39.9 million resulted in no value corrections.

A provision amounting to EUR 1.4 million was taken into account for future expenses that may be incurred for the disposal of environmental loads at ASK Produtos Químicos do Brasil Ltda., Campinas/Brazil, which is an amount estimated for expenses as part of the purchase price allocation. Based upon the release from these expenses agreed contractually with Ashland, a corresponding claim against Ashland was recorded.

Within the framework of the joint venture agreement made with Ashland, agreements with subsidiary companies of Ashland Inc. were finalised at various locations concerning contract productions with a minimum term of 12 months. The valuation of these contracts at the time of closing resulted in a negative cash value from these contracts amounting to EUR 3.1 million. A corresponding provision was taken into consideration in the purchase price allocation for this economic disadvantage.

On differences between the tax value rates and the fair value of assets and liabilities resulting from the purchase price allocation, in addition to tax loss carryforwards that are useful for the future deferred tax liabilities arose in the balance amounting to a total of EUR 15.0 million.

At the time of the economic transfer there were a total of 452 employees in the contributed companies and areas of activity. From 1 January 2010 until the time of the initial consolidation, with a turnover amounting to EUR 94.3 million the contributed activities achieved income from operational activities (EBIT) amounting to EUR 5.5 million. Within the time period from the

point of the initial consolidation to the balance sheet date, turnover amounting to EUR 7.3 million with a negative result from operational activities (EBIT) amounting to EUR 0.6 million plus an annual loss amounting to EUR 0.7 million was achieved.

Contribution of activities by Süd-Chemie

From Süd-Chemie AG and its subsidiaries, companies with a total value of EUR 96.8 million were transferred to the joint venture. The transfer was implemented via contribution of company shares in exchange for corporate rights in ASK Chemicals GmbH and in the newly founded ASK Chemicals L.P., Wilmington/USA, as well as through the sale of shares in companies in the business area of foundry products and special resins to ASK Chemicals GmbH as well as to ASK Chemicals Pte. Ltd., Singapore/Singapore. The valuation of the companies contributed to the joint venture was verified by external auditing.

As a part of the preliminary purchase price allocation, the existing assets and liabilities in the contributed companies were recorded at their fair values. An external auditor was commissioned to determine the fair values. The intangible assets were valued based upon the capital value based process and resulted in an increased value of EUR 12.4 million; of this amount, EUR 10.2 million applies to customer relations with an estimated economic useful life of up to 21 years. The valuation of the brand names, industrial property rights and copyrights, technology and know-how with an estimated economic useful life of up to 15 years resulted in a market value totalling EUR 3.2 million; the value of the inventories was determined at EUR 0.1 million.

The fair values of the tangible assets were ascertained for the essential fixed assets based on an external audit, and resulted in an increase in value of the fixed assets of just EUR 0.2 million, because these asset values had already been entered in a timely manner with fair values in the balance sheet in the Süd-Chemie group.

The fair values of the inventories ascertained at the time of acquisition in accordance with IFRS 3.18 resulted in a higher value rate by EUR 1.2 million. The review of the recoverability of the receivables assessed for fair values and the remaining asset values of current assets amounting to EUR 25.1 million resulted in no value corrections.

In the companies transferred to the joint venture there were 655 employees at the time of the closing. In the period from 1 January 2010 to 30 November 2010, the companies achieved a turnover of EUR 106.8 million and results from operational activities (EBIT) amounting to EUR 3.8 million. From 1 December to 31 December 2010, with a turnover of EUR 9.5 million the transferred companies achieved negative results from operational activities (EBIT) amounting to EUR 0.7 million and net income for the period of EUR 0.2 million.

The proportional difference that results between the total acquisition costs and the proportionately acquired, revalued net assets amounting to EUR 41.7 million was applied as goodwill and comes under the business area of foundry products and special resins. Particularly within the context of the allocation of the claim for compensation from the transfer of current net assets which is still to be negotiated finally with Ashland, there has to date been no closing purchase price allocation to the point in time of the initial consolidation.

With the creation of the global joint venture with Ashland Inc., Covington/Kentucky (USA), Süd-Chemie becomes one of the world's leading providers of additives, chemical substances and services for the foundry industry. A sustainable growth potential can be exploited by pooling the know-how in research and development and in application technology, and from the shared use of the existing sales and distribution channels along with the realisation of market synergies in Europe, America and Asia. These synergies and other benefits from the business combination are inseparable and in this respect do not fulfil the recognition criteria of IAS 38 (intangible assets).

Addition through the founding of new companies

Founding of ASK Chemicals TR Ticaret Limited Sirketi

For the purposes of strengthening its presence and thereby creating the preconditions for a further expansion into the Turkish market, ASK Chemicals TR Ticaret Limited Sirketi, Ankara/Turkey was founded with subscribed capital that converts to approximately EUR 400,000. The registration of the company that will take over the sales activities of ASK Chemicals GmbH, Hilden on the Turkish foundry market in the areas of bonding agents, refractory dressing and additives, of ASK Metallurgy GmbH, Unterneukirchen, in the area of alloy additives, as well as of ASK Feeding Systems GmbH, Bendorf, in the areas of feeders and filters, took place on 14 September 2010. ASK Chemicals GmbH holds 95% of the shares; the remaining 5% of shares were acquired by ASK Chemicals Austria Ges.m.b.H, Vienna/Austria.

Founding of ASK Chemicals CIS LLC

On 24 November 2010, ASK Chemicals CIS LLC, St. Petersburg/Russia was founded by ASK Chemicals GmbH, Hilden, as part of the expansion of the joint venture with Ashland Inc. The company serves as sales support for foundry products in Russia and other CIS countries.

Addition from change in the type of consolidation

As a consequence of implementing the expansion of the global joint venture with Ashland under the management of ASK Chemicals GmbH, the previously fully consolidated companies ASK Chemicals Polska Sp. z o.o., Oswiecim/ Poland (previously: AS-Polska Sp. z o.o.), in which Süd-Chemie AG has a direct holding with 31.76% of shares and ASK Chemicals GmbH, Hilden, has a direct holding with 68.24% of shares, and ASK Chemicals Gremolith AG, Bazenheid/Switzerland previously recorded as an associated company (previously known as: Ashland-Südchemie-Gremolith AG), in which ASK Chemicals GmbH directly holds a capital and voting-rights share of 50.0%, were reclassified in the group of companies for proportional consolidation.

Changes in connection with expansion of the existing joint venture with Ashland

In a purchase contract dated 29 November 2010, and with economic effect after 30 November 2010, the 50.0% of shares held by Süd-Chemie France S.A.S. in ASK Chemicals France S.A.S., St. Pierre la Garenne/France, which was previously and continues to be included proportionally in the consolidated financial statement, was sold to ASK Chemicals GmbH at a purchase price of EUR 4.9 million and the 50.0% of shares held by Ashland at a value of EUR 4.9 million was contributed to ASK Chemicals GmbH in exchange for the granting of corporate rights.

As a consequence of the expansion of the existing joint venture with Ashland, and as part of the expansions made by founding new companies, plus the change in the nature of inclusion from a previously fully consolidated company and an associated company, the group of companies for proportional consolidation increased from 21 to 41 companies.

The joint ventures included proportionally in the consolidated financial statement are listed individually in the shareholder directory on page 292 to 293.

The impact of the joint venture on the consolidated financial statement is shown in the following tables.

Net assets of the joint venture

The proportionate assets and liabilities that are attributable to the joint venture and are included in the consolidated financial statement are listed in the following table:

EUR million	31 Dec 2010	31 Dec 2009
Non-current assets	143.4	32.4
Current assets	114.6	44.3
	258.0	76.7
Non-current liabilities and provisions	51.6	7.3
Current liabilities and provisions	61.1	25.8
	112.7	33.1
Net assets	145.3	43.6

Total income of the joint venture

The consolidated, proportionate earnings contributions of the joint venture can be found in the following table:

EUR million	2010	2009
Revenues	158.1	115.9
EBIT¹⁾	16.8	16.0
Total income	161.5	118.2
Total expenses	– 151.1	– 108.2
Profit for the period	10.4	10.0

1) Earnings before interest and taxes (profit from operations)

The joint ventures included in the consolidated financial statement in accordance with the rules on proportional consolidation are listed in the shareholder directory on pages 292 and 293.

Associated companies

Companies where Süd-Chemie AG is able directly or indirectly to contribute to the decisions taken on financial and business policy are included in the consolidated financial statement as associated companies in accordance with the equity method. The number of companies included in the consolidated financial statement as associated companies after new companies being founded and changes in the nature of inclusion amounts to 8 (previous year: 7).

Additions from founding of new companies

gTC Technology Europe s.r.o.

With a partnership agreement dated 20 November 2009 and entry in the commercial register on 5 January 2010, gTC Technology Europe s.r.o. Brno/Czech Republic was founded by gTC Technology International LP, Houston/USA, in which both Süd-Chemie AG and Süd-Chemie North America Inc., Wilmington/USA together hold 25.0% of shares, with

subscribed capital of 200,000 Czech crowns (EUR 8,000). The purpose of the company is to increase market penetration in the countries of Central and Eastern Europe as well as Russia in relation to technology licensing and engineering technology for chemical and petrochemical applications. The company is included in the sub-group financial statements of gTC Technology International LP, Houston/USA and recorded as an associated company in the consolidated financial statement.

Neville Venture Pte. Ltd.

With a partnership agreement dated 23 August 2010, Neville Venture Pte. Ltd., Singapore/Singapore was founded. The shares in the company were subscribed for respectively at 50% by gTC Technology International Limited Partnership, Houston/USA, and Vitae Investment Company, Delaware/USA. The purpose of the company is the trade in petrochemical products in Asia.

Final purchase price allocation for associated companies acquired in the 2009 financial year

Acquisition of shares in gTC Technology International

LP/Acquisition of shares in gTC Technology US LLC

With a contract of sale dated 8 December 2009, Süd-Chemie AG acquired 24.975% of the shares in gTC Technology International LP, Houston/USA, at a purchase price of EUR 2.2 million, and Süd-Chemie North America Inc., Wilmington/USA, acquired 25.0% of the shares in gTC Technology US LLC, Houston/USA at a purchase price of EUR 3.2 million from the two sellers gTC Technology LP, Houston/USA and gTC Technology GP, Inc., Houston/USA. The ancillary acquisition costs amounted to EUR 0.2 million. gTC Technology LP, Houston/USA, and gTC Technology GP, Inc. Houston/USA, are subsidiaries of MBT Technology International Investments LP, Houston/USA.

gTC Technology US LLC has a 0.1% holding in gTC Technology International LP. gTC Technology International LP in turn holds all shares in the companies gTC Technology Korea Co., Ltd., Seoul/South Korea, gTC Process Technology (Singapore) Pte. Ltd., Singapore/Singapore, and gTC (Beijing) Technology Inc., Beijing/China, as well as 60.0% of the shares in gTC Mexico S. de R.L. de C.V., Corregidora (Querétaro)/Mexico, plus, since 5 January 2010, all shares in gTC Technology Europe s.r.o. Brno/Czech Republic.

As a result of the holdings in the companies or of the holdings in the gTC Group, Süd-Chemie is capable of contributing to or substantially influencing financial and business policy. According to the principles of at-equity-accounting the initial

recognition of the equity book value corresponds with the acquisition costs amounting to EUR 5.6 million. No substantial adjustments of the equity book value from the time of acquisition to 31 December 2009 were to be taken into account.

Within the framework of the purchase price allocation carried out in accordance with IFRS 3 and for the purpose of the subsequent consolidation on 31 December 2009, the difference between the acquisition costs and the consolidated proportional equity in the companies at the time of the take-over amounting to EUR 4.0 million was allocated to the fair value of the intangible assets that exceeded the book value

PURCHASE PRICE ALLOCATION OF GTC GROUP		Pro-rata carrying amount	Pro-rata fair value
EUR million			
Purchase price/purchase price payment			
including transaction costs			5.6
Cash and cash equivalents acquired	0.4		0.4
Acquired assets and liabilities			
Intangible assets	0.1		1.9
Property, plant and equipment	0.4		0.4
Current assets	2.0		2.0
Non-current and current provisions	– 0.1		– 0.8
Non-current and current liabilities	– 1.2		– 1.2
Equity	1.6		2.7
Goodwill			2.9

The fair price of the intangible assets identified as part of the purchase price allocation was ascertained based upon the capital value based process. The book values of the remaining assets and liabilities corresponded to the fair values. After taking into account deferred tax liabilities amounting to EUR 0.7 million, the adjustments made resulted in goodwill

amounting to EUR 2.9 million which is a component of the equity book value of the GTC Group accounted for separately. Through Süd-Chemie's holding in the GTC Group, the development expertise and the synergies are bundled into the service portfolio with the production and application range expanded and the overall position of the GTC Group as a high-performance provider of technologies and services strengthened. Through the combination of Süd-Chemie's catalyst know-how and the process technology of GTC, the customer is now offered a convincing service package in the aromatics area.

Change in type of consolidation

As a result of implementing the expansion of the global joint venture with Ashland under the management of ASK Chemicals GmbH, ASK Chemicals Gremoloth AG (previously: Ashland-Südchemie-Gremoloth AG), Bazenheid/Switzerland, previously recorded as an associated investment and in which ASK Chemicals GmbH directly holds capital and voting-rights shares of 50%, was reclassified in the group of companies for proportional consolidation. The transitional consolidation in accordance with IFRS resulted in income amounting to EUR 0.1 million.

The financial information compiled for the associated companies, based upon specific national year-end closings, as well as shares relating to this that can be apportioned to the group can be seen from the following table.

EUR million	Total		Pro-rata share	
	31 Dec 2010		31 Dec 2009	
Total assets	29.3	7.3	11.9	3.0
Total liabilities	– 22.4	– 5.6	– 5.6	– 1.4
Net assets	6.9	1.7	6.3	1.6

EUR million	2010		2009	
Revenues	35.1	8.8	21.3	5.3
Total income	35.2	8.8	21.3	5.3
Total expenses	– 34.4	– 8.6	– 19.9	– 5.0
Profit for the period	0.8	0.2	1.4	0.3

Changes in key financial figures particularly result from the higher business volume of the GTC Group companies as compared with the previous year. ASK Chemicals Gremolith AG (previously: Ashland-Südchemie Gremolith AG), Bazenheid/Switzerland, is recorded in the financial information for the reporting year up to 30 November 2010. The company was reclassified on 1 December 2010 into the group of companies for proportional consolidation.

The associated companies that are recorded in the consolidated financial statement in accordance with the regulations of equity consolidation are listed individually in the shareholder directory on page 294.

Changes in shareholdings after the balance sheet date

Founding of ASK Chemical (Zhenjiang) New Materials Technology Co., Ltd.

On 13 January 2011 after the necessary approvals had been granted, ASK Chemical (Zhenjiang) New Materials Technology Co., Ltd, Zhenjiang/China was officially founded. This company, which was newly founded by ASK Chemicals Singapore Pte. Ltd., Singapore/Singapore, and was to be included in the consolidated financial statement in accordance with the rules on proportional consolidation, will take over the foundry business of Ashland and Süd-Chemie in China, within the framework of the expanded joint venture between Ashland Inc. and Süd-Chemie AG. The transfer of the foundry chemical business is expected to take place in the 2nd quarter of 2011.

Acquisition of 50% of the shares in Exaloid Süd-Chemie, s.L.

Within the framework of the joint venture agreement with Ashland Inc. for the foundation of a global joint venture, Ashland Inc., Covington/USA, was obliged to sell the remaining 50.0% of the shares in Exaloid Süd-Chemie, s.L., Arceniega/Spain, to Süd-Chemie Espana, s.L., Yuncos/Spain, a wholly-owned subsidiary of Süd-Chemie AG, at a purchase price of EUR 6.0 million. A total of 50.0% of the shares in Exaloid Süd-Chemie, s.L. are already held directly by Süd-Chemie AG. Closing is expected in the 1st quarter of 2011 after the required approvals are received by the authorities.

Effects of the business combinations completed

Income from consolidation activities

EUR million	
Transfer value	96.8
Transfer of purchase price obligation	9.5
Release of foreign currency effects offset in earnings reserves	1.5
Income from temporary consolidation as a result of the change in the nature of incorporation	0.4
	108.2
Net assets of transferred companies	- 46.6
Goodwill	- 12.1
Income from deconsolidation	49.5

From the consolidation activities of the reporting year, total income of EUR 49.5 million was realised. In addition to earnings from the deconsolidation of fully consolidated companies of Süd-Chemie into the existing joint venture with Ashland amounting to EUR 46.3 million, additional earnings of EUR 2.8 million are attributable to the contribution of shares in ASK Chemicals France S.A.S., St. Pierre la Garenne/France, to ASK Chemicals GmbH, as well as EUR 0.4 million to the temporary consolidation of ASK Chemicals Gremolith AG, Bazenheid/Switzerland, and of ASK Chemicals Polska Sp. z o.o., Oswiecim/Poland. Taking into account the ancillary acquisition costs that cannot be capitalised and other expenses amounting to EUR 5.1 million, along with exchange rate differences amounting to EUR 0.8 million and the increase in performance-based remuneration in connection with the implementation of the expansion of the joint venture with Ashland resulted in extraordinary income amounting to EUR 38.4 million.

Acquired net assets and goodwill

A summary of the impact of the first consolidation of associated and proportionately incorporated companies on the consolidated financial statement is shown in the tables below.

NET ASSETS AND GOODWILL ACQUIRED

EUR million	2010	2009
Total consideration	115.6	7.3
Liability from offsetting		
net working capital/net financial liabilities	5.8	
Claim from contingent consideration/price advantages received		- 0.7
	121.4	6.6
Less fair value of acquired		
net assets	- 79.7	- 16.9
	41.7	- 10.3
- thereof goodwill	41.7	4.6
- thereof difference on the liability side		- 14.9

The business combinations undertaken generated goodwill amounting to a total of EUR 41.7 million (previous year: EUR 4.6 million) and a difference on the liabilities side applied with an effect on earnings of EUR 14.9 million.

Acquisitions made during the financial year resulted in an increase in net group assets of EUR 79.7 million (previous year: EUR 19.3 million).

Summary of earnings contributions from first consolidations/deconsolidations

The fair values at the time of first consolidation of the acquired assets and debts are broken down as follows:

EUR million	2010	2009
Non-current assets	71.4	15.5
Current assets	59.8	10.6
	131.2	26.1
Non-current and current provisions	- 23.3	- 3.9
Non-current and current liabilities	- 26.6	- 2.9
	- 49.9	- 6.8
Net assets	81.3	19.3
Less shares in net assets not attributable to the Süd-Chemie group	- 1.6	
Acquired net assets	79.7	19.3

Company /Area of activity, EUR million	Date of first time consolidation	Up until first time consolidation date Pro-rata sales	Up until first time consolidation date Pro-rata EBIT ¹⁾	From first time consolidation date Pro-rata sales	From first time consolidation date Pro-rata EBIT ¹⁾	2010 Financial Year Pro-rata sales	2010 Financial Year Pro-rata EBIT ¹⁾
ASK Produtos Químicos do Brasil Ltda., Campinas/Brazil	1 Dec 2010	24.3	3.4	2.1	- 0.2	26.4	3.2
ASK Chemicals España S.A., Getxo/Spain	1 Dec 2010	5.9	0.5	0.3	- 0.1	6.2	0.4
ASK Chemicals Japan Co., Ltd., Yokohama/Japan	1 Dec 2010	6.6	0.4	0.6	0.0	7.2	0.4
ASK Chemicals Korea Ltd., Ulsan/South Korea	1 Dec 2010	1.8	0.1	0.2	0.0	1.9	0.1
ASK Chemicals Portugal Lda., Lisboa/Portugal	1 Dec 2010	0.6	0.1	0.1	0.0	0.8	0.1
ASK Chemicals Kemen. S.L., Getxo/Spain	1 Dec 2010		0.4	0.0	0.0	0.0	0.4
		39.1	4.9	3.3	- 0.3	42.4	4.6
ASK Chemicals Italia S.r.l., Milan/Italy	30 Nov 2010	1.3	- 0.3	0.1	0.0	1.5	- 0.4
ASK Chemicals de México S. de R.L. de C.V., Mexico-City/Mexico	20 Oct 2010	4.3	0.7	0.5	- 0.1	4.7	0.7
ASK Chemicals CIS LLC, St. Petersburg/Russia	24 Nov 2010		0.0	0.0	0.0	0.0	0.0
ASK Chemicals Pte. Ltd., Singapore/Singapore	5 Aug 2010		0.0	0.0	0.0	0.0	0.0
ASK Chemicals UK Ltd., London/Great Britain	24 Aug 2010	7.1	- 0.2	0.2	- 0.1	7.3	- 0.3
ASK Chemicals L.P., Wilmington/USA	20 Aug 2010	36.3	0.1	2.9	- 0.1	39.2	0.0
ASK Chemicals Canada Corp., Halifax/Canada	31 Aug 2010	5.0	0.5	0.3	- 0.0	5.3	0.5
ASK Chemicals TR Ticaret Limited Sirketi, Ankara/Turkey	14 Sept 2010		0.0		0.0		0.0
Distribution of Foundry Chemicals and Additives in India	1 Dec 2010	0.6	- 0.2	0.0	0.0	0.6	- 0.2
ASK Chemicals Gremolith AG, Bazenheid/Switzerland	1 Dec 2010	0.5	0.0	0.0	0.0	0.5	0.0
		55.2	0.6	4.0	- 0.3	59.2	0.3
		94.3	5.5	7.3	- 0.6	101.6	4.9

1) Earnings before interest and tax (profit from operations)

Company, EUR million	Date of deconsolidation	Up until deconsolidation date Sales	Up until deconsolidation date EBIT ¹⁾	From first-time consolidation date Sales	From first-time consolidation date EBIT ¹⁾	2010 Financial Year Sales	2010 Financial Year EBIT ¹⁾
ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India	30 Nov 2010	17.8	- 0.1	1.9	- 0.1	19.7	- 0.2
ASK Chemicals Metallurgy Inc., Atlanta/USA	30 Nov 2010	9.6	0.7	0.9	- 0.1	10.5	0.6
ASK Chemicals Hi-Tech LLC, Wilmington/USA	30 Nov 2010	8.4	1.1	0.7	- 0.1	9.1	1.0
ASK Chemicals Core Tech GmbH, Fulda/Brück	30 Nov 2010	8.4	0.2	0.6	- 0.2	9.0	0.0
ASK Chemicals Metallurgy GmbH, Unterneukirchen	30 Nov 2010	62.6	1.9	5.4	- 0.2	68.0	1.7
		106.8	3.8	9.5	- 0.7	116.3	3.1
of which pro-rata		53.4	1.9	4.8	- 0.4	58.2	1.6

1) Earnings before interest and tax (profit from operations)

As a result of the business combinations carried out during the financial year, group revenues increased by EUR 2.5 million (previous year: EUR 2.2 million) and the earnings before interest and taxes (EBIT) was negatively influenced by EUR 0.3 million (previous year: EUR 1.1 million).

The results contributions up to the time of first consolidation were calculated based on respective local accounting standards. In the case of the notional inclusion of the business combinations effected during the reporting year as of 1 January 2010, group revenue would have increased by approx. EUR 43.4 million and the earnings before interest and taxes (EBIT) by approx. EUR 3.3 million.

As a result of the acquisitions and new companies founded in the previous year and included for the first time for a full financial year, group revenue was influenced positively in the 2010 financial year by EUR 6.5 million, the earnings before interest and taxes (EBIT) were influenced negatively by EUR 2.8 million and the profit for the period was influenced negatively by EUR 1.7 million.

Impact on the consolidated group financial statement

Payments of EUR 12.1 million were made in connection with the business combinations carried out in the 2010 reporting year; of these, EUR 11.0 million are attributable to the expansion of the joint venture with Ashland and EUR 1.1 million to the acquisition of the remaining shares in Süd-Chemie (Schweiz) AG, Romont/Switzerland. Liabilities deriving from agreements drawn up with contractual partners as at the balance sheet date amount to EUR 9.9 million. The purchase prices totalling EUR 12.9 million resulting from business combinations carried out in the previous year were settled by transferring funds based on the contractual agreements of EUR 8.5 million; the remaining purchase price liabilities were paid as contractually agreed on 22 February 2010 to the amount of EUR 4.4 million.

The business combinations carried out in the reporting year and in the previous year had the following effect on the consolidated group annual statements.

EUR million	Balance sheet total		Revenue		Cash flow from investment activities		EBIT ¹⁾		Profit for the period	
	31 Dec 2010	31 Dec 2009	2010	2009	2010	2009	2010	2009	2010	2009
Business combinations/acquisition of areas of activity	41.1	32.0	2.5	2.2	- 6.9	- 19.2	37.8	13.8	40.8	13.8
Increases in holdings in affiliated companies					- 1.1					
Effects from the change in the nature of incorporation into the consolidated financial statements	- 0.2						0.4		0.4	
Purchase price adjustment for acquisition in previous year					- 4.4					
Acquisition of shares in associated companies		5.6				- 5.6				
Change	40.9	37.6	2.5	2.2	- 12.4	- 24.8	38.2	13.8	41.2	13.8

1) Earnings before interest and tax (profit from operations)

The cash flow from investment activities of the reporting year, in addition to payments in connection with the expansion of the global joint venture with Ashland, also contain payments for the acquisition of the remaining shares of Süd-Chemie (Switzerland) AG, Romont/Switzerland, and the payment for the subsequent purchase price adaptation for the shares in Süd-Chemie Alvigo Catalysts Ukraine LLC, Severodonezk/Ukraine purchased in 2009. The payments from the previous year relate to purchase price payments for the acquisition of shares in Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, Companhia Brasileira de Bentonita Ltda., Vitória da Conquista/Brazil, purchase of shares in the GTC Group amounting to a total of EUR 7.3 million and purchase price payments for the special ceramic filters division

acquired in the 2008 financial year amounting to EUR 17.5 million.

The special effects arising from consolidating processing in connection with the expansion of the existing joint venture with Ashland positively influenced the earnings before interest and taxes (EBIT) by EUR 38.4 million and profit of the period by EUR 41.8 million. The earnings before interest and taxes (EBIT) and the profit of the previous year include the results contribution from the dissolution of the difference on the liabilities side from the first-time consolidation of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China of EUR 14.9 million.

Significant events and extraordinary effects in the 2010 financial year

The significant events and extraordinary effects are explained below:

Income from consolidation activities

The result of the reporting year from consolidation activities derives mainly from the difference between the contribution value and the net assets of the group companies brought into the existing joint venture with Ashland, including the goodwill from consolidation of investments applying to these companies amounting to EUR 38.1 million as well as consolidation effects of EUR 1.9 million. In addition, the disposal of the purchase price obligation of EUR 9.5 million for the acquisition of the remaining shares in ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India was accounted for in earnings. By contrast, expenses from transaction costs, transaction-related currency effects and the increase of performance-related remunerations to Board Members and staff of EUR 11.1 million attributable to this profit share were also taken into account.

Differences arising from the valuation of derivatives

The valuation effects of derivatives include the option premiums from currency hedging transactions as well as the valuation effects of the market valuation of foreign exchange forward transactions concluded during the reporting year for Süd-Chemie currency hedging purposes. Above and beyond this, the valuation effects from derivatives include the ineffective part of currency swaps classified as cash flow hedges, calculated as of the balance sheet date, for the purpose of hedging the USD private placement and the market value change in the currency swaps concluded at the beginning of the 2009 financial year to hedge variable-interest bank liabilities.

Release of provision for legal risks

The provision recorded in the 2007 financial year for a patent law dispute in Italy was adjusted to the current assessment of the likely outcome of the legal dispute.

Differences from the valuation of commodity futures

Expenses from the valuation of commodity futures include the change of market values of transactions made to hedge the price risk of raw material purchases between the conclusion of the relevant contracts and the balance sheet date.

Unscheduled depreciation/restructuring expenses

The unscheduled depreciation and restructuring expenses included in the reporting year include the costs of the closure of production sites due to relocating production to other sites in the case of two foreign subsidiaries within Business Unit Performance Packaging.

Expenses for environmental risks

The expenses for environmental risks include additions to provisions to cover additional costs for the repair of ground water damage at the former Kelheim site. The remediation measures initiated at the Kelheim site in 2007 were finalised in one section in the 2009 financial year in accordance with measures agreed with the authorities. For the remaining remediation measures for the rest of the area, existing provisions were adjusted based on expert cost assessments by EUR 1.2 million to EUR 1.8 million.

Project costs

Project costs in the reporting year include consultancy expenses incurred in connection with the change of shareholder structure due to be undertaken in the 2011 financial year.

Valuation effects from put options held by non-controlling interest

The valuation differences from put options held by non-controlling interest include the balance between the valuation of the option right granted to the minority shareholder of Süd-Chemie (Switzerland) AG, Romont/Switzerland on the sale of its capital share to Süd-Chemie AG between the time of acquisition and the balance sheet date of the previous year.

Significant events and extraordinary effects in the 2009 financial year

In addition to acquisitions carried out in the 2009 financial year, the following significant events and extraordinary effects applied to the 2009 financial year:

Income from consolidation activities

In connection with the acquisition of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, at a purchase price below the fair value of the net assets acquired, there was a difference on the liabilities side of EUR 14.9 million which was released to the income statement pursuant to IFRS 3.

Differences arising from the valuation of derivatives

The valuation results from derivatives derived from the portfolio of currency futures at the balance sheet date. The expenses from valuation effects from derivatives also resulted from the market valuation of the currency swaps concluded to hedge the interest level and from the valuation effects of currency swaps classified up to 29 May 2009 as a fair value hedge to hedge the 40 million US dollar portion of the US dollar private placement. At this point, the currency swap subject to the 40 million US dollar portion was restructured and the base transaction classified as a cash flow hedge together with the derivative. In addition, the valuation effects from derivatives contained the ineffective part of this cash flow hedge calculated as at the balance sheet date.

Release of provision for legal risks

The provision reported in the 2008 financial year for a patent law dispute due to unfair competition in the USA was released in the 2009 financial year due to the assessment of the probable outcome of the dispute in view of progress.

Differences from the valuation of commodity futures

Income from the valuation of commodity futures included the change of market value of transactions undertaken to hedge the price risks of raw material purchases between the signing of the relevant contracts and the balance sheet date.

Change in liabilities from the management participation programme

A management participation programme was created at the beginning of the 2008 financial year for Board Members and for some senior managers of Süd-Chemie AG. The change in valuation of the anticipated proportional expenses pursuant to IFRS 2 arising from the management participation programme under the liability to be reported under non-current personal liabilities resulted in extraordinary income of EUR 1.4 million. In the 2010 reporting year, the management participation programme was reclassified from a share-based remuneration with cash compensation to a share-based remuneration with capital equity compensation based on the change to IFRS 2 (share-based payment). The valuation changes are therefore no longer released to the income statement.

Unscheduled depreciation/restructuring expenses

In connection with restructuring measures at production sites of a foreign subsidiary and a foreign joint venture, unscheduled depreciations on technical plants and machines and expenses on relocation of production sites were reported in the previous year amounting to EUR 6.5 million.

EXTRAORDINARY EFFECTS FROM SIGNIFICANT EVENTS		EBIT ¹⁾	Profit for the period	EBIT ¹⁾	Profit for the period
EUR million		2010		2009	
Income from consolidation activities		38.4	41.8	14.9	14.9
Differences arising from the valuation of derivatives		0.7	0.7	0.8	0.5
Release from provisions for legal risks		0.4	0.3	0.3	0.2
Losses from the valuation of commodity futures		0.2	0.1	1.7	1.2
Change in liabilities from the management participation programme				1.4	1.0
Income		39.7	42.9	19.1	17.8
Unscheduled depreciation/restructuring expenses		- 3.4	- 2.4	- 6.5	- 3.9
Differences arising from the valuation of derivatives		- 1.7	- 1.5	- 0.1	- 3.4
Expenses for environmental risks		- 1.2	- 0.9		
Project costs		- 0.5	- 0.4		
Valuation effects from put options held by minority interests			- 0.3		- 0.1
Expenses		- 6.8	- 5.5	- 6.6	- 7.4
Effect on profit		32.9	37.4	12.5	10.4
Profit after extraordinary effects		139.7	81.1	96.5	42.4
Adjustment for extraordinary effects		- 32.9	- 37.4	- 12.5	- 10.4
Profit before extraordinary effects		106.8	43.7	84.0	32.0

1) Earnings before interest and tax (profit from operations)

Significant events and extraordinary effects had a positive impact on the profit from operations (EBIT) in the amount of EUR 32.9 million (previous year: EUR 12.5 million) and the profit for the period, taking into account deferred taxes on these special effects, of EUR 37.4 million (previous year: EUR 10.4 million). After adjustment for those effects, the profit from operations (EBIT) in the reporting year was EUR 106.8 million (previous year: EUR 84.0 million) and the profit for the period EUR 43.7 million (previous year: EUR 32.0 million).

Accounting and Valuation Policies

Revenue recognition/income and expense recognition

Apart from long-term customer orders (IAS 11 Production orders), revenue is recognised in accordance with IAS 18 (revenue) at the time of transfer of the opportunities and risks associated with the ownership of the goods and manufactures sold to the purchaser. With long-term customer orders, revenue is recognised according to the so-called percentage-of-completion method in line with the order-based degree of service provision. Revenue deductions from discounts, bonuses and other reasons are subtracted from sales revenues. In accordance with IAS 18.20 (Provision of services), the sales revenue and other operational revenue is only included if the service has been provided, the degree of completion of the transaction and the costs incurred by the transaction or the anticipated costs to be incurred until completion can be reliably ascertained at the balance sheet date, the amount of revenue can be reliably calculated and the economic benefit from the transaction is likely to accrue to the group.

Interest revenue and interest expenses are included when claims and obligations have arisen. The recording of dividend income depends on the legal entitlement to payment. Operational expenses are included in the statement when the service is provided or at the time that it occurs.

Taxes

Taxes on income include all actual taxes imposed on all current taxable income of the subsidiaries included in the consolidated financial statement according to the respective national tax legislation, along with deferred taxes.

The actual tax refund claims and tax liabilities for current and previous periods are reported with the amount to be expected in terms of refund by the taxation authority or payment to the taxation authority. Calculation of the amounts are based on the national tax rates and tax laws as applicable at the balance sheet date.

Deferred taxes are accrued according to IAS 12 (Taxes on income) on all temporary differences between the assets and liabilities according to IFRS and the deferred tax assets and liabilities (liability method) as well as on consolidation

adjustments and tax loss carryforwards, insofar as realisation of the tax reduction claims resulting from the anticipated use is to be expected.

Deferred tax liabilities are included for all taxable temporary differences with the exception of:

- deferred tax liabilities from the first-time inclusion of a goodwill or an asset value or a liability arising from a business transaction which is not a business combination and which does not influence the period result in accordance with commercial law or the taxable result at the time of the business transaction, and
- deferred tax liabilities from taxable temporary differences in connection with shares in subsidiaries, associated companies and joint ventures where the temporal progression of the reversal of temporary differences can be controlled and it is probable that the temporal differences will not be reversed in the foreseeable future.

Deferred tax claims are included for all deductible temporary differences, tax loss carryforwards not yet used and unused tax credits insofar as it is probable that taxable income will be sufficiently available to be used to offset the deductible temporary differences and the tax loss carryforwards and tax credits not yet used, with the exception of:

- deferred tax claims from deductible temporary differences arising from a first-time inclusion of an asset or a liability from a business transaction which is not a business combination and where there was no influence on the period result according to commercial law or the taxable result at the time of the business transaction, and
- deferred tax claims from deductible temporary differences in connection with shares in subsidiaries, associated companies and joint ventures where it is probable that the temporal differences will not be reversed in the foreseeable future or there will not be sufficient taxable income available to offset the temporary differences.

The book value of deferred tax claims is checked at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to offset the tax claim at least in part. Deferred tax claims not included are checked at each balance sheet date and included to the extent that it has become probable that in future taxable income will enable the realisation of the deferred tax claim.

The calculation of deferred taxes is subject to specific national tax rates anticipated at the time of realisation of the asset value or at the time of fulfilment of the liability, in accordance with statutory provisions applicable on the balance sheet date. Where tax deferrals on consolidation entries are to be accounted for which cannot be allocated to individual group companies then an average tax rate is applied. There is no discounting of deferred tax claims and deferred tax liabilities as stipulated by IAS 12.53.

Deferred taxes relating to items which are included without effect on income are likewise entered without an effect on income. Deferred taxes are included in accordance with the business transaction on which they are based either under other income or directly under equity.

Deferred tax claims and deferred tax liabilities are set off against each other if there is an actionable claim to offset the actual tax refund claims against actual tax liabilities and these apply to tax on income of the same tax subject to the same tax authority.

Deferred tax benefits in connection with a business combination which do not fulfil the criteria for special inclusion at the time of acquisition are included in subsequent periods insofar as this emerges from new information regarding the facts and circumstances applicable at the time of acquisition. If the adjustment occurs within the valuation period defined in IFRS 3, a transaction or company value associated with this business combination is reduced. If the adjustment exceeds the transaction or company value, all remaining deferred tax benefits are to be included in the statement as effective for income.

Further information on deferred taxes can be found on the notes on profit and loss statement on pages 201 to 207.

Sales revenues, expenses and assets are generally included after deduction of VAT. By contrast, receivables and liabilities are reported including the VAT attributable to them. Non-deductible VAT is included as part of the manufacturing costs of the asset or as part of the expenditure. The sales tax amount reimbursed by the tax authority or paid to it is included in the consolidated financial statement under receivables or liabilities as appropriate.

Other taxes such as consumption-based or asset-based tax are included in manufacturing costs, sales costs, research and development costs and general administration costs.

Government grants

As stipulated by IAS 20 (Accounting for government grants and disclosure of government assistance), government grants are only included at their fair value if there is sufficient certainty that the associated conditions will be fulfilled and the grants will be awarded. Government grants for assets in the form of investment subsidies and grants, insofar as they are related to procurement and/or manufacturing costs, are always deducted from the relevant procurement/manufacturing costs or asset value.

Expenditure-related grants are entered as income over the period required in order to offset them against the relevant expenditure that they are intended to compensate. In the financial year, grants of EUR 3.6 million (previous year: EUR 4.2 million) were included in the statement with an effect on income. Furthermore, subsidies of EUR 0.9 million (previous year: EUR 0.4 million) were deducted from capitalised development costs and EUR 2.8 million (previous year: EUR 1.3 million) from tangible assets.

Leasing

The decision, if an agreement contains a leasing contract is made on the basis of the economic content of the agreement at the time of conclusion, and requires an assessment of whether the fulfilment of the contractual agreement depends on the use of a certain asset or certain assets and whether the agreement grants the right of use to an asset, even though such a right is not explicitly laid down in the agreement. Finance lease contracts provide the lessee with economic ownership in cases where it takes on all the opportunities and

risks associated with ownership. Insofar as economic ownership in connection with financial leasing contracts is attributed to group companies as the lessee as stipulated by IAS 17 (Leasing agreements), the leasing object is capitalised at the time of the conclusion of the agreement at the fair value or at the lower cash value of the minimum leasing payments, if these fall below the fair value. Depreciation methods and useful lives are the same as those of assets acquired in a comparable manner. Depreciations are on a straight-line basis in accordance with the economic period of the useful life of the leasing item, or the contract term if shorter. Discounted payment obligations from leasing rates are reported under financial liabilities.

In cases where group companies are lessors in finance lease contracts, a liability is entered against the lessee at the amount of the net investment value from the leasing agreement. The leasing payments received are broken down into repayments of the leasing claims and financial income amounts.

As far as group companies have concluded operating lease contracts as lessees, the leasing rate payments are recognised on a straight-line basis in the profit and loss statement over the duration of the respective leasing agreement as expenses. As a lessor in operate lease contracts, the leasing object is reported with continued procurement costs under tangible assets and the leasing rates received during the period are included under other operating income. The group leasing contracts are shown on pages 274 and 275 in summary form.

Intangible assets

Primary and purchased intangible assets and acquired goodwills are stated under intangible assets.

Intangible assets which have not been acquired from a business combination are accounted with their amortised acquisition and production cost less cumulative impairment losses. The acquisition costs of intangible assets acquired in the context of business combinations correspond to their fair value, determined according to the net present value method at the time of acquisition. With the exception of goodwill, intangible assets are subject to scheduled amortisation over their estimated useful lives. Production costs include internal services rendered in connection with the introduction of EDP software and, in addition to directly attributable costs, also comprise a reasonable share of the attributable overheads. Borrowing costs for intangible assets, the creation of which requires a considerable period of time (qualified assets) and which can be directly allocated to the creation of these intangible assets are capitalised in accordance with IAS 23 (Borrowing costs).

Amortisation is generally calculated on a straight-line basis over a period of 3 to 15 years and is allocated to the relevant functional areas. Concessions, patents and licences to such rights and assets as well as mining rights are amortised on a straight-line basis over their useful lives of up to a maximum of 25 years or over the agreed contract term. The amortisation of capitalised customer relationships is calculated in accordance with the estimated term of such business relationships. EDP software is amortised over a period of 3 to 5 years. The purchase costs for the global SAP system based on SAP ECC software will be amortised according to the normal estimated useful life of SAP systems over a period of 10 years. The useful life or remaining useful life applied is subject to annual review. Corresponding adjustments to the actual useful lives have been made where required. Extraordinary amortisation has been undertaken if sustained impairment losses appear probable due to changed circumstances. If the reasons for extraordinary amortisation no longer exist, appropriate reverse adjustments are made except in the case of goodwill. No allowance had to be made for assets with an indefinite useful life.

Goodwill

Any goodwill acquired and goodwill resulting from business combinations in accordance with IFRS 3 (Business combinations) is subsequently valued basically at the cost of acquisition less extraordinary impairment losses. Goodwill is subject to an impairment test annually and if a potential impairment can be assumed. Impairment tests are conducted in accordance with IAS 36 (Impairment of assets) by applying the discounted cash flow method. Based on this method, potential impairment is assessed by comparing the stated value of the goodwill plus the allocable net assets with the discounted anticipated future cash flow which arise from the use of those assets in the cash generating unit to which the goodwill has to be allocated.

The valuation of the cash generating unit is based on forecasts in the company's business plan which is also used for internal purposes. The plan covers a period of five years and contains assumptions regarding short and medium-term market trends.

The significant assumptions made by the company's management when assessing the value are based primarily on internal sources and include past experiences with regard,

inter alia, to sales trends, investments and growth rates.

Discount rates have been calculated with the help of external sources on the basis of capital market data. Each significant future change in previously stated figures has an influence on the valuation of cash generating units. Based on the information available at the reporting date and the expectations with regard to markets and the competitive environment, achievable amounts were produced above the accounting value of goodwill even taking into account realistic changes in the premises and parameters indicated below. The company's management therefore sees no indications for an impairment of goodwill. The allocation of capitalised goodwill to individual business divisions or units is described in the explanations on intangible assets on pages 211 to 212.

The individual business units represent the cash generating units in accordance with the management and reporting structure of the Süd-Chemie Group. Impairment tests for assessing the sustained value of the goodwill recognised are carried out with reference to the business unit to which the respective goodwill is attributable in economic terms.

SÜD-CHEMIE GROUP CASH GENERATING UNITS

Süd-Chemie Group Cash Generating Units	
Segment level (Divisions)	
Adsorbents	Catalysts
Level of Cash Generating Units (Business Units)	
Adsorbents und Additives	Catalytic Technologies
Foundry Products and Specialty Resins	Energy and Environment
Performance Packaging	
Water Treatment	

In principle, a group uniform interest rate is used for discounting the future cash flows of all cash generating units. An average growth rate of 1.0% per annum (previous year: 1.5%) was assumed for future cash flows not included in the current business plan. The weighted average cost of capital is derived from market data. An interest rate of 3.16% (previous year: 4.18%) was applied as a risk-free interest rate. A uniform discounting rate after tax of 9.0% (previous year: 8.4%) was applied in the financial year. No impairments were required as a result of the impairment tests carried out during the financial year.

Within the scope of its transition to IFRS, Süd-Chemie took advantage of the exemption option under IFRS 1 (First-time Adoption of International Financial Reporting Standards) by transferring the goodwill from capital consolidation recognised on the transition date of 1 January 2004 to the opening IFRS balance.

Development costs

Research costs must be recognised as expenses for the period in which they are incurred. Development costs must be capitalised if there is adequate assurance that the development activities relating to the products under development will lead to inflows of funds in the future, which will cover the accumulated development costs as well as the production costs, and if further specific criteria are met with regard to the development project and the product or process under development. These refer in particular to the technical feasibility and the availability of technical and financial resources to complete the development, and to the reliable assessment of the costs incurred during the development and allocable to the respective project.

Development costs of EUR 4.7 million (previous year: EUR 2.8 million) were capitalised in the 2010 financial year. The development costs capitalised in the financial year relate in particular to projects in the areas of biotechnological production of climate-friendly bio-ethanol and catalyst technology.

The amortisation of development costs begins upon reaching the end of the development phase and the start of production phase or product maturity, and is dependent on the revenue generated over the useful economic life of up to 15 years. If amortisation on a linear basis exceeds the amortisation calculated in accordance with the sales-related method, the amortisation on a linear basis is applied. The sustained value of the capitalised development costs is assessed annually through impairment tests.

Based on current schedules, existing development projects will reach the production stage and product maturity between 2011 and 2013. The development costs yet to be incurred in respect of these projects and to be capitalised are expected to amount to EUR 6.7 million.

The accounting principles applied to intangible assets are summarised as follows:

	Goodwill	EDV-software	Licences	Patents	Customer relations	Concessions	Development costs
Useful life	undetermined	limited up to 10 years	limited contract period	limited term of patent	limited up to 25 years	limited contract period	limited up to 15 years
Amortisation method applied	no planned amortisation	straight-line over estimated useful life	straight-line over term of licence	straight-line over term of patent	straight-line over estimated useful life	straight-line over term of concession	straight-line or sales dependent over period of utilization
Self-created or purchased	purchased	purchased and self-created	purchased	purchased	purchased	purchased	purchased and self-created

Property plant and equipment

Property plant and equipment is assessed at acquisition or production costs, less scheduled, use-related depreciation as well as cumulative impairment expenses. Besides the directly attributable costs, the production costs of the internally generated assets also include a reasonable share of the necessary material and production overheads. These include production-related depreciation as well as the pro-rata costs of company pension schemes and voluntary social benefits. Borrowing costs, which can be directly assigned to the purchase, construction or production of property plant and equipment and for the construction of which a considerable period of time is required (qualified assets) are capitalised in accordance with IAS 23 (Borrowing costs).

If significant amounts of property plant and equipment need to be replaced at regular intervals then these amounts are recorded as separate assets with a specific useful life or depreciation.

The depreciation of property plant and equipment is calculated on a straight-line pro rata temporis basis. Scheduled depreciation is allocated to the corresponding functional areas. Scheduled depreciation on a straight-line basis is based on the following useful lives:

	Useful life Years	Depreciation rate Percent
Buildings and outdoor installations	15–40	2.5–6.7
Technical plant and machinery	10–15	6.7–10.0
Other plant and business equipment	3–10	10.0–33.3

The useful lives or remaining useful lives allocated to the assets are reviewed annually during inventory taking and adjusted prospectively to the anticipated useful lives. Sustained impairment which is expected and which exceeds normal wear and tear is recognised in accordance with IAS 36 (Impairment of assets), insofar as the recoverable amount from the assets is less than the acquisition and production costs. The recoverable amount is the higher of the net selling price and the value in use of the assets involved.

If the reasons for extraordinary depreciation recognised in previous years no longer apply, appropriate revaluations will be undertaken up to a maximum of the recoverable amount. The reversal of an impairment is limited to the carrying amount which would have been determined in the previous years had no impairment loss been recognised. Extraordinary depreciation and reversal of impairments are recognised under other operating income and expenses.

Property plant and equipment is removed from the books either upon divestiture or if financial benefits can no longer be expected from further use or the sale of the asset. The profits or losses resulting from the derecognition of the asset, calculated as the difference between the net sale revenue and the book value of the asset, are recognised in the income statement as affecting net income in the period in which the asset is derecognised.

Investments in associated companies and other financial investments

Investments in associated companies are stated and valued in accordance with the equity method in accordance with IAS 28 (Investments in Associates). Based on the acquisition costs at the date that shares are purchased, the respective investment book value of each investment is increased or reduced by the pro rata profits or losses, dividends paid out and other changes in equity based on the annual financial statements drawn up by associated companies in accordance with IFRS, insofar as these relate to investments held by companies in the Süd-Chemie Group.

The goodwill relating to the associated company is included in the book value of the investment and is neither subjected to scheduled depreciation nor a separate impairment test. Changes in equity affecting net income are included in the net financial result as income from associated companies. Other investments are valued at amortised cost.

Loans and other credit activities shown under financial investments and other financial investments are classified as financial instruments under the 'Loans and Receivables' category and shown on the balance sheet at amortised cost in accordance with IAS 39: (Financial instruments: Recognition and measurement).

Extraordinary amortisation of financial investments resulting from sustained impairment is undertaken on the basis of impairment tests.

Inventories

In accordance with IAS 2 (Inventories), inventories are assets comprising finished goods and goods for resale held for sale in the ordinary course of business, work or services in progress for the purpose of such a sale, or raw materials, consumables and supplies intended for use in the manufacture of goods or the provision of services.

Raw materials, consumables and supplies and goods for resale are valued at acquisition cost calculated using the weighted average cost method. Purchase costs include all costs incurred in bringing the inventories to their present location and in their present condition. Work in progress and finished goods are valued at manufacturing cost under the assumption of normal capacity utilisation.

Besides directly attributable individual costs, manufacturing costs include a reasonable proportion of the material and production overheads insofar as they have been incurred during the manufacturing process. The manufacturing costs are calculated on the basis of the cost centres allocated to the manufacturing process. Costs for the company pension scheme, welfare and voluntary social benefits are included for the purpose of calculating manufacturing costs, insofar as they are incurred in the production area. General administration costs are also taken into account to the extent that they can be allocated to the manufacturing process. Borrowing costs for inventories (qualified assets) produced over a long-term period are capitalised in accordance with IAS 23 (Borrowing costs).

Deductions are made to lower net realisable values where required. The net realisable value is the selling price in the ordinary course of business less the costs of completion and sales costs still to be incurred. In particular, the deductions to low net realisable values take into account inventory risks arising from storage periods and reduced useability. If the reasons which led to a previous devaluation of the inventories no longer apply then they will be revalued.

Receivables and other assets

Receivables and other assets are valued at amortised cost after considering reasonable deductions for all recognisable individual risks or at fair value. Impairments are recognised as affecting net income.

Long-term customer orders

Customer orders which satisfy the criteria of IAS 11 (Construction contracts) are shown on the balance sheet in accordance with the percentage of completion method (POC method). Revenue and earnings from these orders are recognised by reference to the stage of completion of performance of each order. The stage of completion is assessed on the basis of costs already incurred as a proportion of the total estimated costs (cost-to-cost method). Appropriate devaluations are carried out for any order losses or provisions are made where necessary.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of an entity and at the same time to a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables and primary and derivative financial assets. Financial liabilities include any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities essentially involve trade payables, liabilities from banks, liabilities from private loans and finance leases as well as derivative financial liabilities.

Financial instruments at Süd-Chemie are classified in accordance with IAS 39 (Financial instruments: recognition and measurement) depending on each individual case either as financial assets and financial liabilities at fair value

affecting net income, as loans and receivables, other financial liabilities or as hedging derivatives.

The fair value of financial instruments which are traded on organised markets is determined by the market price quoted at the balance sheet date. The fair value of financial instruments for which there is no active market is determined by applying recognised valuation methods.

The decision whether a contract contains an embedded derivative is taken at the time when the company becomes party to the contract for the first time. There are no financial instruments with embedded derivatives at Süd-Chemie at the balance sheet date.

The designation of financial assets in the respective valuation categories takes place on their initial recognition.

Reassignments are made at the end of each financial year, provided they are authorised and appear necessary.

All purchases and sales of financial assets at usual market terms are recognised on the balance sheet at the trading date, i.e. the date on which the company enters into a commitment to purchase the asset. Purchases and sales of financial assets at usual market terms are purchases or sales which specify the delivery of the assets within a time period fixed in accordance with market guidelines or agreements.

Financial assets and financial liabilities which are valued at fair through profit or loss

The group of financial assets or financial liabilities valued at fair value through profit or loss include the financial assets or liabilities held for trading purposes as well as financial assets and liabilities classified at fair value on initial recognition.

Financial assets and financial liabilities are classified as held for trading purposes if they have been acquired for the purposes of sale in the near future. Derivatives are likewise classified as held for trading purposes, with the exception of derivatives where a financial guarantee is involved or which have been designated as hedge instruments and are effective as such. Profits or losses from financial assets/liabilities which are held for trading purposes are reported as affecting net income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. After initial reporting, loans and receivables are valued at amortised cost with the effective interest method applied less value adjustments for impairments. Profits and losses are reported in the income for the period if the loans and receivables are divested or impaired.

Other financial liabilities

The other financial liabilities are non-derivative financial liabilities with fixed or determinable payments which are not listed on an active market. After initial reporting they are valued at amortised cost with the effective interest method applied.

Hedge derivatives

Fair value hedges and cash flow hedges must be differentiated for the purpose of recognising hedging operations in accordance with the restrictive hedge accounting regulations. Fair value hedges are used to hedge any exposure to the risk of changes in the value of items in the balance sheet. Changes in the market value of the underlying transactions and the related hedging instruments are immediately recognised in the income statement. Cash flow hedges serve to hedge any exposure to changes in the value of future cash flows. The effective portion of the profit or loss of the cash flow hedge is recognised in equity in the hedge provision without affecting net income, whereas the ineffective portion is accounted immediately in the financial result affecting the net income. The amounts recognised in the hedge provision are transferred affecting the net income to the income statement in the period in which the hedged transaction influences the result for the period.

Impairment of financial assets

Financial assets are valued taking account of appropriate deductions for all recognisable individual risks. If there is an objective indication that an impairment has occurred with loans and receivables recognised at amortised costs, the amount of the loss is reported as the difference between the book value of the asset and the cash value of the anticipated future cash flow, discounted at the effective interest rate of the financial asset determined on initial recognition. The book value of the asset is reduced using an adjustment account. The loss from impairment is recognised in the income statement.

If the impairment amount falls in one of the following reporting periods, and if this reduction can actually be attributed to an event occurring after the recognition of the impairment, then the previous impairment will be reversed. The reversal is limited to the amortised costs at the time of the reversal. The reversal is reported in the income statement.

If there are objective indications (such as the probability of insolvency or significant financial difficulties on the part of the debtor) in the case of trade receivables that not all payments due in accordance with the original payment terms will be received, then an impairment will be accounted for using an adjustment account. Impairments are derecognised if they are considered uncollectible. No significant credit risk concentrations exist in the Süd-Chemie Group.

Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the contractual rights relating to cash flows from this financial asset have expired. A financial liability is derecognised if the obligation underlying this liability is discharged, cancelled or has expired for other reasons.

Derivative financial instruments and hedging relationships

The derivative financial instruments used for hedging currency, interest rate and price change risks are recognised at the time of the conclusion of the contract at fair value and valued at fair value in the following periods. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative.

Profits or losses from changes in the fair value of derivative financial instruments are reported immediately as affecting net income with the exception of the effective portion of a cash flow hedge which is reported under other income.

The fair value of a currency future contract is the difference between the forward exchange rate and the rate fixed by contract. The forward exchange rate is calculated using the yield curve of the respective currencies applicable at the balance sheet date.

The fair value of interest rate swap contracts is calculated using the yield curve of the contract currency of the interest rate swap applicable at the balance sheet date.

For the purposes of accounting for hedging relationships, hedge instruments are classified as follows:

- as a fair value hedge, if it is a hedge against the risk of a change in the fair value of an asset or liability reported on the balance sheet or of a firm commitment not reported on the balance sheet (apart from an exchange rate risk); or
- as a cash flow hedge, if it is a hedge against the risk of fluctuations in cash flow which can be allocated to the risk associated with an asset or liability reported on the balance sheet or a likely future transaction, or the exchange rate risk of a firm commitment not reported on the balance sheet.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. Such documentation includes the identification of the hedge instrument, the underlying or hedged transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedging relationships are deemed highly effective with regard to offsetting exposure to the risks of changes in fair value or cash flow. They are continuously assessed to determine whether they were actually highly effective during the entire reporting period for which the hedging relationship was defined.

Hedge transactions which meet the strict criteria for the reporting of hedging relationships are reported as follows:

Fair value hedges

Changes in the fair value of derivative hedging instruments are reported in the income statement. Changes in the fair value of an underlying transaction attributable to the hedged risk are recognised as a portion of the book value of the underlying hedged transaction and also reported in the results for the period.

In the case of fair value hedges relating to underlying transactions applied at amortised costs, the book value is amortised fully affecting net income over the remaining term until maturity. This can begin as soon as there is an adjustment, but will begin at the latest when the underlying transaction is no longer adjusted by changes to the fair value attributable to the hedged risk. If the underlying transaction is divested, the non-amortised fair value is reported immediately in the income statement.

If a firm commitment which is not recognised in the balance sheet is classified as an underlying transaction, then the subsequent cumulative change to the fair value of the firm commitment which is attributable to the hedged risk is recognised as an asset or liability, with a corresponding profit or loss reported in the financial statements for that period.

As of 31 December 2010 the Süd-Chemie Group does not have any hedging relationships classified as a fair value hedge.

Cash flow hedges

The effective portion of the profit or loss from a hedging instrument is recognised directly in equity, whereas the ineffective portion is reported immediately as affecting net income. The amounts reported in equity are reclassified to the income statement in the period in which the hedged transaction influences the period's financial statements, for example, if hedged financial income or expense has been reported or if an expected sale has been completed. If a hedge results in the reporting of a non-financial asset or non-financial liability, then the amounts reported in equity become part of the purchase costs at the time of addition of the non-financial asset or the non-financial liability.

Should the occurrence of the forecast transaction or firm commitment no longer be anticipated, the amounts reported previously in equity are reclassified in the income statement. If the hedging instrument expires or is sold, terminated or exercised without a replacement or rollover of the hedging instrument into another hedging instrument, or the criteria for the posting as a hedging relationship are no longer satisfied, then the amounts reported previously in equity remain as a separate item under equity until the forecast transaction or firm commitment occurs.

The Group uses currency swaps as hedge instruments to hedge against the exchange rate risk resulting from firm commitments. For further explanations see page 253 to 254.

Detailed information and explanations regarding hedging transactions are provided in the chapter Derivative financial instruments on pages 252 to 257.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques, current account deposits and other current liquid assets with an original term of less than three months. Cash is assessed at nominal value. Amounts in foreign currencies are converted at the exchange rate at the balance sheet date.

Provisions for retirement benefits and similar obligations

Provisions for retirement benefits and similar obligations are valued in accordance with IAS 19 (Employee Benefits). Pensions and similar obligations include pension obligations from defined benefit and defined contribution plans and early retirement part-time working arrangements. Pension obligations are calculated in accordance with the projected unit credit method. In this method, in addition to the retirement benefits and accrued benefits identified at the balance sheet date, anticipated future increases in salary and pensions are also taken into account.

The calculation of the extent of the obligation is based on annual actuarial valuation under consideration of biometric accounting principles and application of market-oriented interest rates. Heubeck's mortality tables 1998, adjusted to industry-specific enhancements, are used to calculate domestic pension obligations. Unrealised actuarial gains and losses are recorded in equity without affecting net income. Length of service cost is recognised under staff costs, the interest element of the amount allocated to provisions is included in the financial result.

During the transition to IFRS accounting standards, the Süd-Chemie Group exercised the exemption option offered by IFRS 1 and included all actuarial gains and losses from defined benefit commitments in the IFRS opening balance from the date of transition to IFRS on 1 January 2004 (so called Fresh Start). No deficits were reported.

IAS 19 provides three alternative methods for recognising and allocating actuarial gains and losses, whereby actuarial gains and losses can be allocated to equity either immediately affecting net income or directly without affecting net income, or recognised in accordance with the 'corridor' method. Based on the corridor method, actuarial gains and losses must be recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the performance-oriented obligation and 10% of the fair value of any planned assets at that date. The amount of actuarial gains and losses to be reported as income or expenses is distributed over the expected average remaining working lives of the participating employees.

In the course of the transition to IFRS financial reporting, Süd-Chemie opted to report actuarial gains and losses under equity not affecting net income ('SORIE method'), since the immediate recognition of actuarial gains and losses compared with partial recognition in accordance with the corridor method provides a better picture of the financial and assets position. Compared with immediate reporting affecting net income, applying the SORIE method avoids influences on income through changes in parameters caused externally (for example, market interest rates). Had the method of accounting with immediate effect on net income been applied to the actuarial gains and losses, an effect on income of -EUR 3.3 million (previous year: -EUR 0.5 million) taking account of deferred taxes would have resulted in the 2010 financial year.

Provisions for transitional early retirement obligations stated under provisions for pensions and similar obligations are also determined on the basis of expert reports with individual agreements also taken into account. The relevant discount rate was based on market interest rates over the corresponding term of the agreements.

Other provisions

Principles

Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) with the best possible estimate of the scope of the obligation. Other provisions are recognised only for legal and factual obligations towards third parties. They represent uncertain obligations and are reported insofar as there is an obligation towards a third party which has arisen as a result of a past event, which can be estimated reliably and from which an outflow of capital is to be expected.

Valuation uncertainties are taken into account in that a lower and upper margin is calculated for the parameters influencing the calculation. If the determination of the extent of obligation is based on estimates, the upper margin of the estimate is taken as a basis for calculating the provision. If the obligations are due after one year only and a reliable estimate of the disbursement amounts and payment dates is possible, the corresponding present value is taken for the long-term portion of the extent of the obligation, applying market interest rates which correspond to the risk and time period up to fulfilment of the obligation. Where discounting is applied, the increase in the provision owing to the elapsed time period is reported as an interest expense. Price increases are taken into account by estimating the future rate of inflation and are subject to an annual review. If a refund is anticipated at least in part for a provision which is recognised as a liability (such as an insurance policy), the refund is reported as a separate asset if the inflow of the refund is highly probable. Expenses from the creation of the provision is recognised in the income statement less the refund.

Provisions for environmental risks

Provisions for existing environmental risks and recultivation obligations are based on government regulations or private legal agreements. Expert estimates of costs of the measures outlined by the competent authorities to remedy environmental damage or to fulfil recultivation obligations are used as a basis for calculating provisions.

Provisions for emission rights

Süd-Chemie received emission rights free of charge for a site in Germany under the European system for trading in greenhouse gas emission certificates. In return Süd-Chemie was obliged to return a quantity of emission rights corresponding to the emissions caused by the respective activity in the previous year. Süd-Chemie reported the allocated emission rights in accordance with the net liability method, whereby a provision is to be reported only if the scope of the actual emissions exceeds the scope of the emission rights allocated and still held. An increase in energy efficiency enabled Süd-Chemie to reduce the furnace and heating output of its sites to such an extent that no site now falls under the German Greenhouse Gas Emission Trading Act. The provision of emission certificates is therefore not necessary.

Provisions for legal risks

The creation of provisions for legal risks is based on the likelihood of an unfavourable outcome for the Süd-Chemie Group in respect of legal proceedings, and the possibility of being able to estimate the associated loss meaningfully. The bringing of a legal action or the formal assertion of a claim does not necessarily entail the creation of a provision. Current legal risks are regularly recognised and assessed by the internal legal department in conjunction with external lawyers.

Provisions for guarantees

Provisions for costs in connection with guarantees are created on the date of the sale of the underlying product or the provision of services. Initial reporting is done based on historical empirical values. The original estimate of costs in connection with guarantees is reviewed annually.

Provisions for restructuring activities

Provisions for restructuring activities are only reported if the general recognition criteria for provisions are fulfilled. Moreover, a formal restructuring plan must be followed which sets out detailed information in respect of the business division or part of the business division involved, the site and the appropriate time frame. The employees affected must have a justifiable expectation that the restructuring will be implemented or this must have already been started.

Provisions for taxes

Tax provisions comprise the tax obligations of the companies included in the consolidated financial statements expected as of the balance sheet date in accordance with respective local tax laws. Tax provisions also include additional tax payments expected as a result of tax audits carried out during the financial year and previous years. Provisions for deferred taxes are stated separately.

Liabilities

With the exception of the minority shares which are to be classified as liabilities in accordance with IAS 32.15, financial liabilities are initially reported at fair value and in subsequent periods at amortised cost. The difference between the amount paid out and amount repayable is reported in the income statement pro rata for the duration of the liability. Financial liabilities accrued from hedge transactions are reported at the cash value of the commitment, while obligations from the corresponding hedge transactions are shown at the fair market value on the balance sheet date. Financial liabilities accrued from lease contracts are stated at their fair value or the lower cash value of future minimum lease payments.

In accordance with IAS 32 (Financial instruments: Disclosure and Presentation) minority shares in equity are to be classified as liabilities if minority shareholders have been granted a put option in connection with such shares. The classification of minority shares as liabilities and the valuation of the amounts to be reclassified at the relevant balance sheet date are based either on specific underlying agreements between the company and its minority shareholders or on the provisions of the articles of association. Any differences in the valuation of amounts to be reported as financial liabilities on different balance sheet dates are included in the income statement under interest income.

Trade payables and other liabilities are assessed at amortised cost. The book value stated of such liabilities is equivalent to their market value. The negative market values of the derivative financial instruments used for hedge transactions which are not directly linked with financial liabilities are stated under other liabilities.

Liabilities from share-based payment

Due to the changes in IFRS 2, the Süd-Chemie management investment programme, which has been classified to date as share-based payment with cash settlement, will from now on be treated as share-based payment with settlement through equity instruments since Süd-Chemie has no cash settlement obligation. Reclassification has been performed retrospectively. Consequently, for accounting purposes in accordance with IFRS 2, it will depend on the fair value of the commitments on the awarding date. More details about the management investment programme are provided in the remuneration report on pages 283 to 284.

Financial guarantees

The financial guarantees arranged by the Group are contracts under which the guarantor is obliged to make payments that compensate the party to whom the guarantee is issued for a loss arising, should a particular debtor fail to meet payment obligations on time as stipulated in the terms and conditions of a debt instrument. On initial recognition, financial guarantees are recognised as a liability at fair value, less the transaction costs directly associated with the granting of the guarantee. Subsequently, the liability is valued at the best possible estimate of the expense required for fulfilling the present obligation on the reporting date, or the higher amount less the cumulative amortisation.

Contingent liabilities

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) contingent liabilities are not reported on the balance sheet. Contingent liabilities are possible obligations the actual existence of which has to be confirmed by the occurrence of one or more uncertain future events which are not entirely controllable. Contingent liabilities are also existing obligations in respect of which payment is unlikely or the amount cannot reliably be measured. Contingent liabilities cover all the possible obligations of the Group companies arising from sureties and guarantees, legal proceedings, forfeiting and other financial obligations. The

obligations are assessed either at their nominal value or their value at maturity whichever is the higher. As part of the expansion of the joint venture with Ashland, contingent liabilities for environmental risks, accompanied by claims for adjustments at the equivalent amount, have been assessed in accordance with IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements).

Summary of essential accounting and valuation methods

The following overview shows the essential accounting and valuation methods applied in accordance with IAS/IFRS:

Accounting and valuation methods	Short description
Recognition of revenue, income and expense	Recognition of revenue and income at the time of the delivery and transition of risk or provision of services. Recognition of expense with usage of the service or at the time of occurrence.
Taxes	Actual tax assets and liabilities to the extent of expected payments. Deferred taxes on all temporary differences and tax losses carried forward insofar as realisation is probable.
Government grants	Investment grants are deducted from the acquisition or production costs or shown as affecting net income.
Intangible assets and property, plant and equipment	The valuation is carried out on the basis of ongoing acquisition and manufacturing costs. In principle, depreciation is carried out using the straight-line method.
Provisions	The valuation is carried out on the basis of the acquisition costs determined using the weighted average method.
Receivables and other assets	The valuation is carried out on the basis of ongoing acquisition costs taking account of all recognisable individual risks at fair value.
Financial instruments	On initial recognition, financial instruments in the sense of IAS 39 are classified as financial assets and financial liabilities, which are measured at fair value affecting net income, as loans and receivables, other liabilities as well as derivatives, which serve hedging purposes.
Provisions for pensions and similar obligations	Pension obligations are determined according to the project unit credit method. Actuarial gains and losses are accounted in full in equity without affecting net income.

Cash flow statement

In accordance with IAS 7 (Statement of Cash Flows) cash flows during the reporting periods are classified according to operating activities, investment activities and financial activities. Starting with earnings before taxes through to cash flow from ongoing activities, cash flow is calculated essentially using the indirect method. The outflow of funds from paid taxes and the inflow of funds from tax refunds are recognised in the cash flow from ongoing activities. Cash flow from investment activity and financing activity contains the inflow and outflow of funds from investments and disinvestments

concluded during the reporting period and the inflow and outflow of funds from financing events including interest received and paid and transactions with shareholders. The consequences of changes in the scope of consolidation are stated separately. Cash and cash equivalents shown in the cash flow statement include cash in hand, cheques, cash with banks as well as financial instruments with an original term of up to three months. Any cash flow and variables in foreign currencies affecting net income as well as changes in foreign currency assets and liabilities included in the net cash from operating activities are reported at annual average exchange

rates. In derogation from this, foreign currency cash and cash equivalents are transferred to the cash flow statement at the closing rate. The effect of exchange rate related and scope of consolidation related changes on cash and cash equivalents is stated separately.

Segment reporting

In accordance with IFRS 8 (Operating Segments) the segment reporting of Süd-Chemie follows the intra-Group corporate management and internal financial reporting (Management Approach). Operational control of the Süd-Chemie Group is carried out according to Business Units, where business activities are combined according to the similarity of the products and services and possible applications for the customers.

Impairment tests for non-financial assets

Impairment tests for non-financial assets are based on a comparison of the residual book value of the assets and the relevant recoverable amount. The recoverable amount is determined either by assessing the fair value or by calculating the value in use of the asset or its cash-generating unit. If a value in use cannot be directly attributed to an asset, the business units within the Adsorbents and Catalysts Divisions are defined as cash-generating units. Value in use is determined based on the discounted cash flow derived from the current medium-term business plan. The cost of capital used to determine the cash value is calculated as the average of equity and borrowed capital weighted with the relevant fair market values (weighted average cost of capital). Impairment tests for financial assets are described on pages 184 to 185.

Significant discretionary decisions, assumptions and estimates subject to material adjustment

For the purposes of the consolidated financial statements, assumptions and estimates must be made to a limited extent that affect the amount and presentation of recognised assets and liabilities, income and expenses and contingent liabilities. All estimates are continually reviewed and are based on experiences and expectations regarding future events. The actual values may differ therefore from the estimates. Furthermore, within the framework of preparing consolidated financial statements in accordance with the IFRS standards, discretionary decisions must be made when applying accounting and valuation methods based on historical experiences and expectations regarding future events. The consolidated financial statements contain the following

important items, the value of which is dependent on the underlying assumptions and estimates as well as discretionary decisions:

Goodwill

The recoverability of goodwill is reviewed by way of an annual impairment test. For this purpose, goodwill is valued on the basis of the medium-term business plan by applying discount rates relevant to each market and company, as well as anticipated rates of growth and expected foreign exchange rates. The assumptions made during this process may be subject to change, which may in turn lead to adjustments in the value of these assets in future periods. The goodwill recognised on the balance sheet date amounts to a total of EUR 97.7 million (previous year: EUR 72.8 million).

Development costs

The initial capitalisation of development costs is based on the management's opinion that technical and economic feasibility has been proven. Generally, this is the case if a product development project has achieved a set milestone in an existing project management model. For the purposes of calculating amounts to be capitalised, the management makes assumptions concerning the amount of expected future cash flow from assets, the discount rates to be applied and the time period of the inflow of the expected future cash flow which the assets generate. The accounting value of capitalised development costs as of 31 December 2010 amounts to a total of EUR 32.6 million (previous year: EUR 29.0 million).

Non-current assets

Particular account is taken of wear and tear, ageing, technical standards, technical applicability, marketability and contractual term when assessing the useful life of intangible assets and property, plant and equipment. Changes in these factors may lead to a shorter or longer useful life resulting in higher or lower depreciation and amortisation to be accounted per annum. The useful lives allocated to these assets are subject to verification during the regular stocktaking of property, plant and equipment. In the previous year, a lower depreciation of EUR 1.9 million resulted from the adjustment of the useful lives accounted to the expected useful lives. Lower depreciation accounted in the 2010 financial year of EUR 1.9 million also resulted from the adjustment made in the 2009 financial year. Lower depreciation of EUR 0.7 million arose from the adjustments to useful life during the reporting year.

Insofar as property, plant and equipment were not operating at full capacity during the reporting year, the corresponding property, plant and equipment was subject of impairment tests. The impairment tests carried out on the basis of the current schedule did not lead to any adjustment of the accounting values allocated to the property, plant and equipment items. The assumptions underlying the impairment tests may be subject to change, which may in turn lead to adjustments in the value of these assets in future periods. The accounting values of the corresponding property, plant and equipment stated at the balance sheet date amount to a total of EUR 8.2 million.

Fair value of derivative financial instruments

If the fair value of financial assets and financial liabilities recognised in the balance sheet from derivative financial instruments cannot be determined with the help of data from an active market, it is determined using valuation methods including the discounted cash flow method. The values used in the model are based as far as possible on observable market data. Where this is not possible, fair values are to a certain extent based upon a discretionary decision. Discretionary decisions relate to parameters such as liquidity risk, credit risk and volatility. Changes in the assumptions regarding these factors and a change in the market data on which the calculation is based could affect the fair values of the financial instruments reported. The liabilities and assets from derivative financial instruments recognised on the balance sheet date amount to a total of EUR 11.2 million (previous year: EUR 21.4 million) and EUR 0.2 million (previous year: EUR 0.9 million) respectively.

Pension obligations

The actuarial valuation of pension obligations is based on assumptions regarding discount rates, expected rates of return on pension fund assets (plan assets), future increases in wages and salaries, increases in pensions and mortality tables. These assumptions may deviate from the actual data. The deviations may exert a significant influence on the future assets position and the result of operations of the Süd-Chemie Group. The determination of provisions for pensions is based on reports by third party experts. The provisions for retirement benefits and similar obligations shown on the balance sheet date amount to a total of EUR 79.2 million (previous year: EUR 79.6 million). The market values of the funds, by which amount the obligations of the fund-financed supply systems are reduced, amounted on the balance sheet date to a total of EUR 51.2 million (previous year: EUR 43.8 million).

Environmental risks

Provisions are recognised for the costs for disposing damage caused to the environmental and for recultivation obligations, insofar as the claims are probable and the costs incurred for disposing of the damage can be estimated reliable. The amount of the provisions is influenced by extent of the pollution as well as the type and extent of the remedial and recultivation measures. Changes in these factors of influence may make an adjustment of these provisions necessary. The predominant element of the allocated provisions is based on obligations to dispose environmental damage at production sites, former sites and landfill sites, or to recultivate clay quarries as a result of private legal agreements or government regulations. Future changes in the law and further official demands for remedial work and recultivation could lead to increased expense in future periods. For disposing environmental damage and recultivation obligations, provisions were recognised in the consolidated financial statements amounting to a total of EUR 11.5 million (previous year: EUR 10.3 million).

Legal risks

As a global operator, the Süd-Chemie Group is exposed to several legal risks in the areas of product liability, patent law, competition law, tax law and other laws as well as contractual obligations. Sufficient provisions were recognised in the consolidated financial statements for existing risks. However, expenses could arise from proceedings and court decisions currently pending which may exceed the provisions recognised or the extent of insurance cover. At present there are no risks from pending provisions anticipated which will have a significant effect on the assets, financial position and earnings of the Süd-Chemie Group. The provisions recognised for legal risks on the balance sheet date amount to a total of EUR 1.4 million (previous year: EUR 1.0 million).

Deferred taxes

Deferred taxes are calculated on the basis of tax rates prevailing in the individual countries in accordance with local legislation, as well as on an estimate of the future tax earning capacity of the Group companies. Possible tax rate changes or a future earning capacity of the Group companies that deviates from present assumptions may lead to the non-realisation of deferred tax assets.

Deferred tax claims are recognised for all unutilised tax losses carried forward to the extent that it is likely that taxable income will be available, so that the tax losses carried forward can actually be utilised. When determining the amount of deferred tax assets which can be capitalised, significant discretion must be exercised by management in relation to the expected time of occurrence and the amount of future taxable income as well as future tax planning strategies.

At Süd-Chemie there are tax losses carried forward totalling EUR 179.2 million (previous year: EUR 125.4 million). Due to unforeseeable usability, no deferred tax assets were created for tax losses carried forward amounting to EUR 32.4 million (previous year: EUR 20.1 million). For likely realisable tax losses carried forward amounting to EUR 146.8 million (previous year: EUR 105.3 million), deferred tax assets amounting to EUR 29.6 million (previous year: EUR 19.7 million) have been recognised, which were partly offset against deferred tax liabilities insofar as the conditions were satisfied. Deferred tax assets shown at the balance sheet date amounted to a total of EUR 15.7 million (previous year: EUR 12.7 million).

Measures influencing issues

Net investments in a foreign operation

Financial receivables available to a subsidiary as long-term loans are shown in the Süd-Chemie balance sheet as net investments in a foreign operation in accordance with IAS 21.15. The currency differences arising from this are allocated to equity without affecting net income. The total volume of these receivables as at 31 December 2010 amounted to a total of EUR 14.0 million. The exchange rate gains recognised in the 2010 financial year without affecting net income amount to EUR 1.4 million; in the previous year exchange rate gains of EUR 2.0 million were reported without affecting net income.

Forfeiting

Süd-Chemie regularly sells accounts receivable with a good credit rating where the buyers carry the credit risk and the vendors carry the risk relating to the legal validity of the receivables. As at 31 December 2010, the volume of receivables sold amounts to EUR 51.7 million (previous year: EUR 32.7 million).

Classification of hedging relationships

The hedge transaction carried out for the hedge against currency risks in the USD 40 million tranche of the US dollar private loan amounting to USD 40 million, was shown on the balance sheet affecting net income in accordance with the principles of fair value hedging to 29 May 2009. The currency swap transacted for the hedge against the currency risk arising from the USD 40 million tranche of the US dollar private loan was changed by contract adjustment from a variable EUR interest to a fixed interest payment on 29 May 2009. This change resulted in a classification of the currency swap and the underlying transaction as a cash flow hedge with the result that valuation adjustments, with the exception of the ineffective portion of the hedge, can now be accounted in equity without affecting net income.

Explanations to the Consolidated Income Statement

(1) Revenue

The Revenue includes the consideration for goods and services invoiced to customers, less reductions in sales proceeds resulting from rebates, premiums and discounts. The Süd-Chemie Group generates its revenue almost exclusively from the sale of goods including related services. Revenue from services is negligible. The companies consolidated in the reporting period for the first time contributed a total of EUR 7.3 million (previous year: EUR 2.2 million) to consolidated group revenues. Conversely, revenues fell by EUR 4.8 million due to the reclassification of companies that had previously been fully consolidated into the scope of companies to be included proportionately.

Revenue of EUR 6.3 million (previous year: EUR 7.0 million) was realised from long-term customer orders based on the percentage of completion method with the costs incurred with these amounting to EUR 2.5 million (previous year: EUR 1.5 million). Profits of EUR 3.9 million (previous year: EUR 5.5 million) were generated from these orders. The receivables resulting from long-term customer orders at the balance sheet date amount to EUR 5.4 million (previous year: EUR 7.8 million), and advance payments received amount to EUR 1.5 million (previous year: EUR 1.1 million). No revenue was generated on a barter basis in the reporting year or in the previous year.

The breakdown of the revenue according to Business Units and Divisions and the allocation of sales according to geographical region is shown in the segment reporting on page 251.

(2) Cost of sales

The cost of sales contains material expenditure costs amounting to EUR 499.6 million (previous year: EUR 442.7 million), staff costs amounting to EUR 128.4 million (previous year: EUR 117.5 million) and other expenses amounting to EUR 239.8 million (previous year: EUR 197.8 million). Scheduled depreciation amounting to EUR 46.7 million (previous year: EUR 41.7 million) is accounted in other expenses. The share of the cost of sales apportionable to transport costs amounts to EUR 60.6 million (previous year: EUR 47.9 million). The share of the cost of sales to sales revenues increased by 0.1 percentage point compared with the previous year to 70.8% (previous year: 70.7%). On average 4,145 employees were employed in the production area in the reporting year (previous year: 4,074)

(3) Cost of materials

The cost of materials amounts to EUR 506.6 million (previous year: EUR 449.5 million). This represents an increase of 12.7%. A total of EUR 481.4 million (previous year: EUR 395.1 million) of the cost of materials are attributable to raw materials, consumables and supplies and EUR 8.7 million (previous year: EUR 36.4 million) to purchased goods and EUR 16.5 million (previous year: EUR 18.0 million) to purchased services.

EUR million	2010	2009
Cost of raw materials, consumables and supplies	481.4	395.1
Cost of purchased goods	8.7	36.4
Cost of purchased services	16.5	18.0
	506.6	449.5

Expenses for raw materials, consumables and supplies mainly include expenses for materials utilised, consumables and supplies, preliminary products, spare parts and energy. Expenses for purchased services relate essentially to sales-related contract work. A total of EUR 499.6 million (previous year: EUR 442.7 million) of the cost of materials are attributable to the cost of sales and EUR 7.0 million (previous year: EUR 6.8 million) to the remaining functional areas. The decrease in purchased goods is attributable to the lower purchasing volume of catalysts in the context of contract manufacturing compared with the previous year.

In the reporting period a decrease in value of inventories amounting to EUR 0.3 million (previous year: EUR 1.9 million) was recognised in the cost of materials. The entire accumulated depreciation for the inventories at the balance-sheet date amounted to EUR 5.8 million (previous year: EUR 6.2 million). The subsidiaries included for the first time in the consolidated financial statement incurred cost of materials amounting to EUR 6.2 million (previous year: EUR 0.3 million). By contrast the cost of materials decreased by EUR 3.8 million due to the disposal of fully consolidated companies, which as a result of the contribution to the existing joint venture Ashland are now included pro-rata in the consolidated financial statement.

The proportion of the cost of materials to sales revenues was reduced by 0.5 percentage points from 41.9% in the previous year to 41.4%. The cost of materials is allocated to the relevant functional areas.

(4) Employees

Employees per functional areas

BALANCE-SHEET DATE

Number	31 Dec 2010	31 Dec 2009
Production	4,011	4,229
Distribution	813	794
Research and development	565	541
Administration	1,016	958
	6,405	6,522
Trainees/others	77	94
Information pursuant to German Commercial Code (HGB)	6,328	6,428

ANNUAL AVERAGE

Number	2010	2009
Production	4,145	4,074
Distribution	791	784
Research and development	562	543
Administration	975	906
	6,473	6,307
Trainees/others	81	87
Information pursuant to German Commercial Code (HGB)	6,392	6,220

Adjusted by the pro rata share of employees in the joint ventures, the number of employees on the balance-sheet date amounted to 6,405 (previous year: 6,522), i.e., a decrease of 117 employees. Adjusted by the changes in the consolidation group, group staff increased by a total of 21 employees, particularly due to targeted new hirings in the area of research and development.

On the balance-sheet date in the joint venture there were a total of 2,021 (previous year: 943) employees; of these, 1,444 employees (previous year: 329 employees) are attributable to the existing joint venture with Ashland under the management of ASK Chemicals GmbH. As a result of the expansion of the existing joint venture with Ashland, the number of employees in the joint venture increased by 1,078; of these, 645 employees are attributable to the contribution of the Süd-Chemie companies.

Of these employees at balance-sheet date, 1,564 (previous year: 1,652) employees were in domestic operations and 4,841 (previous year: 4,870) in foreign operations.

Of the total number of employees in the group in the reporting year, an average of 1,562 employees (previous year: 887) were employed in joint ventures. Adjusted by the pro rata share of employees in the joint ventures, there was an annual average of 6,473 (previous year: 6,307) employees.

Sales revenues per employee amount to EUR 189,200 in the

reporting year as compared with EUR 170,000 in the period of the previous year.

(5) Personnel expenses

At EUR 248.3 million in the previous year, personnel expenses increased by EUR 28.5 million, or by 11.5% to EUR 276.8 million and are broken down as follows:

EUR million	2010	2009
Wages and salaries	229.0	202.2
Social security costs	41.7	39.1
Expenses for retirement benefits and support	6.1	7.0
	276.8	248.3

The Personnel expenses include wages, salaries, earnings and all other remuneration paid to employees. The compulsory statutory contributions to be borne by the group companies, particularly the contributions for social insurance, are accounted for under the social security costs. The contributions for social insurance contain pension insurance contributions to state pension insurance institutions amounting to EUR 19.5 million (previous year: EUR 18.2 million). Expenses for pensions relates to active and former employees or their surviving dependants. Expenses for pensions cover the additions to the pension provisions, employer contributions for company supplementary insurance and payments assumed by group companies for the pensions of employees.

Personnel expenses also contain expenses for severance pay amounting to EUR 0.9 million (previous year: EUR 1.6 million). The amounts totalling EUR 6.9 million (previous year: EUR 6.7 million) resulting from the accrued interest on staff provisions, particularly pension provisions, are not included in personnel expenses. This expense is recorded in the financial results. Earnings from planned assets amounting to EUR 3.5 million (previous year: EUR 2.8 million) are applied reducing the expenses.

The changes to the consolidation group resulting from the expansion of the existing joint venture with Ashland resulted in an increase to the balance of personnel expenses amounting to EUR 0.2 million. The personnel expenses for subsidiaries, included for the first time in the consolidated financial statement, amount to EUR 1.0 million). With adjustments made to take into account the non-recurring expenses from the increase of the performance-dependant remuneration, personnel expenses increased by EUR 21.9 million on the previous year due to the tariff and the increased number of employees, and in particular for currency-related reasons. The business combinations

completed in the reporting year and the previous year account for a EUR 1.8 million increase. Personnel expenses per employee employed on an average basis amounts to EUR 42,800 (previous year: EUR 39,400). Personnel expenses are allocated to the relevant functional areas.

(6) Depreciation/impairments and reversal of impairments on non-current assets

EUR million	2010	2009
Intangible assets	8.6	7.6
– of which unscheduled	0.6	
Property, plant and equipment		
Property and buildings	9.4	9.1
Technical plant and machines	37.3	34.4
– of which unscheduled	2.1	3.0
Other facilities, office furniture and equipment	11.1	9.9
	57.8	53.4
	66.4	61.0
Financial assets		
Loans	0.1	0.2
	66.5	61.2

The depreciation amounted to a total of EUR 66.5 million (previous year: EUR 61.2 million). Depreciation of intangible assets amounting to EUR 8.6 million includes depreciation of capitalised development costs amounting to EUR 2.4 million (previous year: EUR 1.4 million); of these, EUR 0.6 million are attributable to unscheduled depreciation based on a reassessment of the economic use from these projects. The unscheduled depreciation of fixed assets accounted for in the financial year and the previous year amounting to EUR 2.1 million (previous year: EUR 3.0 million) is related to the restructuring operations at production locations in France (EUR 0.3 million) as well as the closing of production locations of the Performance Packaging Business Unit in the USA (EUR 0.7 million) and Switzerland (EUR 1.1 million).

The annual review of the useful lives of fixed assets in the reporting year led to a lower depreciation amounting to EUR 0.7 million. In the previous year, the review of the useful lives resulted in a lower amortisation of EUR 1.9 million.

The depreciation of intangible assets and fixed assets are allocated to the corresponding functional areas. The depreciation of intangible assets and fixed assets are broken down into the functional areas as follows:

EUR million	Intangible assets		Property, plant and equipment		Total	
	2010	2009	2010	2009	2010	2009
Cost of sales	1.1	0.9	45.6	41.2	46.7	42.1
Distribution costs	1.7	1.7	1.5	1.4	3.2	3.1
Costs of research and development	2.6	1.7	5.8	5.2	8.4	6.9
Administrative expenses	3.2	3.3	3.0	2.6	6.2	5.9
Other operating expenses			1.9	3.0	1.9	3.0
	8.6	7.6	57.8	53.4	66.4	61.0

The amounts accounted for in the other operating expenses contain the unscheduled depreciation of fixed assets in the financial year and the previous year.

(7) Distribution costs

The distribution costs increased from the previous year from EUR 101.2 million to EUR 106.5 million. As a result of the growth in sales revenues, the proportion of the distribution costs to sales revenues fell by 0.7 percentage points to 8.7% (previous year: 9.4%).

The distribution costs include in particular costs for sales order processing amounting to EUR 71.9 million (previous year: EUR 66.1 million), marketing expenses amounting to EUR 7.7 million (previous year: EUR 7.4 million), expenses for commissions and licences amounting to EUR 9.8 million (previous year: EUR 13.4 million), expenses for customer technical service amounting to EUR 8.8 million (previous year: EUR 7.3 million), as well as logistics and transportation costs amounting to EUR 8.3 million (previous year: EUR 7.0 million).

The distribution costs are broken down according to expense type as per the following:

EUR million	2010	2009
Personnel expenses	53.8	47.5
Travel and entertainment expenses	7.9	6.7
Commissions	6.6	9.4
EDP and communication costs	5.0	5.3
Patent, trademark and licence fees	4.8	7.0
Depreciation on trade accounts receivable	4.4	4.0
Rent and lease expenses	3.9	4.0
Depreciation on fixed assets	3.2	3.1
Material consumption, packaging material	3.0	2.4
Advertising, marketing costs	1.9	1.4
Transport, customs, insurance	1.5	0.8
Expenses for external storage	1.0	0.8
Consultancy expenses	0.9	0.8
Other expenses	8.6	8.0
	106.5	101.2

The average number of employees in the sales area increased from 784 employees in the previous year to 791 employees in the financial year. Personnel expenses in the sales area increased, particularly down to the increase in the average number of employees as a result of the business combinations and newly founded subsidiaries in the financial year.

(8) Research and development costs

EUR million	2010	2009
Research and development costs	65.1	58.5
Capitalization of development costs	- 4.7	- 2.8
	60.4	55.7

Of the total incurred research and development costs in the reporting year amounting to EUR 65.1 million (previous year: EUR 58.5 million), EUR 4.7 million (previous year: EUR 2.8 million) of development costs were capitalised. The costs accounted for as expenses amounting to EUR 60.4 million (previous year: EUR 55.7 million) include research costs that cannot be capitalised, as well as development costs for which the conditions for capitalisation did not exist. The government grants obtained in the financial year for development projects amounting to EUR 0.9 million (previous year: EUR 0.4 million) were deducted from the capitalised amounts. Further explanations about the capitalised development costs are provided under the explanations on the intangible assets on pages 212 to 213.

Research and development costs including capitalised development costs are broken down according to expense type as per the following:

EUR million	2010	2009
Personnel expenses	34.3	31.3
Depreciation on fixed assets	8.4	6.9
Expenses for experiments, tests	4.7	5.1
Expenses for patents and trademarks	3.0	1.9
Material consumption, laboratory requirements	2.7	3.2
Maintenance expenses	2.3	2.6
Rent and lease expenses	1.6	1.2
Travel and entertainment expenses	1.2	0.9
EDP and communication costs	1.0	0.2
Consultancy expenses	0.8	0.9
Other expenses	5.1	4.3
	65.1	58.5

For research and development costs scheduled amortisation of capitalised development costs amounting to EUR 1.8 million are accounted in the depreciation of the tangible fixed assets (previous year: EUR 1.6 million), as well as unscheduled depreciation occurring in the financial year amounting to EUR 0.6 million. Research and development expenses including capitalised development costs increased by 11.3% on the previous year. The proportion of research and development expenses including capitalised development costs to sales revenues decreased from 5.5% in the previous year to 5.3% in the financial year. As a yearly average in the research and development area of the Süd-Chemie Group there were 562 (previous year: 543) employees overall.

(9) Administrative expenses

Administrative expenses include the costs for group management, as well as for central expenses that are not attributable to the operational functional areas or to the research and development area, and are broken down according to expense type as follows:

EUR million	2010	2009
Personnel expenses	60.3	50.6
Consultancy expenses	9.9	4.4
Amortisation of fixed assets	6.2	5.9
Travel and entertainment expenses	4.5	4.1
Rent and lease expenses	3.6	3.4
Contributions and fees	2.5	1.8
Auditing and annual closing expenses	2.3	1.9
Office requirements	2.3	1.9
Insurance premiums	1.9	2.0
Licences and patent expenses	1.5	1.6
Maintenance expenses	1.2	0.6
Supervisory board fees	1.0	0.6
EDP and communication costs	0.9	0.3
Other expenses	2.1	0.6
	100.2	79.7

The increase in administrative expenses from the previous year by a total of EUR 20.5 million resulted in particular from the higher performance-dependant remunerations, in addition to currency-conversion effects. Moreover, the administrative expenses particularly increased as a result of the expansion of the existing joint venture with Ashland, as well as the smaller subsidiaries becoming a part of the global SAP system.

Personnel expenses include EUR 0.5 million (previous year: EUR 0.6 million) paid in severance pay. The average number of employees in the administrative areas increased by 69 to 975. The proportion of administrative expenses to sales revenues increased by 0.8 percentage points on the previous year to 8.2% (previous year: 7.4%).

(10) Other operating income

The income not directly attributable to the other functional areas is accounted for in other operating income. Along with the income from currency transactions, the other operating income received in the financial year contains primarily income from deconsolidations of affiliated companies, income from recharged expenses, as well as income from public grants. The other operating income is broken down in detail as follows:

EUR million	2010	2009
Income from consolidation activities	49.5	14.9
Gains from currency transactions	16.1	15.4
Income from recharged expenses	4.2	3.3
Public grants	3.1	3.5
Income from rental and lease contracts	1.0	1.1
Income from licence and patent contracts	0.7	1.0
Income from waste disposal and electricity generation	0.7	0.7
Income from release from provisions	0.5	0.8
Income from the disposal of assets	0.4	1.4
Income from payments received for derecognised receivables	0.3	0.2
Refund of insurance premiums	0.2	1.2
Income from the derecognition of liabilities	0.2	0.7
Income from the valuation of commodity futures		0.8
Other income	2.4	2.0
	79.3	47.0

The income from deconsolidation in the reporting year results primarily from the difference between the amount carried forward and the net assets from the companies contributed to the joint venture with Ashland. In the previous year there was a difference on the liability side amounting to EUR 14.9 million in connection with the acquisition of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, at a purchase price that was below the fair value of the assumed net assets; this was released in accordance with IFRS 3 (Business combinations) affecting net income.

The exchange-rate gains are comprised primarily of the exchange-rate differences from the conversion of receivables and liabilities into foreign currency, amounting to EUR 4.8 (previous year: EUR 1.7 million) in the local annual financial statements of the companies included in the consolidated financial statement, as well as earnings from transactions from companies included in the consolidated financial statement that were not processed in the functional currency of the respective company, or that were from the processing and valuation from forward exchange transactions amounting to a total of EUR 11.3 million (previous year: EUR 13.7 million).

The income from exchange rate gains amounting to EUR 16.1 million (previous year: EUR 15.4 million) is offset against expenses from exchange rate losses. With exchange rate losses amounting to EUR 17.7 million included (previous year: EUR 14.8 million), the result is a total exchange rate loss amounting to EUR 1.6 million compared with an exchange rate gain in the previous year amounting to EUR 0.6 million.

The income from recharged expenses includes primarily operating expenses passed onto Rockwood Clay Additives GmbH, Moosburg, amounting to EUR 1.8 million (previous year: EUR 1.7 million) for the use of production facilities at the Moosburg location.

The government grants received in the financial year and the previous year were awarded for ongoing research and development projects. The conditions for these grants were completely fulfilled. The earnings from the disposal of assets from the previous year include in particular the income from the sale of a property not required for operation by a foreign subsidiary.

The income from licence and patent contracts relates in particular to licences issued to third-party companies in the area of catalyst technology.

Moreover, other earnings contain numerous instances, for example the earnings from cafeteria sales, where the respective amount of EUR 0.3 million is not exceeded.

(11) Other operating expenses

Other operating expenses include expenses not directly allocable to other functional areas. In addition to exchange-rate losses and unscheduled depreciation in connection with restructuring measures, other operating expenses incurred in the financial year contain primarily recharged operating expenses, as well as expenses from the allocation to the provision for environmental risks. The other operating expenses are broken down as follows:

EUR million	2010	2009
Losses from currency transactions	17.7	14.8
Unscheduled depreciation/restructuring expenses	3.3	6.3
Expenses from recharged operating costs	1.8	1.9
Expenses for environmental risks	1.2	
Losses from the disposal of assets	0.8	0.4
Amortisation of conditional equalization claim	0.6	
Consultancy expenses	0.5	0.1
Supplementary charges for other taxes	0.5	
IT outsourcing expenses		1.0
Other expenses	3.3	3.8
	29.7	28.3

The currency-exchange losses relate to exchange-rate differences from the conversion of receivables and liabilities in foreign currencies amounting to EUR 3.2 million (previous year: EUR 5.1 million) in the local annual financial statements of the companies included in the consolidated financial statement, as well as transactions in foreign currencies from the processing and valuation of forward exchange transactions amounting to EUR 14.5 million (previous year: EUR 9.7 million).

There were restructuring expenses and unscheduled depreciations for technical facilities and machines decommissioned or scrapped in the financial year amounting to EUR 3.3 million, owing to the closure and relocation of production locations for two foreign subsidiaries. There were unscheduled depreciations of technical facilities and machines amounting to EUR 6.3 million reported in the previous year in connection with the closure and relocation of production locations of a foreign subsidiary and joint venture.

The expenses from operating costs that were passed on include mainly the operating costs of the Moosburg location amounting to EUR 1.8 million (previous year: EUR 1.7 million), in connection with the sale of the Functional Additives and Copisil Business Unit that occurred in the 2005 financial year. These expenses are offset by corresponding earnings from expenses that have been passed on.

The expenses for environmental risks include the allocation to the provision for covering additional costs for the decontamination of contaminated groundwater at the old Kelheim location. The decontamination measures introduced at the Kelheim location in 2007 were completed for a partial area in the 2009 financial year, in accordance with measures agreed upon with the authorities responsible. For the decontamination measures to be carried on the remaining area for the removal of existing ground water impurities, decontamination expenses amounting to EUR 1.8 million was calculated based on the current expert cost estimate as at 31 December 2010. The measures are still to be agreed upon with the authorities responsible and are expected to be completed by the end of 2019.

As part of the purchase price for Süd-Chemie Catalysts (Nanjing) Co. Ltd., Nanjing/China, which was acquired in the previous year, a conditional consideration was agreed upon whereby a compensation payment resulting from the difference between the fair value amount of the net assets at the time of closing and a contractually defined amount was made. The subsequent agreement with the seller led to an increase of the fair value of acquired current assets by EUR 0.6 million, with a simultaneous waiver of the contingent compensation claim for EUR 0.6 million.

The consultancy expenses incurred in the reporting year are related to the forthcoming changes in shareholder structure in the 2011 financial year.

A contract for services was concluded in the 2004 financial year with a company active in the area of information technology. The contract covers the group-wide provision of the IT infrastructure required by Süd-Chemie group, as well as related services in the area of information technology. The expenses for the services from this contract were proportionately charged over the time period up to the contract end date of 2010 at a yearly amount of EUR 0.5 million. As a result of the new conclusion of this contract, the deferred amount for the 2010 financial year was also accounted for in full as expenses.

Moreover, the remaining expenses contain numerous instances where the individual amounts do not exceed EUR 0.3 million.

(12) Financial results

EUR million	2010	2009
Investment income	0.0	0.0
Net interest expense	- 26.1	- 31.7
	- 26.1	- 31.7

(13) Investment income

EUR million	2010	2009
Income/(loss) from associated companies	0.0	0.0
Other investment income	0.0	0.0
	0.0	0.0

The result for associated companies includes the change in equity book value in GTC Technology US LLC, Houston/USA, resulting from the proportional annual results, the change in equity book value in the sub-group financial statement of GTC Technology International L.P., Houston/USA, upon which the

equity consolidation is based, amounting to a total of EUR -60,000, as well as the proportional results of the company ASK Chemicals Gremolith AG reported up until 30 November 2010 as an associated company (and previously known as Ashland-Südchemie-Gremolith AG), Bazenheid/Switzerland, amounting to EUR 43,000 (previous year: EUR 16,000). The company had been consolidated on a proportional basis since the realisation of the global joint venture agreed upon with Ashland. The change in the equity book value is stated in the register of financial assets under the write-ups or depreciations as applicable.

The remaining income from investments of the previous year contains the earnings from dividend distributions of Biocatalysts Limited, Cardiff/Great Britain, amounting to EUR 16,000.

(14) Interest income

EUR million	2010	2009
Interest income		
– Income from other securities and lending of financial assets	0.1	0.2
– Other interest income	1.4	0.8
	1.5	1.0
Interest expense		
– Interest and similar expenses	- 15.9	- 19.0
– Interest element of additions to provisions for retirement benefits	- 6.9	- 6.7
– Valuation differences from interest and currency derivatives	- 0.5	- 4.7
– Interest expenses from interest derivatives	- 4.0	- 2.2
– Valuation differences from put options held by non-controlling interest	- 0.3	- 0.1
	- 27.6	- 32.7
	- 26.1	- 31.7

The remaining interest income comprises interest income from current cash deposits at banks, particularly for group companies that are not included in the cash management controlled centrally via Süd-Chemie Finance GmbH due to national laws governing transfer limitations.

In addition to remaining interest expenses the interest and similar expenses amounting to EUR 15.9 million (previous year: EUR 19.0 million) include the interest for current and non-current liabilities to banks, amounting to EUR 7.0 million (previous year: EUR 9.0 million), as well as interest expenses amounting to EUR 5.6 million (previous year: EUR 5.7 million) for the US dollar private placement granted in the 2004 financial year.

The interest expenses for bank liabilities, including the US dollar private placement, fell on the previous year by EUR 2.2 million (previous year: EUR 5.5 million) due to the lower interest rate level in the financial year for floating rate financing; by contrast, interest expenses increased as a result of the previous year's average level of debt which increased slightly by EUR 0.2 million (previous year: EUR 3.1 million). The interest and similar expenses also contains forfeiting interest amounting to EUR 1.4 million (previous year: EUR 1.2 million), as well as the interest portion contained in the leasing instalments for financing lease agreements amounting to EUR 0.2 million (previous year: EUR 0.3 million). Moreover, the cash-value differences from the addition of accrued interest for long-term provisions and liabilities amounting to EUR 1.1 million (previous year: EUR 1.8 million) are accounted for in the interest income.

The interest portion of the additions to provisions for retirement benefits comprises the interest expenses for accrued liabilities for pension obligations amounting to EUR 6.8 million (previous year: EUR 6.5 million), as well as the interest portion of the addition for the provision for semi-retirement amounting to EUR 0.1 million (previous year: EUR 0.2 million).

There are differences arising from interest and currency derivatives that result from the recognition as assets or liabilities in accordance with relevant IFRS specifications of the valuation effects from the market valuation of concluded interest and currency transactions not classified as cash-flow hedges.

Moreover, the valuation differences recognised as expenses in the reporting year, from the market valuation of the euro and Hong Kong dollar interest swap concluded in February 2009, were accounted for as expenses amounting to EUR 0.5 million (EUR 2.8 million), along with earnings based on ineffectiveness from cash-flow hedges amounting to EUR 0.3 million compared with expenses in the previous year of EUR 0.2 million. After the restructuring of the hedge transaction underlying the 40 million US-dollar tranche on 29 May 2009, the hedging relationship, which up until 29 May 2009 was entered in the balance sheet together with the underlying transaction affecting net income in accordance with the rules on fair value hedging, was classified as a cash-flow hedge; until this time the negative valuation result of the hedging relationship which until then had been classified as a fair value hedge, amounted

to EUR 1.6 million. Further information about the interest hedging transactions can be found under the statements on derivative financial instruments on 252 to 257.

The interest expenses from interest derivatives contain the interest compensation payments for the interest swaps concluded at the beginning of the 2009 financial year and which were not part of a hedging relationship, for hedging of the medium-term interest rate risks amounting to EUR 4.0 million (previous year: EUR 2.2 million). Taking into account the interest expenses from interest derivatives, the interest expenses from financial liabilities subject to interest totalled EUR 16.8 million, compared with EUR 17.2 million in the previous year.

Valuation differences from options to sell for minority shares include the difference between the valuation of the corresponding minority interests entitled under the options to sell at the time of acquisition and the balance sheet date of the previous year.

In the reporting year, borrowing costs amounting to EUR 0.3 million (previous year: EUR 0.0 million) were capitalised at the same interest rate as the previous year of 4.0%.

Interest paid in the financial year amounted to EUR 19.3 million (previous year: EUR 18.6 million); interest amounting to EUR 1.2 million (previous year: EUR 0.8 million) was collected in the financial year.

(15) Income taxes

Overall income tax expense, consisting of current income taxes and deferred taxes, is broken down as follows:

EUR million	2010	2009
Current income taxes	- 32.9	- 34.3
- domestic corporation tax	- 0.7	- 1.1
- domestic trade tax	0.0	- 0.4
- foreign income tax	- 32.2	- 32.8
Deferred taxes	0.4	11.9
- domestic	1.3	3.3
- foreign	- 0.9	8.6
Income taxes	- 32.5	- 22.4

The current income taxes are the taxes reported as expense in the individual countries, based on income and earnings from the financial year, as well as supplementary charges or tax refunds for previous years. The current income taxes include

taxes for previous years amounting to EUR 0.5 million (previous year: EUR 0.2 million). The current income taxes comprise withholding taxes on dividend payments as well as interest and licence payments amounting to EUR 2.4 million (previous year: EUR 3.5 million).

Deferred taxes result from temporary differences between the carrying amount of an asset or liability and its tax base as well as from tax losses carried forward and tax credits. The change in the tax losses carried forward results in deferred tax income amounting to EUR 9.9 million (previous year: EUR 9.5 million), and the temporary differences result in deferred tax expense of EUR 9.5 million, compared with tax income in the previous year of EUR 2.9 million. The change to the tax credits resulted in tax income amounting to EUR 0.1 million compared with tax expense in the previous year of EUR 0.5 million.

As of 1 January 2008 the calculation of deferred taxes for domestic companies is based on the applicable corporate tax rate of 15.0%, a solidarity surcharge of 5.5% along with the relevant trade tax rates. The average trade tax rate applied at Süd-Chemie AG in the reporting year amounts to 13.65%; in the previous year, the trade tax rate to be applied was 13.47%. Each country-specific tax rate is taken into account when calculating deferred taxes for foreign companies. The income tax rates applied to foreign companies are between 10.0% (previous year: 17.0%) and 40.7% (unchanged from

the previous year); moreover, for some foreign subsidiaries there is currently no income tax levied. Changes in foreign tax rates in the reporting year resulted in deferred tax expense amounting to EUR 0.3 million, compared with tax income in the previous year of EUR 0.4 million.

Calculations of deferred taxes on consolidation measures are based upon the tax rates of the respective group companies. Central consolidation measures are based on a simplified standard tax rate of 30.0% (previous year: 28.0%).

The deferred taxes accounted for in group equity with no effect on income totalling EUR 9.1 million (previous year: EUR 8.3 million) were the result of equity differences with no effect on income from the changes in the fair value of financial instruments used for hedging purposes reported in group equity amounting to EUR 1.4 million (previous year: EUR -1.3 million), the balance of actuarial gains and losses from defined benefit obligations totalling EUR -25.0 million (previous year: EUR -19.3 million), along with currency losses from net investments in foreign subsidiaries amounting to EUR 0.4 million (previous year: EUR -0.9 million).

The changes to the deferred taxes accounted for in group equity with no effect on profit or loss also recorded in the equity with no effect on income are shown in the following overview.

BREAKDOWN OF DEFERRED TAXES RECOGNISED IN EQUITY			
	Status	Change	Status
EUR million	1 Jan 2010		31 Dec 2010
Changes to the fair value of financial instruments used for hedging purposes			
and hedging transactions underlying financial liabilities	0.4	- 0.8	- 0.4
Actuarial gains/losses on defined benefit obligations	7.6	2.1	9.7
Currency translation differences from net investments			
in foreign operations pursuant to IAS 21.15	0.3	- 0.5	- 0.2
	8.3	0.8	9.1

No deferred taxes were recognised for accumulated profits available for distribution in domestic and foreign subsidiaries in the 2010 financial year amounting to EUR 218.8 million (previous year: EUR 201.2 million), since these company profits are not subject to any further taxation and the intention is to leave these profits in these companies as far as possible to sustain net worth or to expand business operations. For calculations of deferred taxes of these time-based differences, the calculation of the respective tax rate of the companies affected would be decisive, taking into account withholding taxes, and taking into account the participation exemptions for

dividend earnings in Germany. Assuming the full deductibility of withholding taxes there is a potential deferred tax liability amounting to EUR 3.3 million (previous year: EUR 3.0 million).

Deferred tax assets and liabilities

Based on the balance sheet oriented approach for the calculation of the deferred taxes, the existing deferred tax

assets and liabilities are to be allocated to time-based valuation differences of the individual balance sheet items as follows:

EUR million	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Intangible assets	3.9	2.6	25.6	14.9
Property, plant and equipment	1.1	1.4	52.1	44.7
Financial assets	0.4	0.1	1.3	0.8
Inventories	2.5	2.7	6.0	5.0
Trade accounts payable	0.9	1.6	0.3	1.1
Other current assets	0.5	0.7	1.0	0.0
Retirement benefits and similar obligations	17.7	15.5	0.7	1.0
Other non-current provisions	1.5	1.0	0.6	0.6
Non-current financial liabilities	1.1	1.9	0.7	1.4
Other non-current liabilities	0.6	0.7	1.9	2.0
Other current provisions	1.3	1.2	2.2	2.3
Current financial liabilities	1.4	0.5	1.3	0.1
Other current liabilities	4.8	4.9	0.2	0.2
Deferred taxes on temporary valuation differences	37.7	34.8	93.9	74.1
Capitalization of current tax credits	0.4	0.3		
Deferred taxes on tax losses carried forward	29.6	19.7		
Gross amount	67.7	54.8	93.9	74.1
Netting	- 52.0	- 42.1	- 52.0	- 42.1
Balance sheet value	15.7	12.7	41.9	32.0

The changes in the deferred tax liabilities for intangible assets as well as for the property, plant and equipment are predominantly in connection with the purchase price allocation as part of the expanded joint venture with Ashland Inc., Covington/ USA, in the financial year. The rise in deferred taxes on tax loss carry forward is explained on pages 204 to 205.

The change of the group of consolidated companies leads to an increase in deferred tax liabilities amounting to EUR 9.1 million, compared to an increase in deferred tax assets amounting to EUR 0.8 million in the previous year.

In the reporting year as in the previous year, no value adjustments were entered for deferred tax assets from temporary differences. Value adjustments on the book value of deferred tax assets are carried out if there is not sufficient probability of a realisation of the underlying tax income. Based upon past results and the expectations regarding future results it is to be assumed that the future taxable income is sufficient for the realisation of deferred tax assets. The estimates made for this could be subject to changes over the course of time which could lead to a value adjustment of the deferred tax assets in subsequent periods.

The tax deduction amounts accounted for in the financial year under deferred tax assets totalled EUR 0.4 million (previous year: EUR 0.3 million).

The realisation of tax losses carried forward from previous years led to a reduction in the financial year of income taxes paid or owed amounting to EUR 1.4 million (previous year: EUR 0.3 million).

The balance of deferred tax assets and liabilities developed in the financial year as follows:

EUR million	2010	2009
Balance on 1 January	- 19.3	- 32.6
- of which deferred tax assets	12.7	7.7
- of which deferred tax liabilities	- 32.0	- 40.3
Deferred taxes recognised on income statement	0.4	11.9
Deferred taxes not affecting income statement	0.8	- 0.5
Deferred taxes from first-time consolidation	- 9.1	0.8
Currency translation differences	1.0	1.1
Balance on 31 December	- 26.2	- 19.3
- of which deferred tax assets	15.7	12.7
- of which deferred tax liabilities	- 41.9	- 32.0

The domestic and foreign tax losses carried forward not yet utilised amounted as at 31 December 2010 to a total of EUR 179.2 million (previous year: EUR 125.4 million) which is broken down as follows:

EUR million	31 Dec 2010	31 Dec 2009
Domestic tax losses carried forward		
Corporation tax	43.2	35.8
Trade tax	41.1	36.4
	84.3	72.2
Foreign tax losses carried forward	94.9	53.2
	179.2	125.4

Domestic tax losses carried forward include pre-consolidation tax losses carried forward for corporate income taxes of EUR

0.7 million, as well as tax losses carried forward for trade tax purposes of EUR 0.4 million. The utilisation of tax losses carried forward is subject to applicable domestic rules on minimum taxation, whereby 60% of each corporate and trade tax result can be offset against each tax loss carried forward after taking into account a base amount of EUR 1.0 million. The foreign tax losses carried forward can either also be carried forward without restriction or expire after statutory time limits.

The total of existing tax losses carried forward in the Süd-Chemie group, including the domestic trade tax losses carried forward, increased by EUR 53.8 million to EUR 179.2 million compared with the balance sheet date of the previous year. The tax losses carried forward developed as follows:

DEVELOPMENT OF THE TAX LOSSES CARRIED FORWARD

EUR million	Domestic losses carried forward Corporate tax	Trade tax	Foreign losses carried forward	Total	
				2010	2009
Balance on 1 January	35.8	36.4	53.2	125.4	76.6
Adjustment					
Correction according to tax declaration	- 3.4	- 3.7		- 7.1	
Additions from consolidation activities			3.7	3.7	9.7
Disposals from consolidation activities			- 0.4	- 0.4	
Additions	11.3	9.4	42.1	62.8	42.1
Claims	- 0.5	- 1.0	- 3.7	- 5.2	- 3.0
Balance on 31 December	43.2	41.1	94.9	179.2	125.4

Of the domestic tax losses carried forward, EUR 42.3 million (previous year: EUR 34.5 million) is attributable to corporate income tax losses carried forward and EUR 38.8 million (previous year: EUR 33.4 million) to trade tax losses carried forward at Süd-Chemie AG.

The additions to tax losses carried forward from consolidation activities primarily relate to the initial consolidation of ASK Produtos Químicos do Brasil Ltda., Campinas/Brazil; the change from the previous year contains the accrual of tax losses carried forward of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, acquired in the previous year with EUR 9.5 million, and Companhia Brasileira de Bentonita Ltda., Vitória da Conquista/Brazil, with EUR 0.2 million.

The additions to tax losses carried forward from consolidation activities contains tax losses carried forward amounting to EUR 1.2 million (previous year: EUR 13.8 million), for which no deferred tax assets were recorded, due to no foreseeable usability.

The increase in the reporting year for the domestic loss carryforwards relates almost exclusively to the negative tax

income of Süd-Chemie AG and the domestic subsidiaries, which are included as subsidiaries in the tax consolidation group of Süd-Chemie AG as the controlling company, as well as the inclusion of the tax losses of domestic partnerships.

The increase in the reporting year for foreign tax losses carried forward includes the negative tax income of Phostech Lithium Inc., St. Bruno/Canada, amounting to EUR 10.9 million, and of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, amounting to EUR 6.5 million, as well as the increase in the tax losses carried forward by EUR 10.7 million, based on the external tax audit that took place at the company.

No deferred taxes are recorded for existing domestic pre-consolidation tax losses carried forward of Süd-Chemie Zeolites GmbH, Bitterfeld, nor of ASK Chemicals Feeding Systems GmbH, Bendorf. No negative interest balance exists that can be carried forward; the full amount of the negative interest balance carried forward at Süd-Chemie AG was utilised in the previous year.

The existing foreign tax losses carried forward can be used as follows:

FOREIGN TAX LOSSES CARRIED FORWARD

EUR million	31 Dec 2010	31 Dec 2009
Year of expiry		
2010		0.4
2011	0.6	0.0
2012	3.8	1.5
2013	5.7	4.6
2014	8.5	7.3
after 2014	51.2	19.2
unlimited	25.1	20.2
	94.9	53.2

Of the overall existing tax losses carried forward in the group, there are foreseeable realisable tax losses carried forward amounting to EUR 146.8 million (previous year: EUR 105.3 million), to which deferred tax assets amounting to EUR 29.6 million (previous year: EUR 19.7 million) have been accrued. For tax losses carried forward amounting to EUR 32.4 million (previous year: EUR 20.1 million), no deferred tax assets were recorded due to no foreseeable usability.

The capitalised deferred taxes on tax losses carried forward developed in the financial year as follows:

DEVELOPMENT OF DEFERRED TAXES ON TAX LOSSES CARRIED FORWARD

EUR million	1 Jan 2010	Addition	Realisation	31 Dec 2010
Deferred tax assets on domestic tax losses carried forward				
Corporation tax and solidarity surcharge	5.5	1.1		6.6
Trade tax	4.8	0.9	- 0.2	5.5
	9.4	9.3	- 1.2	17.5
Deferred tax assets on foreign tax losses carried forward	19.7	11.3	- 1.4	29.6

The accrual for the deferred tax assets on foreign tax losses carried forward, amounting to EUR 9.3 million, includes EUR 3.3 million for the accrual of deferred tax assets on the existing tax losses carried forward for companies consolidated in the financial year for the first time. The other accruals resulted from capitalisation of deferred taxes on the tax losses attributable to the reporting year; of these, EUR 3.0 million is attributable to Phostech Lithium Inc., St. Bruno/Canada.

In accordance with the national legislation on the use of tax losses carried forward, the deferred tax assets recorded on the tax losses carried forward are to be written off until the specified year of expiration.

STRUCTURING OF DEFERRED TAXES ON LOSSES CARRIED FORWARD ACCORDING TO YEAR OF EXPIRATION

EUR million	31 Dec 2010	31 Dec 2009
Year of expiry		
2010		0.1
2011	0.1	0.0
2012	0.6	0.4
2013	1.3	1.2
2014	1.7	1.7
after 2014	7.3	1.7
unlimited	18.6	14.6
	29.6	19.7

The theoretical tax expense based upon the results before taxes amounting to EUR 113.6 million (previous year: EUR 64.8 million), assuming an applicable average tax rate of 30.0% (previous year: 30.0%) for the 2010 financial year for Süd-Chemie domestic companies, is transferred as follows to the actual tax expense:

EUR million	2010	2009
Earnings before tax	113.6	64.8
Theoretical tax expense based on		
group tax rate of 30.0%		
(previous year: 30.0%)	- 34.0	- 19.4
Deviations due to differences in tax rates	- 3.4	- 2.2
Decreases due to tax-free		
income	16.5	7.2
Increases due to non-deductible		
expenses	- 5.7	- 4.7
Effect of non-recognition and subsequent		
recognition of deferred tax	- 2.9	- 1.1
Tax for prior periods	- 1.8	- 2.5
Effects of tax rate changes on foreign		
deferred tax	- 0.3	0.4
Other deviations	- 0.9	- 0.1
Income tax expense (effective)	- 32.5	- 22.4

The actual tax rate in the group amounts to a total of 28.6% compared with 34.6% in the previous year. The reduction of the actual tax rate in the group is attributable to the higher tax-free income compared with the previous year.

The deviations due to tax rate differences include the effects of the difference of the applicable average tax rate for the domestic Süd-Chemie companies to the relevant national tax rates. Decreases due to tax-free income result in particular from earnings from consolidation activities in connection with the existing joint venture with Ashland Inc., amounting to EUR 41.8 million. Decreases due to tax-free income in the previous year contain the tax effect from the income from settlement of the difference on the liabilities side from the acquisition of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, amounting to EUR 3.5 million.

In relation to the operating result (EBIT), with application of the tax rates in accordance with the respective national tax laws, hypothetical tax expense was calculated at EUR 39.8 million (previous year: EUR 35.6 million). The hypothetical tax rate amounts to 32.6% (previous year: 34.4%).

The income tax paid to the tax authorities in the 2010 financial year amounted to EUR 49.9 million (previous year: EUR 28.6 million); income taxes amounting to EUR 4.9 million (previous year: EUR 2.6 million) were refunded by the tax authorities. The distribution of dividends to the shareholders of Süd-Chemie AG resulted in neither tax refunds nor tax payments for Süd-Chemie AG. Dividends were paid subject to withholding taxes of 25.0%, plus the solidarity surcharge of 5.5% on that amount, i.e., a total of 26.38%.

(16) Tax audits

Süd-Chemie AG and its domestic and foreign subsidiaries are regularly subject to tax audits. Insofar as relevant information came to light from ongoing or completed tax audits that would lead to a high probability that additional taxes will be paid then provisions were adjusted accordingly. Interest, penalties and other surcharges related to payments of taxes based on tax audits are reported as income tax expense.

At Süd-Chemie AG the last tax audits took place in the 2006 and 2007 financial years; the time period of the audit covered the 2001 to 2004 financial years. The audit also involved the domestic subsidiaries that are included as subsidiaries in the tax consolidation group of Süd-Chemie AG as the controlling company. In addition, the domestic subsidiaries outside of the tax consolidation group of Süd-Chemie AG and the domestic joint venture were subject to a tax audit for either the 2001 to 2004 or the 2001 to 2003 financial years. Where subsidiaries were acquired, sold or merged, the audit period for these companies comprised time periods that had not yet been subject to an external tax audit as at the point in time of the sale, acquisition or business combination. No substantial additional tax payments from adjusted tax assessment notices resulted from the external tax audits for the financial years that were subject to the external tax audit. There are no appeals or litigation proceedings pending.

An external tax audit was announced for the 2005 to 2008 financial years for Süd-Chemie AG, as well as its domestic subsidiaries that are included as subsidiaries in the tax consolidation group of Süd-Chemie AG as the controlling company. The external audit begins in May 2011.

For the tax risk of a possible non-recognition of the amortisation of goodwill for the Spanish subsidiary Süd-Chemie Espana, S.L., Yuncos/Spain, an adequate provision amounting to EUR 1.7 million has been formed. The company has appealed against the decision of the tax authorities.

In addition to the external audits stated, further country-specific external tax audits of the Süd-Chemie AG group companies also took place. No substantial additional tax payments resulted from the external tax audits.

In addition, there are deferred tax risks for the foreign subsidiaries from the possible non-recognition of the amortisation of goodwill, as well as from inter-group transfer prices. The deferred tax risk that still existed in the previous year in connection with settlement payments from civil proceedings no longer applies due to statutory limitations applicable in the reporting year. No provisions were formed for this as the probable occurrence of these risks was estimated as rather unlikely.

Moreover, there is no awareness of any further tax risks within the framework of ongoing and future external tax audits that could lead to a substantially negative impact on the assets, financial position and profit situation.

(17) Other taxes

Other taxes amounting to EUR 5.4 million (previous year: EUR 5.3 million), have been offset against the costs of sales, distribution, research and development and general administrative costs. Other taxes include in particular consumption and asset related taxes, such as real estate tax, non-deductible value added tax, environmental tax and motor vehicle tax.

(18) Profit for the period

Profit for the period generated in the 2010 financial year amounted to EUR 81.1 million (previous year: EUR 42.4 million). Of the profit of the period, EUR 70.3 million (previous year: EUR 34.1 million) is allocated to the shareholders of Süd-Chemie AG.

(19) Profit share attributable to the shareholders of Süd-Chemie AG

EUR million	2010	2009
Profit for the period	81.1	42.4
Share of non-controlling interest	10.8	8.3
Share of equity holders of Süd-Chemie AG in profit for the period	70.3	34.1

The share of the equity holders of Süd-Chemie AG in the profit of the period includes the total earnings achieved by the Süd-Chemie group, minus the portion of the results achieved which are allocated to non-controlling interestes.

(20) Profit for the period attributable to non-controlling interest

The share to which the non-controlling interests are entitled in the profit of the period amounts to a total of EUR 10.8 million (previous year: EUR 8.3 million) and relates to the non-controlling interests in the following companies of the Süd-Chemie Group:

EUR million	2010	2009
Süd-Chemie & Co. Limited Partnership	8.4	4.9
Süd-Chemie Catalysts Japan Inc.	0.8	1.4
Süd-Chemie Sasol Catalysts (Pty) Ltd,	0.4	0.2
Panjin Süd-Chemie Liaohe Catalyst Co., Ltd.	0.3	0.5
P.T. Kujang Süd-Chemie Catalysts	0.3	0.3
Süd-Chemie Inc.	0.3	0.2
Chemindus Sdn. Bhd.	0.2	0.2
Süd-Chemie Alvigo Catalysts Ukraine LLC	0.2	0.1
Süd-Chemie Qatar W.L.L.	0.1	0.8
Süd-Chemie Korea Co., Ltd.	0.1	0.1
Süd-Chemie Alvigo Catalysts GmbH	- 0.2	
Other	- 0.1	- 0.4
	10.8	8.3

The share to which the non-controlling interests are entitled in the profit for the period increased over the previous year by EUR 2.5 million. From the previous year profit share, dividends from subsidiaries were distributed to the non-controlling interest amounting to a total of EUR 1.9 million (previous year: EUR 1.2 million), and from the result from the reporting year advance dividends amounting to EUR 4.5 million (previous year: EUR 3.5 million), i.e., a total of EUR 6.4 million (previous year: EUR 4.7 million).

DIVIDEND DISTRIBUTIONS TO THE MINORITY SHAREHOLDERS

EUR million	2010	2009
Süd-Chemie & Co. Limited Partnership	3.9	2.9
Süd-Chemie Catalysts Japan Inc.	1.3	1.0
Süd-Chemie Sasol Catalysts (Pty) Ltd,	0.4	0.4
P.T. Kujang Süd-Chemie Catalysts	0.3	0.2
Panjin Süd-Chemie Liaohe Catalyst Co., Ltd.	0.2	
Süd-Chemie Inc.	0.1	0.1
Chemindus Sdn. Bhd.	0.1	0.1
Süd-Chemie Korea Co., Ltd.	0.1	0.0
	6.4	4.7
Thereof advance dividends	4.5	3.5

(21) Earnings per share

The earnings per share (BASIC EARNINGS PER SHARE) in accordance with IAS 33 (Earnings per share) are calculated by dividing the earnings after taxes by the number of shares currently in circulation.

The number of shares remained unchanged at 11,840,000 individual shares. As there was no dilution of capital present the undiluted earnings per share were identical to the diluted earnings per share.

Euro	2010	2009
Number of shares	11,840,000	11,840,000
Earnings per share	6.85	3.58
Share of non-controlling interest in profit for		
the period per share	0.91	0.70
Share of equity holders of Süd-Chemie AG in		
profit per share	5.94	2.88

(22) Dividends per share

According to the German Stock Corporation Act, the dividend payout to shareholders is based on the unappropriated retained earnings that were accounted for in the annual financial statements of Süd-Chemie AG, reported in accordance with the rules of the German Commercial Code. Unappropriated retained earnings amounted to EUR 20,128,000 after transfers to other reserves. The Board of Directors will propose to the Supervisory Board that the unappropriated retained earnings be applied for the distribution of a dividend per share of EUR 1.70 per share.

Further explanations about dividend distribution are found on pages 222 to 225.

Explanations to the Consolidated Balance Sheet

The assets and liabilities of the companies included in the consolidated financial statement were recorded with the respective exchange rate at the balance sheet date. Changes

within the financial year are converted to annual average rates. Exchange rate differences not affecting the result which arise from the conversion of assets to the respective exchange rates are shown separately.

Fixed Assets

Development of fixed assets

	Book values 1 Jan 2010	Additions	Disposals	Transfers	Appre- ciation	Currency differences	Amortisation/ Depreciation	Book values 31 Dec 2010
EUR million								
Goodwill acquired	30.9	17.1	- 11.3			0.9		37.6
Goodwill from consolidation of investments	41.9	30.3	- 12.1					60.1
Concessions, trademarks and similar rights and licences to such rights and assets	38.0	21.7	- 4.6	1.7		1.0	- 5.8	52.0
Development costs	29.0	4.7	- 0.1			1.4	- 2.4	32.6
Others	2.4	9.8	- 0.3			-0.3	- 0.4	11.2
Advance payments and construction in progress	1.8	1.0		- 1.7				1.1
Intangible assets	144.0	84.6	- 28.4			3.0	- 8.6	194.6
Land, rights similar to land and buildings incl. buildings on non-owned land	189.0	21.9	- 11.8	8.4		8.0	- 9.4	206.1
Technical plant and machinery	278.4	41.3	- 18.0	16.6		16.6	- 37.3	297.6
Other facilities, office furniture and equipment	52.6	7.1	- 1.9	6.3		1.8	- 11.1	54.8
Prepayments and assets under construction	46.6	43.3	- 2.2	- 31.3		3.8		60.2
Fixed assets	566.6	113.6	- 33.9			30.2	- 57.8	618.7
Investment in associated companies	5.7		- 0.1		0.1	0.1	- 0.1	5.7
Other investments	0.5	0.1						0.6
Loans	0.3	0.1	- 0.1					0.3
Other financial investments	0.0							0.0
Financial assets	6.5	0.2	- 0.2		0.1	0.1	- 0.1	6.6
Assets	717.1	198.4	- 62.5		0.1	33.3	- 66.5	819.9

The assets increased from the previous year by EUR 102.8 million to EUR 819.9 million. The additions amounting to EUR 198.4 million are offset against disposals at book values amounting to EUR 62.5 million. Changes from consolidation activities amounting to EUR 111.8 million and EUR 59.7 million respectively are contained in the additions or the disposals.

The investments of the reporting year totalled EUR 86.6 million, of this, EUR 8.2 million are attributable to intangible assets and EUR 78.4 million to fixed assets.

The exchange rate differences not affecting the result from the conversion of assets to the respective exchange rates, resulted in an increase in assets by EUR 33.3 million; depreciation totalling EUR 66.5 million was accounted for in the reporting year.

(23) Intangible assets

	Goodwill acquired	Goodwill from consolidation of investments	Concessions, trademarks and similar rights to such rights and assets	Development costs	Others	Advance payments and construction in progress	Total
EUR million							
Development in the financial year 2010							
Gross value as of 1 Jan 2010	53.8	41.9	81.0	31.0	3.0	1.8	212.5
Additions due to first time consolidation	17.1	30.3	19.2		9.8		76.4
Disposals due to deconsolidation	- 11.3	-12.1	- 7.4		- 0.9		- 31.7
Additions	0.0		2.5	4.7	0.0	1.0	8.2
Disposals			- 3.9	- 0.1			- 4.0
Transfers			1.7			- 1.7	
Currency differences	1.1		2.5	1.5	- 0.2	0.0	4.9
Gross value as of 31 Dec 2010	60.7	60.1	95.6	37.1	11.7	1.1	266.3
Amortisation as of 1 Jan 2010	22.9		43.0	2.0	0.6		68.5
Disposals due to first time consolidation			- 3.4		- 0.6		- 4.0
Additions			5.8	2.4	0.4		8.6
Disposals			- 3.3	0.0			- 3.3
Currency differences	0.2		1.5	0.1	0.1		1.9
Amortisation as of 31 Dec 2010	23.1		43.6	4.5	0.5		71.7
Net value as of 31 Dec 2010	37.6	60.1	52.0	32.6	11.2	1.1	194.6
Net value as of 31 Dec 2009	30.9	41.9	38.0	29.0	2.4	1.8	144.0
Development in the financial year 2009							
Gross value as of 1 Jan 2009	53.9	37.3	75.3	27.8	2.6	3.1	200.0
Additions due to first time consolidation		4.6	0.1		0.2		4.9
Additions			3.3	2.8	0.1	1.6	7.8
Disposals			- 0.4	- 0.5			- 0.9
Transfers			3.0			- 3.0	
Currency differences	- 0.1		- 0.3	0.9	0.1	0.1	0.7
Gross value as of 31 Dec 2009	53.8	41.9	81.0	31.0	3.0	1.8	212.5
Amortisation as of 1 Jan 2009	22.8		38.1	0.4	0.2		61.5
Additions			5.6	1.6	0.4		7.6
Disposals			- 0.4	0.0			- 0.4
Currency differences	0.1		- 0.3	0.0	0.0		- 0.2
Amortisation as of 31 Dec 2009	22.9		43.0	2.0	0.6		68.5
Net value as of 31 Dec 2009	30.9	41.9	38.0	29.0	2.4	1.8	144.0
Net value as of 31 Dec 2008	31.1	37.3	37.2	27.4	2.4	3.1	138.5

The additions in the reporting year for the intangible assets amounted to a total of EUR 84.6 million (previous year: EUR 12.7 million). Of the additions, EUR 8.2 million (previous year: EUR 7.8 million) are attributable to investments made in the financial year. In addition to expenses incurred for the development projects, investments were focused on the acquisition of permits, patents and licences.

The additions from first time consolidation amounting to EUR 76.4 million, and the disposals from deconsolidation in the book value amounting to EUR 27.7 million are connected with the expansion of the existing joint venture with Ashland.

The intangible assets were impacted by currency differences amounting to EUR 3.0 million (previous year: EUR 0.9 million).

Goodwill

The following table shows the composition and change of the goodwill attributable to the group companies, amounting to a

total of EUR 97.7 million (previous year: EUR 72.8).

	31 Dec 2009	Disposals	Additions	Currency differences	31 Dec 2010
EUR million					
ASK Chemicals GmbH			30.3		30.3
ASK Chemicals L.P.			11.4	-0.4	11.0
Süd-Chemie España. S.L.	9.2				9.2
Süd-Chemie Catalysts Italia S.r.l.	8.7				8.7
Süd-Chemie Zeolites GmbH	8.3				8.3
ASK Chemicals Hi-Tech LLC	10.2	- 11.3	5.7	0.9	5.5
Süd-Chemie Alvigo Catalysts GmbH	6.7				6.7
Süd-Chemie Alvigo Catalysts Ukraine LLC	5.0				5.0
Shanghai Süd-Chemie Catalysts Co. Ltd.	3.8				3.8
Süd-Chemie Catalysts Japan. Inc.	1.9				1.9
Süd-Chemie (Schweiz) AG	1.8				1.8
Süd-Chemie North America Inc.	1.4			0.1	1.5
Süd-Chemie Water & Process Technologies (Pty) Ltd	0.6			0.2	0.8
Süd-Chemie SA (Pty) Ltd	0.4				0.4
Societa Sarda di Bentonite S.r.l.	0.4				0.4
Chemindus Sdn. Bhd.	0.3				0.3
Süd-Chemie Australia Pty Ltd	0.3			0.1	0.4
Süd-Chemie Imic Italia S.r.l.	0.2				0.2
Companhia Brasileira de Bentonita Ltda.	0.2				0.2
ASK Chemicals Foundry Solution India Pvt. Ltd.	10.9	- 10.9			
ASK Chemicals Metallurgy Inc.	0.7	- 0.7			
ASK Chemicals Feeding Systems GmbH	0.5	- 0.5			
Others	1.3				1.3
	72.8	- 23.4	47.4	0.9	97.7

The goodwill arising from the capital consolidation amounts to a total of EUR 60.1 million (previous year: EUR 41.9 million).

The goodwill acquired accounts for EUR 37.6 million (previous year: EUR 30.9 million). The goodwill was impacted by currency differences amounting to EUR 0.9 million (previous year: EUR -0.2 million).

The goodwill from the business combinations completed up until the end of the 2009 financial year corresponds to the relevant difference between the purchase price including transaction costs and the proportional net assets in the acquiree or area of activity at the time of first time consolidation, after allocation of existing assets as well as liabilities at fair value that were in and outside of the balance sheet. For any acquisitions of non-controlling interests, the goodwill is determined from the difference between the purchase price including transaction costs and the fair value of the portion of net assets acquired.

When determining the goodwill from the capital consolidation, the change specified in IFRS 3 (Business combinations) is to be applied beginning in the 2010 financial year, whereby the

fair value of the consideration, the non-controlling interests and the existing shares are to be offset against the balance of the fair values of the assets and liabilities acquired.

The changes in the reporting year for the goodwill purchased and from the capital consolidation resulted from the expansion of the existing joint venture with Ashland. Disposals amounting to EUR 23.4 million from the deconsolidation of companies contributed by Süd-Chemie to the joint venture are offset against additions amounting to EUR 47.4 million from the first time consolidation of the companies contributed to the joint venture.

The goodwill at Süd-Chemie (Switzerland) AG, Romont/Switzerland, from the capital consolidation within the framework of the acquisition of the company, resulted from the development of a new business segment which will be pursued by Airsec S.A.S., Choisy le Roi/France, following transfer of the operational activities of Süd-Chemie (Switzerland) AG.

The goodwill stated is distributed over the Divisions and Business Units as follows:

EUR million	31 Dec 2010	31 Dec 2009
Division Adsorbents		
Adsorbents and Additives	10.4	10.4
Performance Packaging	2.2	2.1
Foundry Products and Specialty Resins	46.8	22.3
Water Treatment	1.1	0.9
	60.5	35.7
Division Catalysts		
Catalytic Technologies	37.2	37.1
Energy and Environment	–	–
	37.2	37.1
	97.7	72.8

As a result of founding the global joint venture with Ashland, the goodwill attributable to the Division Adsorbents increased by EUR 24.5 million; the other changes of the goodwill of the Business Units allocated to the Division Adsorbents resulted from currency differences.

The increase of goodwill in the Division Catalysts resulted solely from currency differences.

The accumulated amortisations resulted from the use of the relief provisions of IFRS 1 (First time adoption of International Financial Reporting Standards), within the framework of the transition to IFRS on 1 January 2004, after which the goodwill from the capital consolidation that was reported at the time of the changeover was adopted in the IFRS opening balance.

In the 2010 financial year as in the previous year no valuation adjustments were required based upon the impairment tests implemented.

Development costs

COMPOSITION AND DEVELOPMENT	31 Dec 2009	Additions	Disposals	Amortisation	Currency differences	31 Dec 2010
EUR million						
Lithium iron phosphate	11.7			– 0.9	1.1	11.9
Diesel particle filter	4.9	0.3				5.2
Biocatalysis	2.9	1.0				3.9
Other projects	9.5	3.4	– 0.1	– 1.5	0.3	11.6
	29.0	4.7	– 0.1	– 2.4	1.4	32.6

The development costs capitalised in the financial year of EUR 0.3 million (previous year: EUR 0.3 million) relate to the development of catalytically coated carriers for the reduction of diesel exhaust emissions. In the reporting year, development costs were also capitalised for projects in the development area of biocatalysis of EUR 1.0 million (previous year: EUR 0.9 million) and for various projects, in particular in the business area of catalyst technology of EUR 3.4 million (previous year: EUR 1.6 million). The public grants for development projects recorded in the 2010 financial year of EUR 0.9 million (previous year: EUR 0.4 million) were deducted from the capitalised amounts.

Of the overall development costs capitalised in the 2010 financial year of EUR 4.7 million (previous year: EUR 2.8 million), EUR 3.1 million (previous year: EUR 2.6 million) is accounted for by Süd-Chemie AG.

For a product in the area of lithium iron phosphate and for other projects, depreciations were accounted for in the 2010 financial year of EUR 2.4 million (previous year: EUR 1.6 million). The depreciations calculated according to the sales-related method after completion of the development phase and achievement of serial production and product maturity were less than the linear depreciations; for this reason the linear depreciation amount was entered. In the reporting year, unscheduled depreciations were accounted for due to re-assessment of the economic benefit of these projects of EUR 0.6 million. Scheduled depreciations are applied over the anticipated period of economic use of up to 15 years.

The recognition of development costs was impacted by currency differences to the amount of EUR 1.4 million (previous year: EUR 0.9 million).

Concessions, trademarks and similar rights and licences to such rights and assets

COMPOSITION

EUR million	31 Dec 2010	31 Dec 2009
Customer relationships	18.0	3.6
EDP-Software	15.7	15.5
Licences	8.3	8.0
Patents	5.6	5.9
Concessions	3.0	3.2
Trademarks	0.8	0.7
Mining rights	0.4	0.5
Others	0.2	0.2
	52.0	37.6

The increase in customer relations valued according to the residual value method involves additions of EUR 18.3 million and disposals of EUR 2.9 million in connection with the purchase price allocation carried out in connection with the joint venture with Ashland. The depreciations are applied over a period of up to 25 years; in the reporting year, depreciations were applied of EUR 2.0 million.

In the reporting year, investments in concessions, trademarks and similar rights, and licences to such rights and assets amount to EUR 2.5 million (previous year: EUR 3.3 million); of this amount EUR 0.2 million (previous year: EUR 0.7 million) are allocated to internally generated intangible assets. Investments during the reporting year largely consist of costs for the launch of a global ERP system based on SAP ECC for small and medium-sized group companies of EUR 1.3 million, and further costs for the adaptation of desktop management to the latest technological standards of EUR 0.8 million. In addition, the remaining investments consist of further development of information systems for global business management and optimisation of business and reporting processes.

Depreciations in the reporting year total EUR 5.8 million (previous year: EUR 5.6 million); no unscheduled depreciations were required.

Other intangible assets

Income from first-time consolidation relates to the value of the technology of ASK Chemicals L.P. Wilmington/USA, calculated as part of the purchase price allocation for the first-time consolidation of the company in the financial year.

Prepayments and assets in the course of construction

The prepayments in the reporting year on intangible assets of EUR 1.0 million (previous year: EUR 1.6 million) relate mainly to the launch of a global ERP system based on SAP ECC for small and medium-sized group companies, the implementation of software to check authorisations and the adaptation of desktop management to the latest technological standards.

(24) Property, plant and equipment

	Land, rights similar to land and buildings incl. buildings on non-owned land	Technical plant and machinery	Other facilities, office furniture and equipment	Prepayments and assets under construction	Total
EUR million					
Development in the financial year 2010					
Gross value as of 1 Jan 2010	297.5	623.1	125.9	46.7	1,093.2
Additions due to first-time consolidation	15.7	17.0	1.3	1.2	35.2
Disposals due to deconsolidation	- 13.4	- 26.6	- 4.0	- 2.2	- 46.2
Additions	6.2	24.3	5.8	42.1	78.4
Disposals	- 4.8	- 15.7	- 3.9		- 24.4
Transfers	8.2	16.5	6.6	- 31.3	
Currency differences	12.9	38.3	5.8	3.8	60.8
Gross value as of 31 Dec 2010	322.3	676.9	137.5	60.3	1,197.0
Amortisation as of 1 Jan 2010	108.5	344.7	73.3	0.1	526.6
Disposals due to deconsolidation	- 2.6	- 9.1	- 2.7		- 14.4
Additions	9.4	37.3	11.1		57.8
Disposals	- 3.8	- 15.2	- 3.3		- 22.3
Transfers	- 0.2	- 0.1	0.3		
Currency differences	4.9	21.7	4.0	0.0	30.6
Amortisation as of 31 Dec 2010	116.2	379.3	82.7	0.1	578.3
Net value as of 31 Dec 2010	206.1	297.6	54.8	60.2	618.7
Net value as of 31 Dec 2009	189.0	278.4	52.6	46.6	566.6
Development in the financial year 2009					
Gross value as of 1 Jan 2009	273.2	564.2	116.5	68.5	1,022.4
Additions due to first-time consolidation	8.6	6.4	0.4		15.4
Additions	12.2	23.1	5.2	19.6	60.1
Disposals	- 2.0	- 3.6	- 3.1		- 8.7
Transfers	4.9	29.7	7.0	- 41.6	
Currency differences	0.6	3.3	- 0.1	0.2	4.0
Gross value as of 31 Dec 2009	297.5	623.1	125.9	46.7	1,093.2
Amortisation as of 1 Jan 2009	99.8	311.2	67.2	0.0	478.2
Additions	9.2	34.2	9.8	0.1	53.3
Disposals	- 0.2	- 2.8	- 2.7		- 5.7
Transfers		1.0	- 1.0		
Currency differences	- 0.3	1.1	0.0		0.8
Amortisation as of 31 Dec 2009	108.5	344.7	73.3	0.1	526.6
Net value as of 31 Dec 2009	189.0	278.4	52.6	46.6	566.6
Net value as of 31 Dec 2008	173.4	253.0	49.3	68.5	544.2

Additions in the reporting year from tangible assets amount to EUR 113.6 million (previous year: EUR 75.5 million). Of these additions, EUR 35.2 million is accounted for by additions in relation to the joint venture with Ashland expanded during the reporting year as well as EUR 78.4 million (previous year: EUR 60.1 million) for investments made during the reporting year. In the previous year, additions from acquisitions were EUR 15.4 million. Tangible assets were affected by currency differences to the amount of EUR 30.2 million (previous year: EUR 3.2 million).

The main focus of investment was on the expansion of capacity for existing and new products. In the Catalyst Division, a total of EUR 48.2 million was invested mainly in the

establishment of production capacity for new products and capacity expansion for existing production facilities as well as for research and development facilities.

In the Adsorbents division, in addition to establishing regional capacities and expanding existing production capacity, structural improvement measures and measures to increase efficiency were carried out with a total volume of EUR 26.8 million. In the central functions, investments were made in tangible assets of EUR 3.4 million. Of the investments made in the previous year of EUR 60.1 million, a total of EUR 23.8 million was accounted for by the Absorbents division and EUR 33.9 million by the catalysts division, as well as EUR 2.4 million by the central functions.

Additions in the property area mainly derived from clay lands (EUR 0.7 million) as well as production and warehouse facilities (EUR 5.0 million).

Major investments made by Süd-Chemie AG

Süd-Chemie AG made investments of EUR 18.7 million (previous year: EUR 19.2 million). The focus for these investments was mainly the establishment of production capacity for new products; in addition, selective investments were made in the capacity expansion of existing production facilities.

Significant additions to Süd-Chemie AG's income derived from expansions of a catalyst on copper/zinc basis at the Heufeld site which went into operation in the 2007 financial year (EUR 0.4 million), the establishment of a coating line for honeycomb catalysts containing precious metals (EUR 4.8 million) and a facility for copper/chrome dry calcination (EUR 1.2 million). The investments at the Moosburg site mainly consist of expenses for setting up a second production line to expand capacity in the wet processing of clay (EUR 1.3 million) as well as other expenditure for the expansion of the hydrotalcite facility (EUR 0.3 million). In addition, another EUR 0.8 million (previous year: EUR 1.0 million) was spent on expanding a production facility for the manufacture of lithium iron phosphate as a cathode material for lithium-ion batteries.

In the area of strategic research and development of biochemical and biocatalytical processes, another EUR 0.6 million (previous year: EUR 1.2 million) was invested in laboratory and office equipment during the reporting year. In addition, EUR 0.4 million was spent on setting up a demonstration facility to manufacture climate-friendly bio-fuels at the Straubing site.

Major investments in subsidiaries and joint ventures

A total of EUR 59.7 million (previous year: EUR 40.9 million) was invested in tangible assets for subsidiaries and joint ventures.

In the USA, Süd-Chemie Inc., Louisville/USA pursued scheduled investments in a laboratory for HIGH-THROUGHPUT-TESTING in Palo Alto/USA, as well as investments being made as part of the relocation of the New Milford site. In addition, Süd-Chemie do Brasil Ltda, Jacarei/Brazil undertook initial measures to expand capacity for the production of high-quality fuller's earth. The biggest project in the American region is the investment in a new facility for the production of lithium iron phosphate by the Canadian subsidiary Phostech Lithium Inc., St. Bruno/Canada, with a volume of EUR 60 million. The expenditure made on these investment projects during the reporting year amounted to EUR 14.8 million overall.

In the Asia/Middle East region, Süd-Chemie Catalysts Japan, Inc., Tokyo/Japan, undertook extensive restructuring measures to streamline production. Furthermore, investments were made in a copper-zinc facility at the Süd-Chemie Catalysts (Nanjing) Co., Ltd. site in Nanjing/China. The total investment volume handled during the reporting year for these projects was EUR 15.8 million.

An additional EUR 2.7 million was invested in capacity expansion and optimisation of the production processes for zeolites by Süd-Chemie Zeolites GmbH at the Bitterfeld site.

Addition from first-time consolidation of EUR 35.2 million is derived from tangible assets contributed to the existing joint venture with Ashland and included at current market value. Disposals from the deconsolidation of EUR 31.8 million include the book value of the tangible fixed assets contributed by the previously fully consolidated companies contributed by Süd-Chemie to the joint venture.

Additions from first-time consolidation in the previous year of EUR 15.4 million come mainly from the acquisition of the Nanjing/China production site; asset addition at the time of first-time consolidation was EUR 12.9 million. Furthermore, the fixed assets of the group increased by EUR 2.5 million in the previous year as a result of the acquisition of shares in Companhia Brasileira de Bentonita Ltda., Vitória da Conquista/Brazil.

Disposals in the property area mainly include the mining of clay on the group's own and on external land. Disposals for technical facilities and machines as well as for other items of machinery and of operating and office equipment relate to fixed assets scrapped or sold for reasons of age, wear and tear or technical obsolescence. The total disposals from tangible fixed assets results in accounting losses in the balance of EUR 1.2 million (previous year: EUR 0.9 million).

Government grants for investments in fixed assets were granted in the reporting year for a total of EUR 2.8 million (previous year: EUR 1.3 million); the grants received were deducted from purchase and manufacturing costs.

Depreciations were accounted for in the reporting year amounting to EUR 57.8 million (previous year: EUR 53.3 million). Particularly as a result of the relocation of a foreign production site and also due to the closure of a foreign production site, unscheduled depreciations were made of EUR 2.1 million in the reporting year. The depreciations from the previous year include unscheduled depreciations of EUR 3.0 million in connection with the relocation of a foreign production site. The annual review of the useful lives allocated to the intangible assets and to the items of the fixed assets resulted in a lower depreciation during the reporting year of EUR 0.7 million (previous year: EUR 1.9 million).

Technical systems and machines with a book value of EUR 5.4 million (previous year: EUR 3.9 million) are assigned by way of

collateral to bank loans of foreign subsidiaries or to foreign joint venture companies. Furthermore, there are securities in the form of mortgages on land and a building with book values totalling EUR 1.3 million (previous year: EUR 1.5 million) for bank loans of subsidiaries or joint ventures totalling EUR 1.8 million (previous year: EUR 1.8 million).

For the items of the fixed assets, with the exception of the property assets for which finance leasing contracts have been signed, there are no disposal restrictions in the form of security transfers of title and other liens to secure liabilities.

Finance leases

The book values of the property assets to be reported under fixed assets for which the companies of the Süd-Chemie Group have signed finance lease contracts, have a total value as at the balance sheet date of EUR 9.8 million (previous year: EUR 8.8 million). They are broken down among the various asset groups as follows:

EUR million	Gross value	Net value	Gross value	Net value
	31 Dec 2010		31 Dec 2009	
Land and buildings	7.9	6.8	7.6	6.7
Technical plant and machinery	2.1	1.4	1.5	0.8
Other facilities, office furniture and equipment	3.2	1.6	2.5	1.3
	13.2	9.8	11.6	8.8

Additions to the assets for which finance leasing contracts were concluded result in particular from newly signed contracts for technical equipment and machines as well as other assets of foreign subsidiaries. The leasing items and assets held in relation to hire-purchase contracts serve as a security for the various liabilities arising from these contracts.

Additional information on the finance leasing contracts can be found in the notes on leasing contracts on pages 274 and 275.

(25) Investments in associated companies and other financial investments

EUR million	Investment in associated companies	Other investments	Loans	Other financial investments	Total
Development in the financial year 2010					
Gross value as of 1 Jan 2010	5.7	0.8	0.5	0.0	7.0
Additions due to deconsolidation		0.1	0.1		0.2
Disposals due to deconsolidation	- 0.1		- 0.1	0.0	- 0.2
Additions			0.0		0.0
Currency differences	0.1				0.1
Gross value as of 31 Dec 2010	5.7	0.9	0.5	0.0	7.1
Amortisation as of 1 Jan 2010	0.0	0.3	0.2		0.5
Disposals due to deconsolidation	0.0		0.0		0.0
Additions	0.1		0.0		0.1
Disposals					0.0
Appreciation	- 0.1				- 0.1
Currency differences	0.0				0.0
Amortisation as of 31 Dec 2010	0.0	0.3	0.2		0.5
Net value as of 31 Dec 2010	5.7	0.6	0.3	0.0	6.6
Net value as of 31 Dec 2009	5.7	0.5	0.3	0.0	6.5
Development in the financial year 2009					
Gross value as of 1 Jan 2009	0.1	0.8	0.5	0.1	1.5
Additions	5.6		0.0	0.0	5.6
Disposals			0.0	- 0.1	- 0.1
Currency differences	0.0				0.0
Gross value as of 31 Dec 2009	5.7	0.8	0.5		7.0
Amortisation as of 1 Jan 2009		0.3			0.3
Additions			0.2		0.2
Amortisation as of 31 Dec 2009		0.3	0.2		0.5
Net value as of 31 Dec 2009	5.7	0.5	0.3		6.5
Net value as of 31 Dec 2008	0.1	0.5	0.5	0.1	1.2

Changes from consolidation processes result from the change from the inclusion of ASK Chemicals Gremolith AG, Bazenheid/Switzerland, previously included as an associated company, and the non-controlling interest in the previously fully consolidated ASK Chemicals Polska Sp. z.o.o., Oswiecim/Poland, reported in the sub-group financial statement of ASK Chemicals GmbH.

Due to the valuation of shares in these companies at fair value, the restructuring of these companies into the group of companies included on a pro-rata basis in line with the regulations of transitional consolidation resulted in earnings of EUR 0.4 million.

Additions from the previous year in relation to associated companies derives from the acquisition of 24.975% of shares with controlling influence in GTC Technology International L.P., Houston/USA by Süd-Chemie AG and the acquisition of 25% of the shares of GTC Technology US, LLC, Houston/USA by Süd-Chemie North America Inc., Wilmington/USA. Meanwhile

GTC Technology International L.P. holds all shares in the companies GTC Technology Korea Co., Ltd., Seoul/South Korea, GTC Process Technology (Singapore) Pte. Ltd., Singapore/Singapore, and GTC (Beijing) Technology Inc., Beijing/China, as well as 60.0% of shares in GTC Mexico S. de R.L. de C.V., Corregidora (Querétaro)/Mexico. As the general partner, GTC Technology US, LLC runs the management of GTC Technology International LP, which means that GTC Technology US, LLC controls GTC Technology International LP. The shares in the companies acquired with the sales contract dated 8 December 2009 were recorded with their purchase costs including ancillary purchase costs at a total of EUR 5.6 million.

The shares in affiliated companies of the previous year also included the equity book value of Ashland-Südchemie-Gremolith AG, Bazenheid/Switzerland of EUR 0.1 million (previous year: EUR 0.1 million).

(26) Other long-term assets

Explanations on this item appear under sections 29 and 30.

(27) Deferred tax assets

EUR million	31 Dec 2010	31 Dec 2009
Deferred tax assets on temporary differences	37.7	34.8
Deferred tax assets on tax losses carried forward	29.6	19.7
Tax credits	0.4	0.3
	67.7	54.8
Offsetting against deferred tax liabilities	- 52.0	- 42.1
Recognised in balance sheet	15.7	12.7

Deferred tax assets from temporary differences, tax losses carried forward and tax credits total EUR 67.7 million (previous year: EUR 54.8 million). After offsetting against deferred tax liabilities from temporary differences of EUR 52.0 million (previous year: EUR 42.1 million), the amount of deferred tax assets in the balance statement is EUR 15.7 million (previous year: EUR 12.7 million). Deferred tax assets were offset against deferred tax liabilities insofar as there is an actionable claim to the offsetting of actual tax refund claims against actual tax liabilities and these relate to income tax of the same object imposed by the same tax authority. Specific details of deferred taxes can be found in the explanations on the income statement under section 15 on pages 201 to 207.

(28) Inventories and payments in advance

EUR million	31 Dec 2010	31 Dec 2009
Raw material, consumables and supplies, spare parts	78.7	62.8
Work in progress	33.6	34.5
Finished goods or goods for resale	93.4	81.6
	205.7	178.9
Payments in advance	2.4	1.4
	208.1	180.3

Due to incoming currency and orders, inventories including payments in advance increased in relation to the balance sheet date of 31 December 2009 by EUR 27.8 million to EUR 208.1 million. Of the inventories stated as at the balance sheet date, EUR 19.0 million (previous year: EUR 9.6 million) are included at the lower net realisable value. Allowances relating to gross value amount to a total of EUR 5.8 million (previous year: EUR 6.2 million). The main reasons for these devaluations are the non-saleability deductions for raw materials, consumables, goods for resale and finished products. In the reporting year and in the previous year, inventory values were adjusted negligibly for inventory values adjusted in previous years.

The inventories are subject to title retention as is common in the industry. Of the inventories, EUR 7.3 million (previous year: EUR 6.3 million) is pledged as security for bank loans of EUR 0.8 million (previous year: EUR 2.0 million) with foreign group companies as at the balance sheet date. There are no other assignments as security or disposal limitations to the inventories.

(29) Receivables and other assets

EUR million	31 Dec 2010	31 Dec 2009
Trade payables	2.5	2.8
Other non-current assets	8.5	7.7
Other non-current assets	11.0	10.5
Trade payables	181.4	164.0
Amount owed by other group companies	2.3	0.0
Income tax receivables	8.1	5.2
Other current assets	35.1	33.5
Receivables and other current assets	226.9	202.7
	237.9	213.2

Due to currency effects and the increased business volume in particular, receivables and other assets increased as compared with the balance sheet date of the previous year by EUR 24.7 million. The increase in trade receivables based on business volume was partially compensated due to the higher forfeiting volume of the previous year; adjusted to allow for the change in forfeiting volume, the increase in current trade receivables amounts to a total of EUR 36.4 million. There is no significant concentration of risks concerning receivables and other assets.

Maturity structure of the receivables and other assets

	Due within 1 year	Due after 1 and before 5 years	31 Dec 2010 Total	31 Dec 2009 Total	Thereof due within 1 year
EUR million					
Trade receivables	181.4	2.5	183.9	166.8	164.0
Amounts owed by other group companies	2.3	0.0	2.3	0.0	0.0
Income tax receivables	8.1		8.1	5.2	5.2
Other assets	35.1	8.5	43.6	41.2	33.5
	226.9	11.0	237.9	213.2	202.7

The non-current other assets amounting to EUR 11.0 million (previous year: EUR 10.5 million) have a remaining life of between one and five years.

(30) Trade receivables

EUR million	31 Dec 2010	31 Dec 2009
Current trade receivables	181.4	164.0
Non-current trade receivables	2.5	2.8
	183.9	166.8

The trade receivables include receivables of EUR 5.4 million (previous year: EUR 7.8 million) from revenues recognised according to the percentage-of-completion method; of this amount, EUR 3.2 million (previous year: EUR 5.6 million) applies to non-current trade receivables. The trade receivables are basically not subject to interest and generally have a term of 30 to 90 days or 120 days in accordance with common practice in some countries.

Analysis of overdue but not amortised financial assets

CURRENT AND NON-CURRENT TRADE RECEIVABLES		
EUR million	31 Dec 2010	31 Dec 2009
Gross value of current trade receivables before forfeiting	237.0	201.9
Forfeited current trade receivables	– 51.7	– 32.7
Gross value of current trade receivables after forfeiting	185.3	169.2
Gross value of non-current trade receivables	3.3	2.8
Total gross value	188.6	172.0
Valuation allowance	– 4.7	– 5.2
Total net book value	183.9	166.8
thereof neither impaired nor overdue	139.9	128.6
thereof neither impaired but past due by the following periods		
up to 30 days	23.7	20.6
31 to 60 days	10.7	6.1
61 to 90 days	3.4	3.3
91 to 180 days	4.0	5.4
181 to 360 days	1.4	1.7
more than 360 days	0.8	1.1

Overdue elements in the trade receivables partially result from payment delays on the part of customers and in some cases from retention due to legal disputes. The overdue, non-impaired receivables from the previous year were predominantly balanced by incoming payments made by customers in the reporting year. Most of the overdue, non-impaired receivables as at the balance sheet date had already been settled by payments on the part of customers during the period of preparation of the financial statements. Süd-Chemie has not received any securities in order to hedge risks for the potential loss of trade receivables. Adjustments of EUR 4.7 million (previous year: EUR 5.2 million) have been made to cover potential risks of loss.

Value adjustments are made if there has been a payment default or if one is foreseeable. Of the trade receivables as at the balance sheet date, EUR 4.4 million (previous year: EUR 4.9 million) are assigned as securities for bank loans for foreign subsidiaries amounting to EUR 0.6 million (previous year: EUR 0.9 million).

No other security assignments or disposal restrictions apply to the trade receivables.

Development of value adjustments for current and non-current trade receivables

EUR million	2010	2009
Allowance of bad debt as per 1 January	5.2	3.5
Changes in consolidation group	0.8	0.0
Additions	5.0	3.9
Usage	- 3.6	- 1.1
Disposals	- 2.7	- 1.1
Currency translation	0.0	0.0
Alloance for bad debt as per 31 December	4.7	5.2

The specific allowance for bad debt based on the gross values of the trade receivables amounts to a total of EUR 4.7 million (previous year: EUR 5.2 million); of this amount EUR 3.9 million (previous year: EUR 4.8 million) apply to trade receivables with a remaining useful life of less than one year and EUR 0.8 million (previous year: EUR 0.4 million) to trade receivables stated under non-current assets. In the financial year, income was recorded from incoming payments of written-off receivables of EUR 0.4 million (previous year: EUR 0.2 million). In the financial year and in the previous year, negligent losses were sustained from trade receivables that had been written off.

Additional explanations on credit management and credit risks can be found on page 267.

(31) Other non-current assets

EUR million	31 Dec 2010	31 Dec 2009
Accrued income	3.8	3.4
Deposits	2.3	1.5
Advance payments for mining rights/ preliminary payments for clay mining	0.9	0.9
Claims for refunding of environmental expenses	0.7	
Other	0.8	1.9
	8.5	7.7

The accrued income includes in particular the long-term share of advance payments made in the reporting year and in previous years, especially for insurance, rental and lease contracts as well as other contractual agreements.

Advance payments on mining rights and for clay mining relate to pre-payments made for securing the immediate availability of clay mining in the clay lands of a foreign subsidiary.

Claims for refunding of environmental expenses includes the exemption from any expenses incurred in future for the removal of environmental contamination in connection with ASK Produtos Quimicos do Brasil Ltda., Campinas/Brazil, which was agreed with Ashland and has been included in the consolidated financial statement on a pro-rata basis.

Other non-current assets include individual items of less than EUR 0.1 million each.

(32) Tax refund claims and other current assets

EUR million	31 Dec 2010	31 Dec 2009
Claims for income tax refund	8.1	5.2
Other tax refund claims		
Sales tax	12.4	7.7
Other taxes	4.3	6.2
	16.7	13.9
	24.8	19.1
Other assets		
Deferred income	6.9	7.0
Receivables from government grants	2.7	0.7
Prepayments	1.7	1.2
Deposits	1.8	1.4
Creditors with debit balance	1.1	1.4
Receivables from employees	0.5	0.5
Advance payments for acquisition projects	0.2	3.5
Receivables from insurance claims	0.1	0.2
Current financial receivables	0.1	0.1
Other assets	3.3	3.6
	18.4	19.6
	43.2	38.7

Tax refund claims include claims to the relevant tax authorities from chargeable VAT and other tax and income tax due to be reimbursed. The increase in VAT claims results from the higher goods purchased volume in the last month of the reporting year as compared to the previous year. Claims from other taxes in particular include the refund claim from environmental tax from energy and power taxes for previous years and the anticipated refund for the reporting year of EUR 2.0 million (previous year: EUR 2.2 million). Tax refund claims from capital gains tax and solidarity supplements result from dividend payouts of domestic joint ventures of EUR 0.4 million (previous year: EUR 0.8 million).

The short-term shares in advance payments, especially for insurance, rental and leasing contracts as well as other contractual agreements are reported under accruals and deferrals.

Advance payments refer to payments for professional association contributions and for services commissioned but not yet rendered.

The advance payments stated in the previous year for acquisition projects already approved by the Supervisory Board include ancillary purchase costs for setting up the global joint venture with Ashland of EUR 3.0 million, which are offset against reserves with no effect on the operating result as per the amendment to standard IFRS 3 (Business combinations – revised) dated 1st January 2010, as well as receivables from fees paid and charges passed onto third

parties of EUR 0.5 million in connection with changes to the shareholder structure.

Creditors with debit balance relate to the trade receivables allocation to suppliers.

The current financial receivables relate to the balances of internal allocation accounts between Süd-Chemie Finance GmbH and joint ventures as a result of inclusion of these companies in the central cash management system or in the netting procedure of Süd-Chemie. The other assets include individual items of less than EUR 0.2 million each.

(33) Cash and cash equivalents

EUR million	31 Dec 2010	31 Dec 2009
Cash at Bank	16.6	20.7
Short-term deposits	6.8	2.4
Cash on hand	0.3	0.3
	23.7	23.4

Bank balances earn interest at the floating rates applicable to funds subject to one day's notice. Short-term deposits are made for periods of between one day and three months depending on the liquidity requirements of the respective group companies. These interest at the prevailing rates for short-term deposits. In the Süd-Chemie Group, bank credits are only held with credit institutions with good credit ratings. In order to diversify risk, money to be deposited is spread across several banks.

Liquid assets consist of EUR 18.7 million (previous year: EUR 10.4 million) in foreign currency, converted at the middle rates prevailing at each balance sheet date. Of the liquid assets, EUR 14.1 million (previous year: EUR 3.5 million) apply to companies included in the consolidated financial statement on a pro-rata basis. Liquid assets of EUR 11.1 million (previous year: EUR 6.6 million) are subject to country-specific transfer limitations. Due to contractual agreements with the consortium banks of ASK Chemicals GmbH, the proportional liquid assets available to the sub-group of ASK Chemicals GmbH as of the balance sheet date of EUR 9.3 million are only available to the sub-group of ASK Chemicals GmbH. No other disposal limitations apply.

(34) Equity

Statement of changes in equity

The composition and development in consolidated equity in the 2010 and 2009 financial years is shown in the statement of changes in equity:

	Issued capital	Capital reserve	Legal reserve	Other reserves	Equity attributable to shareholders of Süd-Chemie AG	Equity attributable to non-controlling interest	Total
EUR million							
Financial year 2010							
As of 31 Dec 2010	30.3	23.1	1.6	365.0	420.0	66.8	486.8
Changes in equity through profit and loss							
Profit for the period				70.3	70.3	10.8	81.1
Changes in equity outside profit and loss							
Currency translation differences				16.5	16.5	7.1	23.6
Other changes outside profit and loss				0.4	0.4	- 1.1	- 0.7
				16.9	16.9	6.0	22.9
Overall result				87.2	87.2	16.8	104.0
Equity transactions with equity holders							
Dividends/advance dividends				- 13.0	- 13.0	- 6.4	- 19.4
Changes in equity from other consolidation transactions						0.2	0.2
Other changes				- 0.8	- 0.8		- 0.8
As of 1 Jan 2010	30.3	23.1	1.6	291.6	346.6	56.2	402.8
Financial year 2009							
As of 31 Dec 2009	30.3	23.1	1.6	291.6	346.6	56.2	402.8
Changes in equity through profit and loss							
Profit for the period after adjustment as per IAS 8.41				34.1	34.1	8.3	42.4
Changes in equity outside profit and loss							
Currency translation differences				3.8	3.8	- 2.4	1.4
Other changes outside profit and loss				- 2.1	- 2.1	1.3	- 0.8
				1.7	1.7	- 1.1	0.6
Overall result				35.8	35.8	7.2	43.0
Equity transactions with equity holders							
Dividend advance dividends				- 13.0	- 13.0	- 4.7	- 17.7
As of 1 Jan 2009	30.3	23.1	1.6	268.8	323.8	53.7	377.5

Compared with the consolidated financial statements for the financial year ended 31 December 2009, consolidated equity rose by EUR 84.0 million to EUR 486.8 million. Equity increased due to the profit for the period amounting to EUR 81.1 million (previous year: EUR 42.4 million) and to currency translation differences not affecting net income from equity conversion amounting to EUR 23.6 million (previous year: EUR 1.4 million). Equity was negatively affected by other changes outside profit and loss amounting to EUR 0.7 million (previous year: EUR 0.8 million). Furthermore, dividends distributed to Süd-Chemie AG shareholders and non-controlling interest in the reporting year led to a reduction in equity of EUR 19.4 million (previous year: EUR 17.7 million).

The change in equity from other consolidation transactions includes the addition of EUR 0.3 million from the shares in

equity attributable to the non-controlling interest of ASK Chemicals Portugal Lda., Lisbon/Portugal and the disposal of the equity attributable to the non-controlling interest of ASK Chemicals Polska Sp. z o.o., Oswiecim/Poland amounting to EUR 0.1 million due to the change in the nature of the company's inclusion in the consolidated financial statements.

Other changes include incidental acquisition costs for acquisition projects capitalised in the consolidated financial statements for the financial year ended 31 December 2009 accounted with equity not affecting net income amounting to EUR 3.0 million, which are to be reported as expense from the 2010 financial year onwards as a result of the change to IFRS 3 (Business Combinations) (revised). This reduction in equity is offset by an increase in equity not affecting net income of EUR 2.2 million arising from the discontinuation of the obligations

arising from put options held by non-controlling interest in Süd-Chemie (Schweiz) AG, Romont/Switzerland stated in the previous year under financial liabilities in accordance with IAS 32.15

Issued capital

The issued capital (nominal capital) of Süd-Chemie AG remains unchanged on the previous year at EUR 30.3 million at the balance sheet date and is divided into 11,840,000 individual no-par shares issued in the name of the bearer. The nominal capital is fully paid up.

Share breakdown

As per the existing notifications in accordance with Section 25 of the German Securities Trading Act (WpHG), the voting rights and capital shares are as follows:

	Capital share	Voting share
Percent		
One Equity Partners via sc-Beteiligungs- gesellschaft mbH	50.4137	50.4137
Dr. Dolf Stockhausen Beteiligungsgesellschaft mbH	10.1940	10.1940
Dr. Wilhelm Winterstein via nowi Beteiligungsgesellschaft mbH	10.0170	10.0170
Other	29.3753	29.3753
	100.0000	100.0000

Authorised capital

No powers have been granted to issue authorised capital.

Own shares

The authority to buy back own shares was limited up to 31 December 2006. No use was made of this authorisation.

Dividend resolution for the 2009 financial year

At the Annual General Meeting held on 19 May 2010, a dividend of EUR 1.10 per share proposed by the Board of Directors and Supervisory Board for the 2009 financial year was approved. The Board of Directors and Supervisory Board were discharged.

Proposed dividend for the 2010 financial year

In accordance with the German Companies Act (AktG), the dividend available for distribution is based on the unappropriated retained earnings as shown in the Süd-Chemie AG annual financial statements prepared in accordance with the provisions set out in German commercial law. Pursuant to Article 25 (4) of the Süd-Chemie AG articles of association, the Board of Directors will recommend to the Supervisory Board that EUR 18,965,000 is appropriated to other reserves from the profit for the 2010 financial year and that the remaining

unappropriated retained earnings of EUR 20,128,000 are used to distribute a dividend of EUR 1.70 per share. The annual financial statements have been prepared taking account of this proposed appropriation of earnings. The other earnings reserves of Süd-Chemie AG have increased as a result of the transfer from the 2010 profit for the period and the transition effects to be allocated to other earnings reserves arising from the introduction of the balance sheet law modernising act by EUR 11,294,000 to a total of EUR 149,805,000.

A total of EUR 15.2 million not available for distribution arose from the capitalisation of development costs and deferred tax assets on tax loss carryforwards as well as the excess deferred tax assets over deferred tax liabilities on temporary differences. This amount not available for distribution is offset by freely available earnings reserves including net earnings amounting to EUR 154.7 million. Consequently, there is no dividend payout restriction in respect of the net earnings of EUR 20.1 million designated for distribution.

The dividend shall be paid out from the unappropriated retained earnings for the reporting year. It will lead neither to a tax rebate nor to additional tax liabilities for Süd-Chemie AG. The dividend payment will be subject to a deduction of statutory capital gains tax of 25% plus a solidarity surcharge of 5.5% on that amount, i.e. a total of 26.38%.

Capital reserve/legal reserve

The capital reserve and legal reserve, which include the capital reserve and statutory reserve of Süd-Chemie AG, have remained unchanged on the previous year. The share premium accruing from the capital increases performed in previous years has been appropriated to the capital reserve. In total, the capital reserve and the legal reserve exceed one tenth of the nominal capital. Appropriations to the legal reserve pursuant to Section 150 (2) of the German Companies Act (AktG) were not therefore required.

Other reserves

Other earnings attributable to Süd-Chemie AG shareholders amounting to EUR 365.0 million (previous year: EUR 291.6 million) include retained earnings accruing to Süd-Chemie AG, as well as differences on the liabilities side arising from first-time consolidation of subsidiaries prior to transition to IFRS, the pro-rata transition effects not affecting net income due to first-time adoption of IFRS/IAS (first-time application reserve), the pro-rata consolidated profit for the period, other pro-rata reported changes in equity not affecting net income and the obligations accruing from non-controlling interest put options offset against the reserves in the previous year.

Liabilities accruing from non-controlling interest equity put options have been offset against other consolidated reserves at their first time recognition and reclassified as non-current liabilities. Due to the acquisition of the remaining non-controlling interest in Süd-Chemie (Schweiz) AG, Romont/Switzerland, the obligation accruing from non-controlling interest put options of EUR 2.2 million on the acquisition date was reclassified from non-current liabilities to other Group reserves.

The cumulative changes in value reported as not affecting net income amounted at the balance sheet date to EUR -12.1 million (previous year: EUR -35.0 million) of which EUR 4.6 million (previous year: EUR -26.1 million) is attributable to the shareholders of Süd-Chemie AG.

BREAKDOWN OF OTHER RESERVES ATTRIBUTABLE TO THE SHAREHOLDERS OF SÜD-CHEMIE AG

EUR million	31 Dec 2010	31 Dec 2009
Retained earnings	331.9	290.2
First-time application reserve	28.5	29.4
Reserve for other gains (losses) recognised		
in equity	4.6	- 26.1
Reserve arising from put options held by		
non-controlling interest		- 1.9
	365.0	291.6

Equity attributable to shareholders of Süd-Chemie AG

The consolidated equity attributable to Süd-Chemie AG shareholders at the balance sheet date amounts to EUR 365.0 million (previous year: EUR 291.6 million).

Non-controlling interest

Non-controlling interest includes the adjusting items for interest held by non-controlling interest in the equity subject to consolidation of investments, as well as the profits and losses accruing to such non-controlling interest. The non-controlling interest in consolidated equity is attributable to the following subsidiaries:

EUR million	31 Dec 2010	31 Dec 2009
Süd-Chemie & Co. Limited Partnership	31.3	25.3
Süd-Chemie Catalysts Japan. Inc.	17.1	14.7
Süd-Chemie Qatar w.L.L.	5.5	5.0
Panjin Süd-Chemie Liaohe Catalyst Co., Ltd.	4.9	4.4
P.T. Kujang Süd-Chemie Catalysts	2.0	1.9
Süd-Chemie Alvigo Catalysts Ukraine LLC	1.7	1.8
Süd-Chemie Inc.	1.1	1.0
Chemindus Sdn. Bhd.	1.2	0.9
Süd-Chemie Imic Italia S.r.l.	0.8	0.8
Süd-Chemie Sasol Catalysts (Pty) Ltd	0.7	0.5
Süd-Chemie Korea Co., Ltd.	0.4	0.3
ASK Chemicals Portugal Lda.	0.3	
Other	- 0.2	- 0.4
	66.8	56.2

The changes in the non-controlling interest in consolidated equity result from the share in profits to which the non-controlling interest is entitled in the reporting year, minus the dividends attributable to the non-controlling interest and currency conversion differences. Of the non-controlling interest, EUR 64.1 million (previous year: EUR 54.1 million) is attributable to the Catalysts Division and EUR 2.7 million (previous year: EUR 2.1 million) to the Adsorbents Division. The negative non-controlling interest in consolidated equity amounting to EUR 0.2 million (previous year: EUR 0.4 million) relates to companies with contractually regulated obligations regarding additional payments to capital.

CHANGES IN VALUE RECOGNISED IN EQUITY	As of 31 Dec 2008	Change	As of 31 Dec 2009	Change	As of 31 Dec 2010
EUR million					
Adjusting items for the conversion of currency differences of foreign subsidiaries and joint ventures	- 23.2	1.4	- 21.8	23.6	1.8
Other changes not affecting income					
Actuarial gains/losses from defined benefit plans	- 19.8	0.5	- 19.3	- 5.7	- 25.0
Effective portion of changes in fair value of derivatives and the underlying hedged items that are designated and qualified as cash flow hedges and recognised in equity (hedge reserve)	1.5	- 2.8	- 1.3	2.7	1.4
Exchange rate differences from net investments in foreign operations not affecting income in accordance with IAS 21.15	- 2.9	2.0	- 0.9	1.4	0.5
Deferred taxes on items recognised directly in equity	8.8	- 0.5	8.3	0.9	9.2
	- 12.4	- 0.8	- 13.2	- 0.7	- 13.9
	- 35.6	0.6	- 35.0	22.9	- 12.1

Changes in value recognised in equity led to an increase of other reserves in the financial year totalling EUR 22.9 million compared with an increase in the previous year of EUR 0.6 million. Currency conversion differences reported in equity from consolidation of investments increased other reserves by EUR 23.6 million compared with an increase in the previous year of EUR 1.4 million. The change in other changes in value reported in equity led to a decrease in other reserves of EUR 0.7 million (previous year: EUR 0.8 million).

Other changes in value recognised in equity include valuation effects of financial derivatives not affecting net income (interest and currency swaps), actuarial gains and losses from defined benefit plans, exchange rate differences from net investments in foreign operations not affecting net income in accordance with IAS 21.15 and the effects resulting from

deferred taxes from the aforementioned changes in value. The changes in value recognised in equity, which were accounted with other reserves, amounted on the balance sheet date to a total of EUR -12.1 million (previous year: EUR -35.0 million).

(35) Liabilities

EUR million	31 Dec 2010	31 Dec 2009
Liabilities		
Non-current financial liabilities	259.2	279.6
Current financial liabilities	147.7	106.3
	406.9	385.9
Other liabilities		
Other non-current liabilities	12.6	17.6
Other current liabilities	253.3	198.6
	265.9	216.2
	672.8	602.1

BREAKDOWN ACCORDING TO DUE DATES	Due within 1 year	Due within 1 and 5 Years	Due after 5 Years	Total	Total	Of this due within 1 year
EUR million						
		31 Dec 2010			31 Dec 2009	
Financial liabilities	147.7	227.9	31.3	406.9	385.9	106.3
Other liabilities	253.3	12.6		265.9	216.2	198.6
	401.0	240.5	31.3	672.8	602.1	304.9

(36) Financial liabilities

All obligations in the Süd-Chemie Group subject to interest payments, liabilities from derivative financial instruments directly connected with financial liabilities and obligations arising from put options held by non-controlling interests are stated under financial liabilities. Furthermore, financial liabilities include payments received from customers which have already been sold to the respective financial service provider within the framework of a programme for the sale of receivables. The financial liabilities can be classified as follows:

EUR million	31 Dec 2010	31 Dec 2009
US-Dollar PRIVATE PLACEMENT	104.8	97.2
Liabilities from derivatives	6.6	16.9
	111.4	114.1
Bankers drafts and loans	280.4	256.2
Liabilities from finance lease contracts	4.6	4.9
Other financial liabilities	10.5	8.8
	406.9	384.0
Liabilities from put options held by non-controlling interests		1.9
	406.9	385.9

The increase in financial liabilities compared with 31 December 2009 is attributable mainly to the adjustment payment made to Ashland Inc. in connection with the expansion of the existing joint venture with Ashland amounting proportionally to EUR 11.0 million, and to the payment of the increase in the purchase price of the shares in Süd-Chemie Alvigo Catalysts GmbH, Munich acquired in 2008 amounting to EUR 4.4 million. Currency-related conversion effects from foreign currency liabilities amounting to EUR 7.4 million and the financing in connection with the investment in the new production site for Süd-Chemie Catalysts Japan Inc., Tokyo/Japan amounting to EUR 23.9 million led to a further increase in financial liabilities of EUR 46.7 million. Due to the increase in the forfeiting volume, financial debt fell by EUR 19.0 million.

To secure long-term financing for the Süd-Chemie Group and for the financing of planned acquisitions, a private bond (us dollar private placement) with an emission volume of USD 140.0 million was issued in the 2004 financial year by Süd-Chemie Finance GmbH, Munich, for which Süd-Chemie AG is

fully liable. The bond, which was subscribed by a group of us investors, comprising insurance and pension funds, consists of three tranches amounting to USD 25.0 million, USD 75.0 million and USD 40.0 million with terms of 7, 10 and 12 years. The private bond is unsecured.

Liabilities from derivative financial instruments contain the negative market values of the cross-currency swaps concluded as part of the issue of the us dollar private placement to hedge foreign currency risks equal to the volume of the private placement. The liabilities shown in the tables below under the us dollar private placement contain the annualised liability from the bond totalling EUR 104.8 million (previous year: EUR 97.2 million) plus the negative market value of the hedge transaction totalling EUR 6.6 million (previous year: EUR 16.9 million), making a total of EUR 111.4 million (previous year: EUR 114.1 million). Further explanations regarding this can be found in the "Derivative Financial Instruments" section on pages 252 to 254.

The multi-currency credit facility of EUR 200 million granted by a banking consortium at the end of 2004 to Süd-Chemie Finance GmbH and Süd-Chemie AG for a term of five years, was brought in line with the current financial conditions as at July 2006. A further five-year term was agreed with two one-year renewal options. After exercising the extension option in the 2007 financial year of a further year, the term of the credit facility amounts to six years. No collateral has been provided for this credit facility.

In order to finance the extended joint venture between Süd-Chemie AG and Ashland Inc., Covington/USA, a dual-currency credit facility of EUR 110 million was taken out via a banking consortium in November 2010 for ASK Chemicals GmbH. The term of the credit facility, which can be drawn in EUR and us dollars, is four years with two one-year renewal options. Several companies in the sub-group of ASK Chemicals GmbH are jointly liable for the credit line, which may only be drawn to cover the financial requirements of ASK Chemicals GmbH. No assumptions of liability by the joint venture partners have been agreed.

The us dollar private placement and the multi-currency credit facility are both subject to compliance with agreed financial ratios as well as non-financial conditions. The calculation of the financial ratios was adapted in the 2008 financial year to

the higher financial requirements due to growth and acquisition. In the event that credit conditions are not fulfilled, the outstanding liabilities become due immediately and payable to creditors. The conditions set out in the credit agreement were met in the 2010 financial year and at the balance sheet date. Conditions regarding compliance with financial ratios and several non-financial conditions were also agreed with the banking consortium for the new dual-currency credit facility taken out by ASK Chemicals GmbH, which were met in full by ASK Chemicals GmbH in the 2010 financial year and at the balance sheet date. Due to Süd-Chemie AG's liability exclusion for this facility, none of the financial ratios of the ASK Chemicals GmbH sub-group were considered in the calculation of the financial conditions relevant to Süd-Chemie AG.

Other bank liabilities are for the most part unsecured and of equal rank. Financial liabilities of foreign subsidiaries or joint ventures of the Süd-Chemie Group to banks amounting to EUR 1.8 million (previous year: EUR 2.7 million) are secured by mortgages on property amounting to EUR 1.3 million (previous year: EUR 1.2 million) and by items of the tangible fixed assets and of current assets amounting to EUR 15.5 million (previous year: EUR 15.2 million), which have been assigned or transferred.

Liabilities arising from finance lease contracts result from economic attribution of the leased object to the lessee. The legal owner of the leased object is the relevant lessor. Liabilities accruing from finance lease contracts are debited at the present value of future minimum lease payments.

The deferred interest from liabilities with non-banks for time periods before and on maturity dates after the balance sheet date and financial liabilities with financial service providers, public corporations and joint ventures are stated under other financial liabilities.

Liabilities arising from put options held by non-controlling interests relate to the obligation on the part of Süd-Chemie AG to purchase such non-controlling interests in accordance with the memorandum and articles of association or with separate contractual agreements.

The following table shows the financial liabilities according to maturity:

EUR million	31 Dec 2010	31 Dec 2009
Current financial liabilities		
us dollar private placement (including liabilities from derivatives)	20.6	
Bankoverdrafts and loans	114.9	96.0
Liabilities from finance lease contracts	1.7	1.5
Other financial liabilities	10.5	8.8
	147.7	106.3
Non-current financial liabilities		
us dollar private placement (including liabilities from derivatives)	90.8	114.1
Bankoverdrafts and loans	165.5	160.2
Liabilities from finance lease contracts	2.9	3.4
Liabilities from put options held by non-controlling interests		1.9
Other financial liabilities	0.0	0.0
	259.2	279.6
Total financial liabilities	406.9	385.9

Additional information on financial liabilities

The main contractual basis and basic data relating to the financial liabilities stated on the balance sheet dates in the 2009 and 2010 financial years, excluding liabilities arising from put options held by non-controlling interests, are shown in the following tables.

The interest rates indicated for bank overdrafts, other loans and bank loans are calculated based on the arithmetic mean of the nominal value of each financial instrument at the closing date weighted by the respective book value in EUR. The floating EUR interest rate was used until 29 May 2009 rather than the fixed us dollar interest rate to calculate the average interest rate of the liability of USD 40 million accruing from the us dollar based private placement issued in 2004, based on a us dollar/EUR cross-currency swap. At this point the hedge transaction was converted to a fixed EUR interest rate. The interest rate from the EUR interest payment now amounts to 4.39% p.a. and is stipulated until repayment of the 40 million us dollar tranche on 30 September 2016. In 2005, the outstanding tranches of the us dollar bond were exchanged for a fixed EUR interest rate using a cross-currency swap. This was also taken into consideration in calculating the average rate of interest.

2010 FINANCIAL YEAR	Currency	Nominal value Amount	Nominal Effective interest rate (percent)	Due	Total
EUR million					31 Dec 2010
Current financial liabilities					
Lease liabilities	EUR	0.9	1.01–5.75	31 Dec 2011	0.9
	ZAR	4.1	9.00	31 Dec 2011	0.5
	Various		1.19–18.10	31 Dec 2011	0.3
Current accounts	CNY	130.5	6.00	on demand	14.9
	EUR	13.1	0.00–2.50	on demand	13.1
	ZAR	47.3	7.50	on demand	5.3
	USD	4.3	0.00	1 Jan–31 Mar 2011	3.2
	Vario-		0.00–11.00	on demand	8.1
Other loans	USHKD	409.0	0.78–0.99	31 Jan–30 Dec 2011	39.4
	EUR	34.5	1.87	15 Mar 2011	34.5
	CNY	36.0	5.31	4 Jun 2011	4.1
	THB	40.0	4.50	17 Jan 2011	1.0
	KRW	1.400.0	5.19	18 Jun 2011	0.9
	INR	53.1	9.00–13.25	30 Dec 2011	0.9
us dollar private placement (including liabilities from market valuation of derivatives)	USD	25.0	4.48	30 Sept 2011	20.6
					147.7
Non-current financial liabilities					
Lease liabilities	EUR	2.4	1.26–3.54	1 Jan 2011–21 May 2015	2.4
	ZAR	1.6	9.00	31 Dec 2013	0.2
	Various		13.80–18.10	24 Jun 2014	0.3
us dollar private placement (including liabilities from market valuation of derivatives)	USD	40.0	4.39	30 Sept 2016	30.9
	USD	75.0	5.08	30 Sept 2014	59.9
Multi-currency credit facility	EUR	100.0	1.51	17 Jul 2012	100.0
	ZAR	120.0	6.31	17 Jul 2012	13.5
Dual-currency credit facility	EUR	20.0	3.03	30 Nov 2014	20.0
Bank loan > 5 EUR million	JPY	3,100.0	0.95	31 Dec 2013	28.5
Bank loan < 5 EUR million	EUR	1.5	2.50–5.39	31 Mar 2011–15 May 2014	1.5
	BRL	2.7	5.80–10.00	31 Jan 2011–31 Jan 2017	1.2
	Various		7.00–7.87	31 Mar 2012–31 Aug 2013	0.8
					259.2
					406.9

The average interest rate for the financial liabilities of the Group amounted to 3.95% compared with 4.10% in the previous year.

Interest expenses decreased in the reporting year by EUR 0.4 million. Due to the increased average debt compared with the previous year, interest expenses increased by EUR 0.2 million; this was partly compensated by lower average interest rates compared with the previous year, thus improving the interest result by EUR 0.6 million.

Credit lines

As at 31 December 2010, credit lines including the us dollar private placement amounting to EUR 704.2 million (previous year: EUR 605.3 million) were available to the Süd-Chemie Group. The increase compared with the previous year was the result of the proportional addition of the new Ask Chemicals GmbH dual-currency credit facility of EUR 55 million and the conclusion of new bilateral credit agreements.

The ASK Group credit lines totalling EUR 61 million are only available for borrowing by the ASK Group on the basis of the agreement reached with the banking consortium. The liquidity margin of the ASK Group amounts proportionally in terms of borrowings to EUR 22.9 million at the balance sheet date to a proportional total of EUR 38.1 million.

Adjusted by the credit lines and borrowings of the ASK group, of the credit lines available to the Süd-Chemie Group amounting to EUR 643.2 million, borrowings on the balance sheet date amounted to EUR 373.6 million (previous year: EUR 375.2 million) leaving EUR 269.6 million (previous year: EUR 230.1 million) still available to the Süd-Chemie Group for additional unsecured loans. Allowing for the financial covenants relating to the US dollar private placement, the liquidity margin at the balance sheet date amounts to EUR 223.3 million (previous year: EUR 101.4 million).

2009 FINANCIAL YEAR	Nominal value Currency	Amount	Nominal effective interest rate (percent)	Due	Total
EUR million					31 Dec 2009
Current financial liabilities					
Lease liabilities	EUR	0.8	1.26–6.43	31 Dec 2010	0.8
	ZAR	5.5	11.87	31 Dec 2010	0.5
	Various		3.80–9.00	31 Dec 2010	0.2
Current accounts	CNY	91.3	4.78	on demand	9.3
	EUR	11.3	0.00–2.50	on demand	11.3
	ZAR	30.6	10.50	on demand	2.9
	JPY	191.0	1.50–1.60	on demand	1.4
	Various		3.50–11.00	on demand	3.7
Other loans	HKD	240.0	0.725	31 Mar 2010	21.5
	EUR	49.7	2.61	29 Jan–31. Mar 2010	49.7
	CNY	38.6	5.31	25 Feb–2 Jun 2010	3.9
	THB	53.2	4.00	18 Jan 2010	1.1
					106.3
Non-current financial liabilities					
Lease liabilities	EUR	3.0	1.26–6.43	1 Jan 2011–21 May 2015	3.1
	ZAR	2.9	11.87	1 Jan 2011–31 Dec 2012	0.3
	PLN	0.1	9.00	1 Jan 2011–31 Jan 2014	0.0
us dollar private placement (including liabilities from market valuation of derivatives)	USD	40.0	4.39	30 Sept 2016	32.0
	USD	25.0	4.48	30 Sept 2011	20.5
Multi-currency credit facility	USD	75.0	5.08	30 Sept 2014	61.6
	EUR	100.0	1.207	17 Jul 2012	100.0
	ZAR	200.0	8.00	17 Jul 2012	18.8
Bank loan > 5 EUR million	CAD	25.0	0.80	17 Jul 2012	16.5
Bank loan < 5 EUR million	HKD	170.0	1.45	30 Dec 2011	15.2
	JPY	600.0	1.17	31 Dec 2013	4.5
	EUR	2.7	2.50–5.39	31 Mar 2011–15 May 2014	2.7
	BRL	2.8	5.80–10.00	31 Jan 2011–31 Jan 2017	1.1
	INR	60.1	8.00–13.25	29 Apr 2011–30 Dec 2011	0.9
	Various		7.00–7.87	31 Mar 2012–31 Aug 2013	0.5
					277.7
					384.0

Liabilities arising from the us dollar private placement, amounts owed to banks and liabilities to non-banks and joint ventures are distributed as follows among Group members:

EUR million	31 Dec 2010	31 Dec 2009
Süd-Chemie Finance GmbH	278.0	286.4
Süd-Chemie China Holding Limited	39.3	36.7
Süd-Chemie Catalysts Japan. Inc.	28.7	4.8
ASK Chemicals GmbH	21.2	8.7
Süd-Chemie Investment Management (Shanghai) Co.. Ltd.	14.9	9.3
Süd-Chemie SA (Pty) Ltd	6.0	3.7
Panjin Süd-Chemie Liaohe Catalyst Co.. Ltd.	4.0	3.7
Süd-Chemie AG	2.9	1.3
Süd-Chemie Catalysts Italia S.r.l.	1.4	2.1
Süd-Chemie France S.A.S.	1.3	16.4
Companhia Brasileira de Bentonita Ltda.	1.3	1.3
San-Ai Co.. Ltd.	1.0	1.1
Süd-Chemie (Thai) Co.. Ltd.	1.0	1.1
Süd-Chemie Adsorbents Pvt. Ltd.	1.0	0.0
ASK Chemicals Foundry Solution India Pvt. Ltd.	1.0	0.9
Airsec S.A.S.	0.8	0.0
Süd-Chemie & Co. Limited Partnership	0.7	0.3
Süd-Chemie India Pvt. Ltd.	0.2	1.1
Süd-Chemie Korea Co.. Ltd.	0.2	0.8
ASK Chemicals Metallurgy GmbH	0.0	0.3
Süd-Chemie Redhill Bentonite (Liaoning) Co.. Ltd.	0.0	0.3
Other	2.0	3.7
	406.9	384.0

Of these financial liabilities, EUR 24.6 million (previous year: EUR 11.5 million) are attributable to companies which were included pro-rata in the consolidated financial statements, with EUR 0.3 million (previous year: EUR 1.3 million) attributable to companies consolidated for the first time in the reporting year.

The maturity structure of the financial liabilities, excluding liabilities arising from put options held by non-controlling interests, is shown in the following table:

EUR million	31 Dec 2010	31 Dec 2009
Due in the year		
2010		106.3
2011	147.7	39.4
2012	116.2	137.3
2013	30.2	6.0
2014	81.2	57.1
2015	0.4	0.3
2016	31.0	37.4
2017	0.1	0.1
2018	0.1	0.1
2019 and later		
	406.9	384.0

Liabilities from finance lease contracts

Liabilities from finance lease contracts result in particular from lease contracts for property and technical equipment and machinery in foreign subsidiaries and joint ventures.

Liabilities from finance lease contracts are debited at the present value of future lease payments and stated under non-current and current financial liabilities. Additional explanations can be found under Leases on pages 274 and 275.

Allocation to Group companies

EUR million	31 Dec 2010	31 Dec 2009
Süd-Chemie Catalysts Italia S.r.l.	1.5	1.9
Süd-Chemie France S.A.S.	1.3	1.5
Süd-Chemie SA (Pty) Ltd	0.6	0.5
Airsec S.A.S.	0.5	0.0
Scientific Design Company. Inc.	0.2	0.3
Süd-Chemie Water & Process Technologies (Pty) Ltd	0.0	0.1
Süd-Chemie Zeolites (Pty) Ltd	0.0	0.1
Other	0.5	0.5
	4.6	4.9

Other financial liabilities

Other financial liabilities are broken down as follows:

EUR million	31 Dec 2010	31 Dec 2009
Financial liabilities due to financial service providers	4.6	4.1
Financial liabilities due to joint ventures	4.5	3.1
Interest accrued us dollar private placement	1.3	1.3
Loan from public corporations		0.2
Other	0.1	0.1
	10.5	8.8

The financial liabilities towards joint ventures contain the pro-rata share of the surplus liquidity invested in Süd-Chemie Finance GmbH as a consequence of the inclusion of these companies in the central cash management, as well as liabilities of foreign subsidiaries arising from current borrowings from joint ventures. The financial liabilities towards financial service providers result from cash inflows from forfeited receivables immediately before the balance sheet date.

Liabilities arising from put options held by non-controlling interests

Based on a joint venture agreement concluded with Swiss company PQH Holding SA, Fribourg/Switzerland on 14 December 2005, Süd-Chemie AG acquired a 51% equity interest in Süd-Chemie (Schweiz) AG, Romont/Switzerland through a contract dated 14 March 2006. According to the articles of association, the non-controlling interests have been granted the right to exercise a put option vis-à-vis Süd-Chemie AG upon the sale of its equity interest. Based on the agreed purchase price formula, which takes account of the company's economic performance, the value of this put option on the balance sheet in the previous year was EUR 1.9 million. During the reporting year the non-controlling interest exercised its contractual right to offer its shares in the company to Süd-Chemie AG. The purchase price of the shares was EUR 2.3 million. The liabilities arising from put options held by non-controlling interests shown in the previous year in accordance with IAS 32.15 under financial liabilities were reclassified to other reserves on the acquisition date.

(37) Other liabilities

Other long-term liabilities

EUR million	31 Dec 2010	31 Dec 2009
Liabilities from business combinations	5.2	9.1
Liabilities from financial derivatives	4.1	4.4
Personnel related liabilities	2.3	2.7
Trade payables /payments received		
received	0.0	0.7
Others	1.0	0.7
	12.6	17.6

Liabilities arising from business combinations include the pro rata share of the present value of the purchase price obligation amounting to EUR 4.8 million for the remaining 49% of the shares in ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India, due in the 2013 financial year according to the agreements reached with the seller. Financial liabilities also include the contractually agreed residual purchase price obligation due in the 2012 financial year for the acquisition in the reporting year of the remaining shares in Süd-Chemie (Schweiz) SA, Romont/Switzerland, of EUR 0.4 million.

Liabilities from financial derivatives include negative market values amounting to EUR 4.1 million (previous year: EUR 4.4

million) resulting from the valuation of interest rate swaps held at the balance sheet date amounting to EUR 248.1 million (previous year: EUR 306.1 million). Liabilities from interest rate swaps amounting to EUR 58.0 million were reclassified in the reporting year to other non-current liabilities.

To support sustainable value enhancement, Süd-Chemie has created a long-term remuneration programme for senior management including the Board of Directors based on earnings before interest and taxes (EBIT) minus capital costs on invested capital. This programme which started in 2004 gives participants a share in profit increases over the period between 2005 and 2008. Remuneration from this programme will be paid out at the beginning of the 2009 financial year over a period of four years. The pro-rata cash value of this obligation reported under non-current personnel related liabilities amounts to EUR 1.1 million (previous year: EUR 2.3 million) at the balance sheet date. Furthermore, personnel related liabilities include the pro-rata cash value from the multi-year remuneration programme newly agreed in the reporting year amounting to EUR 1.2 million. Remunerations from this programme will be due for payment in the 2013 financial year.

The change in the present value of the purchase obligation for the remaining shares in ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India and the liability for the multi-year profit-related remuneration programme led to a compounding effect recognised as an expense amounting to EUR 1.1 million (previous year: EUR 1.2 million).

Remaining liabilities amounting to EUR 1.0 million (previous year: EUR 0.7 million) include individual items, none of which exceeds EUR 0.1 million.

Other current liabilities

EUR million	31 Dec 2010	31 Dec 2009
Trade payables	152.6	128.7
Prepayments received	26.0	11.7
Amounts owed to other group companies	0.0	0.0
Income tax liabilities	2.5	6.2
Other current liabilities	72.2	52.0
	253.3	198.6

In addition to goods and services already invoiced, all outstanding supplier accounts for goods and services provided but not yet invoiced are also reported under trade payables. The increase compared with the previous year is a result of the higher business volume.

The book value stated corresponds to the market value. Trade payables are normally not interest-bearing and are usually due between 30 and 60 days. There are ownership reservations on trade payables.

Prepayments received amounting to EUR 26,0 million (previous year: EUR 11.7 million) include prepayments of EUR 1.5 million (previous year: EUR 1.1 million) for contracts recognised according to the PERCENTAGE-OF-COMPLETION-method. Of the prepayments received, EUR 7.8 million (previous year: EUR 1.8 million) is secured through bank guarantees.

Liabilities from income tax and other current liabilities

EUR million	31 Dec 2010	31 Dec 2009
Income tax liabilities	2.5	6.2
Other tax liabilities		
Sales tax	3.6	1.6
Wage tax	2.0	1.9
Other taxes	1.1	1.0
	6.7	4.5
	9.2	10.7
Social security liabilities	5.7	5.8
Other liabilities		
Personnel related liabilities	25.8	15.3
Purchase price liabilities from company investments	10.5	4.4
Other amounts payable to employees	9.8	8.6
Liabilities from licence and patent contracts	3.4	4.6
Liabilities from dividends	2.1	
Debtors with credit balance	1.6	2.1
Liabilities from cash discounts and rebates	1.3	0.4
Liabilities from remuneration payable to Supervisory Board	1.0	0.6
Liabilities from commissions payable	0.7	3.1
Liabilities from financial derivatives	0.6	
Liabilities from security deposits		
to suppliers	0.1	0.1
Liabilities from commodity futures		0.1
Others	2.9	2.4
	59.8	41.7
	74.7	58.2

Other current liabilities are not interest-bearing and are due on average within 30 to 60 days.

Liabilities from income tax, wage tax and VAT relate to amounts still payable to the tax authorities for the 2010 financial year. Liabilities from other taxes include tax deducted at source of EUR 0.2 million (previous year: EUR 0.3 million) payable to the tax authorities. Liabilities from tax deducted at source are accompanied by corresponding recovery claims.

Social security liabilities comprise the contributions payable to social insurance institutions in each country based on wages and salaries paid in December of the reporting year as well as contributions to staff associations.

Personnel related liabilities comprise in particular obligations from results-based remuneration totalling EUR 4.1 million (previous year: EUR 2.5 million) for bonuses and EUR 21.6 million (previous year: EUR 12.6 million) for profit sharing. Profit sharing includes the short-term share of obligations arising from the long-term remuneration programme for senior management including the Board of Directors totalling EUR 1.1 million (previous year: EUR 1.3 million), which will be paid out in the 2011 financial year.

Purchase price obligations include the share of the purchase price not yet due arising from the acquisition of the remaining shares in Süd-Chemie (Schweiz) AG, Romont/Switzerland totalling EUR 0.8 million, and the pro-rata share of the liabilities stated for ASK Chemicals GmbH, Hilden vis-à-vis Ashland Inc., Covington/USA, arising from contractually agreed, conditional equalisation claims and purchase price adjustments in respect of assets transferred by subsidiaries of Ashland Inc. to subsidiaries of ASK Chemicals GmbH as part of the expansion of the joint venture with Ashland totalling EUR 9.7 million.

The purchase price obligation stated in the previous year arising from corporate purchases related to the purchase price increase for the acquisition of the shares in Süd-Chemie Alvigo Catalysts Ukraine LLC, Severodonezk/Ukraine. The purchase price increase was paid in accordance with the agreement reached with the vendor on 22 February 2010.

Other personnel related liabilities include liabilities from wages and salaries, holiday benefit obligation or claims by employees for holiday leave which has not been taken, as well as liabilities from travel expense claims.

Liabilities from dividends include outstanding dividend payments to ASK Produtos Quimicos do Brasil Ltd., Campinas/Brazil. A payment equal to the dividend liability was made into the company's capital reserves at the beginning of the 2011 financial year.

Debtors with a credit balance relate to liabilities vis-à-vis customers related to the offsetting of goods and services.

Liabilities from financial derivatives include negative market values totalling EUR 0.6 million from the valuation of interest swaps reclassified as of the balance sheet date as current holdings with a volume of EUR 58 million.

Liabilities from commodity futures include the negative market values arising from the valuation of commodity futures and currency future transactions as of the balance sheet date in the previous year.

Amounts stated under other liabilities comprise individual items none of which exceed EUR 0.2 million.

Breakdown of other liabilities by due date

	Due within 1 Year	Due after 1 Year	Total	Total	Due within 1 Year
EUR million	31 Dec 2010			31 Dec 2009	
Trade payables	152.6	0.0	152.6	129.0	128.7
Prepayments received	26.0		26.0	12.1	11.7
Amounts owed to other group companies	0.0		0.0	0.0	0.0
Other liabilities	74.7	12.6	87.3	75.1	58.2
	253.3	12.6	265.9	216.2	198.6

Other liabilities with a due date longer than one year totalling EUR 12.6 million (previous year: EUR 17.6 million) are recorded under other non-current liabilities.

(38) Provisions

EUR million	31 Dec 2010	31 Dec 2009
Retirement benefits and similar obligations	79.2	79.6
Other long-term provisions	10.2	10.3
Deferred tax liabilities	41.9	32.0
Non-current provisions	131.3	121.9
Tax provisions	5.6	11.5
Other current provisions	8.8	8.4
Current provisions	14.4	19.9
	145.7	141.8

(39) Provisions for pensions and similar obligations

Provisions for pensions relate to obligations arising from accrued pension rights and ongoing benefits payable to eligible and former employees of the Süd-Chemie Group and to their surviving dependents. Retirement benefit schemes differ in accordance with the legal, economic and taxation conditions in each country, but are generally based on the length of service and the remuneration received by

employees. Both defined contribution and defined benefit plans are operated by the Süd-Chemie Group. In the case of defined contribution plans, the company pays contributions to state or privately managed retirement benefit schemes. The company has no obligations other than the payment of the contributions specified. The total costs of retirement benefits accruing from all defined contribution plans, including contributions to state pensions, amounted to EUR 19.5 million (previous year: EUR 18.2 million).

Moreover, Süd-Chemie AG has pension commitments accruing from deferred compensation schemes where an element of the salary is payable to an insurance company in order to finance insurance premiums. If an element of the salary which is payable as an insurance premium to an insurance company is used to reinsure the obligation arising from this retirement benefit, then the obligation is offset by equivalent claims against the relevant insurance company. Provisions for pensions and similar obligations include contractual obligations arising from transitional early retirement plans with a discounted present value of EUR 1.1 million (previous year: EUR 3.2 million). The discount rate applied is 3.75% (previous year: 4%).

BREAKDOWN OF PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

EUR million	31 Dec 2010	31 Dec 2009
Pension obligations	78.1	76.4
Transitional early retirement obligations	1.1	3.2
	79.2	79.6

The company's obligations with regard to defined benefit plans is to provide the agreed benefits to both current and former employees either directly or indirectly (for example through a pension fund). The pension schemes of Süd-Chemie AG and its domestic subsidiaries are financed largely by provisions. There are pension schemes financed by funds in existence abroad, especially in the USA, Japan, Mexico, Switzerland, France, India, Indonesia and Brazil.

For these pension schemes the retirement benefit obligations calculated using the projected unit credit method are reduced by the amount of the plan assets. Where pension commitments exist in the form of deferred compensation for which elements of the salary are used to finance contributions to an insurance company, the pension obligations are reduced

by the prepaid pension expenses. If the fair value of the plan assets or the prepaid pension expenses exceed the respective amount of the obligation accruing from pension commitments then, in accordance with IAS 19 (Employee Benefits), the difference is reported as an asset under other non-current assets, provided that the company is entitled to the economic benefit of the asset in the future. If the plan asset does not cover the obligation, then the net value of such obligations is included as a liability under provisions for pensions.

Corporate retirement benefits based on defined benefit plans applied to a total of 5,040 (previous year: 5,234) eligible and former employees of the Süd-Chemie Group and their surviving dependents as at the balance sheet date. The number of beneficiaries was reduced by 194 eligible persons compared with the previous year, resulting primarily from the disposal of fully consolidated companies in the previous year, which, as a result of the contribution into the joint venture with Ashland Inc., Covington/USA, under the management of ASK Chemicals GmbH, Hilden, are now included on a pro-rata basis in the consolidated financial statements.

Financing status of defined benefit obligations

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Present value of benefit obligations financed by provisions	46.6	49.4			0.8	0.5	5.0	3.0	52.4	52.9
Present value of benefit obligations financed by funds	2.0	1.7	65.8	56.0	6.1	6.9	2.6	2.5	76.5	67.1
Present value of defined benefit obligations	48.6	51.1	65.8	56.0	6.9	7.4	7.6	5.5	128.9	120.0
Fair value of plan assets	-2.2	-1.8	-44.1	-36.5	-3.4	-4.0	-1.5	-1.5	-51.2	-43.8
Past service costs not yet recognised in balance sheet	-0.2	-0.3					0.0	0.0	-0.2	-0.3
Insurance claims from deferred compensation contracts not yet recognised in balance sheet	0.6	0.5							0.6	0.5
Balance sheet value at 31 December	46.8	49.5	21.7	19.5	3.5	3.4	6.1	4.0	78.1	76.4

The provisions for pensions thereby include the total obligations arising from pension commitments insofar as they are not covered by plan assets. The increase in the fair market value of the plan assets of EUR 8.9 million resulting from the lower discount rate compared to the previous year as well as from currency effects was largely compensated by EUR 7.4 million as a result of the higher market valuation of the plan assets due to positive equity market and currency developments. Taking into account past service costs not yet recognised in balance sheet and insurance claims from deferred compensation contracts not yet recognised in balance sheet, the obligation to be reported on the balance sheet amounts to EUR 78.1 million (previous year: EUR 76.4 million).

The net obligations calculated in accordance with local Generally Accepted Accounting Principles totalled EUR 72.5 million at the balance sheet date (previous year: EUR 63.3 million). The increase compared with the previous year is a result in particular of the changes of the calculation of pension obligations in accordance with the German Accounting Law Modernisation Act to be applied by German Group companies for the first time during the reporting year.

For the Group companies in France and Indonesia there are past service costs resulting from the adjustment of claims that were awarded to eligible employees also for previous years. Since these claims are not yet vested, these past service costs are not yet recognised in the balance sheet, but will be accounted for in the profit and loss statement with the annual amount calculated from distributing the claim throughout the period until it becomes fully vested.

In the case of individual Group companies, the value of the plan assets exceeds the present value of the defined benefit obligation. The surplus amount is reported on the asset side of the balance sheet as a plan asset if the company is without restriction eligible to the economic benefit of the asset. Since the company does not have unrestricted access to the relevant assets for two domestic plans covered by insurance, the surplus amount is offset against actuarial gains and losses in accordance with IAS 19.58b.

Pension obligations not covered by plan assets including the experience adjustments of plan assets and plan liabilities have developed as follows:

EUR million	2010	2009	2008	2007	2006
Present value of defined benefit obligations	128.9	120.0	116.3	104.8	114.0
Fair value of plan assets	51.2	43.8	39.5	47.9	48.5
Pension obligations not covered by plan assets	77.7	76.2	76.8	56.9	65.5
Past service costs not yet recognised in balance sheet	- 0.2	- 0.3	- 0.2	0.0	
Insurance claims from deferred compensation contracts not yet recognised in balance sheet	0.6	0.5	0.4	0.3	
Balance sheet value as of 31 December	78.1	76.4	77.0	57.2	65.5
Experience adjustment of plan liabilities	0.7	- 0.3	- 3.0	- 3.0	- 2.0
Experience adjustment of plan assets	1.4	4.0	- 15.2	0.4	2.1

The amount of the retirement benefit obligation (present value of the accrued defined benefit obligation) was calculated using actuarial methods, the calculation parameters of which are based partially on estimates. In Germany, assumptions

regarding life expectancy are based on the modified 1998 Heubeck mortality tables, and in other countries on local demographic factors. The following economic parameters were used to calculate the pension obligations:

	Euroland		USA		Japan		Other	
Percent	2010	2009	2010	2009	2010	2009	2010	2009
Discount rate	5.25	5.50	5.50	6.00	2.00	2.00	2.75–11.00	3.25–14.00
Expected rate of return on plan assets	4.00–5.00	4.00–5.00	8.00	8.00	2.75	2.75	7.00–11.00	4.00–10.75
Future wage/salary growth	2.00–3.00	2.00–3.00	4.00	4.00	2.00	2.00	5.00–9.00	1.65–12.00
Mortality rate	Experience-based figures		Experience-based figures		Experience-based figures		Experience-based figures	
Future pension growth	2.00	1.00–2.00	0.00	0.00	Experience-based figures		Experience-based figures	
Employee turnover rate	0.00–3.00	2.50	Experience-based figures		Experience-based figures		Experience-based figures	

The parameters that were used take account of the time periods for the respective pension commitments valued. The discount rate is based on capital market yields generated by high-grade, fixed-rate corporate bonds at the balance sheet date. The employee turnover rates considered are based on empirical values in the respective countries. The salary growth includes anticipated future salary increases that are estimated annually, based inter alia on the rate of inflation and the economic situation in each country. No obligations to assume medical costs are included in the pension commitments. The expected return on plan assets used to calculate their fair value is based on past returns, the investment structure of the asset portfolio and anticipated equity market performance.

Actuarial gains or losses may arise from increases or decreases in the present value of defined benefit obligations and the fair market value of plan assets at the balance sheet date. The reasons for such variations include possible changes in the calculation parameters, modified estimates of future risks affecting the pension obligations and deviations between the actual and expected return on the fund assets. Actuarial gains and losses are offset against equity without affecting net income. The balance of these actuarial gains and losses includes losses from experience adjustments made to the calculation parameters for defined benefit obligations totalling EUR 0.7 million compared with losses of EUR 0.3 million in the previous year. This includes effects arising from the change in the valuation of the claims from eligible persons which were not anticipated based on the calculation model used (e.g. mortality tables).

DEVELOPMENT OF PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Defined-benefit obligation as of 1 January	51.1	46.0	56.0	57.0	7.4	8.6	5.5	4.7	120.0	116.3
Changes in scope of consolidation	– 3.6				0.1		0.5	0.0	– 3.0	0.0
Assumption of liabilities against settlement payment		0.2								0.2
Curtailments		– 0.1			– 1.3		– 0.8		– 2.1	– 0.1
Interest expense	2.7	2.7	3.6	3.3	0.2	0.2	0.4	0.3	6.9	6.5
Current service cost	0.7	0.7	1.0	0.9	0.6	0.6	0.5	0.4	2.8	2.6
Past service cost		0.1			– 0.8		0.0	0.0	– 0.8	0.1
Benefits paid	– 3.0	– 3.0	– 3.0	– 2.7	– 0.9	– 1.3	– 0.5	– 0.5	– 7.4	– 7.5
Actuarial gains(–) / losses (+)	0.7	4.5	3.9	– 0.5	0.1	– 0.3	1.5	0.3	6.2	4.0
Currency translation gains(–)/ losses (+)			4.3	– 2.0	1.5	– 0.4	0.4	0.2	6.2	– 2.2
Employee contributions							0.1	0.1	0.1	0.1
Defined-benefit obligation as of 31 December	48.6	51.1	65.8	56.0	6.9	7.4	7.6	5.5	128.9	120.0

The present value of defined benefit obligations increased by EUR 8.9 million compared with the previous year and totalled EUR 128.9 million at the balance sheet date (previous year: EUR 120 million).

The assumption of liabilities against settlement payment stated in the previous year includes the transfer of former employees who are eligible for retirement benefits from the operating area purchased in the previous year by ASK Chemicals Metallurgy GmbH (formerly: skw Giesserei GmbH), Unterneukirchen. Curtailments were the result of adjustments to personnel and the reclassification of defined benefit commitments to defined contribution commitments at foreign subsidiaries.

The change in the scope of consolidation is related to the reduction of obligations with a balance of EUR -3.8 million due to the disposal of fully consolidated companies from the previous year, which as a result of the contribution into the joint venture with Ashland Inc., Covington/USA, under the management of ASK Chemicals GmbH, Hilden, are no longer included on a pro-rata basis in the consolidated financial statements, and the addition of defined benefit obligations amounting to EUR 0.8 million in the companies and operating areas brought into the joint venture by Ashland Inc.

The following average pension payments from defined benefit obligations are expected over subsequent years:

EUR million	2011	2012	2013	2014	2015
Expected payments from defined benefit obligations	7.2	8.7	8.0	7.9	8.5

The increase in expected pension payments results in particular from the rise in the number of active employees taking retirement.

Changes in the fair value of the plan assets are shown in the following table:

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Fair value of plan assets as of 1 January	1.8	1.3	36.5	31.7	4.0	4.6	1.5	1.9	43.8	39.5
Changes in scope of consolidation							- 0.1		- 0.1	
Expected return on plan assets	0.1	0.1	3.2	2.5	0.1	0.1	0.1	0.1	3.5	2.8
Employer contributions	0.0	0.2	3.5	2.1	0.8	0.6	0.3	0.3	4.6	3.2
Employee contributions							0.1	0.1	0.1	0.1
Benefits paid	0.0	- 0.1	- 3.0	- 2.7	- 0.9	- 1.3	- 0.3	- 0.2	- 4.2	- 4.3
Curtailments					- 1.3		- 0.4		- 1.7	
Actuarial gains(+)/losses (-)	0.3	0.3	1.1	4.2	- 0.1	0.2	0.1	- 0.7	1.4	4.0
Currency translation gains (+)/losses (-)			2.8	- 1.3	0.8	- 0.2	0.2	0.0	3.8	- 1.5
Fair value of plan assets as of 31 December	2.2	1.8	44.1	36.5	3.4	4.0	1.5	1.5	51.2	43.8

During the reporting period the market value of plan assets has increased significantly compared with the previous year due to progressive recovery in the equity markets along with exchange rate developments. Actuarial gains totalling EUR 1.4 million at the balance sheet date (previous year: EUR 4.0 million) are included in the plan assets for the reporting year. The balance of these actuarial gains and losses includes experience gains from adjustments made to the calculation parameters for plan assets.

The actual return on plan assets amounted to EUR 4.8 million in the reporting year (previous year: EUR 6.8 million). The expected return on plan assets amounted to EUR 3.5 million in the reporting year (previous year: EUR 2.8 million). Expected returns on plan assets of EUR 3.9 million, EUR 4.2 million and

EUR 4.5 million are forecast respectively for the following years 2011 to 2013. The expected return on plan assets has been determined on the basis of current long-term asset yields and current expectations in the equity markets taking account of the structure of the plan assets. The Group's companies paid a total of EUR 4.6 million (previous year: EUR 3.2 million) into the fund in the financial year 2010; employees contributed EUR 0.1 million (previous year: EUR 0.1 million). In the following year, contributions to the plan are expected to reach EUR 3.7 million.

The change in the scope of consolidation concerns the disposal of plan assets at ASK Chemicals Foundry Solution India Pvt. Ltd. (formerly: Ajay Metachem Süd-Chemie Pvt. Ltd.), Pune/India, fully consolidated in the previous year,

which will now be included on a pro-rata basis as a joint venture company following its inclusion in the existing joint venture with Ashland Inc.

COMPOSITION OF PLAN ASSETS

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Shares			25.9	21.8	2.1	1.8	0.1	0.1	28.1	23.7
Bonds			17.5	14.5	1.2	1.3	0.8	0.5	19.5	16.3
Property										
Other assets	2.2	1.8	0.7	0.2	0.1	0.9	0.6	0.9	3.6	3.8
Fair value of plan assets	2.2	1.8	44.1	36.5	3.4	4.0	1.5	1.5	51.2	43.8

To ensure the diversification of risk, approximately 45% (previous year: approx. 50%) of plan assets consist of fixed-rate securities and other assets and approximately 55% of shares (previous year: approximately 50%). There are no plan asset investments in Süd-Chemie Group companies. Other

assets totalling EUR 3.6 million (previous year: EUR 3.8 million) include cash totalling EUR 0.9 million (previous year: EUR 0.3 million) and in particular insurance claims.

DEVELOPMENT OF NET OBLIGATIONS FROM PROVISIONS FOR PENSIONS AND PLAN ASSETS IN THE BALANCE SHEET

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Present value of defined benefit obligations as of 1 January	49.5	44.9	19.5	25.3	3.4	4.0	4.0	2.8	76.4	77.0
Actuarial gains(+)/losses (-)	1.1	5.3	- 16.0	- 21.3	- 2.1	- 2.6	- 2.3	- 1.2	- 19.3	- 19.8
Pension liability as of 1 January	50.6	50.2	3.5	4.0	1.3	1.4	1.7	1.6	57.1	57.2
Assumption of liabilities against settlement payment		0.2								0.2
Currency translation differences on actuarial gains and losses			- 1.2	0.6	- 0.5	0.0	- 0.3	- 0.1	- 2.0	0.5
Other currency translation differences			1.5	- 0.7	0.7	- 0.2	0.2	0.2	2.4	- 0.7
Pension expense	3.4	3.3	1.4	1.7	- 0.1	0.7	0.4	0.6	5.1	6.3
Benefits paid	- 3.0	- 2.9					- 0.2	- 0.3	- 3.2	- 3.2
Allocation to funds	0.0	- 0.2	- 3.5	- 2.1	- 0.8	- 0.6	- 0.3	- 0.3	- 4.6	- 3.2
Change in scope of consolidation	- 2.5				0.1		0.7	0.0	- 1.7	0.0
Pension liability as of 31 December	48.5	50.6	1.7	3.5	0.7	1.3	2.2	1.7	53.1	57.1
Actuarial gains (-)/losses(+)	- 1.7	- 1.1	20.0	16.0	2.8	2.1	3.9	2.3	25.0	19.3
Present value of defined benefit obligations as of 31 December	46.8	49.5	21.7	19.5	3.5	3.4	6.1	4.0	78.1	76.4

The table above illustrates the changed positions between the balance sheet values at year end. The changes within the defined benefit obligations, the plan assets and past service costs not yet reported and the insurance claims from deferred

compensation contracts not yet reported are taken into account. The cumulative actuarial losses amounted to EUR 25.0 million at the balance sheet date (previous year: EUR 19.3 million).

PENSION EXPENSES FROM DEFINED BENEFIT PENSION PLANS

	Euroland		USA		Japan		Other		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Current service cost	0.7	0.7	1.0	0.9	0.6	0.6	0.5	0.4	2.8	2.6
Past service cost	0.1	0.1			-0.8		0.0	0.0	-0.7	0.1
Interest expense	2.7	2.7	3.6	3.3	0.2	0.2	0.4	0.3	6.9	6.5
Gains (-)/losses(+) from curtailment		-0.1					-0.4		-0.4	-0.1
Expected return on plan assets	-0.1	-0.1	-3.2	-2.5	-0.1	-0.1	-0.1	-0.1	-3.5	-2.8
	3.4	3.3	1.4	1.7	-0.1	0.7	0.4	0.6	5.1	6.3
Reclassification to interest expense	-2.7	-2.7	-3.6	-3.3	-0.2	-0.2	-0.4	-0.3	-6.9	-6.5
Pension expense from defined benefit plans	0.7	0.6	-2.2	-1.6	-0.3	0.5	0.0	0.3	-1.8	-0.2

The pension expenses from defined benefit pension plans incurred during the financial year and included in personnel expenses amounted to EUR 5.1 million (previous year: EUR 6.3 million). Curtailments to pension plans were very limited in scope. Total interest expenses of EUR 6.9 million (previous year: EUR 6.5 million) attributable to allocations to provisions were reclassified as net interest expenses. Expected returns on plan assets and gains from curtailments exceeded current and past service costs by EUR 1.8 million (previous year: EUR 0.2 million).

(40) Deferred tax liabilities

EUR million	2010	2009
Status as of 1 January	93.9	74.1
Netting of deferred tax liabilities with deferred tax assets on tax losses carried forward and temporary value differences	-52.0	-42.1
Balance sheet value as of 31 December	41.9	32.0

Since the change in deferred tax liability is greater than the change in the offsetting amount for deferred tax assets, the deferred tax provision increased by EUR 9.9 million to EUR 41.9 million. Further details on deferred taxes are included in the notes on the income statement in item 15 on pages 201 to 207.

(41) Other provisions

Other current and non-current provisions comprise in particular provisions for environmental protection, environmental risks, recultivation obligations, personnel related provisions and in the previous year provisions for restructuring.

EUR million	2010	2009
Other non-current provisions	10.2	10.3
Other current provisions	8.8	8.4
Other provisions	19.0	18.7
Tax provisions	5.6	11.5
	24.6	30.2

Other long-term provisions and current provisions decreased compared with the consolidated financial statements as at 31 December 2009 by EUR 5.6 million to EUR 24.6 million primarily due to the usage on tax provisions.

Breakdown of other provisions

EUR million	2010	2009
Provision for environmental protection and environmental risks	6.4	5.1
Provision for recultivation	5.1	5.2
Provisions for personnel	1.5	2.0
Provisions for legal risks	1.4	1.0
Provisions sales and distribution	1.1	0.9
Provisions for restructuring	0.0	2.7
Other provisions	3.5	1.8
	19.0	18.7

The recultivation obligations in the clay mining sector resulted from private agreements with land owners and government requirements. As a rule, payments are due over a period of up to 20 years. Of the recultivation obligations in the clay mining sector totalling EUR 4 million (previous year: EUR 3.7 million), EUR 2.3 million (previous year: EUR 2.3 million) is attributable to Süd-Chemie AG. Moreover, the recultivation obligations include contractually agreed conditions at ASK Chemicals Metallurgy GmbH, Unterneukirchen regarding the demolition of buildings following the expiry of the 30-year building lease contract totalling EUR 0.7 million (previous year: EUR 1.3 million) signed as part of the acquisition of the Hart production site. The decrease on the previous year is the result in particular of the inclusion of the company as a pro-rata company compared with the previous year. The long-term share of these provisions totals EUR 3.4 million (previous year: EUR 4.7 million).

Provisions for environmental protection and environmental risks include EUR 1.8 million (previous year: EUR 0.8 million) for the expected cost of ground water decontamination at the former Kelheim plant and EUR 0.1 million follow-on costs for removal of a waste disposal site. The decontamination measures at the Kelheim site were introduced in the 2007 financial year. Based on a current expert cost estimate, after usage of EUR 0.2 million, a further EUR 1.2 million were added to provisions during the reporting year. As part of the takeover of the Hart production site in the 2008 financial year by ASK Chemicals Metallurgy GmbH, Unterneukirchen, a settlement was reached with the vendor regarding the assumption of costs for removing soil contamination. According to this settlement, provisions of EUR 1.2 million were taken into account as part of the purchase price allocation; as a result of the modified inclusion of the company in the consolidated financial statements as a pro-rata company, the provision decreased proportionally following the adjustments made during the reporting year to EUR 0.4 million. Moreover, provisions for environmental protection and environmental risks totalling EUR 2.7 million were recorded as part of the purchase price allocation of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China in the previous year.

Contingent provisions of EUR 0.7 million were taken into account for potential future expenses arising from environmental damage as part of the purchase price allocation

of ASK Produtos Quimicos do Brasil Ltda., Campinas/Brazil. The cost assumption by Ashland Inc. was assumed in accordance with the joint venture agreement reached with Ashland Inc., Covington/USA.

Of the provisions for environmental protection and environmental risks, EUR 4.7 million (previous year: EUR 4.5 million) were allocated to long-term provisions.

Restructuring provisions in the previous year included EUR 2.4 million for the closing and relocation of a foreign subsidiary's production facilities as well as anticipated costs of EUR 0.3 million for restructuring measures for domestic companies. The provisions were fully used in the reporting year.

In the personnel sector, provisions related primarily to anniversary obligations totalling EUR 0.9 million (previous year: EUR 1.1 million) and provisions for incentive programmes of foreign subsidiaries totalling EUR 0.5 million (EUR 0.7 million). The remaining provisions in the personnel sector include individual cases of less than EUR 0.1 million.

Provisions for legal risks include in particular provisions for risks arising from patent disputes at subsidiary companies totalling EUR 0.1 million and provisions for legal disputes with employees who have left the company totalling EUR 0.7 million. The provisions recorded in the previous year were adjusted based on the current estimation of the likely outcome of the respective proceedings taking previous proceedings into account. Of the provisions for legal risks, EUR 0.6 million relate to a period of more than one year.

Development of other provisions

2010 FINANCIAL YEAR	Reculti- vation	Environmental protection/ mental risks	Restruc- turing	Personnel	Sales and Distribution	Legal risks	Other	Total
EUR million								
Other current provisions								
As of 1 Dec 2010	0.5	0.6	2.7	1.4	0.9	0.5	1.8	8.4
Changes in scope of consolidation	0.0	- 0.1	0.0	- 0.2	- 0.1	0.0	0.6	0.2
Transfer to other current liabilities							0.0	0.0
Reclassification to non-current provisions	0.9	1.5		0.0			0.0	2.4
Transfers								0.0
Additions	0.3	0.1		0.1	1.0	0.5	1.8	3.8
Usage	- 0.1	- 0.3	- 3.1	- 0.4	- 0.1	- 0.2	- 1.4	- 5.6
Reversal	0.0		0.0	- 0.1	- 0.6		- 0.3	- 1.0
Currency differences	0.1	- 0.1	0.4	0.1	0.0		0.1	0.6
As of 31 Dec 2010	1.7	1.7	0.0	0.9	1.1	0.8	2.6	8.8
Other non-current provisions								
As of 1 Dec 2010	4.7	4.5	0.0	0.6	0.0	0.5	0.0	10.3
Changes in scope of consolidation	- 0.7	0.4		0.1		0.1	0.9	0.8
Transfer to other non-current liabilities								0.0
Reclassification to current provisions	- 0.9	- 1.5		0.0				- 2.4
Additions	0.9	1.3		0.0		0.4		2.6
Usage	- 0.4			- 0.1		0.0		- 0.5
Reversal	- 0.2	- 0.1		0.0		- 0.4		- 0.7
Currency differences	0.0	0.1		0.0				0.1
As of 31 Dec 2010	3.4	4.7	0.0	0.6	0.0	0.6	0.9	10.2
Total 31 Dec 2010	5.1	6.4	0.0	1.5	1.1	1.4	3.5	19.0
Total 31 Dec 2009	5.2	5.1	2.7	2.0	0.9	1.0	1.8	18.7

Provisions for sales and distribution include in particular the anticipated costs for guarantees and warranties. The valuation is carried out on the basis of empirical values in the past. It is anticipated that the vast majority of these costs will arise in the next financial year and the total costs within two years of the balance sheet date. The calculation of the provisions for guarantees and warranties is based on guarantee-related revenues and current information on guarantee and warranty claims within the warranty period. Of the provisions for guarantees and warranties, EUR 0.9 million (previous year: EUR 0.7 million) are attributable to individual cases and EUR 0.2 million (previous year: EUR 0.2 million) to calculations based on empirical values.

The change in present value arising from the change in the interest rate, taking account of the elapsed time period in particular with respect to the provisions for recultivation obligations and for environmental protection and environmental risks, led to a compounding effect reported as

an expense offset against interest income amounting to EUR 0.7 million (previous year: EUR 0.6 million).

As part of the joint venture agreement concluded with Ashland, tolling agreements were signed with the subsidiaries of Ashland Inc. at various sites with a minimum term of 12 months. As part of the purchase price allocation the valuation of these agreements proportionally produced a negative present value of EUR 1.5 million.

Remaining provisions include the costs for the annual financial statements of EUR 1.9 million (previous year: EUR 1.4 million) and numerous individual cases of up to EUR 0.1 million. The increase in the costs of the annual financial statements is the result of the extended audit scope following the addition of companies as part of the global joint venture established with Ashland and, in this context, the audit of the interim financial statements of the companies involved in the joint venture as agreed with Ashland.

Of the other provisions, EUR 8.8 million (previous year: EUR 8.4 million) are due within one year. Other provisions falling due after one year totalling EUR 10.2 million (previous year: EUR

10.3 million) include in particular provisions for recultivation, environmental protection, environmental risks and legal risks.

2009 FINANCIAL YEAR	Environmental Reculti- vation	Environmental protection/ mental risks	Restruc- turing	Personnel	Sales and Distribution	Legal risks	Other	Total
EUR million								
Other current provisions								
As of 1 Dec 2009	0.6	3.6		4.7	1.4	1.5	3.8	15.6
Changes in scope of consolidation							1.1	1.1
Transfer to other current liabilities	- 0.2			- 0.2			- 0.1	- 0.5
Reclassification to non-current provisions	0.1	0.1		0.1				0.3
Transfers								0.0
Additions	0.1	0.2	2.7	0.4	0.4	0.2	1.4	5.4
Usage	- 0.1	- 2.7		- 2.3	- 0.3	0.0	- 3.3	- 8.7
Reversal		- 0.6		- 1.3	- 0.6	- 1.2	- 1.1	- 4.8
Currency differences	0.0	0.0		0.0	0.0	0.0	0.0	0.0
As of 31 Dec 2009	0.5	0.6	2.7	1.4	0.9	0.5	1.8	8.4
Other non-current provisions								
As of 1 Dec 2009	5.0	1.9		0.8	0.0	0.5	0.0	8.2
Changes in scope of consolidation		2.7						2.7
Transfer to other non-current liabilities				- 0.1				- 0.1
Reclassification to current provisions	- 0.1	- 0.1		- 0.1				- 0.3
Additions	0.3	0.1		0.2				0.6
Usage	- 0.4			- 0.2				- 0.6
Reversal	- 0.1	- 0.1						- 0.2
Currency differences		0.0		0.0				0.0
As of 31 Dec 2009	4.7	4.5		0.6	0.0	0.5	0.0	10.3
Total 31 Dec 2009	5.2	5.1	2.7	2.0	0.9	1.0	1.8	18.7
Total 31 Dec 2008	5.6	5.5		5.5	1.4	2.0	3.8	23.8

(42) Tax provisions

EUR million	2010	2009
Status 1.1.	11.5	5.1
Changes in the group of consolidated companies	- 1.5	
Drawdowns	- 8.0	- 3.0
Releases	- 0.1	- 1.1
Allocations	2.9	10.5
Currency differences	0.8	0.0
Status 31.12.	5.6	11.5

Tax provisions include allowances for anticipated income tax obligations as at the balance sheet date less prepayments made, and anticipated additional taxes arising from tax audits conducted during the financial year and in the previous year totalling EUR 1.7 million (previous year: EUR 3.1 million) and provisions for other taxes totalling EUR 1.0 million (previous year: EUR 1.8 million).

Provisions for anticipated additional taxes arising from external tax audits relate to anticipated tax payments based on the possible non-recognition of the amortisation of the goodwill of Süd-Chemie España S.L., Yuncos/Spain, totalling EUR 1.7 million (previous year: EUR 1.9 million). The provision has been adjusted in accordance with the current status of the proceedings. Moreover, the provisions in the previous year include allowances totalling EUR 1.0 million for anticipated additional taxes on foreign capital gains. Further details can be found in item 16 on page 206.

Anticipated tax refunds are offset against income tax provisions if they occur in the same tax jurisdiction and relate to the same type of tax and the same period.

Provisions for taxes of EUR 5.6 million are due within one year.

MATURITY STRUCTURE OF OTHER PROVISIONS	Due within	Due between	Due after	Total	Of which due	
	1 year	1 and years	5 years		Total	within 1 Year
EUR million	31 Dec 2010				31 Dec 2009	
Other non current provisions		6.0	4.2	10.2	10.3	
Tax provisions	5.6			5.6	11.5	11.5
Other short-term provisions	8.8			8.8	8.4	8.4
	14.4	6.0	4.2	24.6	30.2	19.9

Other provisions with a maturity of more than one year totalling eur 10.2 million (previous year: eur 10.3 million) are reported under other non-current provisions.

Explanations to the Consolidated Cash Flow Statement

In accordance with IAS 7 (Cash Flow Statements), cash inflows and outflows from current operating, investing and financing activities are shown separately in the cash flow statements for the 2009 and 2010 financial years. Starting with earnings before taxes up to cash flow from operating activities, cash flow is calculated basically using the indirect method.

The operational cash flow indicates excess cash from operations. The cash flow from operating activities also includes the cash inflow and outflow from the change in working capital adjusted for the impact due to changes to the consolidation group.

The cash flow from invest activities contains the inflow and outflow of funds from the investments and divestments made in the reporting period. The cash flow from financing activities contains the inflow and outflow of funds from financing transactions including paid and received interest as well as transactions with shareholders.

The payment flows and the influencing variables impacting the profit and loss statement as well as the changes of assets and liabilities in foreign currencies included in the cash flow from operating activities are reported at average annual exchange rates. Contrary to this, cash and cash equivalents in foreign currencies are transferred to the cash flow statement at the closing rate. The effect of changes in exchange rates and scope of consolidation is stated separately.

The cash and cash equivalents contain cash on hand, cheques and credit balances with banks as well as financial instruments with original date of maturity of up to three months.

Cash flow from operating activities

The cash flow from operating activities is derived indirectly via consideration of the change of non-current provisions, the income and expenses not recognised as cash inflow or outflow and the changes of the current assets and liabilities based on earnings before tax. The operational cash flow as a sub-total is determined after consideration of the change of the non-current provisions (without deferred taxes), the inflows and outflows from paid taxes as well as the income and expenses not affecting received and paid amounts and shows the surplus cash flow from operating activities. The operational cash flow is EUR 95.7 million following EUR 108.4 million in the previous year. The balance from non-cash income and

expenses includes in particular the income from consolidation in the amount of EUR 48.8 million (previous year: EUR 14.3 million) affecting the income statement in the financial year and the previous year.

Based on the operational cash flow, the cash flow from operating activities also includes the changes of working capital adjusted by the effects from changes to the consolidation group. The cash flow from operating activities of EUR 114.6 million is above the value of the previous year by EUR 1.7 million (previous year: EUR 112.9 million). The higher working capital requirements due to the increase of net working capital required by the business were almost compensated for by a corresponding source of funds from the increase of other liabilities.

Adjusted by the effects from the change of the non-recourse financing of trade receivables, the cash flow from operating activities amounts to EUR 95.6 million compared with EUR 148.1 million in the previous year adjusted by these effects.

Cash flow from invest activities

The cash flow from investment activities is derived from the outflow of funds for investments in non-current assets and the inflow of funds from the debit entry of non-current assets as well as the inflow and outflow of funds from business combinations. The cash flow from investment activities is EUR -97.5 million (previous year: EUR -90.2 million).

The payments for investments in intangible assets and property plant and equipment total EUR 86.6 million (previous year: EUR 67.9 million) in the reporting year. The payments minus acquired cash and cash equivalents from business combinations decreased compared to the previous year by EUR 6.9 million to EUR 12.3 million (previous year: EUR 19.2 million).

From the debit entries from intangible assets and property, plant and equipment, inflows of funds in the amount of a total of EUR 1.5 million results compared to EUR 2.4 million in the previous year. The payments in the previous year for investments in financial assets in the amount of EUR 5.6 million refer to purchase price payments for the acquisition of shares in the companies of the GTC Group included as associated companies.

Free cash flow

The free cash flow is derived from the sum from the cash flow from operating activities and the cash flow from investment activities. The free cash flow in the financial year of EUR 17.1 million is EUR 5.6 million below the value of the previous year of EUR 22.7 million. The change compared to the previous year is especially due to the increased cash flow from investment activities of EUR 7.3 million. The change of the free cash flow adjusted by the volume of non-recourse financing of trade receivables is EUR -1.9 million following adjusted EUR 57.9 million in the previous year.

Cash flow from financing activities

The cash flow from financing activities in the amount of EUR -16.5 million (previous year: EUR -10.7 million) includes inflow and outflow of funds from the acceptance and repayment of bank loans and other changes of financial liabilities affecting payments as well as outflows of funds from the dividends paid in the reporting year to shareholders of Süd-Chemie AG and to shareholders with non-controlling interest. In addition, the cash flow from financing activities includes the interest paid for financial liabilities and the interest received from temporary investment of liquid funds within the context of central cash management.

The distributions of dividends to the shareholders of Süd-Chemie AG and to shareholders with non-controlling interest result in an outflow of funds in the amount of EUR 19.4 million (previous year: EUR 17.7 million) in the reporting period. Additional outflows of funds resulted from repayment of bank loans in the amount of EUR 42.3 million (previous year: EUR 28.7 million). These outflows of funds are compared with inflows of funds from the taking of bank loans in the amount of EUR 59.1 million (previous year: EUR 58.8 million).

Cash and cash equivalents

An increase affecting payments of cash and cash equivalents in the amount of EUR 0.6 million (previous year: EUR 12.0 million) resulted from the inflow and outflow of funds in the reporting year. After offsetting changes due to exchange rates in the amount of EUR 1.2 million (previous year: EUR 0.2 million) as well as changes due to the scope of consolidation in the amount of EUR -1.5 million, the cash and cash equivalents shown at the end of the 2010 financial year amount to EUR 23.7 million (previous year: EUR 23.4 million). The cash and cash equivalents refer to cash on hand, checks and deposits at financial institutions as well as financial instruments with an original maturity of up to three months.

The changes due to exchange rates include currency conversion differences of liquid funds from the previous year's holdings in foreign currency. The changes due to the scope of consolidation result from the expansion of the existing joint venture with Ashland and the associated quota consolidation of formally fully consolidated companies. The liquid funds contain EUR 18.7 million (previous year: EUR 10.4 million) holdings in foreign currency, which were converted at the respective exchange rates on the balance sheet dates. The liquid funds of companies included in the consolidated financial statement on quota basis amount to EUR 14.1 million (previous year: EUR 3.5 million); of this, liquid funds in the amount of EUR 9.0 million are solely available for the companies included in the sub-group of ASK Chemicals GmbH due to contractual agreements with the financing banks. Of the liquid funds, EUR 11.1 million (previous year: EUR 6.6 million) are subject to country-specific transfer restrictions. There are no other disposal restrictions for cash with exception of the transfer restrictions in a few countries.

Explanations to Segment Information

General notes

The Süd-Chemie Group is structural along the two operating divisions Adsorbents and Catalysts and the Central Functions. The divisions Adsorbents and Catalysts are further segmented by product area into Business Units.

Adsorbents

The Adsorbents Division is divided into four Business Units focusing on of Adsorbents and Additives, Foundry Products and Specialty Resins, Performance Packaging as well as Water Treatment. Adsorbents are special chemicals, which have the special property of binding other chemicals and substances. They refine industrial products and processes and make an important contribution to value creation in numerous industries, among others, in the foods and feed industries, the detergent and paper industries, the building trade and the foundry, packaging and logistics industries. The division is also involved in preparation of communal drinking and waste water systems as well as industrial water processing systems.

Catalysts

The Catalysts Division is composed of the Business Units Catalytic Technologies and Energy and Environment. Catalysts are used in the chemical, petrochemical and refinery industries as well as in environmental protection. They accelerate chemical reactions and consequently enable

resource-saving and inexpensive manufacture of high-quality chemical products and an effective conversion of pollutions into ecologically harmless substances.

Central Functions

Central Functions contain centralized Group activities of Süd-Chemie AG for efficient control of the Süd-Chemie Group and its numerous subsidiaries and other Group companies in Germany and abroad. In addition, Central Functions handles functions not allocated directly to the operative business areas of the subsidiaries.

External segment reporting is according to the internal Group's internal management control steering of divisions as well as internal financial reporting (management approach) according to IFRS 8 (Operating Segments). The operational management control of the Süd-Chemie Group is according to Business Units, in which the business activities are combined according to the similarity of products and services as well as their implementation at customers:

DIVISIONS AND BUSINESS UNITS OF SÜD-CHEMIE

Divisions	
Central Functions	
Adsorbents	Catalysts
Business Units	
Adsorbents and Additives	Catalytic Technologies
Foundry Products and Specialty Resins	Energy and Environment
Performance Packaging	
Water Treatment	

To be able to realise the increasing synergies with the business expansion of the industry group Synthetic Additives at the Moosburg site, the industry group Synthetic Additives was taken out of the Business Unit Performance Packaging and integrated into the Business Unit Adsorbents and Additives as of 1 January 2010. With revenue of EUR 17.4 million, the industry group Synthetic Additives achieved earnings before interest and taxes (EBIT) in the amount of EUR

3.4 million in the previous year. The segment data of the comparable period in the previous year of the Business Units concerned was not adapted corresponding to the internal presentation.

The Business Unit Adsorbents and Additives includes the five industry groups Food and Feed Industry, Foundry Additives, Detergent Additives, Paper and Specialty Additives and specialised Deep Mining following this restructuring. The product range is mainly based on the adsorbing clay mineral bentonite, which is used in many ways in various customer industries via chemical treatment.

The Business Unit Foundry Products and Specialty Resins includes the two industry groups Foundry Products and Specialty Resins and provides the foundry industry with a portfolio of resins spanning ceramic protective film, solders and filters all the way to metallurgic additives. In addition, innovative and customised special chemicals are manufactured, for example water-diluted lacquer resins, environmentally compatible wall painting systems, carbon products as well as model and tool resins.

The Business Unit Performance Packaging is divided into the two industry groups Pharmaceutical and Diagnostics as well as Electronics and Logistics following the organisational restructuring and produces environmentally friendly drying agent systems for protecting products sensitive to humidity during transport and storage as well as special packaging for pharmaceutical products.

The Business Unit Water Treatment contains the two industry groups Industrial Water Treatment and Communal Drinking and Waste Water Systems and provides products and customised solutions for intelligent chemical water cleaning and the target treatment of industrial process water, industrial waste waters as well as communal drinking and waste waters. In addition, technical services are provided in water management.

The Business Unit Catalytic Technologies is divided into the four industry groups Chemistry, Petrochemistry, Refining and Olefine Polymerization in line with its market segment. The product portfolio is mainly composed of synthetic gases, hydrogenation and oxidation catalysts, catalysts for manufacturing and purification of olefins and aromatics, catalysts for hydrogen generation and for oligomerization, isomerization and wax removal as well as catalysts for refining lubricants, gasoline and diesel.

The Business Unit Energy and Environment is composed of the three industry groups Air Purification, Fuel Cell Technology and Battery Materials and produces products for catalytic processes for the purification of industrial, commercial and household exhaust fumes as well as for removing harmful by-products from combustion engines all the way to developing, producing and marketing new materials for energy storage for high-performance and safe lithium ion batteries.

A total of 14 Central Functions are responsible for central control tasks and supporting the subsidiaries and affiliated companies in Germany and other countries. In addition, functions including their costs are listed under Central Functions, which although they exist at the subsidiaries, are not directly allocated to the Business Units there. In addition to costs of Group management, the costs for central strategic research and development are included under Central Functions.

Additional explanations about the business units are provided in the Joint Report of the Managing Board. The business units are presented on pages 52 until 68.

The results of the company segments are monitored separately by the Management to evaluate their profitability and distribution of resources. The target values are selected for this so that all revenues and expenses are contained, which are in the area of the responsibility of the segments. The profitability of the segments is evaluated based on the earnings before interest and taxes (EBIT), because the Board of Directors is convinced that this is the most appropriate benchmark for this.

Notes on segment information

The segment information is present in the internal and external financial report after elimination of all intra- and inter-segment relations with exception of the internal Group charge outs as well as of impacts on profit and losses from the elimination of unrealised profit on inventories. The effects from the elimination of those unrealised profits on inventories are allocated to Central Functions corresponding to the internal presentation. The revenues and expenses as well as the segment assets and segment liabilities shown in segment reporting are allocated to the segments and Central Functions according to appropriate codes insofar as direct allocation is not possible. The Group reconciliation entries contain the effects from the consolidation measures not to be considered for the controlling of the operating segments areas and central functions.

Transfer prices between the business segments are calculated according to customary market conditions as for third parties (Dealing at-Arm's-Length principle).

Segment sales contain both internal and external sales. The internal sales in the amount of EUR 0,8 million (previous year: EUR 1.0 million) show the sales between the individual business segments and are not considered within the context of internal control due to their slight amount. In line with this method, the internal sales are eliminated in the column Group reconciliation. The external sales represent segment sales with external business partners.

Depreciation and amortisation of intangible assets and property, plant and equipment assets are allocated to the operating units and Central Functions according to their causes and corresponding to internal reporting.

Depreciation and amortisation contain extraordinary depreciation of property, plant and equipment in the amount of EUR 2.1 million, which are to be allocated to the Business Unit Performance Packaging in the reporting year. In addition, extraordinary amortisation on capitalised developments costs in the amount of EUR 0.6 million are offset in the reporting year. These are attributed with EUR 0.4 million to the Business Unit Catalytic Technologies and with EUR 0.2 million to the Business Unit Performance Packaging. The unscheduled depreciation of the previous year in the amount of EUR 3.0 million concerned assets allocated to the Business Unit Catalytic Technologies (EUR 2.6 million) as well as Energy and

Environment (EUR 0.4 million). As in the previous years, amortisation of goodwill was not required.

The other segment income corresponds to other operating income and provides the segment operating profit together with external revenue, other segment expenses and depreciation and amortisation. The restructuring expenses in the amount of EUR 1.5 million contained in segment expenses solely refer to the Business Unit Performance Packaging.

Intra- and inter-segment income and expenses are not eliminated in determining segment results; the intra and inter-segment expenses and income in the amount of EUR 47.3 million (previous year: EUR 43.8 million) each shown in the Group consolidation especially contain internal Group charge outs of costs by Central Functions to the operating business units.

The operating segment's results (EBIT) are shown without elimination of the internal segment charge outs of costs and unrealised profit on inventories; the effect from eliminating intercompany profit and loss on inventories in the amount of EUR -0.5 million (previous year: EUR -0.8 million) is offset in the internal and external presentation within Central Functions.

The effects of extraordinary factors and result effects from essential business transactions on the segment result (EBIT) of the business units can be seen in the table below:

	Foundry Products and Specialty Resins	Catalytic Techno- logies	Per- formance Packaging	Central Functions	Group total	Foundry Products and Speci- alty Resins	Catalytic Techno- logies	Energy and Envi- ronment	Central Functions	Group total
EUR million	2010					2009				
Income from consolidation activities				38.4	38.4		14.9			14.9
Differences arising from the valuation of derivatives				0.7	0.7				0.8	0.8
Release from provisions for legal risks		0.4			0.4				0.3	0.3
Differences arising from the valuation of commodity futures		0.2			0.2		0.9		0.8	1.7
Management participation programme									1.4	1.4
Income		0.6		39.1	39.7		15.8		3.3	19.1
Extraordinary depreciation/restructuring expenses			- 3.4		- 3.4	- 1.0	- 4.7	- 0.8		- 6.5
Differences arising from the valuation of derivatives				- 1.7	- 1.7				- 0.1	- 0.1
Expenses for environmental risks				- 1.2	- 1.2					0.0
Project costs				- 0.5	- 0.5					0.0
Expenses	0.0	0.0	- 3.4	- 3.4	- 6.8	- 1.0	- 4.7	- 0.8	- 0.1	- 6.6
	0.0	0.6	- 3.4	35.7	32.9	- 1.0	11.1	- 0.8	3.2	12.5

The effects of extraordinary factors and result effects from essential business transactions influenced the segment results (EBIT) of the business units positively, including the results of Central Functions, in the amount of a total of EUR 32.9 million (previous year: EUR 12.5 million). Further explanations about the special inflows can be found on pages 175 until 177.

The negative difference amount of EUR 17.3 million between the purchase price including acquisition costs as well as a receivable from a conditional counter-performance and the assets and liabilities in the company valued at fair value, determined based on the preliminary purchase price allocation of Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China, purchased in the 2009 financial year, was adjusted to EUR 14.9 million following IAS 8.41 and based on the subsequent non-consideration of deferred tax assets on taxable losses carried forward. In addition, the taxable results of the company in the previous year's financial statement were corrected by EUR -0.6 million due to the non-consideration of tax reduction claims from taxable losses carried forward.

As a result of these adjustments according to IAS 8.41, the other operative income of the Business Unit Catalytic Technologies shown in the 2009 financial year retroactively decreased by EUR 2.4 million as well as the tax result of Central Functions by EUR 0.6 million. Accordingly, the deferred tax assets allocated to Central Functions decreased by EUR 3.0 million compared to the previous year's reporting.

The financial result is distributed corresponding to internal reporting for the determination of segment-related cash flows according to the invested capital to the business segments and Central Functions. The invested capital is calculated for the purpose of internal reporting from the assets of the segments and Central Functions without consideration of the financial assets, financial receivables and derivative assets minus the liabilities and provisions without consideration of the financial liabilities and pension provisions. No differences are to be considered for the reconciliation of the result before taxes of the business segments and Central Functions for the Group result before taxes. Taxes on income were distributed among the segments and Central Functions based on the earnings before taxes.

Cash flow figures for the segments and Central Functions correspond to internal reporting except for the allocation of paid and received interest. The paid and received interest not allocated to the segments and Central Functions in the internal reporting of the cash flow statement are shown in the

reconciliation column for the Group cash flow. The balance shown in the reconciliation column for the Group cash flow of paid and received interest amounted to EUR 18.1 million (previous year: EUR 17.8 million) in the financial year.

The segment investments included in the cash flow from investment activity contains the investments in intangible assets during the reporting year with exception of goodwill from first time consolidation and investments in property, plant and equipment. For the payouts less liquid funds acquired for company acquisitions during the financial year as well as for acquisitions of participations contained in addition in the cash flow from investment activity, EUR 9.4 million (previous year: EUR 19.3 million) refer to the Adsorbents Division and EUR 4.4 million (previous year: EUR -0.1 million) to the Catalysts Division. The payouts for investments in the previous year in financial assets in the amount of EUR 5.6 million for acquisition of associated companies were allocated to Central Functions.

The segment assets and liabilities allocated to the segments are shown corresponding to their share of Group assets and liabilities after consolidation within and between the business segments and Central Functions. The effects from eliminating unrealised profits on inventories were allocated to Central Functions corresponding to internal presentation.

The segment assets of the business units and the assets of Central Functions are composed of the non-current assets and the current assets, whereby receivables from actual taxes on income in the amount of EUR 8.1 million (previous year: EUR 5.2 million), deferred tax assets in the amount of EUR 20.8 million (previous year: EUR 12.7 million), cash and cash equivalents in the amount of EUR 23.7 million (previous year: EUR 23.4 million) as well as goodwill from the consolidation of investments for the purpose of internal reporting are allocated to Central Functions in the amount of EUR 60.1 million (previous year: EUR 41.9 million). The effects from the non-recourse financing of trade receivables were allocated solely to the Central Function. The long-term assets also contain the acquired goodwill and the goodwill from consolidation of investments as well as capitalised development costs.

From the acquired goodwill in the amount of EUR 37.6 million (previous year: EUR 30.9 million), EUR 27.4 million (previous year: €20.7 million) are allocated to the business units of the Adsorbents Division and EUR 8.7 million (previous year: EUR 8.7 million) to the business units of the Catalysts Division. Acquired goodwill is allocated to Central Functions in the

amount of EUR 1.5 million (previous year: EUR 1.5 million). Of the total of capitalised developments costs in the Group in the amount of EUR 32.6 million (previous year: EUR 29.0 million), EUR 26.0 million (previous year: EUR 23.6 million) were for the business units of the Catalysts Divisions, EUR 2.7 million (previous year: EUR 2.5 million) for the business units of the Absorbents Division and EUR 3.9 million (previous year: EUR 2.9 million) for Central Functions. The financial assets as well as shares in associated companies in the amount of EUR 6.6 million (previous year: EUR 6.5 million) were allocated to Central Functions.

The segment liabilities of the business units and the liabilities of Central Functions contain the directly attributable interest-bearing and non-interest-bearing liabilities and provisions. The financial liabilities are allocated to the business segments and Central Functions encoded according to invested capital, contrary to internal reporting.

The income tax liabilities of EUR 2.5 million (previous year: EUR 6.2 million) and income tax provisions in the amount of EUR 4.6 million (previous year: EUR 9.7 million) as well as deferred tax liabilities of EUR 41.9 million (previous year: EUR 32.0 million) are entered directly in Central Functions corresponding to internal reporting.

Additional information on segment reporting

External revenue according to geographical segments is allocated according to the destination of the delivery. Revenue with customers in the USA amounted to EUR 160.5 million (previous year: EUR 137.0 million); apart from the USA and Germany, Süd-Chemie Group did not have more than 10% of overall Group revenue in any other country.

Non-current assets were allocated to geographical segments according to the site of the assets. Compared to the previous year, the assets from capitalised deferred taxes were not considered in order to improve transparency; the values from the previous year were adjusted accordingly. Of the non-current assets in America, EUR 117.7 million (previous year: EUR 93.6 million) concern companies in the USA. The other non-current assets contain assets in the amount of EUR 10.4 million (previous year: EUR 4.8 million), which do not refer to financial instruments, deferred tax assets or performances after termination of employment relationships. Of this amount, EUR 1.0 million (previous year: EUR 0.4 million) are allocated to Germany, EUR 1.0 million (previous year: EUR 0.6 million) to the rest of Europe, EUR 3.4 million (previous year: EUR 0.9 million) to America and EUR 5.0 million (previous year: EUR 2.9 million) to Asia including Australia and Oceania.

The employees are allocated to the regions according to the location of the respective Group companies.

Information about important customers

Risk concentrations with respect to income from transactions with external customers do not exist thanks to the product and global diversification. The income received from transactions with respective customers is substantially less than 10% of the company income.

REGIONAL INFORMATION												
	Germany		Rest of Europe		America		Asia/ Middle East ¹⁾		Africa		Group Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	194.1	164.1	300.9	264.9	247.7	202.3	385.6	367.6	96.7	73.4	1,225.0	1,072.3
As % of group revenue	15.8	15.3	24.6	24.7	20.2	18.9	31.5	34.3	7.9	6.8	100.0	100.0
Non-current assets	340.9	330.0	104.6	103.7	184.6	130.4	170.2	137.7	30.6	25.8	830.9	727.6
– thereof fixed assets (not incl. financial assets)	336.9	325.6	103.3	102.5	177.7	123.8	164.8	132.9	30.6	25.8	813.3	710.6
– thereof financial assets	3.0	2.9	0.3	0.2	3.3	3.4	0.0				6.6	6.5
– thereof other assets	1.1	1.5	1.0	1.0	3.6	3.2	5.4	4.8	0.0	0.0	11.0	10.5
Number of employees												
Annual average	1,629	1,659	1,100	1,112	1,254	1,211	2,106	1,935	384	390	6,473	6,307
At 31 December	1,564	1,652	1,108	1,106	1,340	1,235	2,009	2,143	384	386	6,405	6,522

1) including Australia/Oceania

Other Explanations

Derivative financial instruments

Derivative financial instruments are financial contracts, the value of which is derived from the price of an asset (for example, equities, bonds, money market, instruments or commodities) or a reference rate (for example, currencies, indexes and interest rates). They require no or only slight initial investments and their settlement is in the future. Examples of derivative financial instruments are options, commodity futures and interest swap transactions. According to IAS 32 (Financial instruments: presentation) and IAS 39 (Financial instruments: recognition and measurement), derivative financial instruments are entered at fair market value on the trading day. The market values of derivative financial instruments are determined using standardised discounted cash flow methods (market-to-market method) or listed prices. Derivative financial instruments are valued for the purpose of subsequent measurement at the adjusted fair value.

For the purposes of recognising hedging contracts in accordance with the restrictive principles of hedge accounting, a distinction is especially to be made between fair value hedges and cash flow hedges.

Fair value hedges are used for hedging against value change risks of balance sheet positions. Market value changes of underlying transactions and the associated hedging instruments are entered immediately affecting net income. Cash flow hedges serve for hedging against risk from the change of the future cash flow. The effective part of the profit or loss from a cash flow hedge is entered directly in equity, while the ineffective part is entered immediately affecting net income. The realisation affecting net income of profits and losses entered directly in equity is in the period, in which the associated underlying transaction affects net income.

The following hedging relations exist unchanged since the previous year in the Süd-Chemie Group as of 31 December 2010:

Risks and rewards

Süd-Chemie Group is subject to all interest risks, currency risks and price risks for commodity purchases within the context of its operative business activity. To safeguard against long-lasting consequences for the financial performance of Süd-Chemie Group, customary market derivative financial instruments are used in the form of forward exchange operations, interest and currency swaps as well as interest caps, commodity hedging (swaps or forward exchange transactions) and options. Uniform Group guidelines regulate settlement of these transactions with strict separation of the functions of trade, settlement and monitoring. Within the context of risk management, consultations are held at regular intervals about the current situation and the future development of interest and currencies as well as purchase price development for commodities and the use of derivative financial instruments. Derivative financial instruments are used under the control of the central finance department of Süd-Chemie AG. The contracts concluded as of the balance sheet date for derivative financial instrument are based on corresponding operative underlying transactions or credit agreements.

Due to its international orientation, Süd-Chemie Group is subject to a risk of exchange rate changes with respect to various foreign currencies. Consequently, the rate hedging strategy targets selecting hedging of currency risks, which are not balanced by corresponding payment flows in the same currency. The object of hedging can also be future, planned transactions, for which hedging instruments are used with a term of less than one year against the risk of an exchange rate change. The currency risk is hedged mainly by forward exchange operations and currency swaps.

To use the chances of the reduction of financing costs in the case of declining interest rates for loans, credit agreements have been concluded with variable interest rates in part. Consequently, Süd-Chemie Group is subject to a cash flow risk

EXISTING HEDGE RELATIONSHIPS PER 31 DECEMBER 2010

Derivative financial instruments	Hedge relationship	Hedge accounting
Currency swaps	Hedging of cash flows	Cashflow HEDGE
Currency swaps	Hedging of cash flows	Cashflow HEDGE
	None	not applicable
Forward exchange transactions	None	not applicable
Interest rate caps	None	not applicable
Commodity hedges	None	not applicable

due to interest. The risk of a change in interest rates is hedged by interest swaps, via which variable interest rates are replaced by fixed interest rates, dependent on the probable development of net financing debts and the expected development of interest rates.

Commodity hedging is used to hedge against price risks for purchases of commodities. These are used as contracts for the purchase of non-financial positions, but are fulfilled via cash settlement and consequently do not comply with the requirements for "OWN USE CONTRACTS" (Contracts for the own requirements of Süd-Chemie Group) according to IAS 39 AG10. The commodity hedges existing as of the balance sheet date have a maximum term until 31 December 2012 in principle.

The maximum risk of default of derivative financial instruments derives from the sum of the positive market values of those derivatives, from which claims against contractual partners exist. The risk of default contains possible asset losses, which could result from non-fulfilment of contractual obligations by a contractual partner. On the balance sheet date 2010, the sum of positive market values of

derivative financial instruments was EUR 0.6 million (previous year: EUR 0.9 million). For diversification of the risk of default, derivative transactions were entered into with various business partners and only those with good credit ratings.

Breakdown and valuation

The nominal volume of derivative financial instruments corresponds to the volume of underlying transactions to be hedged. The listed market values correspond to the price at which third-parties would take over rights or obligations from the derivative financial instruments. The market values of derivative financial instruments are calculated based on market conditions on the balance sheet date. Recognised valuation models of contract banks are also used for calculating market values. As of the balance sheet date, derivative financial instruments existed with a nominal volume of EUR 500.8 million (previous year: EUR 453.7 million) with a balance of a negative market value in the amount of EUR 11.1 million (previous year: EUR 20.5 million).

NOMINAL VOLUME AND MARKET VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

	Residual contract term up to 1 year	Residual contract term 1 to 5 years	Residual contract term over 5 years	Total	Total	Fair values	Fair values
EUR million				31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Currency contracts transactions							
Forward exchange dealings	81.0			81.0	43.6	0.0	0.1
Currency swaps	18.7	56.1	29.9	104.7	97.3	- 6.6	- 17.0
	99.7	56.1	29.9	185.7	140.9	- 6.6	- 16.9
Interest rate transactions							
Interest rate swaps	58.1	256.1		314.2	306.1	- 4.7	- 4.4
	58.1	256.1		314.2	306.1	- 4.7	- 4.4
Commodity hedges							
Commodity futures	0.4	0.5		0.9	6.7	0.2	0.8
	0.4	0.5		0.9	6.7	0.2	0.8
	158.2	312.7	29.9	500.8	453.7	- 11.1	- 20.5

Currency transactions

The volume of currency transactions on the balance sheet date amounts to EUR 185.7 million (previous year: EUR 140.9 million) with a negative market value of EUR 6.6 million (previous year: EUR 16.9 million).

The volume of forward exchange operations classified as held for trading for hedging risks of exchange rate changes, especially for loans to subsidiaries in foreign currencies, amounts to EUR 81.0 million (previous year: EUR 43.6 million) with a market value of EUR 0.0 million (previous year: EUR 0.1 million). The market value of forward exchange operations is

calculated based on spot exchange rates valid on the balance sheet date as well as forward premiums and discounts compared to contracted forward exchange operations. The balance of the market values of EUR 0.0 million (previous year: EUR 0.1 million) is composed of forward exchange operations with a positive market value of EUR 0.4 million (previous year: EUR 0.3 million) as well as forward exchange operations with a negative market value of EUR 0.4 million (previous year: EUR 0.2 million). A negative valuation results of EUR 0.1 million from the forward exchange operations from the market valuation on the balance sheet date compared to a positive valuation result in the previous year of EUR 0.5 million.

The basis for valuating the currency swaps is the yield curves in us dollars and also the currency relation of the us dollar to the EUR for the remaining term of the contacts. The currency swaps are converted into EUR as of the balance sheet date.

The currently held currency swaps for 25 million us dollars, 40 million us dollars and 75 million us dollars were concluded to hedge against currency and interest risks from us dollar private loans.

Until 29 May 2009, the hedging transaction of 40 million us dollars was carried in the balance sheet affecting net income according to the principles of fair value hedging to hedge against currency risks of the 40 million us dollar tranche of the us dollar private loan. On 29 May 2009, the currency swap concluded to hedge against currency risks of the 40 million us dollar tranche of the us dollar private loan was changed from a variable EUR interest rate to a fixed interest payment via contract adjustment. This change resulted in a classification of the currency swap and the underlying transaction on which it was based as cash flow hedge with the result that market value changes can be offset in equity capital not affecting income with exception of the ineffective part of the cash flow hedge. The ineffective part of the hedge relation via application of the dollar-offset method is shown in the financial result.

The further hedge transactions (currency swaps) for hedging over 25 million us dollars and 75 million us dollars of the us dollar private placements were also classified as cash flow hedges with the underlying transactions, and the market changes of these hedging transaction were entered in equity not affecting income.

The market values of the currency swaps amounted to EUR - 6.6 million compared to EUR -17.0 million in the previous year. The positive valuation effects from the change of the market value of these currency swaps between the balance sheet dates of EUR 10.4 million compared to negative valuation effects from the underlying transactions of EUR 7.6 million. After consideration of these inefficiencies the positive balance of EUR 2.5 million was offset not affecting income in equity.

The hedge reserves offset in equity from this cash flow amounted to EUR 2.8 million (previous year: EUR 0.3 million).

The comparison between the actual derivative and the hypothetical derivative applied within the context of the dollar-offset method resulted in a positive result effect from inefficiencies on the balance sheet date in the amount of EUR

0.3 million compared to a negative result effect in the previous year of EUR 0.2 million. The result effects from inefficiencies were offset in the interest result.

The derivatives, on which the underlying transactions were based, have a term until 30 September 2011 for the 25 million us dollar tranche, a term until 30 September 2014 for the 75 million us dollar tranche and a term until 30 September 2016 for the 40 million us dollar tranche. The payment flows from the underlying transactions and the associated derivatives are shown on page 269.

Interest rate transactions

Market valuation is via discounting the future cash flow before issue of the interest swaps (T-Lock swaps) concluded in us dollars with nominal value of EUR 74.8 million (previous year: EUR 69.4 million) concluded for hedging the risk of interest rate changes, which are also classified as cash flow hedges. On the balance sheet date, the market value of these interest swaps was EUR -1.4 million (previous year: -EUR 1.6 million). The offset interest swap transactions existing on the balance sheet date and with market values in equity have a term until 30 September 2011 or 30 September 2014. In the reporting year, an amount of EUR 0.4 million (previous year: EUR 0.5 million) was transferred to the interest result affecting expenses. The hedge reserve offset in equity from this cash flow hedge amounts to EUR -1.4 million (previous year: EUR - 1.6 million) and will affect net income in the 2011 and 2014 financial years.

The resulting hedge reserve offset in equity from cash flow hedges for currency and interest transactions amounts to EUR 1.4 million (previous year: EUR -1.3 million).

The EUR and HKD interest swaps with a nominal volume of EUR 200 million and EUR 39.4 million concluded to hedge against the risk of interest rate changes of financial liabilities in February 2009 with variable interest rates classified for trading purposes show a negative market value of EUR 3.3 million (previous year: EUR 2.8 million). The negative valuation effect from this interest swap is shown in the interest result.

Commodity hedges

The total value of the commodity hedges classified as held for trading was calculated on the balance sheet date based on ruling prices of the commodities considered on the commodity futures market (LME) London Metal Exchange on 31 December 2010. The commodity hedges have a maximum term until 31 December 2012 on principle. As of the balance sheet date, commodity hedges for hedging metal purchases

with nominal volume of EUR 0.9 million (previous year: EUR 6.7 million) existed. Valuation of the commodity hedges resulted in the balance sheet in positive market values of EUR 0.2 million (previous year: EUR 0.8 million).

The effects on income from market value changes of the derivative transactions contract as of the balance sheet cut-off date are listed summarised in the tables below:

2010 FINANCIAL YEAR	Nominal values		Fair values		Change in fair values	EBIT ¹⁾	Interest result	Equity
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009				
EUR million								
Forward exchange dealings	81.0	43.6	0.0	0.1	- 0.1	- 0.1	0.0	0.0
Currency swaps	104.7	97.3	- 6.6	- 17.0	10.4	0.0	0.3	10.1
Interest derivatives	314.2	306.1	- 4.7	- 4.4	- 0.3	0.0	- 0.5	0.2
Commodity hedges	0.9	6.7	0.2	0.8	- 0.6	- 0.6	0.0	0.0
	500.8	453.7	- 11.1	- 20.5	9.4	- 0.7	- 0.2	10.3

1) Earnings before interest and taxes (profit from operations)

2009 FINANCIAL YEAR	Nominal values		Fair values		Change in fair values	EBIT ¹⁾	Interest - result	Equity
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008				
EUR million								
Forward exchange dealings	43.6	44.8	0.1	- 0.4	0.5	0.5	0.0	0.0
Currency swaps	97.3	100.6	- 17.0	- 8.4	- 8.6	0.0	- 2.1	- 6.5
Interest derivatives	306.1	101.8	- 4.4	- 2.1	- 2.3	0.0	- 2.6	0.3
Commodity hedges	6.7	8.8	0.8	- 3.8	4.6	4.6	0.0	0.0
	453.7	256.0	- 20.5	- 14.7	- 5.8	5.1	- 4.7	- 6.2

1) Earnings before interest and taxes (profit from operations)

The contracted financial transactions on the balance sheet date are as follows:

2010 FINANCIAL YEAR	Volume in millions	Currency iso-Code	Due date	Interest 1 percent	Interest 2 percent	Currency iso-Code	Nominal value
EUR million							
Currency derivatives							
Forward exchange dealings < 3 months	0.8	AUD	31 Jan 2011			EUR	0.6
Forward exchange dealings < 3 months	26.6	CAD	4 Jan–31 Jan 2011			EUR	20.2
Forward exchange dealings < 3 months	9.1	CHF	31 Jan 2011			EUR	7.3
Forward exchange dealings < 3 months	0.9	GBP	31 Jan 2011			EUR	1.0
Forward exchange dealings < 3 months	24.7	HKD	31 Jan 2011			EUR	2.4
Forward exchange dealings < 3 months	29.2	INR	28 Feb–31 Mar 2011			EUR	0.5
Forward exchange dealings < 3 months	246.2	JPY	31 Jan 2011			EUR	2.3
Forward exchange dealings < 3 months	2.5	MXN	31 Jan 2011			EUR	0.2
Forward exchange dealings < 3 months	5.1	PLN	31 Jan 2011			EUR	1.3
Forward exchange dealings < 3 months	8.4	SGD	31 Jan 2011			EUR	4.9
Forward exchange dealings < 3 months	39.2	USD	3 Jan–31 Mar 2011			EUR	29.6
Forward exchange dealings < 3 months	0.1	USD	4 Jan 2011			CAD	0.2
Forward exchange dealings < 3 months	73.0	ZAR	4 Jan–31 Jan 2011			EUR	8.3
Forward exchange dealings < 3 months	14.6	ZAR	14 Jan–18 Mar 2011			USD	1.5
Forward currency dealings 3–6 months	0.4	USD	16 May 2011			EUR	0.4
Forward currency dealings 3–6 months	3.5	ZAR	8 Apr–20 May 2011			EUR	0.3
Currency swap < 1 year	25.0	USD	30 Sep 2011	4.48	5.75	EUR/USD	18.7
Currency swap > 1–5 years	75.0	USD	30 Sep 2014	5.08	6.21	EUR/USD	56.1
Currency swap > 5 years	40.0	USD	30 Sep 2016	4.39	5.88	EUR/USD	29.9
Total currency derivatives							185.7
	Volume in millions	Currency iso-Code	Term		Interest in percent	Reference rate/percent	Nominal value
Interest derivatives							
Interest swap < 1 year	25.0	USD	30 Sept 2004	30 Sept 2011	4.35	3.73	18.7
Interest swap 1-5 years	75.0	USD	30 Sept 2004	30 Sept 2014	4.81	4.23	56.1
Interest swap 1-5 years	200.0	EUR	27 Feb 2009	30 Jun 2012	2.40–2.46	3 months Euribor	200.0
Interest swap < 1 year	168.7	HKD	30 Jun 2009	30 Dec 2011	2.07	6 months Hibor	16.2
Interest swap < 1 year	240.0	HKD	23 Mar 2009	30 Dec 2011	1.805–1.82	3 months Hibor	23.1
Total interest derivatives							314.2
Commodity hedges							
Swaps	1.2	USD	up to December 2012				0.9
Total derivative financial instruments							500.8

The contracted financial transactions on the balance sheet date of the previous year are as follows:

2009 FINANCIAL YEAR	Volume in millions	Currency iso-Code	Due date	Interest 1 percent	Interest 2 percent	Currency iso-Code	Nominal value
EUR million							
Currency derivatives							
Forward exchange dealings < 3 months	0.8	AUD	15 Jan 2010			EUR	0.5
Forward exchange dealings < 3 months	5.0	CAD	5 Jan 2010			EUR	3.3
Forward exchange dealings < 3 months	8.0	CHF	15 Jan 2010			EUR	5.4
Forward exchange dealings < 3 months	23.5	CZK	15 Jan 2010			EUR	0.9
Forward exchange dealings < 3 months	0.3	GPB	15 Jan 2010			EUR	0.4
Forward exchange dealings < 3 months	1.4	HKD	29 Jan 2010			EUR	0.1
Forward exchange dealings < 3 months	77.6	INR	29 Jan –31 Mar 2010			EUR	1.1
Forward exchange dealings < 3 months	155.0	JPY	29 Jan 2010			EUR	1.2
Forward exchange dealings < 3 months	4.7	PLN	29 Jan 2010			EUR	1.1
Forward exchange dealings < 3 months	10.0	RUB	11 Jan 2010			EUR	0.2
Forward exchange dealings < 3 months	9.6	SGD	15 Jan 2010			EUR	4.7
Forward exchange dealings < 3 months	30.7	USD	4 Jan -12 Mar 2010			EUR	21.3
Forward exchange dealings < 3 months		ZAR	5 Jan –29 Jan 2010			EUR	1.2
Forward exchange dealings < 3 months	16.2	ZAR	4 Jan –5 Mar 2010			USD	1.4
Forward currency dealings 3–6 months	0.1	ZAR	15 Jan 2010			GBP	0.0
Forward currency dealings 3–6 months	1.2	USD	16 Apr –18 Jun 2010			EUR	0.8
Currency swap < 1 year	40.0	USD	30 Sep 2016	4.39	5.88	EUR/USD	27.8
Currency swap > 1–5 years	25.0	USD	30 Sep 2011	4.48	5.75	EUR/USD	17.4
Currency swap > 5 years	75.0	USD	30 Sep 2014	5.08	6.21	EUR/USD	52.1
Total currency derivatives							140.9
	Volume in millions	Currency iso-Code	Term		Interest in percent	Reference rate/percent	Nominal value
Interest derivatives							
Interest swap 1–5 years	25.0	USD	30 Sep 2004	30 Sep 2011	4.35	3.73	17.4
Interest swap 1–5 years	75.0	USD	30 Sep 2004	30 Sep 2014	4.81	4.23	52.1
Interest swap 1–5 years	200.0	EUR	27 Feb 2009	30 Jun 2012	2.40–2.46	3 months Euribor	200.0
Interest swap 1–5 years	168.7	HKD	30 Jun 2009	31 Dec 2011	2.07	6 months Hibor	15.1
Interest swap 1–5 years	240.0	HKD	23 Mar 2009	30 Dec 2011	1.805–1.82	3 months Hibor	21.5
Total interest derivatives							306.1
Commodity hedges							
Swaps	9.6	USD	up to December 2011				6.7
Total derivative financial instruments							453.7

Additional information about financial instruments

The following tables show the transfer of assets and liabilities to the valuation categories of IAS 39 (Financial Instruments:

Recognition and Measurement) and the respective adjusted current values.

	Valuation category in accordance with IAS 39 Appendix with IAS 39			Balance Sheet stated amount per IAS 39			Amounts recognised in accordance with IAS 17	Fair value
2010 FINANCIAL YEAR			Book value	Amortised costs	Fair value (no impact to P&L)	Fair value (impact P&L)		
EUR million								
Assets								
Financial assets	(25)	[1]	6.6	6.6				6.6
Trade receivables	(29)	[1]	178.5	178.5				178.5
Receivable from construction contracts	(29)	[1]	5.4	5.4				5.4
Current financial receivables	(32)	[1]	0.1	0.1				0.1
Finance lease receivables	(i)							
Derivative financial assets	(ii)		0.2			0.2		0.2
Financial derivatives, unhedged		[2] ^(X)	0.1			0.1		0.1
Financial derivatives fair value hedge		[5]						
Cash flow hedge		[5]	0.0	0.0	0.0	0.0	0.0	0.0
Commodity futures		[2] ^(X)	0.1			0.1		0.1
Amounts owed by other group companies	(29)	[1]	2.3	2.3				2.3
Other long-term assets	(31)	[1]	2.4	2.4				2.4
Other assets (current)	(32)	[1]	6.3	6.3				6.3
Cash and cash equivalents	(33)	[1]	23.7	23.7				23.7
Liabilities								
US dollar private placement	(36)	[3]	104.8	104.8				106.8
Liabilities from put options	(36)	[4]						
Bank overdrafts and loans	(36)	[3]	280.4	280.4				262.8
Trade payables	(37)	[3]	152.6	152.6				152.6
Finance lease liabilities	(36)		4.6				4.6	4.5
Other amounts payable to employees	(37)	[3]	12.1	12.1				12.1
Personnel related liabilities	(37)	[3]	25.8	25.8				25.8
Derivative financial liabilities	(ii)		11.2		8.0	3.2		11.2
Financial derivatives, unhedged		[4] ^(X)	3.2			3.2		3.2
Financial derivatives fair value hedge		[5]						
Cash flow hedge		[5]	8.0		8.0			8.0
Commodity futures		[4] ^(X)						
Other financial liabilities (long and short term)	(36)	[3]	10.5	10.5				10.5
Other liabilities	(37)	[3]	26.5	26.5				26.5
Breakdon according to categories								
Loans and receivables		[1]	225.3	225.3				225.3
Financial assets at fair value through profit or loss		[2]	0.2			0.2		0.2
Other financial liabilities		[3]	612.7	612.7				597.1
Financial liabilities at fair valuethrough profit or loss		[4]	3.2			3.2		3.2
Hedging derivatives		[5]						
– Assets								
– Liabilities			8.0					8.0
Held for trading		(X)						
– Assets			0.2			0.2		0.2
– Liabilities			3.2			3.2		3.2

i) Compare lease agreements pages 274-275

(ii) Compare derivative financial investments pages 251-257

The book value shown in the measurement categories correspond to the fair values with exception of the measurement category “Other financial liabilities” on the balance sheet date. The deviation of EUR -15.6 million

(previous year: EUR 5.0 million) to this measurement category essentially results from valuation differences from non-current financial liabilities due to the change of the maturity structure.

	Valuation category in accordance with IAS 39			Balance Sheet stated amount per IAS 39			Amounts recognised in accordance with IAS 17	
2009 FINANCIAL YEAR	Appendix with IAS 39	Book value	Amortised costs	Fair value (no impact to P&L)	Fair value (impact P&L)		Fair value	
EUR million								
Assets								
Financial assets	(25)	[1]	6.5	6.5			6.5	
Trade receivables	(29)	[1]	159.0	159.0			159.0	
Receivable from construction contracts	(29)	[1]	7.8	7.8			7.8	
Current financial receivables	(32)	[1]	0.1	0.1			0.1	
Finance lease receivables	(i)							
Derivative financial assets	(ii)		0.9		0.9		0.9	
Financial derivatives, unhedged	[2] ^(x)	0.1			0.1		0.1	
Financial derivatives fair value hedge	[5]							
Cash flow hedge	[5]							
Commodity futures	[2] ^(x)	0.8			0.8		0.8	
Amounts owed by other group companies	(29)	[1]						
Other long-term assets	(31)	[1]	2.8	2.8			2.8	
Other assets (current)	(32)	[1]	5.0	5.0			5.0	
Cash and cash equivalents	(33)	[1]	23.4	23.4			23.4	
Liabilities								
US dollar private placement	(36)	[3]	97.2	97.2			98.5	
Liabilities from put options	(36)	[4]	1.9		1.9		1.9	
Bank overdrafts and loans	(36)	[3]	256.2	256.2			259.9	
Trade payables	(37)	[3]	128.6	128.6			128.6	
Finance lease liabilities	(36)		4.9			4.9	4.8	
Other amounts payable to employees	(37)	[3]	11.2	11.2			11.2	
Personnel related liabilities	(37)	[3]	15.1	15.1			15.1	
Derivative financial liabilities	(ii)		21.4	18.6	2.8		21.4	
Financial derivatives, unhedged	[4] ^(x)	2.8			2.8		2.8	
Financial derivatives fair value hedge	[5]						0.0	
Cash flow hedge	[5]	18.6		18.6			18.6	
Commodity futures	[4] ^(x)							
Other financial liabilities (long and short term)	(36)	[3]	8.8	8.8			8.8	
Other liabilities	(37)	[3]	25.0	25.0			25.0	
Breakdon according to categories								
Loans and receivables	[1]	204.6	204.6				204.6	
Financial assets at fair value through profit or loss	[2]	0.9			0.9		0.9	
Other financial liabilities	[3]	542.1	542.1				547.1	
Financial liabilities at fair valuethrough profit or loss	[4]	4.7			4.7		4.7	
Hedging derivatives	[5]							
– Assets								
– Liabilities		18.6	18.6				18.6	
Held for trading	(x)							
– Assets		0.9			0.9		0.9	
– Liabilities		2.8			2.8		2.8	

i) Compare lease agreements pages 274-275

(ii) Compare derivative financial investments pages 251-257

The book values of loans and receivables amounted to EUR 225.3 million (previous year: EUR 204.6 million) as of 31 December 2010. The increase of EUR 20.7 million results especially from the increase of trade account receivables by EUR 19.5 million and the increase of receivables against investments of EUR 2.3 million as well as currently from the decrease of receivables from construction contracts of EUR 2.4 million. The financial assets at fair value through profit or loss, amount to EUR 0.2 million and contain the positive market value from currency and commodity futures.

The other financial liabilities increased from the previous year's EUR 542.1 million by EUR 70.6 million to EUR 612.7 million in the reporting year and especially include financial liabilities composed of US dollar private placement and overdrafts and loans as well as trade payables.

The liabilities from the US dollar private placement amount to EUR 104.8 million as of 31 December 2010 compared to EUR 97.2 million in the previous year without consideration of the market valuation of the hedging transactions on which this underlying transaction was conducted. The increase by EUR 7.6 million is due to a weaker EUR compared to the US dollar on 31 December 2009. The increase of the bank overdrafts and loans by EUR 24.2 million to EUR 280.4 million results especially from the increase of current bank loans by EUR 19.4 million. Due to the increased business volume compared to the previous year, the trade payables increased by EUR 24.0 million to EUR 152.6 million. In addition personnel related liabilities increased by EUR 11.6 million due to performance-related payments.

The financial liabilities, at fair value through profit or loss, especially contain the market values of forward exchange operations, interest swaps and commodity hedging.

The liabilities from derivatives, hedging derivatives, amount to EUR 8.0 million (previous year: EUR 18.6 million) on the balance sheet date and contain the negative market values of the derivative financial instruments classified as cash flow hedge for hedging against currency and interest rate risks.

Methods for determining the adjusted market value

The trade receivables, current financial receivables, other financial assets as well as liquid assets and cash equivalents mainly have short terms to maturity. Consequently, their book values approximately correspond to the fair value on the balance sheet date. The fair values of financial assets and finance lease receivables correspond to the cash values of the

payments related with the receivables under consideration of the respectively current interest parameter, which reflect market and partner-related changes of conditions and expectations.

The fair values of assets and liabilities from derivative financial transactions are calculated based on market conditions on the balance sheet date. Recognised valuation models are used for the calculation.

Trade payables, personnel related liabilities as well as royalties, bonuses, success shares, other financial liabilities, remaining financial liabilities as well as liabilities from commission settlements normally have short times to maturity. The values in the balance sheet approximately represent the fair values. The fair values of the US dollar private placement, bank overdrafts and loans and finance lease liabilities are calculated as cash present values of the payments related to the debts based on the respectively valid yield curve. A discounting rate of 5.5% (previous year: 5.5%) was used as a basis for the 2010 financial year.

The fair value of liabilities from put options of the previous year is based individually on the agreements between the company and the non-controlling interests or the provisions of the articles of association.

Hierarchy of the adjusted market value

Süd-Chemie uses the following hierarchy for determining and reporting the fair values of financial instruments by valuation procedure:

- Level 1: Listed (unadjusted) prices on active markets for similar assets or liabilities
- Level 2: Procedure in which all input parameters decisively affecting the calculated fair value are observed either directly or indirectly.
- Level 3: Procedure that uses input parameters, which decisively affect the fair value and are not based on observable market data.

Süd-Chemie does not have any assets or liabilities, which are valued at the fair value according to Level 1 or 3.

**ASSETS AT FAIR VALUE THROUGH
PROFIT OR LOSS**

Level 2		
EUR million	2010	2009
Financial assets at fair value through profit or loss	0.2	0.9
Hedging derivatives	0.2	0.9

**LIABILITIES AT FAIR VALUE THROUGH
PROFIT OR LOSS**

Level 2		
EUR million	2010	2009
Financial liabilities at fair value through profit or loss	3.2	4.7
Hedging derivatives	8.0	18.6
	11.2	23.3

There were no valuations at the fair value of level 1 and level 2 or transfers into or from the fair value of level 3 neither in the 2010 financial year nor in the previous year.

Net results according to measurement categories

In addition to interest, net results according to valuation categories consider the effects from the fair value valuation, currency exchanges, impairment as well as derecognition entries from assets and liabilities.

The net results from financial instruments are as follows classified according to IAS 39 (Financial Instruments: Recognition and Measurement):

**NET RESULTS ACCORDING TO VALUATION
CATEGORIES IN THE 2010 FINANCIAL YEAR**

	Interest	FAIR VALUE	Subsequent valuation Currency conversion	Impairment	Derecognition	2010	2009
EUR million							
Loans and receivables	- 0.2		3.7	- 1.9		1.6	- 0.9
Financial assets at fair value through profit or loss		0.2			2.4	2.6	3.5
- thereof held for trading		0.2			2.4	2.6	3.5
Other financial liabilities	- 14.2		- 2.6		0.2	- 16.6	- 15.0
Financial liabilities at fair value through profit or loss		- 0.8	- 1.0			- 1.8	- 3.7
- thereof held for trading		- 0.5	- 1.0			- 1.5	- 3.6
Hedging derivatives		0.3				0.3	- 2.2
	- 14.4	- 0.3	0.1	- 1.9	2.6	- 13.9	- 18.3

Interest from loans and receivables of EUR -0.2 million in the balance sheet especially concern interest income from temporary money investments at banks in the amount of EUR 1.2 million and expenses from forfeiting interest in the amount of EUR 1.4 million as well as for the other financial liabilities, especially the interest expenses for bank loans in the amount of EUR 7.0 million and for the US dollar private placement in the amount of EUR 5.6 million.

The result from the fair value valuation of financial assets, at fair value through profit or loss, contain the market value change of the commodity hedges in the amount of EUR 0.2 million, which were concluded to hedge the price risks for metal purchases. In addition, the financial liabilities, at fair

value through profit or loss, show the negative valuation effect in the amount of EUR 0.5 million from the interest swap concluded at the beginning of 2009 as well as the valuation difference in the amount of EUR 0.3 million from the put option for non-controlling interests. For derivatives that serve for hedging purposes, the positive result effects from inefficiencies from cash flow hedges are entered in the amount of EUR 0.3 million.

The expenses and income from currency conversions for loans and receivables as well as for the other financial liabilities result from transactions of the companies included in the Group Financial Statement, which were not settled in the functional currency of the respective company. The realised losses from future currency deals are included in the financial liabilities, at fair value through profit or loss.

The balance from appreciations and depreciations of trade receivables as well as other assets are shown in the value adjustments allocated to the loans and receivables. The derecognition for the financial assets, at fair through profit or loss, concerns realised profits from commodity hedging. Under the other financial liabilities, the derecognition contains amounts written off from expired trade payables.

The improvement of the net results by EUR 4.4 million according to valuation categories results from the improved net results compared to the previous year for loans and receivables in the amount of EUR 2.5 million, financial assets, at fair value through profit or loss, in the amount of EUR 1.9 million as well as hedging derivatives in the amount of EUR 2.5 million. Currently, the net results from financial assets, at fair value through profit or loss, have decreased by EUR 0.9 million and the other financial liabilities by EUR 1.6 million.

The EUR 1.8 million higher currency gains compared to the previous year and the lower value adjustment of EUR 0.7 million improved net profits under loans and receivables. The positive change under financial liabilities, at fair value through profit or loss, results from the valuation effect lower by EUR 2.3 million of the interest swaps concluded at the beginning of 2009. Currently, currency losses and the valuation difference from the put option for non-controlling interests have increased by EUR 0.2 million each.

The negative valuation effects of EUR 2.0 million from the hedging of the 40 million US dollar tranche of the hedging transaction of the US dollar private loan was entered under the hedging derivatives. This was carried in the balance sheet affecting income according to the rules of fair value hedging as of 29 May 2009, and the expenses from inefficiencies of cash flow hedges were entered in the amount of EUR 0.2 million. This EUR 2.2 million negative net result of the previous year compares with income of EUR 0.3 million from inefficiencies of cash flow hedges.

The worsening of the net results under financial assets, which are valued at the adjusted market value affecting income, results especially from the unrealised profit from commodity hedges, which are EUR 1.4 million lower than the previous year, but which compared with the EUR 0.6 million higher realised profit from commodity hedges.

The net result of the other financial liabilities declined compared to the previous year due to negative currency effects of EUR 2.6 million, which compare with positive currency effects of EUR 1.3 million in the previous year as well as EUR 0.5 million less income from the amounts written off of expired liabilities. Currently, interest expenses for the other financial liabilities have declined by EUR 2.8 million. The results from the valuations of the financial instruments are shown individually in the explanations for the profit and loss account.

Objectives and methods of financial risk management

Risk management system

As a global Group, Süd-Chemie is subject to numerous risks. The risk management system and the risks, which Süd-Chemie Group is subject to, are explained in the joint report of managing board on pages 101 et seq.

Risks and financial instruments

Liquidity, credit and market risks arise from the operative business activities. The market risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes of market prices. The market risk includes interested-dependent cash flow risks, currency risks and other price risks. To limit these financial risks, derivatives are used in addition to primary financial instruments. The use of derivatives is limited to controlling original risks; use of derivatives for speculative purposes is not allowed within the context of internal guidelines.

Due to future changes of exchange rates, interest rates and commodity prices, substantial market value fluctuations of the derivatives used can result. These market fluctuations are not to be considered isolated from the underlying transactions to be hedged. Derivatives and underlying transactions are a unity with respect to their current further development.

Internal guidelines regulate the handling framework, responsibilities and controls required for the use of derivatives. The entry, valuation and settlement of hedging transactions is done centrally on principle or with approval and under the control of the central finance department Süd-Chemie Group in exceptional cases. The effectiveness of hedge relations is checked at regular intervals. Only banks with a good credit rating are contracted as business partners for hedging transactions. Information is provided internally at regular intervals about the most significant financial risks and the hedging instruments used for limiting risk.

With the exception of derivative financial instruments, the essential financial instruments used by the Group include private loans, syndicated and bilateral bank loans and current account loans, financing and leasing relations, and trade payables. The main purpose of these financial instruments is financing the business activity of the Group. The Group has various financial assets such as trade receivables as well as cash and current investments, which result directly from its business activity.

Interest and currency swap transactions, forward currency contracts and commodity futures especially exist as derivative financial instruments. The purpose of these derivative financial instruments is hedging against interest, currency and price change risks, which result from the business activity of the Group and its financing sources. The decisive risks of the Group resulting from the financial instruments include interest-dependent cash flow risks as well as liquidity, currency and credit risks.

Risk situation

Against the background and in the wake of the financial crisis, the consequences of which especially influenced business conditions in 2009, the still volatile capital markets and the increasing volatility on the commodities markets are of pivotal significance for efficient risk management. Süd-Chemie has continued to enhance its structures, instruments and processes for risk management and controlling and has a modern set of instruments for controlling risk. As a result, Süd-Chemie is able to do justice to the challenges of the market and conduct risk- and revenue-optimised control and limiting of all risk types in all business areas. The methods and procedures comply with legal and regulatory requirements.

Interest management and interest change risk

The interest expenses of the Group are controlled by a combination of loans at fixed interest and variable interest rates. To diversify risks, financing in Süd-Chemie Group is partially via long-term fixed interest rates as well as via liabilities with variable interest rates. The risk of fluctuations of marketing rates, to which the Group is subject, results mainly from long-term financial liabilities with variable interest rates. As of 31 December 2010, approximately 32% (previous year: approx. 37%) of the financial liabilities of the Group had fixed interest rates. With inclusion of the interest swap transactions concluded in the previous year to ensure the low interest level, as of 31 December 2010 approx. 88% (previous year: approx. 95%) of the financial liabilities of the Group had fixed interest rates.

The sensitivity analysis is used to present the interest rate change risk in accordance with IFRS 7 (Financial Instruments: Disclosures). The effects of hypothetical market interest rate changes on interest income and interest expenses and thus on equity on the balance sheet date can be calculated using this method. The following table shows the sensitivity of the Group earnings before taxes to a change in interest rates that is possible based on reasonable judgement due to effects on variable interest loans. The sensitivity analysis is based on the following assumptions:

Primary variable interest-bearing financial instruments are subject to an interest rate change risk and are therefore included in the sensitivity analysis. Primary variable interest-bearing financial instruments that were transformed via cash flow hedging into fixed-interest financial instruments are not included. Market interest rate changes have an impact on derivative financial instruments, which are concluded in order to hedge interest-related payment fluctuations, via market changes to equity and are therefore included as part of the sensitivity analysis. All financial assets with fixed-interest and financial assets carried at amortised costs are not subject to any interest rate change risk.

Effects of market interest rate changes on primary, variable interest-bearing financial instruments

EFFECTS OF MARKET INTEREST RATE CHANGES ON PRIMARY, VARIABLE INTEREST-BEARING FINANCIAL INSTRUMENTS

EUR million	2010	2009
Effective interest expense to variable interest bearing		
loans	2.8	3.5
Change in interest expense due to changes of respective		
interests rates		
of 50 basis points	2.9	0.3
of 100 basis points	5.9	0.5
Effective interest income due to variable interest bearing		
loans	0.2	0.3
Change in interest income due to changes of respective		
interest rates		
of 50 basis points	0.4	0.0
of 100 basis points	0.7	0.1
Effect on interest result		
Change in interest result due to changes of respective		
interest rates		
of 50 basis points	2.5	0.3
of 100 basis points	5.2	0.4

Had the market interest rate been 50 or 100 basis points higher during the course of the financial year, then interest income and therefore earnings before taxes (EBT) would have been EUR 2.5 million (previous year: EUR 0.3 million) and EUR 5.2 million (previous year: EUR 0.4 million) lower. A market interest rate of 50 or 100 basis points lower would have had the opposite effect.

A change in the market interest rate affects the valuation of interest hedges currently held. Depending on the valuation of interest rate swaps, a change in the market interest rate on the balance sheet date in the event of an increase in the market interest rate of 50 or 100 basis points would have positively influenced the valuation difference offset in the interest result by EUR 1.4 million or EUR 2.7 million. A 50 or 100 basis points lower market interest rate would have reduced the interest result by EUR 1.4 million or EUR 2.8 million respectively.

A change in the market interest rate would also influence the valuation of the market value of cross currency swaps offset in equity. A 50 or 100 basis point higher market interest rate on the balance sheet date would have led to higher unrealised gains in equity of EUR 0.1 million (previous year: EUR 0.4 million) and EUR 0.2 million (previous year: EUR 0.8 million) respectively. A correspondingly lower market interest rate would have had the opposite effect on equity of EUR 0.1 million (previous year: EUR 0.4 million) and EUR 0.3 million (previous year: EUR 0.8 million) respectively.

Currency management and currency risk

Due to its international orientation, the Süd-Chemie Group is exposed to currency change risk (transaction risk) in respect of various foreign currencies. The currency hedging strategy therefore aims at general hedging of foreign currencies at the time a claim expressed in a foreign currency or an obligation arises through offsetting opposing payment flow in foreign currencies or through financial contracts via derivative financial instruments. The purpose of this strategy is to implement hedging instruments with short-term maturities, generally less than one year, to protect future transactions against currency exchange risk. Recording and managing the foreign currency risks takes place centrally through the Group's treasury department. The foreign currency risk is primarily hedged through the use of forward exchange contracts. Standardised Group guidelines govern the processing of transactions with a strict separation of negotiation, processing and control. The conclusion of forward exchange contracts takes place centrally or, in individual cases, in a decentralised way, in conjunction with the Süd-Chemie Group finance department exclusively with banks that have a first class credit rating.

Foreign currency risks resulting from the conversion of assets and liabilities of foreign companies that therefore have no influence on the Group cash flow (translation risk) are not hedged. On the balance sheet date, forward exchange transactions and currency swaps based particularly on the US dollar (USD), the Canadian dollar (CAD) and the South African rand (ZAR) were the most significant currencies in the Süd-Chemie Group with a volume of EUR 81.0 million (previous year: EUR 43.6 million) with a positive market value of EUR 0.0 million (previous year: EUR 0.1 million). Currency swaps relate primarily to those at Süd-Chemie Finance GmbH for hedging loans extended to Group companies in the respective local currency. The market value of forward exchange transactions is determined on the basis of current market prices taking forward discounts and premiums into account. In order to optimise the effectiveness of a hedging relation, the conditions of the derivative hedging relations are matched with the conditions of the hedged underlying transaction. On 31 December 2010, hedging relations represented approximately 2% (previous year: approximately 4%) of the net exposure in the foreign currencies relevant to the Süd-Chemie Group.

In addition to entered and planned foreign currency transactions from operations, additional currency risks arise from financial liabilities in foreign currencies. In 2004, Süd-Chemie took out a US dollar private placement totalling USD 140 million to secure its medium-term and long-term financial requirements with maturity dates in 2011, 2014 and 2016. To hedge against currency risks arising from this financial liability, the future liabilities from interest payments and capital repayments were transformed into eEUR liabilities via interest and currency swaps. The maturity dates of these hedging transactions are the same as the maturity dates of the payment commitments from the underlying transaction.

In 2004, to cover the medium-term financing requirements of the Süd-Chemie Group, a multi-currency facility totalling EUR 200 million maturing in July 2012 was made available by a banking consortium. This credit line can be utilised in the currencies relevant to the Süd-Chemie Group. To avoid transaction risks in connection with covering the financial requirements of Group companies, it is possible to make the funds available to Group companies in their functional currencies with congruent refinancing. In the course of the expansion of the joint venture with Ashland, a dual-currency facility totalling EUR 110 million (pro-rata EUR 55 million) was made available by a banking consortium in November 2010 to finance the sub-group, ASK Chemicals GmbH, Hilden. Recourse to the credit line can be made in EUR or USD and therefore currency congruent refinancing of the loan extended by ASK Chemicals GmbH to ASK Group companies is largely possible.

IFRS 7 (Financial instruments: Disclosures) requires a sensitivity analysis to be carried out to assess the impact of hypothetical changes in foreign currency rates on the balance sheet date on the consolidated income statement and Group equity. To this end, hypothetical exchange rate changes will be based on the financial instruments held, which are not denominated in functional currencies and are of a monetary nature. It is thus assumed that the financial instruments held on the balance sheet date are representative of the year as a whole. The effects of hypothetical exchange rate changes on the translation risk do not fall within the scope of application of IFRS 7.

Hypothetical exchange rate changes have an income statement-related influence on the market values of derivatives and on the foreign currency results from the current-year assessment of items denominated in foreign currencies. Furthermore, hypothetical exchange rate changes have an impact on the Group equity and the market value of the

derivatives that have been concluded to hedge the off-balance sheet fixed liabilities and highly probable future foreign currency transactions.

Exchange rate risks and their impact on earnings before taxes

On the whole, hypothetical impacts on the income statement in the reporting year result from currency sensitivities from the ratio of the EUR to the Japanese yen and the South African rand and in the previous year to the Canadian dollar.

The following table shows the sensitivity of the Group earnings before taxes due to the change in the fair value of the monetary assets and liabilities in the event of exchange rate changes in the currencies that are relevant to Süd-Chemie Group profit.

EFFECTS OF HYPOTHETICAL EXCHANGE RATE CHANGES				
	+ 5%	- 5%	+ 5%	- 5%
EUR million	2010		2009	
Changes in exchange rates of EUR/USD	0.0	0.0	- 0.5	0.5
Changes in exchange rates of EUR/ZAR	0.6	- 0.6	0.9	- 0.9
Changes in exchange rates of EUR/JPY	1.5	- 1.5	0.3	- 0.3
Changes in exchange rates of EUR/CAD	0.0	0.0	0.8	- 0.8
	2.1	- 2.1	1.5	- 1.5

EFFECTS OF HYPOTHETICAL EXCHANGE RATE CHANGES				
	+ 10%	- 10%	+ 10%	- 10%
EUR million	2010		2009	
Changes in exchange rates of EUR/USD	0.0	0.0	- 1.0	1.0
Changes in exchange rates of EUR/ZAR	1.2	- 1.2	1.7	- 1.7
Changes in exchange rates of EUR/JPY	2.8	- 2.8	0.6	- 0.6
Changes in exchange rates of EUR/CAD	0.0	0.0	1.5	- 1.5
	4.0	- 4.0	2.8	- 2.8

An appreciation in the EUR of 5% and 10% on 31 December 2010, against the currencies relevant to the Süd-Chemie Group, would have caused a change in earnings before taxes of EUR 2.1 million (previous year: EUR 1.5 million) and EUR 4.0 million (previous year: EUR 2.8 million) respectively. A devaluation of the EUR would lead to opposite sensitivities.

**CURRENCY RISKS WITH
INTERNAL GROUP RECEIVABLES
AND LIABILITIES**

	+ 5%	- 5%	+ 10%	- 10%	+ 5%	- 5%	+ 10%	- 10%
EUR million	2010				2009			
Canadian dollar	0.9	- 0.8	2.0	- 1.6	1.0	- 0.9	2.2	- 1.8
Swiss franc	0.3	- 0.3	0.7	- 0.6	0.3	- 0.3	0.6	- 0.5
Chinese renmimbi yuan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Euro	- 1.3	1.1	- 2.7	2.2	- 0.2	0.1	- 0.3	0.3
Japanese yen	0.0	0.0	0.1	- 0.1	- 0.1	0.1	- 0.2	0.2
Polish zloty	0.1	- 0.1	0.1	- 0.1	0.1	- 0.1	0.1	- 0.1
Singapore dollar	0.3	- 0.2	0.6	- 0.5	0.2	- 0.2	0.5	- 0.4
us dollar	- 0.6	0.6	- 1.3	1.1	0.2	- 0.2	2.2	- 1.8
South African rand	0.6	- 0.5	1.3	- 1.0	1.1	- 1.0	2.2	- 1.8
	0.3	- 0.2	0.8	- 0.6	2.6	- 2.5	7.3	- 5.9

Currency risks also exist in the case of internal Group receivables and liabilities. A hypothetical change in the currencies set out below on the basis of the relevant rate on the balance sheet date vis-à-vis all currencies relevant to the Group would affect earnings before taxes as follows:

Exchange rate risks for intercompany receivables and payables

Exchange rate changes also affect the valuation of receivables and liabilities from forward exchange contracts. Based on holdings of forward exchange contracts on the balance sheet date, an appreciation of the Euro against the secured currencies of 5percent or 10percent would improve earnings before tax by EUR 0.4 million (previous year: EUR 1.5 million) and EUR 0.8 million (previous year: EUR 2.8 million) respectively. A devaluation in the euro of 5% or 10% would reduce earnings before tax by EUR 0.5 million (previous year: EUR 1.6 million) and EUR 1.0 million (previous year: EUR 3.4 million) respectively.

The existing financial instruments denominated in euros for those companies which have a functional currency other than the Euro are exposed to currency risks if changing from Euros to the respective functional currency. This would lead to an increase in profit before tax of EUR 0.5 million (previous year: EUR 0.1 million) with an appreciation of the euro of 5% or EUR 0.9 million (previous year: EUR 0.2 million) with an appreciation of 10%. A corresponding devaluation would lead to opposing sensitivities.

In the case of the three hedging transactions (currency swaps) entered into for the purpose of hedging the tranches of USD 25 million, USD 40 million and USD 75 million of the USD private placement, a 5% or 10% appreciation of the EUR would have reduced the financial result due to offset ineffectiveness by EUR 0.5 million (previous year: EUR 0.1 million) and EUR 0.5 million (previous year: EUR 0.1 million) respectively. A

corresponding devaluation of the EUR would have improved the financial result by EUR 0.1 million (previous year: EUR 0.1 million) and EUR 0.2 million (previous year: EUR 0.3 million) respectively.

Exchange rate risks and their impact on valuation effects offset in equity and not affecting net income

Based on the application of IAS 21.15, net investment in foreign operations, a devaluation of the EUR of 5% or 10%, without taking into consideration deferred taxes, would increase equity by EUR 0.2 million (previous year: EUR 0.2 million) and EUR 0.4 million (previous year: EUR 0.4 million) respectively. With an appreciation in the EUR of 5% or 10%, the valuation effects offset in equity and not affecting net income from hedging transactions and the financial liabilities underlying the hedging transactions would have reduced equity by EUR 0.8 million (previous year: EUR 0.7 million) and EUR 1.5 million (previous year: EUR 1.3 million) respectively. The hypothetical change in equity results from currency sensitivities of the EUR against the US dollar. A corresponding devaluation of the EUR would have had an opposite positive effect on equity of EUR 0.8 million (previous year EUR 0.8 million) and EUR 1.8 million (previous year: EUR 1.6 million).

The unrealised gains from currency derivatives which are recorded in equity in accordance with IAS 39 are likely to be recognised as affecting net income in 2011, 2014 and 2016.

Credit management and credit risk

The credit risk lies in the contractual partner not fulfilling its commitments relating to operating activities and financial transactions. As part of overall economic, sector-specific and regional developments, larger customers or customer groups can experience a deterioration in their credit rating. The credit rating risk is limited by efficient management of credit and receivables so that risks arising from a change in a customer's commercial situation can be recognised early.

The Group concludes business exclusively with creditworthy third parties. Any customers wishing to conduct business with the Group on a credit basis are subject to a credit check. In addition, the level of receivables is monitored constantly so that the Group is not exposed to a serious risk of default. In order to further reduce the credit risk, agreements relating to the non-recourse sale of trade debtors have been concluded with financial service providers. On the balance sheet date, non-recourse financing totalled EUR 51.7 million (previous year: EUR 32.7 million). To minimise the credit risk from financial transactions, transactions are only conducted with contractual partners with a good credit rating.

The maximum default risk of the financial assets corresponds to the accounting values of the loans and receivables recognised in the balance sheet totalling EUR 225.3 million (previous year: EUR 204.6 million) and the financial assets, at fair value through profit or loss amounting to EUR 0.2 million (previous year: EUR 0.9 million). A summary of the book values of these financial instruments is given on pages 219 and 220. Of trade receivables totalling EUR 183.9 million, EUR 181.4 million are due within one year. A complete analysis of the receivables which are not impaired, but are overdue as well as the development of the allowance for bad debts are described under item 30 on pages 219 to 220.

Moreover, default risks result from the issuing of financial guarantees. The risk of default is countered by ongoing monitoring of the beneficiaries' credit rating. On 31 December 2010, the Group held liabilities from financial guarantees amounting to EUR 23.0 million (previous year: EUR 14.7 million).

Süd-Chemie has not received any securities for the possible default of receivables. The default risk is covered in the foundry products and special resins business area in part directly by credit loss insurance and borne in the other business areas by the receivables purchaser in the case of non-recourse trade debtors following the transfer of the credit worthiness risk. Risk concentrations on individual customers, suppliers, products, patents or countries do not exist at Süd-Chemie to any significant degree, as extensive risk diversification is achieved through products, production facilities and geographical diversity.

Liquidity management and liquidity risk

The supply of Group companies with cash is ensured on the basis of sufficient credit lines and extensive centralised liquidity management. The majority of Group companies based in countries without transfer restrictions are included in the central cash management system with daily clearing (zero balancing procedure). Balances from transactions within the Group are settled via the netting procedure, i.e. central booking of balances onto the financial offsetting account directed at the relevant company.

The liquidity risk is already countered within corporate planning through detailed cash flow planning and through daily recognition of the financial status of the Group. Furthermore, the liquidity margin, which is limited through financial covenants in credit agreements for long-term financing is monitored monthly by the central financing division.

The basic purpose of liquidity management is to ensure an equal weighting between the continuous coverage of cash requirements and ensuring liquidity through the use of the financing available to Süd-Chemie in the form of private placements, syndicated and bilateral loans, overdraft facilities and finance leases.

The basis of long-term financing and therefore the long-term guaranteeing of liquidity of the Süd-Chemie Group is the private bond (us dollar private placement) issued in the 2004 financial year by Süd-Chemie Finance GmbH, Munich, for which Süd-Chemie AG is fully liable with an issue volume of USD 140 million. The placement, which was subscribed by a US investment group, comprising insurance and pension funds, consists of three tranches amounting to USD 25.0 million, USD 75.0 million and USD 40.0 million with terms of 7, 10 and 12 years.

At the end of 2004, a banking consortium granted a multi-currency credit facility of EUR 200 million to Süd-Chemie Finance GmbH and Süd-Chemie AG which was amended in 2007 to extend the maturity period by another year to a total of 6 years until July 2012. The private placement and the multi-currency credit facility are both subject to compliance with the agreed financial ratios and non-financial conditions, which are monitored continuously.

The key financial figure is the net debt to EBITDA ratio (NET DEBT/EBITDA). Non-financial conditions relate in particular to reporting requirements. The agreed financial key figures and non-financial conditions were fully adhered to in the reporting year and in previous years.

In order to adapt to the increasing financial needs of the Süd-Chemie Group and to increase flexibility regarding the use of the credit lines available, the financial conditions of the multi-currency credit facility and the us dollar private placement were renegotiated in the 2008 financial year. In particular, the upper debt limits set out in the credit agreements calculated on the basis of the net debt to EBITDA (Earnings before interest, taxes, depreciation and amortisation) ratio were adapted to the increasing financial requirements. The key debt figure of NET DEBT/EBITDA was renegotiated in the case of the multi-currency credit facility from 2.85 to 3.25 and in the case of the us dollar private placement from 2.50 to 2.75 taking into consideration the additional financial requirement from acquisitions up to 3.25.

In addition, on the balance sheet date, not including the credit lines available for financing the expansion of the joint venture with Ashland, there are bilateral bank loans and finance lease contracts totalling EUR 331.8 million (previous year: EUR 261.1 million).

With the exception of loans of EUR 1.8 million (previous year: EUR 2.7 million) granted to foreign joint ventures and subsidiaries, the credit agreements were unsecured; EUR 0.6 million (previous year: EUR 0.9 million) applied to an ASK Chemicals GmbH company.

A dual-currency credit facility totalling EUR 110 million (unquoted) was agreed via a banking consortium for the expanded joint venture with Ashland with effect from 30 November 2010. This credit line can be used exclusively within ASK Chemicals GmbH on the basis of special agreements with the issuing banks and the exemption from liability of the joint venture partners. This credit line will run for a basic term until 30 November 2014. Several selected companies in the ASK Chemicals GmbH sub-group are jointly liable for the credit line which has two one-year renewal options. Including bilateral credit agreements, credit lines totalling EUR 122.0 million are available to the ASK Group on the balance sheet date. A drawdown of these credit lines of EUR 45.8 million left a further EUR 76.2 million available to the ASK Group for additional borrowing.

This credit facility is also subject to compliance with certain key financial figures and non-financial conditions. The key financial figure is the net debt to EBITDA ratio (NET DEBT/EBITDA). Non-financial conditions relate in particular to reporting requirements. The agreed financial key figures and non-financial conditions were fully adhered to in the reporting year and in previous years.

As at 31 December 2010, the Süd-Chemie Group had access to credit lines, including the us dollar private placement, but not including the credit lines available exclusively to ASK Chemicals GmbH, of EUR 643.2 million (previous year: EUR 605.3 million). On the balance sheet date, EUR 373.6 million (previous year: EUR 375.2 million) of these credit lines had been utilised leaving EUR 269.6 million (previous year: EUR 230.1 million) still available to the Süd-Chemie Group for additional unsecured loans. Allowing for the financial covenants relating to the us dollar private placement, the liquidity margin on the balance sheet date amounts to EUR 223.3 million (previous year: EUR 101.4 million). This enables the Süd-Chemie Group to access sufficient financial resources to finance its growth and carry out planned investments. Considering the current credit rating of Süd-Chemie, additional financing is feasible if required.

In order to finance working capital and increase the liquidity margin, monthly revolving, non-recourse financing of receivables has been set up with financial service providers. Compared with the previous year, which was characterised by the impact of the global financial crisis and the associated increase in risk aversion among credit insurers, the purchasing limits of the financial service providers returned to a level that was significantly higher than in the previous year. Non-recourse financing volume totalled EUR 51.7 million (previous year: EUR 32.7 million) on the balance sheet date. Of the non-recourse financing volume, EUR 6.1 million (previous

year: EUR 4.5 million) applies to ASK Chemicals GmbH and its subsidiaries. Süd-Chemie AG accepted joint and several liability for the validity of the receivables for these companies. Süd-Chemie AG was discharged from liability in the course of implementing the expansion of the existing joint venture with Ashland.

The Group's financial liabilities have the following maturities. The information is based on contractual, non-discounted payments.

FINANCIAL YEAR 2010

EUR million	2011	2012	2013	2014	2015	after 2015	Total
US-Dollar PRIVATE PLACEMENT	24.4	4.6	4.6	60.7	1.5	31.4	127.2
Bankoverdrafts and loans	116.9	115.3	29.4	20.9	0.2	0.5	283.2
Trade receivables	152.6	0.0					152.6
Finance lease liabilities	1.9	1.4	1.1	0.4	0.2		5.0
Other payable to employees	9.8	1.1	1.2				12.1
Personnal related liabilities	25.8						25.8
Liabilities from financial derivatives	2.4	2.8		5.1		0.9	11.2
Other financial liabilities	10.5						10.5
Other liabilities	21.0	1.1	4.8				26.9
	365.3	126.3	41.1	87.1	1.9	32.8	654.5
thereof interest	8.1	5.3	4.9	4.7	1.5	1.5	26.0

Of the bank overdrafts and loans due in the 2012 financial year, EUR 113.5 applies to the multi-currency facility. This credit line of EUR 200 million is available for other drawdowns until July 2012. Bank overdrafts and loans due at maturity in the 2014 financial year of EUR 20.0 million relate to the credit facility drawn on by ASK Chemicals GmbH. Other amounts due to banks include drawdowns on bilateral credit lines, which have been issued on an until further notice basis or with a term of up to one year. The interest payments secured by currency and interest rate swaps are taken into account in the maturity date analysis of the us dollar private placement. The interest rate swaps concluded at the beginning of 2009 are reported under liabilities from derivatives at market value since the non-discounted payment from these interest rate swaps cannot be calculated reliably. To simplify, the relevant negative market values of the interest rate swaps totalling EUR 3.2 million as of 31 December 2010 were allocated on a pro rata basis to the periods in which the fixed rates were replaced by variable rates.

FINANCIAL YEAR 2009

EUR million	2011	2012	2013	2014	2015	after 2015	Total
us dollar private placement	5.6	22.7	4.6	4.6	56.0	30.4	123.9
Liabilities from put options			2.0				2.0
Bankoverdrafts and loans	234.0	18.2	1.4	5.3	0.5	0.6	260.0
Trade receivables	128.3	0.3					128.6
Finance lease liabilities	1.7	1.6	0.9	0.8	0.3	0.1	5.4
Other payable to employees	8.5	1.4	1.2	0.4			11.5
Personnel-related liabilities	15.1						15.1
Liabilities from financial derivatives	1.3	4.5	0.4		11.0	4.2	21.4
Other financial liabilities	8.8						8.8
Other liabilities	16.1	0.6	0.4	9.2			26.3
	419.4	49.3	10.9	20.3	67.8	35.3	603.0
thereof interest	9.0	6.7	5.5	4.8	3.9	2.7	32.6

Other price risks

As part of the presentation of other risks, IFRS 7 requires disclosures on how hypothetical changes in risk variables affect the prices of financial instruments. Other price risks arise from financial instruments due, for example, to changes in the prices of commodities or equity instruments. Other price risks arise at Süd-Chemie primarily as a result of changes in the prices of commodities.

Price risks arising from the purchase of commodities are mainly passed on to the customer on the basis of contractual agreements. Against the backdrop of increasing volatility on the raw materials markets, forward exchange transactions are used to hedge the price changes which cannot be passed on to customers.

The use of hedges to reduce risk takes place on a revolving basis, whereby approximately 50% of the annual relevant purchase volume of the respective commodities is included in the hedges. The hedging strategies are determined in regular meetings of the 'Base Metal Team' comprising members of the purchasing and finance departments.

Aside from classic swaps (forward contracts) participation forward contracts are also used for risk hedging. With these contracts, a forward price is agreed on the due date which depicts an upper price limit (worst case) scenario. If a set rate level (knockout level) is not reached during the term, a purchase can be made on the maturity date at a more favourable spot price provided the price is below the agreed forward price. Contracts have, in principle, a term of up to 24 months or, in individual cases, a term equal to the term of the customer contract underlying the hedge. These hedging transactions are only concluded with banks with a good credit rating.

The valuation of these hedges on the balance sheet date totalling EUR 0.9 million (previous year: EUR 6.7 million) led to a positive market value of EUR 0.2 million (EUR 0.8 million). Further explanations regarding forward exchange transactions can be found in the section 'Derivative financial instruments' on pages 252 to 257.

The following table shows the sensitivity of the Group's earnings before taxes in the event of changes to the prices of commodities underlying the hedging transactions, in particular nickel, copper and zinc.

IMPACT OF HYPOTHETICAL PRICE CHANGES				
	+5%	-5%	+10%	-10%
EUR million	2010	2009		
Charge prices for commodities				
+5%/−5%	0.0	− 0.1	0.4	− 0.4
Charge prices for commodities				
+10%/−10%	0.1	− 0.1	0.7	− 0.7

Based on the balance of the hedging transaction on the balance sheet date, an increase in the market prices for the commodities underlying the hedging transactions of 5% or 10% would have led to an increase in the market value of the hedging instrument of EUR 0.0 million (previous year: EUR 0.4 million) and EUR 0.1 million (previous year: EUR 0.7 million) respectively. A reduction in the market prices of the relevant commodities of 5% or 10% would have resulted in a drop in the market value of EUR 0.1 million (previous year: EUR 0.4 million) and EUR 0.1 million (previous year: EUR 0.7 million) respectively.

Capital management

The overriding purpose of the Group's capital management is to ensure that the highest credit rating possible is achieved with a sufficient equity quota to support business activities and maximise shareholder value.

The capital structure is managed taking into consideration capital requirements based on the Süd-Chemie Group's growth strategy and financial framework.

The basis of the medium and long-term financing of the Süd-Chemie Group is the US dollar private placement of USD 140 million issued in the 2004 financial year and the multi-currency facility of EUR 200 million granted by a banking consortium in 2004 and extended in 2006. In addition, for the coverage of current financial requirements, sufficient bilateral credit facilities are available with banks with a good credit rating.

To cover current financing requirements and to finance possible acquisitions, in addition to the medium-term dual-currency credit facility of EUR 110.0 million, additional bilateral credit lines of EUR 12.0 million are available to ASK Chemicals GmbH.

Capital management at the Süd-Chemie Group generally takes place via financial covenants agreed with the most significant lenders in the Group. The private placement, the multi-currency credit facility and the dual-currency credit facility are subject to compliance with specific agreed key financial figures and non-financial conditions. The key financial figure is the net debt to EBITDA ratio (NET DEBT/EBITDA).

Net financial debt includes financial liabilities less cash and cash equivalents. Compliance with the covenants is monitored continuously. The covenants have been fully adhered to since the issue of the private placement and since the conclusion of the multi-currency and the dual-currency credit facilities. The credit facility concluded for ASK Chemicals GmbH includes the agreement that this credit line can only be used within ASK Chemicals GmbH and is not available to any other companies in the Süd-Chemie Group apart from this one. Süd-Chemie AG has not accepted any liability for this financing.

The agreements reached between the lenders of the multi-currency credit facility and the private placement contain the provision that the key financial figures of the companies in the Süd-Chemie Group, which have accepted financing without the co-liability of Süd-Chemie AG, are not included in the calculations of the Süd-Chemie Group financial covenants. Thus the debt-equity ratio (NET DEBT/EBITDA) of the Süd-Chemie Group not including the key financial figures of ASK Chemicals GmbH stood at 1.71 on the balance sheet date compared with 2.15 in the previous year.

The fall in the debt-equity ratio resulted from the significantly higher EBITDA compared with the previous year as well as an increase in the non-recourse financing volume compared with the previous year. On the assumption that no major acquisitions are to be made, the aim is to stabilise the debt-equity ratio at this level.

Trade debtors are financed on a non-recourse basis to further manage the capital structure. The volume of non-recourse financing at the Süd-Chemie Group on the balance sheet date was EUR 51.7 million (previous year: EUR 32.7 million). The non-recourse financing volume increased significantly again compared with the previous year, which was characterised by the effects of the financial crisis, as the trade credit insurers extended the credit limits available to Süd-Chemie customers compared with the previous year.

An additional important key figure for capital management at the Süd-Chemie Group is the return on invested capital (ROIC). ROIC, which reflects the profitability of the invested capital, comprises the results of operating activity in relation to invested capital. Invested capital is comprised of tangible and intangible assets as well as working capital less the sum of taxes and other provisions and other liabilities. To this end, working capital is comprised of cash, trade receivables, other amounts owed by group companies, other assets and inventories less the total trade payables and amounts owed to Group companies.

To maintain or adapt the capital structure the Group can make adjustments to the dividend payments to shareholders, pay capital back to shareholders or issue new shares. In the 2010 financial year as well as in the previous year, no changes were made to the targets, guidelines and procedures.

Contingent Liabilities, Contingencies and other Financial Obligations

Contingent liabilities

Securities and guarantees

EUR million	31 Dec 2010	31 Dec 2009
Loan collateral guarantees	23.0	14.7
Other securities	1.9	4.5
	24.9	19.2

Securities and guarantees relate in particular to liabilities assumed by Süd-Chemie AG in the form of product and contractual performance guarantees issued on behalf of joint ventures in the ordinary course of business. The assumptions of liabilities for joint ventures have been recognised on a pro rata basis. The volume of issued securities and guarantees increased by EUR 5.7 million compared to the previous year.

Loan securing guarantees include contract completion guarantees issued by Süd-Chemie AG in favour of a banking consortium for joint venture liabilities arising from the processing of inventory financing agreed with the banking consortium for the purchase of precious metals amounting to EUR 21.4 million (previous year: EUR 6.1 million) and the assumption of liability on the part of Süd-Chemie AG for the granting of loans by a foreign joint venture to a foreign affiliated company totalling EUR 0.7 million (previous year: EUR 0.6 million).

Moreover, Süd-Chemie AG accepted liability in the first half of 2010 for a bank loan by a foreign associated company of EUR 0.9 million and recourse liability for a contract completion guarantee issued by a bank to a foreign associated company of EUR 1.9 million.

Süd-Chemie AG accepted joint and several liability for a bank loan for a proportional total of EUR 8.0 million taken out by a domestic joint venture in the previous year. Süd-Chemie AG was discharged from this liability during the reporting year.

In addition, Süd-Chemie AG took on joint liability for the viability of accounts receivable trade of domestic associated companies of the sub-group of ASK Chemicals GmbH forfeited to a financial service provider. As of the balance sheet date of the previous year, the forfeit volume under joint liability of Süd-Chemie AG was EUR 4.5 million. As part of the implementation of the expansion of the joint venture agreed on with Ashland Inc., Süd-Chemie AG was released from this liability.

Legal contingent liabilities

Sufficient provisions have been made for possible risks from legal disputes in the consolidated financial statements. Nonetheless it cannot be completely ruled out that competitors take legal action against Süd-Chemie over patent or other legal violations.

For example, Süd-Chemie Inc. (USA) was sued in a patent dispute due to unfair competition in the USA. After a first-instance verdict of the Kentucky District Court in September 2007, the Süd-Chemie AG patent was declared null and void. Süd-Chemie appealed against this judgement at the beginning of 2008 in order to protect its legal position. The patent law dispute was ended during the financial year without claims being brought against Süd-Chemie.

Other disputes relating to patent law are currently pending in Canada and Italy. Sufficient provisions were made for these in the 2010 financial statement based on the legal assessments and estimations of our lawyers.

Including these cases there are currently no legal disputes which can significantly impact on the asset and profits situation of the Süd-Chemie Group and Süd-Chemie AG.

Forfaits

Since the end of the 2005 financial year, agreements have been concluded with financial service providers on the sale of trade receivables without recourse to finance the increase in liquid assets based on business development. The receivables purchasers bear the credit rating risk for the purchased receivables, however the Süd-Chemie Group is liable for the feasibility of the receivables. As of the balance sheet date, the total forfeit volume including a special transaction with another financial service provider was EUR 51.7 million (previous year: EUR 32.7 million).

Other financial obligations

EUR million	31 Dec 2010	31 Dec 2009
Purchase commitment	107.0	70.9
Obligations from rental and leasing contracts	21.3	22.1
Other obligations	24.0	34.9
	152.3	127.9

Purchase commitments

The purchase commitments include obligations deriving from orders placed by companies of the Süd-Chemie Group of items of the property plants and equipment and inventories as well as from the purchase of services. The increase as compared to the previous year's figure is due to the higher volume of investment and business. The obligations are predominantly due within one year.

Obligations from rental and leasing contracts

Obligations from rental and leasing contracts especially include future expenses from rental and lease contracts for land and buildings, operating leasing contracts for technical systems and machines, IT equipment, communication equipment and vehicles. Süd-Chemie AG and the group companies which have signed leasing agreements are not subject to any constrictions based on the leasing agreements. As of the balance sheet date, obligations from rental and leasing contracts amount to a total of EUR 21.3 million (previous year: EUR 22.1 million). Obligations from rental and leasing contracts of the previous year included future expenses arising from the lease of a production facility by a subsidiary based on a long-term leasehold contract. In the 2010 financial year, rental and leasing expenses were incurred to total of EUR 15.9 million (previous year: EUR 13.9 million).

Payment obligations from rental and leasing contracts mature as follows:

MATURITY OF RENTAL AND LEASING PAYMENTS					
	due within 1 Year	due between 1 and 5 Years	due after 5 Jahren	31 Dec 2010 Total	31 Dec 2009 Total
EUR million					
Leasing payments	4.0	6.8	0.9	11.7	13.5
Rental payments	2.7	5.2	1.7	9.6	8.6
	6.7	12.0	2.6	21.3	22.1

Other obligations

ASK Chemicals Metallurgy GmbH, Unterneukirchen, acquired the production facilities of AlzChem Hart GmbH, Trostberg, in the 2008 financial year with effect as of 1st October 2008. As part of this acquisition, an extensive service contract was drawn up between skw Giesserei GmbH and the seller, including repair, maintenance, logistics and waste disposal services. Up until the expiry of this contract, future expenses arising from this contract amounts to a total of EUR 4.4 million (previous year: EUR 6.7 million). From the land leasehold rights contract signed with the seller for a period of 30 years, further obligations arise of EUR 1.9 million (previous year: EUR 2.0 million).

As part of the implementation of the joint venture with Ashland, ASK Chemicals GmbH and its subsidiaries drew up certain service contracts with the joint venture partners. Obligations from these service contracts drawn up with Ashland for a transitional period of up to 5 years total EUR 2.2 million per year.

In the 2004 financial year a service contract was concluded with a company in the field of information technology. The contract included group-wide provision of the IT infrastructure required for the Süd-Chemie Group as well as related IT services. Obligations arising from this were EUR 9.3 million in the previous year. The contract was adjusted in the previous year; the obligations arising from this up to expiry of the contract total EUR 5.1 million.

In the 2009 financial year, Süd-Chemie AG concluded an overall works agreement for the introduction of working time accounts as of April 2010. In this agreement, Süd-Chemie AG undertook to pay a total of EUR 3.6 million in subsidies over a period of 5 years. The total obligation as of the balance sheet date is EUR 3.4 million. The total amount of the subsidy is reached when all entitled staff make use of the work-time account facility, which is rewarded with the conversion of remuneration components and/or time credits.

The other obligations in particular include obligations from other contracts in the field of information technology amounting to EUR 5.6 million (previous year: EUR 7.6 million) for future expenses arising from maintenance contracts for the global accounting system SAP ECC, obligations for establishing a foundation professorship and payments into a foundation at Technische Universität München amounting to a total of EUR 1.9 million, as well as other obligations not exceeding the amount of EUR 0.3 million individually.

In the previous year, the other obligations included future purchase price increases based on future revenues from licence rights acquired in the 2005 financial year of up to EUR 1.2 million; the probability of occurrence of this obligation was rated as improbable in the course of revaluation.

Lease agreements

Süd-Chemie as lessee

Finance leasing

Assets for which the companies of the Süd-Chemie Group have concluded finance leasing contracts are reported under tangible assets.

In some group companies, SALE-AND-LEASE-BACK contracts were taken out in previous years with a total volume of EUR 7.1 million for land and buildings. The transactions were undertaken at the market value of the properties; the present value of future minimum leasing payments covered the purchase costs of the lessors. Legal ownership of the land and buildings is transferred to the lessees at the end of the term of the contracts in November 2013 or May 2015 due to contractually granted option rights at the residual value of the liabilities financing the purchase costs. The accounting value of the leasing objects as of the balance sheet date is EUR 5.9 million (previous year: EUR 6.1 million).

ACCOUNTING VALUES OF THE FINANCE LEASING OBJECTS

	Gross figures		Net figures	
EUR million	31 Dec 2010		31 Dec 2009	
Properties and buildings	7.9	6.8	7.6	6.7
Technical plant and machines	2.1	1.4	1.5	0.9
Other plant and business equipment	3.2	1.6	2.5	1.3
	13.2	9.8	11.6	8.9

The liabilities from finance leasing contracts are shown at their present value of the future minimum leasing payments and reported under non-current and current financial liabilities.

The leasing contracts for properties, technical systems and machines and other operational and office equipment regularly include a purchase option or contract extension option. The residual terms of the contracts are between one and five years. The interest rates on which the contracts are based on, vary according to the time of contract signing and contractual currency between 1.01% and 18.10% p.a. (previous year: 1.26% and 11.87% p.a.).

Payments arising from finance leasing contracts in future, the interest included therein and the cash value from future minimum leasing payments reported at the respective amounts under financial liabilities are derived from the following table:

	Due within 1 Year	Due between 1 and 5 Years	Due after 5 Years	Total	Total
EUR million				31 Dec 2010	31 Dec 2009
Minimum leasing payments	1.9	3.1		5.0	5.4
Deduction of accrued interest	0.2	0.2		0.4	0.5
Cash values	1.7	2.9		4.6	4.9

The obligations as of 31 December 2010 for the acquisition of leasing objects in the case of finance leasing contracts and SALE-AND-LEASE-BACK-contracts amount to EUR 0.1 million (previous year: EUR 0.1 million).

Operating leasing

The minimum total amount of non-reduced leasing payments from operating leasing contracts is EUR 12.4 million (previous year: EUR 13.4 million). Total leasing expenses incurred in the 2010 financial year is EUR 7.1 million (previous year: EUR 5.0 million). The relevant payment obligations from the operating leasing contracts mature as follows:

MATURITY OF LEASING PAYMENTS	Due within 1 Year	Due between 1 and 5 Years	Due after 5 Years	Total	Total
EUR million				31 Dec 2010	31 Dec 2009
Leasing payments	4.2	7.3	0.9	12.4	13.4

Süd-Chemie as lessor

Finance leasing

The financial leasing contract concluded between Süd-Chemie AG and H. von Gimborn GmbH, Emmerich, with effect as of 1 January 2006 in connection with the sale of the pet product business division, for technical systems and machines, had a contractual term up until 31 December 2009. During the term of the contract, ownership of the technical systems and machines passed into the hands of the lessee at contractually determined points in time.

Operating leasing

As part of the sale of the pet product division, Süd-Chemie concluded a leasing contract for land and property with effect as of 1st January 2006 with H. von Gimborn GmbH, Emmerich. The contract has a fixed term until 31 December 2015. In addition to this, a foreign group company concluded several leasing contracts for office buildings with a term of no later than December 2012. Since the opportunities and risks associated with ownership of this land and these buildings remain with the respective lessor, the leasing contracts have been qualified as operating leasing contracts. The accounting values of the leasing objects are reported at ongoing procurement cost under fixed assets.

The total amount of future minimum leasing payments from OPERATING-LEASING-contracts which cannot be terminated is broken down as follows:

	Due within 1 Year	Due between 1 and 5 Years	Due after 5 Years	Total	Total
EUR million				31 Dec 2010	31 Dec 2009
Minimum leasing payments	0.6	1.5	0.5	2.6	2.6

Related Party Transactions

According to IAS 24 (details of relations with related companies and individuals) persons or companies who are influenced by the reporting company or who can exert influence on the company must be named unless they are not already included in the consolidated financial statement as consolidated companies.

Related persons in the Süd-Chemie Group are basically the joint ventures and associated companies, the members of the Board and Supervisory Board of Süd-Chemie AG and other individuals or groups of persons with a significant influence. Relations with joint ventures and associated companies derive

from trade relations in addition to influence based on legal relationships. Trade relationships with associated companies are shown in the tables below.

Relations with associated companies

SUPPLIES AND SERVICES TO RELATED COMPANIES	Capital shares Percent	Sales revenue with associated companies		Other services to associated companies		Total	
		2010	2009	2010	2009	2010	2009
EUR million							
Joint ventures							
Blendtech (Pty) Ltd	50.0	5.5	4.4	0.4	0.1	5.9	4.5
ASK Chemicals Feeding Systems GmbH	50.0	1.8	1.1	0.1	0.1	1.9	1.2
Exaloid Süd-Chemie. s.L.	50.0	1.5	0.9			1.5	0.9
ASK Chemicals France S.A.S.	50.0	0.7	0.6			0.7	0.6
Süd-Chemie India Pvt. Ltd.	50.0	0.6	2.2			0.6	2.2
ASK Chemicals Scandinavia AB	50.0	0.5	2.2			0.5	2.2
ASK Chemicals Austria Ges.m.b.H.	50.0	0.3	0.2			0.3	0.2
ASK Chemicals Benelux B.V.	50.0	0.2	0.1			0.2	0.1
ASK Chemicals Czech s.r.o.	50.0	1.1	0.8			1.1	0.8
ASK Chemicals GmbH	50.0			0.5	0.2	0.5	0.2
Scientific Design Company. Inc.	50.0			0.3	0.1	0.3	0.1
		12.2	12.5	1.3	0.5	13.5	13.0

In the 2010 financial year the total volume of supplies and services including other services provided to related companies was EUR 13.5 million (previous year: EUR 13.0 million). The internal transfer prices on which this trade was based were market-oriented in accordance with the rules for

internal group services, taking into account the Dealing at Arm's Length principle. Services to joint ventures were mainly passed on costs for the use of central services.

SUPPLIES AND SERVICES PROVIDED BY RELATED COMPANIES	Capital shares Percent	Sales revenue with associated companies		Other services to associated companies		Total	
		2010	2009	2010	2009	2010	2009
EUR million							
Joint ventures							
Süd-Chemie India Pvt. Ltd.	50.0	9.5	10.8	0.1	0.4	9.6	11.2
ASK Chemicals GmbH	50.0	0.7	0.6	0.2	0.1	0.9	0.7
ASK Chemicals Czech s.r.o.	50.0	0.7		0.1		0.8	
ASK Chemicals Scandinavia AB	50.0	0.6	0.4	0.2		0.8	0.4
ASK Chemicals Feeding Systems GmbH	50.0	0.1	0.1			0.1	0.1
Companhia Brasileira de Bentonita Ltda.	26.0	0.1				0.1	
ASK Chemicals Austria Ges.m.b.H.	50.0				0.1		0.1
		11.7	11.9	0.6	0.6	12.3	12.5

Supplies and services provided by related companies to associated companies of the Süd-Chemie Group largely include prepayments for the further processing of products and semi-finished products, passing on of contract manufacturing costs as part of contract awards to these companies and commissions for order procurement.

The receivables and liabilities as of the balance sheet date between fully consolidated companies of the Süd-Chemie Group and joint ventures are shown in the following table:

RECEIVABLES/LIABILITIES VIS-À-VIS RELATED COMPANIES	Capital shares Percent	Sales revenue with associated companies		Other services to associated companies		Balance receivables/ liabilities	
EUR million		31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Joint ventures							
ask Chemicals Metallurgy GmbH	50.0	2.3				2.3	
Blendtech (Pty) Ltd	50.0	0.9	1.2			0.9	1.2
ask Chemicals GmbH	50.0	0.9	0.1		1.4	0.9	– 1.3
ASK Chemicals Scandinavia AB	50.0	0.2		0.1		0.1	
Scientific Design Company, Inc.	50.0	0.2		3.6	0.9	– 3.4	– 0.9
Exaloid Süd-Chemie. s.L.	50.0	0.1	0.2		1.0	0.1	– 0.8
Süd-Chemie India Pvt. Ltd.	50.0	0.1		1.2	4.0	– 1.1	– 4.0
ask Chemicals Feeding Systems GmbH	50.0		0.2		0.2		0.0
ask Chemicals France s.A.S.	50.0		0.1				0.1
ask Chemicals Benelux B.v.	50.0				0.3		– 0.3
sd Lizenzverwertungsgesellschaft mbH & Co. kg	50.0			0.3		– 0.3	
ask Chemicals Core Tech GmbH	50.0			0.1		– 0.1	
		4.7	1.8	5.3	7.8	– 0.6	– 6.0

The receivables and liabilities vis-à-vis related companies are of subordinate importance, both individually and from the point of view of the group overall. The outstanding balances as of the end of the financial year are unsecured and, insofar as these are trade receivables or liabilities, are not subject to interest. For receivables or liabilities vis-à-vis related companies there are no guarantees; receivables from related companies were not adjusted in the 2010 financial year or in the previous year.

The accounts receivable from ASK Chemicals Metallurgy GmbH (formerly: skw Giesserei GmbH) includes the pro-rata claim of Süd-Chemie Finance GmbH from the takeover of the profits of the company for the abbreviated financial year from 1st January to 30 November 2010 based on the profit and loss transfer agreement concluded with the company. The profit and loss transfer agreement was suspended with effect as of 30 November 2010.

Of the liabilities vis-à-vis related companies, there are financial liabilities of EUR 3.8 million (previous year: 2.7 million) which apply to Süd-Chemie Finance GmbH as a result of inclusion of these companies in the central cash management system of Süd-Chemie. Finance settlement costs are subject to interest rates at normal market terms.

Interest yield generated by related companies during the period under review is EUR 0.1 million (2009: EUR 0.0 million); interest yield with related companies is EUR 0.3 million (2009: EUR 0.2 million).

Contingent liabilities of related companies and individuals

There are no contingent liabilities towards related individuals. Contingent liabilities entered into to the benefit of related companies are explained under the notes on contingent liabilities by way of a conclusion on pages 272 to 274.

Relations with related companies

sc-Beteiligungsgesellschaft mbH, Frankfurt, belonging to JPMorgan Chase & Co., New York/USA, via One Equity Partners II L.P., New York/USA, holds a total of 50.4137% of voting rights in Süd-Chemie AG. In the period of 1st January to 31 December 2010, no legal transactions were undertaken with sc-Beteiligungsgesellschaft mbH or with its associated companies. A dependence report was produced. There are other receivables outstanding from sc-Beteiligungsgesellschaft mbH as of the financial statement date from advance costs including VAT of EUR 182,776.46.

Relations with related companies and individuals

A group of shareholders, in some cases with significant shareholdings in Süd-Chemie AG also holds shares in the group company Süd-Chemie & Co. Limited Partnership, Wilmington/USA, a fully consolidated subsidiary. This group holds a total share in Süd-Chemie AG of approx. 33% and in Süd-Chemie & Co. Limited Partnership of approx. 15%. The holding amounts of this group in Süd-Chemie AG are between approx. 3.4% and approx. 10.2%. The shares in Süd-Chemie & Co. Limited Partnership held by individual members of this group are between approx. 0.4% and approx. 7.4%. Süd-Chemie & Co. Limited Partnership in turn holds almost 100% of shares in the operative company Süd-Chemie Inc., Louisville/USA. The members of this group are in some cases on the Supervisory Board of Süd-Chemie AG on the Management Board of Süd-Chemie & Co. Limited Partnership as well as of Süd-Chemie Inc. Between Süd-Chemie Inc. and Süd-Chemie & Co. Limited Partnership there is a rental contract on the use of a building owned by Süd-Chemie & Co. Limited Partnership. Rental is at usual market terms and conditions. The annual rent is equivalent to EUR 0.4 million on average per year.

The representatives of sc Beteiligungsgesellschaft mbH, Frankfurt, on the Supervisory Board of Süd-Chemie AG, Prof. Utz-Hellmuth Felcht, Mr. Christoph Giuliani and Mr. Christopher von Hugo do not currently hold direct shares in Süd-Chemie AG. They do however hold an indirect share in Süd-Chemie AG via companies which exercise control over Süd-Chemie AG through sc Beteiligungsgesellschaft mbH, Frankfurt.

One Supervisory Board member of Süd-Chemie AG with a not insignificant share in Süd-Chemie AG works as a patent lawyer for Süd-Chemie AG with the consent of the Supervisory Board. The fee volume charged at the customary rate in the 2010 financial year including VAT was EUR 482,400 (previous year: EUR 440,800). As of the balance sheet date there were outstanding liabilities from fee invoices of EUR 85,400 (previous year: EUR 82,400). Companies of the Süd-Chemie Group have no other business relations with members of the Supervisory Board of Süd-Chemie AG which are subject to reporting requirements.

At the beginning of 2008, One Equity Partners offered three additional managers in addition to Board Members a management share programme allowing participants to participate in the performance of shares held by sc-Beteiligungsgesellschaft mbH in Süd-Chemie AG via a management shareholding company with the legal status of a limited partnership ("Kommanditgesellschaft"). The figure to be reported from the management share programme in relation to this group of individuals according to IFRS 2 as of the balance sheet date is EUR 2.7 million per year.

The business of the Board subject to reporting requirement including notes on the management share programme are to be found in the remuneration report on pages 95 to 100.

Corporate Bodies

Supervisory Board

The Supervisory Board of Süd-Chemie AG comprises six representatives of the shareholders and three representatives of the employees. The Supervisory Board consists of the following members in the reporting year:

Representatives of the shareholders

Prof. Dr. Dr. h.c. Utz-Hellmuth Felcht, Munich

Chairman of the Supervisory Board

Partner of One Equity Partners Europe GmbH

Former Chairman of the Board of Degussa AG

Other Supervisory Board seats:

Deutsche Bahn AG (Chairman since 25 March 2010)

CRH Plc./Ireland

Advisory Board:

Deutsche Bank AG Süd

Jungbunzlauer Holding AG/Switzerland

Dr. rer. pol. Dolf Stockhausen, Ennetbürgen/Switzerland

Deputy Chairman of the Board

Partners' committee:

EAT GmbH (Chairman)

Group mandates:

Süd-Chemie Corporation of America

Süd-Chemie & Co. Limited Partnership

Christoph Giuliani, Frankfurt am Main

Partner of One Equity Partners Europe GmbH

Other Supervisory Board mandates:

Schoeller Arca Systems Holding B.V./Netherlands

Christopher von Hugo, Frankfurt am Main

Managing Partner of One Equity Partners Europe GmbH

Other Supervisory Board mandates:

Pfleiderer AG (until 17 February 2011, Chairman since 23 June 2010)

Smartrac N.V./Netherlands (since 21.10.2010)

Constantia Packaging AG/Austria (Chairman from 24 August to 1 December 2010), Constantia Flexibles Holding GmbH/Austria (Chairman since 5 November 2010)

Austria Metall GmbH/Austria (since 21 October 2010)

Duropack GmbH/Austria (since 9 December 2010)

Partners' committee: Cereals Holding GmbH

Dr. Ing. Peter Schweighart, Herrsching

Patent Attorney, Partner in Hoffmann Eitle Patentanwälte und Rechtsanwälte

Group mandates:

Süd-Chemie Inc.

Süd-Chemie Corporation of America,

Süd-Chemie & Co. Limited Partnership

Konstantin Winterstein, Munich

Qualified engineer at BMW AG

Group mandates:

Süd-Chemie Corporation of America,

Süd-Chemie & Co. Limited Partnership

Employee representatives

Johann Meier, Moosburg

Gatekeeper and Member of the Works Council

Rainer Seufert, Bad Aibling

Quality Laboratory Manager, Heufeld Plant

Works Council Chairman (until 31 March 2010)

Peter Simon, Bruckberg

Laboratory Assistant and member of the Works Council

Works Council Chairman (until 17 November 2010)

Alternative members

Christian Ratjen, Königstein

Partners' committee/Adviser:

Pfeifer & Langen Industrie- und Handels KG

Pfeifer & Langen KG

Group mandates: Süd-Chemie Corporation of America,

Süd-Chemie & Co. Limited Partnership

Dr. Jörg Zirener, Bad Soden

Managing Director One Equity Partners Europe GmbH

Other Supervisory Board mandates:

Smartrac N.V./Netherlands (since 21 October 2010),

Constantia Packaging AG/Austria (from 24 August to 1 December 2010), Constantia Flexibles Holding

GmbH/Austria (since 5 November 2010),

Duropack GmbH/Austria (since 9 December 2010)

Honorary Chairman

Dr. rer. nat. Karl Wamsler, Pöcking

Former Chairman of the Managing Board and Supervisory Board of Süd-Chemie AG

Group mandates: Süd-Chemie Corporation of America

Süd-Chemie & Co. Limited Partnership

Süd-Chemie Inc.

Supervisory Board Committees

The Supervisory Board has set up a total of four committees to carry out its tasks efficiently. The topics discussed and decisions to be made at Supervisory Board meetings are discussed in depth in these committees. As far as allowed by law, individual powers to make decisions are transferred from the Supervisory Board to the committees in accordance with the Süd-Chemie AG articles of association and rules of procedure. The relevant committee chairs must report on events and the content of committee meetings at Supervisory Board meetings, decisions are discussed at length. The committees and their composition are listed below:

Technology and Investment committee:

Dr. Dolf Stockhausen (Chairman)
 Prof. Dr. Dr. h. c. Utz-Hellmuth Felcht
 Christoph Giuliani
 Dr. Peter Schweighart
 Rainer Seufert
 Peter Simon
 Konstantin Winterstein

Personnel committee:

Prof. Dr. Dr. h. c. Utz-Hellmuth Felcht (Chairman)
 Christoph Giuliani
 Dr. Peter Schweighart

Audit committee:

Christoph Giuliani (Chairman)
 Prof. Dr. Dr. h. c. Utz-Hellmuth Felcht
 Peter Simon
 Konstantin Winterstein

Social committee:

Dr. Peter Schweighart (Chairman)
 Johann Meier
 Konstantin Winterstein

Supervisory Board Remuneration

In accordance with Section 16 of the Articles of Association passed at a Süd-Chemie AG Annual Shareholders' Meeting, each member of the Supervisory Board receives an annual remuneration based on the total dividend payable in addition to the repayment of expenses. This remuneration amounts to EUR 1,200 for each percentage point of the total dividend as a proportion of the subscribed capital, but not less than EUR 1,500. The Supervisory Board Chairman received three times this amount and the deputy twice this amount. Supervisory Board members not holding office for the entire financial year are remunerated on a pro rata basis. Subject to the approval of the Supervisory Board, individual Supervisory Board members may also be granted additional remuneration for special activities carried out in the interest of the company.

Total emoluments of the Supervisory Board of Süd-Chemie AG amounted to EUR 961,100 (previous year: EUR 619,000). This included fixed emoluments of EUR 18,000 (previous year: EUR 18,000) and variable emoluments of EUR 943,100 (previous year: EUR 601,000). Furthermore, Supervisory Board members received emoluments for their supervisory activities at affiliated companies totalling EUR 3,800 (previous year: EUR 3,600). Substitute members of the Supervisory Board did not receive any emoluments from Süd-Chemie AG.

Total emoluments for the Süd-Chemie AG Supervisory Board for the 2009 and 2010 financial years are broken down among individual members as follows:

One patent lawyer company whose partner is also a member of the Supervisory Board with a not insignificant investment in Süd-Chemie AG received a total of EUR 482,400 including VAT in 2010 for consulting services (previous year: EUR 440,800). The fees were charged at prevailing market rates. The patent lawyer company works with the approval of the Supervisory Board of Süd-Chemie AG. No commissions were paid in the past year for other special activities such as consultancy or agency services. The employee-elected Supervisory Board

T. EUR	Fixed remuneration		Variable remuneration		Total remuneration	
	2010	2009	2010	2009	2010	2009
Prof. Dr. Dr. h. c. Utz-Hellmuth Felcht	4.5	4.5	239.2	150.2	243.7	154.7
Dr. Dolf Stockhausen	3.0	3.0	156.5	100.1	159.5	103.1
Christoph Giuliani	1.5	1.5	78.2	50.1	79.7	51.6
Christopher von Hugo	1.5	1.5	78.2	50.1	79.7	51.6
Johann Meier	1.5	1.5	78.2	50.1	79.7	51.6
Dr. Peter Schweighart	1.5	1.5	78.2	50.1	79.7	51.6
Rainer Seufert	1.5	1.5	78.2	50.1	79.7	51.6
Peter Simon	1.5	1.5	78.2	50.1	79.7	51.6
Konstantin Winterstein	1.5	1.5	78.2	50.1	79.7	51.6
	18.0	18.0	943.1	601.0	961.1	619.0

members received emoluments on the basis of existing contracts of employment. No advance payments or loans were granted to members of the Supervisory Board in the reporting year nor were any liabilities entered into on their behalf. Supervisory Board members received reimbursements for expenses incurred in connection with their Supervisory Board duties of EUR 200.

Representatives of sc-Beteiligungsgesellschaft mbH on the Supervisory Board, Prof. Dr. Dr. h. c. Dr. Utz-Hellmuth Felcht, Christoph Giuliani and Christopher von Hugo do not currently hold any shares in our company. They have a direct interest in Süd-Chemie AG, however, via sc-Beteiligungsgesellschaft mbH which exercises control over Süd-Chemie AG.

Managing Board

Dr. rer. nat. Günter von Au

Managing Board Chairman

Supervisory Board/Advisory Board mandates in the Süd-Chemie Group:

Süd-Chemie Corporation of America Inc. (CEO, Executive Committee), Süd-Chemie Inc. (Chairman, Board of Directors) Süd-Chemie & Co. Limited Partnership (CEO, Member Advisory Committee), Süd-Chemie North America Inc. (Director and President, Board of Directors), Süd-Chemie India Pvt. Ltd. (Chairman, Board of Directors), Süd-Chemie Catalysts Japan, Inc. (Representative Director, Vice President, Board of Directors), Süd-Chemie China Holding Limited (Chairman, Board of Directors), Süd-Chemie Investment Management (Shanghai) Co., Ltd. (Chairman, Board of Directors), Baotou Süd-Chemie Chemical Materials Co., Ltd. (Chairman, Board of Directors), Jiangsu Süd-Chemie Chemical Materials Co., Ltd. (Chairman, Board of Directors), Jiangsu Süd-Chemie Performance Packaging Materials Co., Ltd. (Chairman, Board of Directors), Süd-Chemie Redhill Bentonite (Liaoning) Co., Ltd. (Chairman, Board of Directors), Süd-Chemie Catalysts (Nanjing) Co., Ltd. (Chairman, Board of Directors), Shanghai Süd-Chemie Catalysts Co., Ltd. (Chairman, Board of Directors)

Other mandates:

Supervisory Board: E.ON Bayern

Dr. rer. nat. Hans Jürgen Wernicke

Deputy Chairman/Managing Board Member

Adsorbents Division

Supervisory Board/Advisory Board mandates in the Süd-Chemie Group:

ASK Chemicals GmbH (Chairman of Advisory Board)
ASK Chemicals Foundry Solution India Pvt. Ltd. (Director, Board of Directors), Biocatalysts Limited (Director, Board of

Directors), Exaloid Süd-Chemie, S.L. (Director, Board of Directors), Süd-Chemie France S.A.S. (Member of Administrative Board), Süd-Chemie China Holding Limited (Director, Board of Directors), Süd-Chemie Investment Management (Shanghai) Co., Ltd. (Director, Board of Directors), Baotou Süd-Chemie Chemical Materials Co., Ltd. (Director, Board of Directors), Jiangsu Süd-Chemie Chemical Materials Co., Ltd. (Director, Board of Directors), Jiangsu Süd-Chemie Performance Packaging Materials Co., Ltd. (Director, Board of Directors), Süd-Chemie Redhill Bentonite (Liaoning) Co., Ltd. (Director, Board of Directors), Süd-Chemie Inc. (Director, Board of Directors), Süd-Chemie & Co. Limited Partnership (Member Advisory Committee), Süd-Chemie North America Inc. (Director and Executive Vice President, Board of Directors), Süd-Chemie (Schweiz) AG (Chairman of Administrative Board), Süd-Chemie SA (Pty) Ltd. (Chairman, Board of Directors), Süd-Chemie Sasol Catalysts (Pty) Ltd. (Director, Board of Directors), Süd-Chemie Zeolites (Pty) Ltd. (Director, Board of Directors), Süd-Chemie Adsorbents SA (Pty) Ltd (Chairman, Board of Directors), Süd-Chemie Water & Process Technologies (Pty) Ltd (Chairman, Board of Directors) Other mandates:

Advisory Board: Hörmann Holding

Edgar Binnemann

Managing Board Member Finance and Controlling

Supervisory Board/Advisory Board mandates in the Süd-Chemie Group:

ASK Chemicals GmbH (Member of Advisory Board)
ASK Chemicals Foundry Solution India Pvt. Ltd. (Director, Board of Directors), Phostech Lithium Inc. (Director, Board of Directors), Süd-Chemie China Holding Limited (Director, Board of Directors), Süd-Chemie Finance GmbH (Director) Süd-Chemie Inc. (Director, Board of Directors) Süd-Chemie Investment Management (Shanghai) Co., Ltd. (Director, Board of Directors), Süd-Chemie North America Inc. (Treasurer, Board of Directors), Süd-Chemie SA (Pty) Ltd (Director, Board of Directors), Süd-Chemie South East Asia Pte Ltd. (Director, Board of Directors), Süd-Chemie (TR) Madencilik Sanayi ve Ticaret A.S. (Chairman, Board of Directors), Scientific Design Company, Inc. (Director, Board of Directors)

Other mandates:

Stock exchange: Munich Stock Exchange

Dr. rer. nat. Hans-Joachim Müller

Managing Board Member Catalysts Division

Supervisory Board/Advisory Mandates in the Süd-Chemie Group:

Panjin Süd-Chemie Liaohe Catalyst Co., Ltd. (Chairman, Board

of Directors), Phostech Lithium Inc. (President, Board of Directors), Süd-Chemie China Holding Limited (Director, Board of Directors), Süd-Chemie Investment Management (Shanghai) Co., Ltd. (Director, Board of Directors), Süd-Chemie Catalysts (Nanjing) Co., Ltd. (Director, Board of Directors), Süd-Chemie Catalysts Italia S.r.l. (Chairman, Board of Directors), Süd-Chemie Inc. (Director, Board of Directors) Süd-Chemie India Pvt. Ltd. (Director, Board of Directors) Süd-Chemie Catalysts Japan, Inc. (Director, Board of Directors), Süd-Chemie SA (Pty) Ltd (Director, Board of Directors), Süd-Chemie Sasol Catalysts (Pty) Ltd. (Chairman, Board of Directors), Süd-Chemie Zeolites (Pty) Ltd. (Chairman, Board of Directors), Scientific Design Company. Inc. (Director, Board of Directors), Shanghai Süd-Chemie Catalysts Co. Ltd. (Chairman, Board of Directors)

Managing Board Remuneration

The structure of our Managing Board's remuneration system is regularly checked by the Supervisory Board at the request of the personnel committee. The personnel committee of the Supervisory Board is responsible for setting the levels of remuneration for the Managing Board. Criteria for the adequacy of the remuneration are the responsibilities of the respective Managing Board member, his personal performance, the performance of the complete Managing Board as well as the financial situation, the success and future outlook of the Group in its area of activity.

Overall remuneration of Managing Board consists of performance-related and non-performance related pay. The non -performance related component is composed of a fixed salary, fringe benefits and pension benefits. Managing Board members receive fringe benefits in the form of benefits in kind, especially company car use and payment of other insurance benefits, which essentially are composed of the value of insurance premiums and company car use according to tax guidelines. The individual Managing Board members must pay tax on these fringe benefits as compensation components. All Managing Board members in general have the same right to them.

Loans or advances were not granted to Managing Board members in the reporting year; no contingent liabilities were assumed for Managing Board members.

The performance-related component of remuneration includes the profit-sharing bonuses and the annual share from the long-term remuneration scheme (AVE programme). The profit-sharing bonuses depend on the achieved net income of Süd-Chemie Group. The long-term remuneration scheme (AVE programme) was suspended due to the recession for the 2009 financial year and restarted in the reporting year.

Total remuneration of the Managing Board members amounts to EUR 5,788,000 (previous year: EUR 3,832,000). Total remuneration contains non-performance-related remuneration in the amount of EUR 1,573,000 (previous year:

EUR 1,555,000) and performance-related remuneration in the amount of EUR 4,215,000 (previous year: EUR 2,277,000). The fixed salaries in the amount of EUR 1,479,000 (previous year: EUR 1,474,000) include salaries in the amount of EUR 57,000 (previous year: EUR 52,000) from subsidiaries of Süd-Chemie Group.

Remuneration for Managing Board members in the financial year (mandatory disclosure according to the German Commercial Code)

2010 FINANCIAL YEAR	Non-performance-related remuneration			Performance-related remuneration			Total
	Fixed	Supplementary benefits	Sub-total	Bonus ¹⁾	Longterm incentive scheme ¹⁾	Sub-Total	
EUR							
Dr. rer. nat. Günter von Au	536,114.59	20,340.84	556,455.43	1,313,600.00	97,872.29	1,411,472.29	1,967,927.72
Dr. rer. nat. Hans Jürgen Wernicke	339,065.46	35,341.81	374,407.27	985,200.00	58,723.37	1,043,923.37	1,418,330.64
Dr. rer. nat. Hans-Joachim Müller	302,065.50	18,045.89	320,111.39	821,000.00	58,723.37	879,723.37	1,199,834.76
Edgar Binnemann	302,065.50	20,202.60	322,268.10	821,000.00	58,723.37	879,723.37	1,201,991.47
	1,479,311.05	93,931.14	1,573,242.19	3,940,800.00	274,042.40	4,214,842.40	5,788,084.59

1) Allocation to provision

2009 FINANCIAL YEAR	Non-performance-related remuneration			Performance-related remuneration			Total
	Fixed	Supplementary benefits	Sub-total	Bonus ¹⁾	Longterm incentive scheme ¹⁾	Sub-Total	
EUR							
Dr. rer. nat. Günter von Au	535,074.60	18,037.86	553,112.46	758,836.54		758,836.54	1,311,949.00
Dr. rer. nat. Hans Jürgen Wernicke	341,338.97	26,077.86	367,416.83	569,127.41		569,127.41	936,544.24
Dr. rer. nat. Hans-Joachim Müller	297,169.53	17,563.74	314,733.27	474,272.84		474,272.84	789,006.11
Edgar Binnemann	300,754.27	19,108.44	319,862.71	474,272.84		474,272.84	794,135.55
	1,474,337.37	80,787.90	1,555,125.27	2,276,509.63		2,276,509.63	3,831,634.90

1) Allocation to provision

The present value of pension rights of Managing Board members amounts to EUR 5,077,000 (previous year: EUR 4,336,000) at the balance sheet date. Based on current calculation principles for determining pension obligations, the expected pension payments to Managing Board members at a retirement age of 65 amount to EUR 512,000 (previous year: EUR 517,000), if the Managing Board Members remain in office until the age of 65. In the reporting year EUR 659,000 (previous year: EUR 583,000) were added to retirement benefit reserves for pension benefits to Managing Board members.

PENSION PROVISIONS AND EXPECTED PENSION PAYMENTS	Provisions for pensions		Expected pension payments
	31 Dec 2010	31 Dec 2009	
T. EUR			
Dr. rer. nat. Günter von Au	2,402.1	1,935.8	225.0
Dr. rer. nat. Hans Jürgen Wernicke	1,771.5	1,638.1	121.8
Dr. rer. nat. Hans-Joachim Müller	401.7	340.1	85.2
Edgar Binnemann	501.7	421.6	79.8
	5,077.0	4,335.6	511.8

Management Participation Programme (MPP)

One Equity Partners offered a Management Participation Programme (MPP) to the Management Board Members and some senior managers at the beginning of 2008, according to which participants share via a management investment company in the legal form of a limited partnership in the further development of the shares of Süd-Chemie AG held by sc-Beteiligungsgesellschaft mbH. The participants, who

assumed limited liability capital of EUR 2.3 million, consequently participate as shareholders of the management investment company in a possible increase in value of the shares of Süd-Chemie AG in the amount of 50.41% held by sc-Beteiligungsgesellschaft mbH via One Equity Partners; a possible loss is limited to the amount of the limited liability capital investment. The partnership shares held by participants in MPP are not freely disposable; in addition, specific co-purchase obligations and rights have been agreed upon besides other provisions. The shares were purchased at the adjusted market value.

Calculation of the value of the management pension plan is based on the equity capital value of Süd-Chemie AG and the associated valuation measures. Valuation was based in previous years on the respective current company planning according to the discounted cash flow method. Because the amount of the management pension plan depends on the time at which One Equity Partners sells its shares of Süd-Chemie AG via sc-Beteiligungsgesellschaft mbH (exit time), corresponding assessments were made by management of Süd-Chemie AG in collaboration with One Equity Partners.

Contrary to the previous year, the valuation is now derived from existing purchase price offers for the Süd-Chemie shares held by One Equity Partners; the exit of One Equity Partners will most probably take place in the first half-year 2011.

Accordingly, the value is assessed at EUR 17.7 million as of 31 December 2010. Of this, an amount of EUR 15.0 million is attributed to the Management Board. The amount is divided among the Management Board members as follows:

T. EUR	31 Dec 2010	31 Dec 2009
Dr. rer. nat. Günter von Au	6,181.6	132.2
Dr. rer. nat. Hans Jürgen Wernicke	3,532.4	75.6
Dr. rer. nat. Hans-Joachim Müller	2,649.3	56.7
Edgar Binnemann	2,649.3	56.7
	15,012.6	321.2

Due to the reclassification of the management pension plan as share-based compensation with shareholder capital compensation, no expenses are to be entered on the level of Süd-Chemie.

Income of former Management Board members and their surviving dependents

Former Management Board members and their surviving dependents received payments of EUR 1,244,000 (previous year: EUR 1,224,000) in the reporting year. There are provisions of EUR 14,086,000 (previous year: EUR 13,755,000) for pension obligations to former Management Board members and their surviving dependents. There is no deficit.

Directors and Officers Liability Insurance

Süd-Chemie AG has concluded Directors and Officers Liability Insurance for management (D&O Liability Insurance) without deductible amounts for the Management Board and Supervisory Board of Süd-Chemie AG as well as for all bodies of affiliated companies in Germany and other countries. The purpose of the insurance is to compensate for financial damage, which could arise due to violations of duties by management bodies. The existing D&O insurance is valid worldwide and is renegotiated annually. The insurance covers legal costs for defending a company body in the event of claims and, where applicable, compensation for damages to be paid within the existing limits of liability of up to EUR 50 million per case and insurance year.

Other Information

Auditing and consulting fees

T. EUR	2010	2009
Annual audit of Süd-Chemie AG and the Süd-Chemie Group		
including domestic subsidiaries	413	336
Other audit services	376	9
Tax consultancy services	54	31
Other services	149	405
	992	781

The auditor fee entered as expenses in the financial year for the auditing, consulting and other services in Germany amounts to EUR 992,000 (previous year: EUR 781,000). The auditing services include the auditor fee for auditing the Annual Report and Consolidated Financial Statement of Süd-Chemie AG including German subsidiaries. The other services especially contain consulting services in connection with a company transaction. EUR 451,000 of the auditing and consulting costs are attributable to German joint venture companies that are included on a pro rata basis in the Consolidated Financial Statement.

Use of relief options pursuant to section 264 para. 3 of the German Commercial Code (HGB)

The German Group companies ASK Chemicals Metallurgy GmbH (formerly: skw Giesserei GmbH), Unterneukirchen, ASK Chemicals Core Tech GmbH (formerly: wd-Giesserei-Technik GmbH), Fuldabrück, and ASK Chemicals Feeding Systems GmbH (formerly: AS Längen GmbH), Bendorf, as well as Süd-Chemie Finance GmbH, Munich, Süd-Chemie Bitterfeld GmbH, Bitterfeld and Süd-Chemie Zeolites GmbH, Bitterfeld, have made use of the relief option pursuant to section 264 para. 3 of the German Commercial Code (HGB) for public limited companies with regard to preparation and audit of their annual financial statements and management reports, as well as disclosure requirements.

Statement pursuant to Section 161 of the German Stock Corporation Law (AktG) regarding Compliance with German Corporate Governance Code

Süd-Chemie AG as German company listed on the stock exchange has issued the statement required according to section 161 of the German Stock Corporation Law for the 2010 financial year and made it accessible to shareholders via publication on the homepage of Süd-Chemie AG.

Statement pursuant to section 160 no. 8 of the German Stock Corporation Law in accordance with section 21 of the Securities Trading Act (WpHG)

The following shareholders have provided the required announcement about their proportion of voting rights pursuant to section 21 of the Securities Trading Act:

With its letter of 4 April 2004, the Messerschmitt Foundation informed us that it has a proportion of voting rights of 9.28% in Süd-Chemie AG.

With his letter of 28 June 2005, Dr. Dolf Stockhausen informed us that the proportion of voting rights of Dr. Dolf Stockhausen Beteiligungsgesellschaft GmbH, Krefeld, is 10.194% in Süd-Chemie.

One Equity Partners LLC, New York/USA, informed us via SC-Beteiligungsgesellschaft mbH, Frankfurt am Main, that it contractually acquired the proportion of voting rights in Süd-Chemie AG held by Allianz AG, Possehl Foundation and Bayerische Landesbank Girozentrale in the 2005 financial year.

With its letter of 30 January 2006, Allianz Aktiengesellschaft, Munich, informed us that its proportion of voting rights held by AZ-SDCI Vermögensverwaltungsgesellschaft mbH, Munich, as well as by AZ-DC 2 Vermögensverwaltungsgesellschaft mbH, Munich in Süd-Chemie AG fell below the thresholds of 10% and 5% respectively on 27 January 2006 and amount to 0% now.

Bayerische Landesbank, Munich informed us with its letter of 30 January 2006 that the proportion of voting rights of Bayerische Landesbank in Süd-Chemie AG fell below the thresholds of 10% and 5% respectively on 27 January 2006 and amount to 0% now.

In addition, the Possehl Foundation, Lübeck, informed us with its letter of 30 January 2006 that the proportion of voting rights of Possehl Beteiligungsverwaltung GmbH, L. Possehl & Co. mbH as well as the Possehl Foundation in Süd-Chemie AG fell below the thresholds of 10% and 5% respectively on 27 January 2006 and amount to 0% now. The voting rights of Possehl Beteiligungsverwaltung GmbH are respectively attributable to L. Possehl & Co. mbH and the Possehl Foundation pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act.

With its letter of 30 January 2006, JPMorgan Chase & Co., New York/USA, informed us in its own name and respectively for the order of the companies named below pursuant to subsections 21 and 22 of the Securities Trading Act that the proportion of voting rights of One Equity Partners II. L.P., OEP Holding

Corporation, Bank One Investment Corporation, JPMorgan Capital Corporation, Banc One Financial LLC, und JPMorgan Chase & Co. held by the sc-Beteiligungsgesellschaft mbH, Frankfurt am Main, in Süd-Chemie AG exceed the thresholds of 5%, 10% and 25% on 27 January 2006 and now amount to 39.19%.

Dr. Axel Schweighart, Germany, informed us pursuant to section 21 para. 1 of the Securities Trading Act on 2 February 2007 that his proportion of voting rights in Süd-Chemie Aktiengesellschaft exceeded the threshold of 3% on 30 January 2007 and now amounts to 3.3919% (401,597 of 11,840,000 votes). Of that, 4,246 votes (0.0359%) are allotted to him pursuant to section 22 para. 1 no. 6 of the Securities Trading Act.

Dr. Peter Schweighart, Germany, also informed us on 2 February pursuant to section 21 para. 1 of the Securities Trading Act that his proportion of voting rights in Süd-Chemie Aktiengesellschaft exceeded the threshold of 3% on 30 January 2007 and now amounts to 3.0364 (359,506 of 11,840,000 votes). Of that, 2,246 votes (0.0190%) are allotted to him pursuant to section 22 para. 1 no. 6 of the Securities Trading Act.

Dr. Peter Schweighart, Germany, informed us on 13 March 2007 pursuant to section 21 para. 1 of the Securities Trading Act that his proportion of voting rights in Süd-Chemie Aktiengesellschaft exceeded the threshold of 3% on 12 March 2007 and now amounts to 2.9840 (352,878 of 11,840,000 votes). Of that, 2,316 votes (of 11,840,000, i.e., 0.0196%) are allotted to him pursuant to section 22 para. 1 no. 6 of the Securities Trading Act.

We were informed on 24 January 2008 that sc-Beteiligungsgesellschaft mbH, Frankfurt am Main, which has belonged to One Equity Partners since 23 November 2007 are to be attributed additional voting rights in the amount of 10.14% (1,200,000 voting rights) in Süd-Chemie AG and that it consequently increases its proportion of voting rights in Süd-Chemie AG to 50.41%.

The corresponding disclosures pursuant to section 26 para. 1 of the Securities Trading Act are listed below:

I. Disclosure of voting right announcements pursuant to subsections 21, 22 of the Securities Trading Act

sc-Beteiligungsgesellschaft mbH, Frankfurt am Main/Deutschland, informed us on 23 November 2007 pursuant to sections 21 para. 1, 22 sentence no. 5 and no. 6 of

the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% and amounts to 50.41% as of this day (5,968,980 voting rights). Of that, 10.14% (1,200,000 voting rights) are attributed to sc-Beteiligungsgesellschaft mbH both pursuant to section 22 para. 1 sentence no. 5 and section 22 para. 1 sentence no. 6 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

One Equity Partners II, L.P., New York/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to One Equity Partners II, L.P. pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled company sc-Beteiligungsgesellschaft mbH. Another 10.14% (1,200,000 voting rights) are attributed to One Equity Partners II, L.P. both pursuant to section 22 para. 1 sentence 1 no. 5 as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

OEP Holding Corporation, New York/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to OEP Holding Corporation pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled companies sc-Beteiligungsgesellschaft mbH and One Equity Partners II, L.P. Another 10.14% (1,200,000 voting rights) are attributed to OEP Holding Corporation both pursuant to section 22 para. 1 sentence 1 no. 5 in connection with sentence 2 of the Securities Trading Act as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

Bank One Investment Corporation, Chicago/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5

in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to Bank One Investment Corporation pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled companies sc-Beteiligungs-gesellschaft mbH, One Equity Partners II, L.P. and OEP Holding Corporation. Another 10.14% (1,200,000 voting rights) are attributed to Bank One Investment Corporation both pursuant to section 22 para. 1 sentence 1 no. 5 in connection with sentence 2 of the Securities Trading Act as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

JPMorgan Capital Corporation, Chicago/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to JPMorgan Capital Corporation pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P., OEP Holding Corporation and Bank One Investment Corporation. Another 10.14% (1,200,000 voting rights) are attributed to JPMorgan Capital Corporation both pursuant to section 22 para. 1 sentence 1 no. 5 in connection with sentence 2 of the Securities Trading Act as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

Banc One Financial LLC, Chicago/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to Banc One Financial LLC pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled companies sc-Beteiligungsgesellschaft

mbH, One Equity Partners II, L.P., OEP Holding Corporation, Bank One Investment Corporation and JPMorgan Capital Corporation. Another 10.14% (1,200,000 voting rights) are attributed to Banc One Financial LLC both pursuant to section 22 para. 1 sentence 1 no. 5 in connection with sentence 2 of the Securities Trading Act as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

JPMorgan Chase & Co., New York/USA, informed us pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act that its proportion of voting rights in Süd-Chemie Aktiengesellschaft, Munich, exceeded the threshold of 50% on 23 November 2007 and amounts to 50.41% as of that day (5,968,980 voting rights). Of that, 40.28% (4,768,980 voting rights) are to be attributed to JPMorgan Chase & Co. pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act, which are held by it via its controlled companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P., OEP Holding Corporation, Bank One Investment Corporation, JPMorgan Capital Corporation and Banc One Financial LLC. Another 10.14% (1,200,000 voting rights) are attributed to JPMorgan Chase & Co. both pursuant to section 22 para. 1 sentence 1 no. 5 in connection with sentence 2 of the Securities Trading Act as well as pursuant to section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 of the Securities Trading Act. In this, more than 3% of voting rights are attributed from the Messerschmitt Foundation.

II. Disclosure of voting right announcements pursuant to section 25 para. 1 of the Securities Trading Act

sc-Beteiligungsgesellschaft mbH, Frankfurt am Main/Germany, informed us pursuant to section 25 para. 1 of the Securities Trading Act that as at 23 November 2007 it directly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, sc-Beteiligungsgesellschaft mbH consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year.

One Equity Partners II, L.P., New York/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act 23

November 2007 that it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, One Equity Partners II, L.P. consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by One Equity Partners II, L.P. are held via the company sc-Beteiligungsgesellschaft mbH controlled by it.

oEP Holding Corporation, New York/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act 23 November 2007 that it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, oEP Holding Corporation consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by oEP Holding Corporation are held via the companies sc-Beteiligungs-gesellschaft mbH and One Equity Partners II, L.P. controlled by it.

Bank One Investment Corporation, Chicago/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act 23 November 2007 that it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14 percent of voting rights (1,200,000 voting rights). On that day, Bank One Investment Corporation consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by Bank One Investment Corporation, Chicago/USA, are held via the companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P. and oEP Holding Corporation controlled by it.

JP Morgan Capital Corporation, Chicago/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act that at 23 November 2007 it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, JP Morgan Capital Corporation consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by JP Morgan Capital Corporation are held via the companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P., oEP Holding Corporation and Bank One Investment Corporation controlled by it.

Banc One Financial LLC, Chicago/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act on 23 November 2007 that it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, Banc One Financial LLC consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by Banc One Financial LLC are held via the companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P., oEP Holding Corporation, Bank One Investment Corporation, JP Morgan Capital Corporation, Banc One Financial LLC and JP Morgan Capital Corporation.

JP Morgan Chase & Co., New York/USA, informed us pursuant to section 25 para. 1 of the Securities Trading Act that at 23 November 2007 it indirectly held financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Munich, which guarantee 10.14% of voting rights (1,200,000 voting rights). On that day, JP Morgan Chase & Co., New York/USA, consequently exceeded the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft. The exercise time for the finance instruments is the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The maturity time for the finance instruments is

the second workday after the annual general meeting of Süd-Chemie Aktiengesellschaft for the 2007 financial year. The financial instruments indirectly held by JPMorgan Chase & Co., New York/USA, are held via the companies sc-Beteiligungsgesellschaft mbH, One Equity Partners II, L.P., OEP Holding Corporation, Bank One Investment Corporation, JPMorgan Capital Corporation and Banc One Financial LLC.

III. Disclosure of a supplement to voting right announcements

The voting rights, which are guaranteed by the shares, the purchase of which is possible based on the financial instruments registered pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) under number II, are identical with the voting rights registered under number I pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 and no. 6 of the Securities Trading Act and pursuant to subsections 21 para. 1, 22 para. 1 sentence 1 no. 5 in connection with sentence 2 and no. 6 in connection with sentence 2 of the Securities Trading Act.

On 9 June 2008, we received a letter from the law firm of Hengeler Mueller, Dusseldorf, with the following contents:

1. On behalf of sc-Beteiligungsgesellschaft mbH, c/o One Equity Partners Europe GmbH, Taunusanlage 21, D-60325 Frankfurt am Main, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not directly hold any financial instruments that grant it the right to purchase shares of the Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, sc-Beteiligungsgesellschaft mbH consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
2. On behalf of One Equity Partners II, L.P., 320 Park Avenue, 18th Floor, New York, NY 10022, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of the Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, One Equity Partners II, L.P. consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
3. On behalf of OEP Holding Corporation, 320 Park Avenue, 18th Floor, New York, NY 10022, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich on 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, OEP Holding Corporation consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
4. On behalf of Bank One Investment Corporation, 1 Bank one Plaza, 21 South Clark Street, 14th Floor, Chicago, IL 60670, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, Bank One Investment Corporation consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
5. On behalf of JPMorgan Capital Corporation, 1 Bank One Plaza, 21 South Clark Street, 14th Floor, Chicago, IL 60670, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, JPMorgan Capital Corporation consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
6. On behalf of Banc One Financial LLC, 1 Bank One Plaza, 21 South Clark Street, 14th Floor, Chicago, IL 60670, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at 3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, Banc One Financial LLC consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.
7. On behalf of JP Morgan Chase & Co., 270 Park Avenue, New York, N.Y., 10017, USA, we notify pursuant to section 25 para. 1 of the Securities Trading Act (WpHG) that it does not indirectly hold any financial instruments that grant it the right to purchase shares of Süd-Chemie Aktiengesellschaft, Lenbachplatz 6, D-80333 Munich at

3 June 2008. This corresponds to a proportion of voting rights of 0% (0 voting rights). On that day, JPMorgan Chase & Co. consequently fell below the threshold of 5% and 10% of the voting rights in Süd-Chemie Aktiengesellschaft.

With its letter of 19 March 2009, One Equity Partners Europe GmbH informed us that the option rights granted by the Messerschmitt Foundation to sc-Beteiligungsgesellschaft mbH, Frankfurt, for purchase of 10.14% of the shares from sc-Beteiligungsgesellschaft mbH was exercised in line with the contract on 3 June 2008.

nowi Beteiligungsgesellschaft mbH, Strassbach-Grossdillingharting, informed us on 12 November 2009 pursuant to section 21 para. 1 of the Securities Trading Act (WpHG) that its proportion of voting rights in Süd-Chemie Aktien-gesellschaft, Lenbachplatz 6, 80333 Munich exceeded the threshold of 3%, 5% and 10% on 11 November 2009 and amounted to 10.14% as of that day (1,200,000 of 11,840,000 voting rights). This share ownership is to be attributed to Dr. Winterstein pursuant to section 22 para. 1 sentence 1 no. 1 of the Securities Trading Act (WpHG).

With its letter of 3 November 2010, the law firm Freshfields Bruckhaus Deringer, Frankfurt, informed us of the following on behalf of Bank One Investment LLC, New York/USA, as well as OEP Parent Corporation, New York/USA:

“1. On behalf of Bank One Investment LLC, 270 Park Avenue, New York, NY, 10017, USA, we notify pursuant to section 21 para. 1 of the Securities Trading Act (WpHG) that on 3 November 2010 the proportion of voting rights of Bank One Investment LLC in Süd-Chemie Aktiengesellschaft fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% and amounts to 0.00% (0 voting rights) as of this date.

The address of Bank One Investment Corporation changed from 1 Bank One Plaza, 21 South Clark Street, 14th Floor, Chicago, IL, 60670, USA, to 270 Park Avenue, New York, NY, 10017, USA. With effect as of 3 November 2010, Bank One Investment Corporation was converted into Bank One Investment LLC.

2. On behalf of OEP Parent Corporation, 320 park Avenue, 18th floor, New York, NY, 10022, USA, we notify pursuant to section 21 para. 1 WpHG that on 3 November 2010 the proportion of voting rights of OEP Parent Corporation in Süd-Chemie Aktiengesellschaft exceeded the thresholds of

3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% and amounts to 50.41% (5,968,980 voting rights) as of this date.

All voting rights are attributed to OEP Parent Corporation pursuant to section 22 para. 1 sentence 1 no. 1 WpHG and are held through sc-Beteiligungsgesellschaft mbH and One Equity Partners II, L.P., both of which are entities controlled by OEP Parent Corporation.“

Following this announcement pursuant to section 21, para. 1 of the Securities Trading Act (WpHG), Bank One Investment Corporation, New York, which converted its name to Bank One Investment LLC, New York, on 3 November 2010, does not have voting rights anymore with respect to Süd-Chemie AG. Instead, OEP Parent Corporation holds more than 50.41% and consequently more than 50% of the voting rights of Süd-Chemie AG since that day. The voting rights are to be attributed to OEP Parent Corporation pursuant to section 22 para. 1 sentence 1 of the Securities Trading Act (WpHG) and are held by sc-Beteiligungsgesellschaft mbH and One Equity Partner II, L.P., which are controlled by OEP Parent Corporation.

Events after the balance sheet date

No events having a material impact on presentation of the Group's earnings situation, its financial position or its assets have occurred since the end of the financial year.

Annual Financial Statement of Süd-Chemie AG

The Annual Financial Statement of Süd-Chemie AG for the 2010 financial year has been prepared in line with the German Commercial Code in the version of German Accounting Law Modernization Act (German Commercial Code, new version) and the supplementary provisions of the German Stock Corporation Act (AktG) as well as the regulations of the company bylaws. The regulations of the German Accounting Law Modernization Act (BilMoG) valid from the beginning of the 2010 financial year were applied for the first time as of 1 January 2010. The regulations for large public limited companies apply. The Annual Financial Statement of Süd-Chemie AG is published in the electronic Federal Gazette (eBANZ).

Proposal for dividend of Süd-Chemie AG

The retained earnings of Süd-Chemie AG available for distribution at the annual shareholders' meeting amount to EUR 20,128,000. The Managing Board and the Supervisory Board will propose at the annual shareholders' meeting that the retained earnings of EUR 20,128,000 shown in the balance sheet be used to distribute a dividend of EUR 1.70 per share for each eligible share.

List of Shareholdings

The data shown is based on the annual financial statements of the subsidiaries prepared according to local regulations.

The companies below are fully consolidated in the Consolidated Financial Statement 2010:

Affiliated companies (1)

Name and registered office of the company	Equity share Percent	Equity T. EUR	Net Sales T. EUR	Net Income T. EUR
Germany				
Süd-Chemie AG, Munich		224,899	330,723	39,093 ¹⁾
Phostech Lithium GmbH, Munich	100.00	6		– 5
Süd-Chemie Alvigo Catalysts GmbH, Munich	60.00	13,894		– 45
Süd-Chemie Bitterfeld GmbH, Bitterfeld	100.00	18		– 5 ¹⁾
Süd-Chemie Finance GmbH, Munich	100.00	6,381		48,328 ¹⁾
Süd-Chemie Zeolites GmbH, Bitterfeld	100.00	4,321	6,666	– 1,058 ¹⁾
Europe				
Airsec S.A.S., Choisy Le Roi/France	100.00	15,719	60,242	2,504
Bentofrance S.A.S., Portes-les-Valence/France	100.00	3,400	11,201	892
Société Française des Bentonites et Dérivés S.A.S., Le Tréport/France	100.00	10,402	17,594	147
Süd-Chemie France S.A.S., Choisy Le Roi/France	100.00	23,608	1,754	6,397
Süd-Chemie Hellas Monoprosopi E.P.E., Adamas/Greece	100.00	159	252	– 10
Süd-Chemie (UK) Limited, Northwich/UK	100.00	1,160	9,204	209
Società Sarda di Bentonite S.r.l., Santa Giusta/Italy	100.00	3,803	20,593	– 559
Süd Chemie Catalysts Italia S.r.l., Novara/Italy	100.00	8,523	26,668	256
Süd-Chemie Imic Italia S.r.l., Silvano Pietra/Italy	75.00	3,036	2,181	– 142
Süd-Chemie Polska Sp. z o.o., Gdansk/Poland	100.00	1,340	4,281	379
Süd-Chemie Alvigo Catalysts LLC, Moscow/Russia	60.00	251	13,124	282
Süd-Chemie CIS LLC, Moscow/Russia	100.00	281	2,088	298
Süd-Chemie (Schweiz) AG, Romont/Switzerland	100.00	– 7,267	5,612	– 3,467
Süd-Chemie España, S.L., Yuncos/Spain	100.00	9,128	15,227	2,229
Süd-Chemie (TR) Madencilik Sanayi ve Ticaret A.Ş., Balıkesir/Turkey	100.00	4,654	14,003	848
Süd-Chemie Alvigo Catalysts Ukraine LLC, Severodonezk/Ukraine	60.00	5,116	4,664	– 712
Africa				
Süd-Chemie Water and Process Technologies (Malawi) (Pty) Ltd, Blantyre/Malawi	100.00	293	847	63
Nedhigh Investments (Pty) Ltd, Chloorkop/South Africa	100.00	0		1
SC Ceolithe Properties (Pty) Ltd, Chloorkop/South Africa	100.00	1,630		111
Süd-Chemie Adsorbents SA (Pty) Ltd, Chloorkop/South Africa	100.00	4		0
Süd-Chemie SA (Pty) Ltd, Chloorkop/South Africa	100.00	22,941	67,486	13,642
Süd-Chemie Sasol Catalysts (Pty) Ltd, Chloorkop/South Africa	80.00	3,530	10,877	2,161
Süd-Chemie Water & Process Technologies (Pty) Ltd, Chloorkop/South Africa	100.00	279		18
Süd-Chemie Zeolites (Pty) Ltd, Chloorkop/South Africa	100.00	4,759	14,047	931
North America				
Clearwater Technologies Ltd., Tortola/British Virgin Islands	100.00	2,716		1,183
Phostech Lithium Inc., St. Bruno /Canada	100.00	860	8,572	– 6,356
Süd-Chemie & Co. Limited Partnership, Wilmington/USA	65.05	12,554		11,249
Süd-Chemie Adsorbents Inc., Louisville/USA	64.24	0		0
Süd-Chemie Corporation of America, Wilmington/USA	65.04	77		9
Süd-Chemie Inc., Louisville/USA	64.24	71,541	216,224	21,327
Süd-Chemie North America Inc., Wilmington/USA	100.00	10,448		6,497
Tecpro Holding Corporation Inc., Wilmington/USA	100.00	8,821		– 555

1) Net profit / loss before transfer of profit / after transfer of results from profit and loss transfer agreements

Affiliated companies (2)

	Equity share Percent	Equity T. EUR	Net sales T. EUR	Net income T. EUR
Name and registered office of the company				
South America				
Süd-Chemie do Brasil Ltda, Jacarei/Brazil	100.00	8,469	19,141	1,901
Süd-Chemie de México, S.A. de C.V., Puebla/Mexico	100.00	11,982	26,127	2,320
Minera Doña Herminia S.A., Callao/Peru	100.00	203	157	54
Süd-Chemie Peru S.A., Callao/Peru	100.00	2,837	7,888	1,500
Asia				
Baotou Süd-Chemie Chemical Materials Co., Ltd., Baotou/China	100.00	1,767	0	0
Jiangsu Süd-Chemie Chemical Materials Co., Ltd., Zhenjiang/China	100.00	8,425	6,250	181
Jiangsu Süd-Chemie Performance Packaging Material Co., Ltd., Changshu/China	100.00	- 529	1,448	- 690
Panjin Süd-Chemie Liaohe Catalyst Co., Ltd., Panjin/China	60.00	12,012	13,904	407
Shanghai Süd-Chemie Catalysts Co., Ltd., Shanghai/China	100.00	1,361	2,936	- 1,894
Süd-Chemie Catalysts (Nanjing) Co., Ltd., Nanjing/China	100.00	8,186	3,811	- 4,079
Süd-Chemie China Holding Limited, Hong Kong/China	100.00	7,898	0	1,911
Süd-Chemie Investment Management (Shanghai) Co., Ltd., Shanghai/China	100.00	398	0	- 162
Süd-Chemie Redhill Bentonite (Liaoning) Co., Ltd., Jianping/China	100.00	5,728	20,273	1,852
Süd-Chemie Adsorbents Pvt. Ltd., New Delhi/India	100.00	91	1,928	93 ¹⁾
P.T. Süd-Chemie Indonesia, Cileungsi/Indonesia	100.00	10,515	30,393	3,054
P.T. Kujang Süd-Chemie Catalysts, Cikampek/Indonesia	33.13	4,608	5,907	590
San-Ai Co., Ltd., Osaka/Japan	100.00	- 376	3,487	102
Süd-Chemie Catalysts Japan, Inc., Tokyo/Japan	61.45	41,080	100,184	434
Süd-Chemie Qatar W.L.L., Mesaieed/Qatar	65.00	13,815	10,876	- 737
Chemindus SDN. BHD., Kuala Lumpur/Malaysia	55.00	2,636	5,819	384
Süd-Chemie South East Asia Pte. Ltd., Singapore/Singapore	100.00	2,981	9,387	2,490
Süd-Chemie Korea Co., Ltd., Pohang/South Korea	94.84	7,762	19,951	1,779
Süd-Chemie (Thai) Co., Ltd., Bangkok/Thailand	100.00	830	7,165	410
Australia				
Süd-Chemie Australia Pty Ltd., Penrith/Australia	100.00	2,458	7,987	1,087

1) Financial year from 1 April until 31 March differing from the calendar year

The companies below are included on a pro rata basis in the consolidated financial statement:

Joint Ventures (without companies of the subgroup of ASK Chemicals GmbH)

	Equity share Percent	Equity T. EUR	Net sales T. EUR	Net income T. EUR
Name and registered office of the company				
Germany				
SD Beteiligungsgesellschaft mbH & Co. KG, Munich	50.00	1,495	0	3,362
SD Lizenzverwertungsgesellschaft mbH & Co. KG, Munich	50.00	3,535	0	1,149
SD Verwaltungsgesellschaft mbH, Munich	50.00	38	0	2
Europe				
Exaloid Süd-Chemie, S.L., Arceniega/Spain	50.00	5,446	12,858	2,342 ¹⁾
S.A.P. Société d'Activités Portuaires S.A.R.L., Le Tréport/France	50.00	9	331	56
Africa				
Airsec Maghreb SA, Casablanca/Morocco	50.00	46	0	0
Blendtech (Pty) Ltd, Chloorkop/South Africa	50.00	101	13,545	104
America				
JVSS Holding Company, Inc., Wilmington/USA	50.00	1,199	0	3,334
Scientific Design Company, Inc., Little Ferry/USA	50.00	32,021	67,790	7,471
Companhia Brasileira de Bentonita Ltda., Vitória da Conquista/Brazil	26.00	6,625	4,988	241
Asia				
Süd-Chemie India Pvt. Ltd., Cochin/India	50.00	31,012	57,311	11,932 ²⁾

1) Financial year from 1 October until 30 September differing from the calendar year

2) Financial year from 1 April until 31 March differing from the calendar year

**Joint Ventures (companies of the subgroup of
ASK Chemicals GmbH)**

	Equity share Percent	Equity T. EUR	Net sales T. EUR	Net income T. EUR
Name and registered office of the company				
Germany				
ASK Chemicals GmbH, Hilden	50.00	133,424	111,465	– 1,164 ¹⁾
ASK Chemicals Feeding Systems GmbH, Bendorf	50.00	2,019	11,012	– 192 ¹⁾
ASK Chemicals Metallurgy GmbH, Unterneukirchen	50.00	5,125	5,965	– 4 ^{1/2)}
ASK Chemicals Core Tech GmbH, Fuldabrück	50.00	5,634	604	– 214 ^{1/2)}
Europe				
ASK Chemicals Finland oy, Kangasala/Finland	50.00	18	983	– 7
ASK Chemicals France s.a.s., St. Pierre la Garenne/France	50.00	3,840	12,853	– 774
ASK Chemicals Benelux B.V., Waalwijk/Netherlands	50.00	1,211	12,708	475
ASK Chemicals Norge AS, Lunde/Norway	50.00	342	1,095	63
ASK Chemicals Austria Ges.m.b.H., Vienna/Austria	50.00	1,248	6,481	678
ASK Chemicals Scandinavia AB, Älvsjö/Sweden	50.00	1,899	11,467	373
ASK Chemicals Czech s.r.o., Brno/Czech Republic	50.00	2,173	12,700	193
ASK Chemicals Polska Sp. z o.o., Oswiecim/Poland	65.88	157	4,042	42
ASK Chemicals Gremolith AG, Bazenheid/Switzerland	25.00	400	1,973	102
ASK Chemicals UK Ltd., London/Great Britain	50.00	168	500	– 182 ³⁾
ASK Chemicals Italia S.r.l., Milan/Italy	50.00	654	244	– 203 ³⁾
ASK Chemicals España S.A., Getxo/Spain	50.00	9,582	6,000	9,879 ⁴⁾
ASK Chemicals Kemen, S.L., Getxo/Spain	50.00	1,720	608	– 23 ⁴⁾
ASK Chemicals Portugal Lda., Lisbon/Portugal	30.00	811	759	47 ⁴⁾
ASK Chemicals CIS LLC, St. Petersburg/Russia	50.00	– 1	0	– 11 ³⁾
ASK Chemicals TR Ticaret Limited Sirketi, Ankara/Turkey	50.00	393	0	7 ³⁾
America				
ASK Produtos Químicos do Brasil Ltda., Campinas/Brazil	50.00	13,773	58,198	2,326
ASK Chemicals Canada Corp., Halifax/Canada	50.00	661	697	– 183 ³⁾
ASK Chemicals de Mexico S. de R.L. de S.V., Mexico-City/Mexico	50.00	3,240	905	– 188 ³⁾
ASK Chemicals L.V., Wilmington/USA	50.00	71,560	6,664	– 134 ³⁾
ASK Chemicals Hi-Tech LLC, Wilmington/USA	50.00	17,797	12,729	389
ASK Chemicals Metallurgy Inc., Atlanta/USA	50.00	4,348	10,462	350
Asia				
ASK Chemicals Japan Co., Ltd., Yokohama/Japan	50.00	5,554	4,024	80 ⁴⁾
ASK Chemicals Korea Ltd., Ulsan/South Korea	25.01	3,720	7,731	297 ⁵⁾
ASK Chemicals Foundry Solution India Pvt. Ltd., Pune/India	25.50	5,948	20,185	2,093 ⁶⁾
ASK Chemicals Pte. Ltd., Singapore/Singapore	50.00	12,674		12 ³⁾

1) Net profit / loss before transfer of profit / after transfer of results from profit and loss transfer agreements

2) Short financial year from 1 December until 31 December

3) Founded in 2010, beginning of operative business activity on 1 December 2010

4) Short financial year from 1 October until 31 December 2010

5) Voting share: 25.00%

6) Financial year from 1 April until 31 March differing from the calendar year

Associated companies and other investments

The companies below have been consolidated in 2010 as associated companies or other investments:

Name and registered office of the company	Equity share Percent	Equity T. EUR	Net sales T. EUR	Net income T. EUR
Associated companies				
GTC (Beijing) Technology Inc., Beijing/China	25.00	25.00	916	1,571
GTC Mexico S. de R.L. de C.V., Corregidora (Querétaro)/Mexico	15.00	15.00	– 412	375
GTC Technology Korea Co., Ltd., Seoul/South Korea	25.00	25.00	7,061	13,472
GTC Technology US, LLC, Houston/USA	25.00	25.00	1,809	25,019
GTC Technology International Limited Partnership, Houston/USA	25.00	25.00	5,580	1,582
GTC Process Technology (Singapore) Pte. Ltd., Singapore/Singapore	25.00	25.00	– 61	517
GTC Technology Europe s.r.o., Brno/Czech Republic	25.00	25.00	– 353	155
Neville Venture Pte. Ltd., Singapore/Singapore	12.50	12.50	0	0
Other investments				
Biocatalysts Limited, Cardiff/Great Britain	9.35	9.35	3,357	6,544
				768 ¹⁾

1) Financial year from 1 October until 30 September differing from the calendar year

Affirmation of legal representatives

The Managing Board affirms, to the best of its knowledge, that in accordance with the applicable accounting principles, the consolidated financial statement accurately reflects the assets, financial and profit situation of the Süd-Chemie Group which corresponds to actual relations and that in the Joint Report of the Management Board, business development including business results and the Group situation are represented so that current circumstances are accurately reflected, and significant risk and opportunities concerning the likely development of the Group are described.

Munich, 11 March 2011

Süd-Chemie Aktiengesellschaft

The Board of Directors

Dr. Günter von Au

Dr. Hans Jürgen Wernicke

Edgar Binnemann

Dr. Hans-Joachim Müller

Independent Auditor's Report

We have provided the following audit opinion for the Group Financial Statement and the group joint report of the Managing Board, which was combined with the joint report of the Managing Board of the company.

“We have audited the Group Financial Statement prepared by Süd-Chemie Aktiengesellschaft, Munich, composed of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of Süd-Chemie Aktiengesellschaft, for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: “German Commercial Code”] are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation

of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Munich, 11 March 2011

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Borries	Grabmeyer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public	(German Public
Auditor)	Auditor)

Extract from the Financial Statement of Süd-Chemie AG

Income Statement (from 1 January to 31 December)

EUR million	2010	2009
Revenue (Sales)	330.7	335.9
Cost of sales	– 249.7	– 260.3
Gross profit	81.0	75.6
Distribution costs	– 35.1	– 36.6
Costs of research and development	– 38.3	– 35.6
Administrative expenses	– 48.6	– 41.3
Other operating income	43.0	37.7
Other operating expenses	– 8.0	– 7.6
EBIT¹⁾	– 6.0	– 7.8
Investment income	68.0	41.1
Amortisation of financial assets	– 2.3	
Net interest expense	– 13.8	– 12.2
Financial result	51.9	28.9
EBT²⁾	45.9	21.1
Extraordinary result	– 8.8	
Income tax expenses	2.0	– 3.6
Profit for the period	39.1	17.5
Transfer to other reserves	– 19.0	– 4.5
Retained earnings	20.1	13.0
Earnings per share		
Basic/diluted earnings per share (EUR)	3.30	1.48

1) Earnings before interest and taxes (profit from operations)

2) Earnings before taxes (result of ordinary operations)

Balance Sheet (as of 31 December)

EUR million	31 Dec 2010	31 Dec 2009
Assets		
Intangible assets	16.3	16.2
Property, plant and equipment	167.0	169.6
Financial assets	207.6	182.1
Total non-current assets	390.9	367.9
Inventories	26.8	29.5
Receivables and other current assets	95.5	57.5
Cash and cash equivalents	0.2	0.4
Total current assets	122.5	87.4
Prepayments and deferred income	1.1	1.1
Deferred tax assets	14.4	
Active difference from the offsetting of assets	0.0	
Total assets	528.9	456.4
Equity and liabilities		
Issued capital	30.3	30.3
Capital reserve	23.1	23.1
Legal reserve	1.6	1.6
Other reserves	149.8	119.6
Retained earnings	20.1	13.0
Equity	224.9	187.6
Provisions	65.6	57.0
Liabilities	238.4	211.8
Total equity and liabilities	528.9	456.4

Statement of Changes in Equity (1 January to 31 December)

	Issued capital	Capital reserve	Legal reserve	Other reserves	Retained earnings	Total
EUR million						
Financial year 2010						
As of 1 Jan 2010	30.3	23.1	1.6	119.6	13.0	187.6
Transfer to other earnings reserves resulting from the change-over to BilMoG (German Accounting Law Modernization Act)				11.2		11.2
Dividends					- 13.0	- 13.0
Profit for the period					39.1	39.1
Transfer to other reserves				19.0	- 19.0	
As of 31 Dec 2010	30.3	23.1	1.6	149.8	20.1	224.9
Financial year 2009						
As of 1 Jan 2009	30.3	23.1	1.6	115.1	13.0	183.1
Dividends					- 13.0	- 13.0
Profit for the period					17.5	17.5
Transfer to other reserves				4.5	- 4.5	
As of 31 Dec 2009	30.3	23.1	1.6	119.6	13.0	187.6

Development of Assets (1 January to 31 December)

	Book values 1 Jan 2010	Additions	Disposals	Transfers	Appreciations	Depreciations	Book values 31 Dec 2010
EUR million							
Concessions, industrial property and similar rights and assets, and licences in such rights and assets	14.7	1.7	– 0.2	1.4		– 3.0	14.6
Development costs		0.8					0.8
Prepayments	1.5	0.8		– 1.4			0.9
Intangible assets	16.2	3.3	– 0.2	0.0		– 3.0	16.3
Property, similar rights and buildings including buildings on non-owned property	72.9	1.3	– 0.7	1.8		– 3.2	72.1
Technical plant and machines	63.0	3.4	0.0	2.2		– 10.0	58.6
Other equipment, factory and office equipment	22.2	2.1	– 0.1	3.4		– 7.3	20.3
Prepayments and assets in the course of construction	11.5	11.9		– 7.4			16.0
Property, plant and equipment	169.6	18.7	– 0.8	0.0		– 20.5	167.0
Shares in affiliated companies	168.2	48.9	– 33.2			– 2.3	181.6
Investments	13.9	12.1					26.0
Financial assets	182.1	61.0	– 33.2			– 2.3	207.6
Totals assets	367.9	83.0	– 34.2			– 25.8	390.9

Cash Flow Statement (1 January to 31 December)

	2010	2009
EUR million		
Profit for the period	39.1	17.5
Amortisation of property, plant and equipment	25.8	22.4
Change in long-term provisions and other non-cash expenses and income (balance)	0.4	0.7
Operational cash flow	65.3	40.6
Increase /(decrease) in inventory	2.7	14.1
(Increase)/decrease in trade receivables	1.6	– 1.3
Increase /(decrease) in current assets	– 39.7	8.3
(Increase)/decrease in current provisions	5.1	– 8.9
(Increase)/decrease in trade payables	6.8	– 8.1
(Increase)/decrease in other liabilities	– 6.5	10.1
Gains (losses) on disposal of assets	– 5.7	0.8
Cash flow from operating activities	29.6	55.6
Proceeds from the sale of intangible assets	– 3.3	– 2.7
Purchase of intangible assets	0.4	0.2
Proceeds from the disposal of property, plant and equipment	– 18.7	– 19.2
Proceeds from the disposal of financial assets	19.0	
Proceeds from equity repayments by investments		1.2
Payments for ownership increases/acquisition of consolidated companies/investments	– 40.5	– 11.1
Cash flow from investment activities	– 43.1	– 31.6
Free Cash flow	– 13.5	24.0
Change of financial liabilities due to Süd-Chemie Finance GmbH	26.3	– 10.8
Dividend payments to Süd-Chemie AG shareholders	– 13.0	– 13.0
Cash flow from financing activities	13.3	– 23.8
Change in cash and cash equivalents	– 0.2	0.2
Cash and cash equivalents as of 1 January	0.4	0.2
Cash and cash equivalents as of 31 December	0.2	0.4

The balance sheet, income statement, cash flow statement and statement in changes of equity of Süd-Chemie Aktiengesellschaft are extracts from the complete Annual Financial Statement of Süd-Chemie Aktiengesellschaft (AG report). This Annual Financial Statement was audited by Ernst & Young GmbH, Auditing Company, Munich, and given an unrestricted audit certificate dated 11 March 2011. The complete Annual Financial Statement of Süd-Chemie Aktiengesellschaft is published in the electronic Federal Gazette (eBANZ). The complete Annual Financial Statement can also be requested from Süd-Chemie Aktiengesellschaft, Investor Relations, Lenbachplatz 6, 80333 Munich.

**Financial statements of the Issuer as at and for the year ended 31
December 2010**

Clariant Finance (Luxembourg) S.A.
Société Anonyme

Annual Accounts
as at December 31, 2010

12, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg: B 114 770

Clariant Finance (Luxembourg) S.A.

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CLARIANT FINANCE (LUXEMBOURG) S.A.

Société Anonyme

registered office:

12, rue Guillaume Kroll

L-1882 Luxembourg

R.C.S. LUXEMBOURG B 114770

**Management Report of the Board of Directors to the
Annual General Meeting to be held on exceptionally on
25 November 2011**

Dear shareholders,

In accordance with the law and the articles of association, we hereby submit to you for approval the annual accounts of your company as at 31 December 2010.

First, we wish to inform you that due to technical reasons the annual accounts as at 31 December 2010 could not be established in due time.

On April 6, 2006, the Company issued EUR 600,000,000 Guaranteed Notes due April 5, 2013 at a price of 99.628% of its principal amount. The notes bear interest at a rate of 4.375% and are guaranteed by Clariant Limited.

As at 31 December 2010 our financial assets amounted EUR 861,821,955.62 (composed of EUR 619,321,955.62 as shares in affiliated undertakings and EUR 242,500,000.- as loans to affiliated undertakings). Our current assets amounted to EUR 8,857,983.53.

On the income side we registered a dividend payment in the amount of EUR 10,325,600.60.- from Clariant Chemiebetreibungen AG and interest and similar income from other affiliated undertakings in the amount of EUR 8,283,410.22.

On the other side our general expenses amounted to EUR 90,439.49 and staff costs amounted to EUR 76,995.69. We amortized our incorporation expenses with EUR 235,714.30 and we booked a value adjustment on issuance premium of EUR 318,857.14. We booked interests on notes payable in the amount of EUR 26,250,000.- and other taxes in the amount of EUR 301,825.00.

From these figures results a loss of EUR 14,482,938.80. Considering the profit brought forward from the previous year, i.e. EUR 51,100,374.28, the total profit amounts to EUR 36,617,435.48. We propose to carry it forward to new account.

By special vote, we ask you to grant discharge to the Directors with respect to the period ended 31 December 2010 and to the Statutory Auditor for the execution of his mandate regarding the financial year 31 December 2010 and to decide on the renewal of their mandates until the following general meeting closing the accounts of the Company as of 31 December 2011.

Luxembourg, 3 November 2011

The Board of Directors

Alfred Münch
class A Director

Patrick Jany
class A Director

Jean-Marc Ueberecken
class B Director

Michel E. Raffoul
class B Director

14/11/2011



Audit report

To the Shareholders of
Clariant Finance (Luxembourg) S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Clariant Finance (Luxembourg) S.A., which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of Clariant Finance (Luxembourg) S.A. as of 31 December 2010, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, 11 November 2011

A handwritten signature in black ink, appearing to be 'Alain Maechling', written over a horizontal line.

Alain Maechling

Clariant Finance (Luxembourg) S.A.

Balance Sheet as at December 31, 2010 (Expressed in EUR)

	Notes	31/12/10 EUR	31/12/09 EUR
ASSETS			
FORMATION EXPENSES	3	532,778.85	768,493.15
FIXED ASSETS			
Financial assets			
- Shares in affiliated undertakings	4	619,321,955.62	625,148,058.62
- Loans to affiliated undertakings	5	242,500,000.00	242,500,000.00
CURRENT ASSETS			
Debtors			
- Amounts due from affiliated undertakings	5	4,773,892.44	12,328,512.11
Cash at bank, cheques and cash in hand		3,363,386.64	3,676,782.86
Regularization account	6	720,704.51	1,039,561.64
Total Assets		<u>871,212,718.06</u>	<u>885,461,408.38</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.**Balance Sheet as at December 31, 2010**
(Expressed in EUR)

	Notes	31/12/10 EUR	31/12/09 EUR
LIABILITIES			
CAPITAL AND RESERVES			
Subscribed capital	7	52,989,963.75	52,989,963.75
Share premium		157,430,674.62	157,430,674.62
Legal reserve	8	4,033,581.11	4,033,581.11
(Losses)/Profit brought forward	9	51,100,374.28	51,767,109.81
Result for the financial year		<u>(14,482,938.80)</u>	<u>(666,735.53)</u>
		<u>251,071,654.96</u>	<u>265,554,593.76</u>
Provisions for liabilities and charges		635,938.70	415,444.99
Amounts due after more than one year	10		
- Notes payable		600,000,000.00	600,000,000.00
Amounts due within one year	11		
- Trade creditors		15,398.37	1,643.60
- Interest on notes payable		<u>19,489,726.03</u>	<u>19,489,726.03</u>
		19,505,124.40	19,491,369.63
Total Liabilities		<u>871,212,718.06</u>	<u>885,461,408.38</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.

Profit and Loss account for the year ended December 31, 2010 (Expressed in EUR)

	Notes	December 31, 2010 EUR	December 31, 2009 EUR
EXPENSES			
Other external charges		90,448.10	96,649.29
Staff Costs	12	76,995.69	75,454.96
Value adjustments in respect of formation expenses	3	235,714.30	235,714.30
Value adjustment in respect of financial assets	4	5,826,103.00	-
Value adjustments in respect of issuance premium	6	318,857.13	318,857.14
Interest on notes payable	10	26,250,000.00	26,250,000.00
Other taxes not shown under the above items	14	301,825.00	383,087.50
		<u>33,099,943.22</u>	<u>27,359,763.18</u>
INCOME			
Income received from participating interests	13	10,325,600.60	15,000,000.00
Interest and similar income from affiliated undertakings	5	8,283,410.22	10,167,306.51
Other interest and similar income		7,993.60	1,525,721.14
Loss for the financial year		<u>14,482,938.80</u> <u>33,099,943.22</u>	<u>666,735.53</u> <u>27,359,763.18</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

1. General

Clariant Finance (Luxembourg) S.A. (the “Company”) was incorporated in Luxembourg on March 10, 2006 as a “société anonyme” subject to the Luxembourg law for an unlimited period of time. The company has its registered office at 12, rue Guillaume Kroll, L-1882 Luxembourg.

The corporate objects of the company are (i) the acquisition, holding and disposal, in any form, by any means, directly or indirectly, of participations, right and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription or in any other manner and the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind and contracts thereon or related thereto, (iii) the acquisition of loans or assumption of risks in relation to loans or similar instruments and contracts and (iv) the ownership, administration, development and management of a portfolio (including, among other things, the assets referred to in (i), (ii), and (iii) above). The company may also acquire, hold and dispose of interests in partnerships and other entities. The Company may also enter into any securitisation transaction in any manner which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The Company may borrow in any form. It may issue notes bonds and debentures and any kind of debt and/or equity securities. The Company may lend funds (including the proceeds of any borrowings and/or issues of debt securities) to its subsidiaries affiliated companies or any other company. It may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Company may further pledge, transfer, encumber or otherwise create security over some or all its assets.

The Company may (i) enter into any transaction or agreement which is subject to, governed by or part of (or capable of being entered into under) any capital markets master agreement (including under an ISDA Master Agreement), (ii) execute and deliver any such master agreement or any confirmation or other confirming evidence of any such transaction under such master agreement, (iii) perform any obligations under any such transaction or master agreement and (iv) to so enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase and similar transactions or transactions in the context hereof or combinations of any of the foregoing. The Company may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks. The descriptions above are to be understood in their broadest sense and their enumeration is not limiting.

The descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects shall include any transaction or agreement which is entered into by the company, provided it is not inconsistent with the foregoing enumerated objects. In general, the company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

1. General (cont.)

The financial period runs from January 1, 2010 to December 31, 2010.

The company's accounts are included in the consolidated accounts established by Clariant AG, a Swiss Company established at Rothausstrasse 61, CH4132 Muttenz 1, Switzerland.

These accounts can be obtained at the registered office of the Swiss company.

2. Accounting policies, valuation principles and methods

2.1 Basis of Preparation

The annual accounts have been established in conformity with applicable legal and statutory requirements in Luxembourg, including the following significant accounting policies.

2.2 Accounting policies

2.2.1 General principles

The annual accounts have been established in conformity with applicable legal and statutory requirements in Luxembourg, including the following significant accounting policies.

In accordance with article 4 of the law dated December 10, 2010, the Board of Directors of the Company has resolved for the year ended December 31, 2010 not to implement the changes brought by this law to the content and the layout of the annual accounts, as well as to the related accounting principles and valuation policies.

2.2.2 Currency translation

The Company maintains its books and records in Euro ("EUR"). The balance sheet and the profit and loss account are expressed in this currency.

At the balance sheet date:

Formation expenses, intangible, tangible and financial assets denominated in currencies other than EUR are translated at the historical exchange rates.

Other assets and other liabilities denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet, unless this would lead to an unrealized exchange gain.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

2.2 Accounting policies (cont.)

2.2.2 Currency translation (cont.)

Specific cases:

Cash at bank, cheques and cash in hand denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet. Realized exchange gains and losses arising from the translations are recorded in the profit and loss account.

Current assets and liabilities denominated in currencies other than EUR (having an economic link and similar characteristics) are translated at the exchange rates prevailing at the date of the balance sheet. Only unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Long term debts denominated in currencies other than EUR having an economic link with receivables recorded in financial assets (and having similar characteristics) are translated at the historical exchange rates (loans “back to back”).

As a result, realized exchange gains and losses and unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

2.2.3 Formation expenses

Formation expenses include issuance fees and other charges, related to the notes issued which are amortised on a straight-line basis over the maturity term of the notes.

2.2.4 Financial assets

Shares in affiliated undertakings, participating interests and securities held as fixed assets are stated at acquisition cost. Write-downs are recorded if, in the opinion of the Directors, there is any impairment of a durable nature.

Receivables are recorded at their nominal value. Receivables are written down to their recoverable amount if, in the opinion of the Directors, there is an impairment of a durable nature.

3. Formation expenses

These represent fees related to the issuance of the notes.

These are being amortised over seven years, which coincides with the term of the notes.

	31/12/10 EUR	31/12/09 EUR
Formation expenses at the beginning of the period	768,493.15	1,004,207.44
Value adjustment at the end of the period	(235,714.30)	(235,714.29)
Net book value at the end of the period	<u>532,778.85</u>	<u>768,493.15</u>

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

Name	Registered office	% Ownership	Net book value 31/12/2009 EUR	Depreciation for the year EUR	Net book value 31/12/2010 EUR	Net equity 31/12/2010 EUR
Clariant Chemiebeteiligung AG*	Switzerland	100%	301,054,650.05	0.00	301,054,650.05	355,727,941.00
Clariant Participations B.V.*	The Netherlands	100%	244,293,408.57	0.00	244,293,408.57	115,252,540.00
Clariant Servizi (Italia) SPA**	Italy	100%	79,800,000.00	5,826,103.00	73,973,897.00	73,974,897.00
			625,148,058.62	5.826.103.00	619,321.955,62	

4. Shares in affiliated undertakings

The Board of Directors of the Company considered that no additional value adjustment had to be recorded as at December 31, 2010.

*figures based on reporting packages.

** figures based on audited statutory accounts

5. Loans to affiliated undertakings and amounts due from affiliated undertakings

The Company granted a loan to:

- Clariant Servizi (Italia) S.p.A. of EUR 119,500,000.00 at an interest rate of 4.806% (between January 1, 2010 to April 1, 2010) and an interest rate 2.212% (between April 2, 2010 to December 31, 2010), and having a maturity date on April 4, 2011. On March 25, 2011 the loan has been roll-forwarded with a new maturity date i.e. April 4, 2013.
- Clariant Iberica Servicios S.L. of EUR 43,000,000.00 at an interest rate of 4.90% (between January 1, 2010 to December 3, 2010) and an interest rate 3.528% (between December 4, 2010 to December 31, 2010) and having a maturity date on April 4, 2013.
- Clariant Services (France) of EUR 80,000,000.00 at an interest rate 2.574% (between the January 1, 2010 and March 31, 2010) and an interest rate 1.961% (between the April 1, 2010 and December 31, 2010) and having a maturity date on September 15, 2011. On September 8, 2011 the loan has been roll-forwarded with a new maturity date i.e. April 4, 2013.

In 2010, interest's charges amount to EUR 8,283,410.22 (2009: EUR 10,167,306.51).

	31/12/10 EUR	31/12/09 EUR
Principal due after one year but less than five years	242,500,000.00	242,500,000.00
Interest due within one year	<u>4,773,892.44</u>	<u>12,328,512.11</u>
	<u>247,273,892.44</u>	<u>254,828,512.11</u>

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

6. Regularization account

The notes payable were issued at 99.628 per cent of their nominal amount. The difference of 0.372 per cent amounting to EUR 2,232,000 is amortized over seven years.

7. Subscribed capital

The subscribed capital is represented by 42,391,971 shares fully paid-up of EUR 1.25 each.

8. Legal reserve

In accordance with relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

9. (Losses)/Profit brought forward

	2010
	EUR
Balance at the beginning of the period	51,767,109.81
Loss from prior period	(666,735.53)
Balance at the end of the period	<u>51,100,374.28</u>

10. Notes Payable

On April 6, 2006, the Company issued EUR 600,000,000 Guaranteed Notes due April 5, 2013 at a price of 99.628% of its principal amount. The notes bear interest at a rate of 4.375% and are guaranteed by Clariant Limited.

Issuance premium and fees for a global amount of EUR 2,232,000 has been capitalised and will be amortized over 7 years. (Refer to note 6 for further details).

11. Amounts due within one year

These include trade creditors for services rendered to the Company and the interest due on notes payables as shown below:

	31/12/10	31/12/09
	EUR	EUR
Trade creditors	15,398.37	1,643.60
Interest payable on notes payable	<u>19,489,726.03</u>	<u>19,489,726.03</u>
	<u>19,505,124.40</u>	<u>19,491,369.63</u>

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2010

12. Staff costs

The Company employed two persons to oversee the administrative function of the Company. Their remuneration is detailed below:

	31/12/10 EUR	31/12/09 EUR
Salaries and wages costs	76,995.69	75,454.96

13. Income received from participating interests

In 2010, the company received dividends for an amount of EUR 10,325,600.60 (2009: EUR 15,000,000) from Clariant Chemieeteiligungen AG.

14. Tax status

The Company is subject to tax applicable in Luxembourg.

**Financial statements of the Issuer as at and for the year ended 31
December 2009**

Clariant Finance (Luxembourg) S.A.
Société Anonyme

Annual Accounts
as at December 31, 2009

12, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg: B 114 770

Clariant Finance (Luxembourg) S.A.

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“Commissaire”'s report

To the Shareholders of
Clariant Finance (Luxembourg) S.A.

We have audited the accompanying annual accounts of Clariant Finance (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2009, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the “Commissaire”

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the “Commissaire”, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the “Commissaire” considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts. 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, these annual accounts give a true and fair view of the financial position of Clariant Finance (Luxembourg) S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, July 29, 2010



Alain Macchling

Clariant Finance (Luxembourg) S.A.

Balance Sheet as at December 31, 2009 (Expressed in EUR)

	Notes	31/12/09 EUR	31/12/08 EUR
ASSETS			
FORMATION EXPENSES	3	768,493.15	1,004,207.44
FIXED ASSETS			
Financial assets			
- Shares in affiliated undertakings	4	625,148,058.62	625,148,058.62
- Loans to affiliated undertakings	5	242,500,000.00	242,500,000.00
CURRENT ASSETS			
Debtors			
- Amounts due from affiliated undertakings	5	12,328,512.11	6,975,749.49
Other Debtors			
- Becoming due and payable within one year		-	929,494.86
Cash at bank, cheques and cash in hand		3,676,782.86	7,935,039.25
Regularization account	6	1,039,561.64	1,358,418.78
Prepayment and accrued income		-	1,437.50
Total Assets		<u>885,461,408.38</u>	<u>885,852,405.94</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.

Balance Sheet as at December 31, 2009 (Expressed in EUR)

LIABILITIES

CAPITAL AND RESERVES

Subscribed capital	7	52,989,963.75	52,989,963.75
Share premium account		157,430,674.62	157,430,674.62
Legal reserve	8	4,033,581.11	1,308,996.38
(Losses)/Profit brought forward	9	51,767,109.81	(9,886,509.41)
Result for the financial year		<u>(666,735.53)</u>	<u>64,378,203.95</u>
		<u>265,554,593.76</u>	<u>266,221,329.29</u>
 Provisions for liabilities and charges		 415,444.99	 73,329.42
 Amounts due after more than one year	10		
- Notes payable		600,000,000.00	600,000,000.00
 Amounts due within one year	11		
- Trade creditors		1,643.60	68,021.20
- Interest on notes payable		<u>19,489,726.03</u>	<u>19,489,726.03</u>
		19,491,370.63	19,557,747.23
 Total Liabilities		<u>885,461,408.38</u>	<u>885,852,405.94</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.

Profit and Loss account for the year ended December 31, 2009 (Expressed in EUR)

		December 31, 2009 EUR	December 31, 2008 EUR
EXPENSES			
Other external charges		96,649.29	268,583.22
Staff Costs	12	75,454.96	69,608.28
Value adjustments in respect of formation expenses	3	235,714.29	235,714.27
Value adjustments in respect of issuance premium	6	318,857.14	318,857.16
Interest on notes payable	10	26,250,000.00	26,303,250.62
Other interest and similar charges		-	12,998.98
Other taxes not shown under the above items	14	383,087.50	
Profit for the financial year		-	64,378,203.95
		<u>27,359,763.18</u>	<u>91,587,216.48</u>
INCOME			
Income received from participating interests	13	15,000,000.00	82,589,897.21
Interest and similar income from affiliated undertakings	5	10,167,306.51	8,841,442.93
Other interest and similar income		1,525,721.14	155,876.34
Loss for the financial year		666,735.53	-
		<u>27,359,763.18</u>	<u>91,587,216.48</u>

The accompanying notes are an integral part of these annual accounts.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

1. General

Clariant Finance (Luxembourg) S.A. (the "Company") was incorporated in Luxembourg on March 10, 2006 as a "société anonyme" subject to the Luxembourg law for an unlimited period of time. The company has its registered office at 12, rue Guillaume Kroll, L-1882 Luxembourg.

The corporate objects of the company are (i) the acquisition, holding and disposal, in any form, by any means, directly or indirectly, of participations, right and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription or in any other manner and the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind and contracts thereon or related thereto, (iii) the acquisition of loans or assumption of risks in relation to loans or similar instruments and contracts and (iv) the ownership, administration, development and management of a portfolio (including, among other things, the assets referred to in (i), (ii), and (iii) above). The company may also acquire, hold and dispose of interests in partnerships and other entities. The Company may also enter into any securitisation transaction in any manner which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The Company may borrow in any form. It may issue notes bonds and debentures and any kind of debt and/or equity securities. The Company may lend funds (including the proceeds of any borrowings and/or issues of debt securities) to its subsidiaries affiliated companies or any other company. It may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Company may further pledge, transfer, encumber or otherwise create security over some or all its assets.

The Company may (i) enter into any transaction or agreement which is subject to, governed by or part of (or capable of being entered into under) any capital markets master agreement (including under an ISDA Master Agreement), (ii) execute and deliver any such master agreement or any confirmation or other confirming evidence of any such transaction under such master agreement, (iii) perform any obligations under any such transaction or master agreement and (iv) to so enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase and similar transactions or transactions in the context hereof or combinations of any of the foregoing. The Company may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks. The descriptions above are to be understood in their broadest sense and their enumeration is not limiting.

The descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects shall include any transaction or agreement which is entered into by the company, provided it is not inconsistent with the foregoing enumerated objects. In general, the company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

1. General (cont.)

The financial period runs from January 1, 2009 to December 31, 2009.

The company's accounts are included in the consolidated accounts established by Clariant AG, a Swiss Company established at Rothausstrasse 61, CH4132 Muttensz 1, Switzerland.

These accounts can be obtained at the registered office of the Swiss company.

2. Accounting policies, valuation principles and methods

2.1 Basis of Preparation

The annual accounts have been established in conformity with applicable legal and statutory requirements in Luxembourg, including the following significant accounting policies.

2.2 Accounting policies

2.2.1 General principles

The annual accounts have been established in conformity with applicable legal and statutory requirements in Luxembourg, including the following significant accounting policies.

2.2.2 Currency translation

The Company maintains its books and records in Euro ("EUR"). The balance sheet and the profit and loss account are expressed in this currency.

At the balance sheet date:

Formation expenses, intangible, tangible and financial assets denominated in currencies other than EUR are translated at the historical exchange rates.

Other assets and other liabilities denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet, unless this would lead to an unrealized exchange gain.

Specific cases:

Cash at bank, cheques and cash in hand denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet. Realized exchange gains and losses arising from the translations are recorded in the profit and loss account.

Current assets and liabilities denominated in currencies other than EUR (having an economic link and similar characteristics) are translated at the exchange rates prevailing at the date of the balance sheet. Only unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

2.2 Accounting policies (cont.)

2.2.2 Currency translation (cont.)

Long term debts denominated in currencies other than EUR having an economic link with receivables recorded in financial assets (and having similar characteristics) are translated at the historical exchange rates (loans "back to back").

As a result, realized exchange gains and losses and unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

2.2.3 Formation expenses

Formation expenses include issuance fees and other charges, related to the notes issued which are amortised on a straight-line basis over the maturity term of the notes.

2.2.4 Financial assets

Shares in affiliated undertakings, participating interests and securities held as fixed assets are stated at acquisition cost. Write-downs are recorded if, in the opinion of the Directors, there is any impairment of a durable nature.

Receivables are recorded at their nominal value. Receivables are written down to their recoverable amount if, in the opinion of the Directors, there is an impairment of a durable nature.

3. Formation expenses

These represent fees related to the issuance of the notes.

These are being amortised over seven years, which coincides with the term of the notes.

	31/12/09 EUR	31/12/08 EUR
Formation expenses at the beginning of the period	1,004,207.44	1,239,921.71
Value adjustment at the end of the period	(235,714.29)	(235,714.27)
Net book value at the end of the period	<u>768,493.15</u>	<u>1,004,207.44</u>

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

4. Shares in affiliated undertakings

Name	Registered office	% Ownership	Net book value 31/12/2008 EUR	Depreciation for the year EUR	Net book value 31/12/2009 EUR	Net equity* 31/12/2009 EUR
Clariant Chemiebeteiligung AG	Switzerland	100%	301,054,650.05	0.00	301,054,650.05	291,506,000.00
Clariant Participations B.V.	The Netherlands	100%	244,293,408.57	0.00	244,293,408.57	104,652,000.00
Clariant Servizi (Italia) SPA	Italy	99%	79,800,000.00	0.00	79,800,000.00	84,901,410.00
			625,148,058.62	0.00	625,148,058.62	

The Board of Directors of the Company considered that no additional value adjustment had to be recorded as at December 31, 2009.

*figures based on reporting packages.

5. Loans to affiliated undertakings

The Company granted a loan to Clariant Servizi (Italia) S.p.A. of EUR 119,500,000.00 at an interest rate of 4.806% per annum and having a maturity date on April 2, 2010, to Clariant Iberica Servicios S.L. of EUR 43,000,000.00 at an interest rate of 4.90% and having a maturity date on December 4, 2010, and to Clariant Services (France) of EUR 80,000,000.00 at an interest rate 6.087% between the January 1, 2009 and March 31, 2009 and an interest rate 2.574% between the April 1, 2009 and December 31, 2009 and having a maturity date on September 15, 2011.

In 2009, interest's charges amount to EUR 10,167,306.51

	31/12/09 EUR	31/12/08 EUR
Principal due after one year but less than five years	242,500,000.00	242,500,000.00
Interest due within one year	<u>12,328,512.11</u>	<u>6,975,749.49</u>
	<u>254,828,512.11</u>	<u>249,475,749.49</u>

6. Regularization account

The notes payable were issued at 99.628 per cent of their nominal amount. The difference of 0.372 per cent amounting to EUR 2,232,000 is amortized over seven years.

7. Subscribed capital

The subscribed capital is represented by 42,391,971 shares fully paid-up of EUR 1.25 each.

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

8. Legal reserve

In accordance with relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

9. (Losses)/Profit brought forward

2009
EUR

Balance at the beginning of the period	<u>(9,886,509.41)</u>
Profit from prior period	64,378,203.95
Legal reserve (please refer to note 8)	(2,724,584.73)
Balance at the end of the period	<u>51,767,109.81</u>

10. Notes Payable

On April 6, 2006, the Company issued EUR 600,000,000 Guaranteed Notes due April 5, 2013 at a price of 99.628% of its principal amount. The notes bear interest at a rate of 4.375% and are guaranteed by Clariant Limited.

Issuance premium and fees for a global amount of EUR 2,232,000 has been capitalised and will be amortized over 7 years. (Refer to note 6 for further details).

11. Amounts due within one year

These include trade creditors for services rendered to the Company and the interest due on notes payables as shown below:

	31/12/08 EUR	31/12/08 EUR
Trade creditors	1,643.60	68,021.20
Interest payable on notes payable	<u>19,489,726.03</u>	<u>19,489,726.03</u>
	<u>19,491,369.63</u>	<u>19,557,747.23</u>

Clariant Finance (Luxembourg) S.A.

Notes to the annual accounts for the period ended December 31, 2009

12. Staff costs

The Company employed two persons to oversee the administrative function of the Company. Their remuneration is detailed below:

	31/12/09	31/12/08
	EUR	EUR
Salaries and wages costs	75,454.96	69,608.28

13. Income received from participating interests

In 2009, the company received dividends for an amount of EUR 15,000,000 from Clariant Participation (The Netherlands) B.V..

14. Tax status

The Company is subject to tax applicable in Luxembourg.

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