

Nabaltec

The background of the entire page is a complex, abstract pattern of organic, interconnected shapes in various shades of blue and teal. These shapes resemble molecular structures or fluid droplets, creating a sense of movement and connectivity. The colors range from light, airy blues to deep, saturated teals and dark blues.

***OUR
KNOW-HOW
FOR YOUR
SAFETY***

ANNUAL FINANCIAL STATEMENTS 2022

MANAGEMENT REPORT OF NABALTEC AG FOR FINANCIAL YEAR 2022¹

1. DESCRIPTION OF THE COMPANY

1.1 THE COMPANY'S BUSINESS MODEL

Business Operations

Nabaltec AG develops, manufactures and distributes environmentally friendly and simultaneously highly specialized products based on mineral raw materials. Nabaltec is one of the world's leading suppliers of functional fillers and specialty alumina on the basis of aluminum hydroxide (ATH) and aluminum oxide. Annual production capacity of all Group companies is currently around 265,000 tons.

The range of applications of Nabaltec products is highly diversified:

- flame-retardant filling material for the plastics industry used e.g. for cabling in tunnels, airports, high-rises and electronic equipment;
- fillers and additives, e.g. as separator coating in lithium ion batteries, as an all-natural barrier layer in foil or in gap fillers to improve heat conductivity;
- ceramic raw materials applied in the refractory industry, in technical ceramics and abrasives industry;
- highly specialized ceramic raw materials for ballistics, microelectronics and ceramic filters.

Whenever applications require a high degree of quality, safety, environmental friendliness and product duration, Nabaltec products are always preferred. This combination of critical properties is the basis for excellent growth prospects. The main drivers are the globally increased environmental consciousness, comprehensive international and national regulations and the industry's self-imposed obligation to use more eco-friendly products. The demand for flame protection within the plastics and cable & wire industry will continue to grow dynamically in the years to come, which is supported by market research results. In order to benefit from this development disproportionately high, production capacities for environmentally friendly, flame-retardant fillers were specifically expanded in the "Functional Fillers" product segment. Today Nabaltec is one of the world's leading suppliers in this area. Nabaltec's still new battery market segment for electrical mobility applications serves a market which will post strong growth in the coming years. Nabaltec sees itself as one of the world's leading manufacturers of boehmite-based coating material.

In the "Specialty Alumina" product segment as well, Nabaltec sees sound long-term growth potential for Nabaltec products thanks to a wide range of applications and relevant target markets, particularly for reactive aluminum oxides, due to stricter quality requirements in the refractory industry.

Nabaltec maintains very close contacts with customers through its sales team and its technical support staff. This proximity to our clients is fundamental for the concerted development of our products with a focus on market needs and applications.

¹ All figures below have been rounded to the nearest million euro. This may result in apparent differences when adding or subtracting.

Corporate Structure

Nabaltec AG, based in Schwandorf, Germany, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminum AG. In September 2006, the company was converted into a German joint stock corporation (*Aktiengesellschaft*). Nabaltec shares have been listed in the Open Market division of the Frankfurt stock exchange since November 2006 and have consistently been traded in high-quality segments of the exchange, including the Scale segment as of March 2017.

Since its initial public offering in 2006, Nabaltec has had intact access to the capital market. This is proven by the bond offering in 2010 as well as the loans against borrower's note in 2013, 2015 and 2022 and the capital increase in 2017. This market access, maintained by transparent and reliable communications at all times, secures Nabaltec AG a balanced and largely independent means of financing.

Nabaltec AG holds a 100% interest in Nashtec LLC (USA) and Naprotec LLC (USA) through Nabaltec USA Corporation, which was formed in 2018. In addition to administrative functions such as accounting for all US companies, sales activities for Nabaltec Group in North America are also concentrated in Nabaltec USA Corporation.

Nabaltec AG acquired all shares in Nashtec LLC in March 2017; until then, Nabaltec AG had held 51% of shares in the company. The shares were acquired with the goal of continuing to operate Nashtec LLC based on a stand-alone solution after Nashtec was forced to temporarily suspend production of fine hydroxides due to the insolvency of its supplier, Sherwin Alumina LLC. Nashtec LLC resumed production at the end of 2018.

In addition, Naprotec LLC was formed as a production company in 2018 in Chattanooga, USA and its shares are also held by Nabaltec USA Corporation, paving the way for construction of a production facility for milled hydroxides. Nabaltec has therefore significantly expanded its product portfolio in the US for non-halogenated flame retardant applications. The facility went online in the first half of 2020.

Nabaltec (Shanghai) Trading Co., Ltd., based in Shanghai, China, was formed in October 2018. This company is a wholly-owned subsidiary of Nabaltec AG and maintains an in-country warehouse, allowing it to offer shorter delivery times and invoicing in the national currency.

In order to strengthen its operations in the Southeast Asian market, Nabaltec AG established a wholly-owned subsidiary in 2016, Nabaltec Asia Pacific K.K., based in Tokyo, Japan, which marketed and distributed Nabaltec's entire portfolio of products. Due to a restructuring of business activities in the growing market for separator foils in lithium-ion batteries, Nabaltec Asia Pacific K.K. can no longer play its intended role. Therefore, the company was dissolved in Financial Year 2022.

No further participations or subsidiaries currently exist.

Reflecting the characteristics of the target and buyers' markets, Nabaltec's operations are divided into two product segments, each in turn comprised of market segments.

PRODUCT SEGMENTS

"FUNCTIONAL FILLERS" and
"SPECIALTY ALUMINA"

Market segments:

- Wire & Cable
- Resins & Dispersions
- Rubber & Elastomers
- Battery
- Adsorbents & Catalysts
- Refractory
- Technical Ceramics
- Polishing
- Others

1.2 OBJECTIVES AND STRATEGIES

1. Optimizing customer benefits by continuously improving production processes and product quality

Through continuous exchange with customers, Nabaltec optimizes its own products and processes and aligns them with customer-specific requirements. Product improvements and upscaling take place in close consultation with customers. Particularly customers in the electric mobility sector pose new challenges which require the Company to continually adapt its processes in order to meet the requirements of this market. In addition, Nabaltec pursues a global release and provision policy for equivalent products from different locations for customers worldwide. This approach serves to further improve customer benefits while simultaneously optimizing internal processes.

Nabaltec continuously invests in internal research and development departments, the analysis center, its own testing facility and a pilot plant. Nabaltec has also been collaborating with various research institutions for years, as well as taking part in research consortia. Optimizing processes includes efficient energy consumption as well as comprehensive environmental protection. Both aspects represent key competitive factors. Nabaltec has taken extensive measures in order to reduce energy consumption, operate with virtually no wastewater and minimize emissions. Nabaltec finishes material cycles by recycling packaging.

Nabaltec has repeatedly been recognized by the independent internationally recognized sustainability rating agency EcoVadis for its performance in the area of Environmental, Social & Governance (ESG). The assessment takes into account international sustainability standards such as the Global Reporting Initiative, the United Nations Global Compact and ISO 26000. ESG aspects are recognizably playing an increasingly important role in customers' procurement decisions.

2. Systematic expansion of the product range

Nabaltec currently develops its own product portfolio along three dimensions:

- through development of new products, often in close collaboration with key customers. Examples include boehmite for alternative energy storage and electric mobility;
- through focused development of existing products with a view towards improving performance, which is generally designed to meet specific customer requirements. The GRANALOX® product family is an example of this;
- through further development of existing products for entirely new applications, such as thermally conductive plastics.

Thanks to its own testing facility at the Schwandorf site, Nabaltec is optimally equipped to transition newly developed products from its laboratories and testing centers into sample production of up to several hundred tons. As a result, the pilot plant can serve as the basis for industrial product launches in addition to its role in process development.

3. Strategic expansion and extension of boehmite production capacity and viscosity-optimized aluminum hydroxide

In order to continue to meet and consistently follow the sharply increasing growth in the market for lithium-ion batteries, which is financially significant for Nabaltec, production capacity will be increased from the current 10,000 metric tons per year to 20,000 metric tons per year by mid-2024. In addition, viscosity-optimized aluminum hydroxides are being developed to meet the rapidly growing demand in the thermal management segment. Production capacity for this product range is to increase from currently 20,000 metric tons to 50,000 metric tons per year by 2025 through investment measures.

4. Flexible and quick adaption of capacities and cost structures thanks to high-resolution controlling processes

Nabaltec pursues a margin oriented capacity policy. Fluctuations in demand and changes in batch size have to be taken into account as soon as possible if production processes are to remain profitable, since production processes in the specialty chemicals sector cannot be varied without inherent delays. Therefore, Nabaltec has developed a fast-acting and highly differentiated controlling system, so that it has at its disposal the appropriate instruments so as to align costs to a large extent with fluctuations in demand and batch size.

5. Securing future investments through a strong financing base

In order to take full advantage of market potential relating to both product segments, further investments are necessary. This investment activity, along with possession of the necessary know-how, are at the same time a high market entry barrier for potential new suppliers. In order to ensure that the required investment capital will be available, Nabaltec relies on a financing base consisting of a balanced mix of equity and debt.

1.3 CONTROLLING

Nabaltec AG has implemented for the entire company and subsidiaries an incentive scheme, assigning responsibilities and defining specific objectives for even for the smallest units of the company. Comprehensive earnings, cost and performance forecasts facilitate analysis

for achievement of the company's objectives. Comparisons of estimates against results are available online, indicating a need for action at an early stage and promoting the process of agreement on targets. Comparisons of estimates against results are conducted on a monthly basis for all cost centers and cost units.

"Microsoft Dynamics 365 Business Central" ERP software is used in all commercial departments. All cost accounting at Nabaltec, including earnings statements, are presented based on the "macs Complete" controlling software. Revenues and EBIT margin are the key control parameters which are used as a basis for business decisions.

1.4 BASICS OF THE REMUNERATION SYSTEM FOR CORPORATE OFFICERS

Management Board

The Management Board agreements were revised in the 2021 financial year by the Supervisory Board. The remuneration of Management Board members includes fixed and variable components; the latter are based on annual business performance on a recurring basis and are capped relative to the member's fixed annual salary. This remuneration covers all activities of the individual Management Board members for the company and its subsidiaries and holdings.

The assessment basis for the variable compensation is calculated as follows: The Management Board Chairman receives a profit share equal to 4%, and each other member receives 2%, of the amount by which the positive pre-tax consolidated result in accordance with IFRS, adjusted for non-controlling interests and subtracting losses carried forward from the year before, exceeds EUR 4.2 million. Variable compensation is capped at 100% of the fixed annual salary.

As a part of the fixed compensation component, the company provides Management Board members with ancillary benefits in addition to the fixed salary, such as use of a company car, accident insurance, health and long-term care insurance subsidies which conform to the statutory rules for employees and continued payment of wages for a limited time in case of illness and death. The Management Board Chairman also receives a pension upon retirement amounting to up to 67%, and all other Management Board members receive in the range of a minimum of 28% up to a maximum of 50%, of their last fixed gross salary, and surviving spouses are entitled to up to 75% of the pension as a widow's pension, for the Management Board Chairman and up to 60% for all other Management Board members.

Management Board members are covered by a D&O insurance policy with an insured sum of EUR 25.0 million, with a deductible amounting to 10% of the claim, as required by law, up to one and half times the amount of their fixed annual compensation. Insurance premiums are paid by the company.

Supervisory Board

Remuneration of Supervisory Board members was last revised by resolution of the shareholders at the general meeting of 29 June 2022. Accordingly, the members of the Supervisory Board each receive fixed compensation of EUR 18,000.00 per financial year, payable after the end of the financial year, and an attendance fee of EUR 1,500.00 per Supervisory Board meeting. The Chairman of the Supervisory Board receives fixed

remuneration of EUR 27,000.00 per financial year, payable after the end of the financial year, and an attendance fee of EUR 2,250.00 per Supervisory Board meeting. If the term of a Supervisory Board member begins or ends over the course of a financial year, the member is entitled to fixed remuneration on a prorated basis.

The members of the Supervisory Board are included (unchanged since 1 January 2020) in a pecuniary loss liability insurance policy taken out by the company in the interests of the company for directors and other officers of the company and its affiliated companies (D&O insurance) with an insured sum of up to EUR 25 million without any deductible for the insured members of the Supervisory Board. Insurance premiums are paid by the company.

In addition, the members of the Supervisory Board receive reimbursement of their expenses and any statutory value-added tax payable on the Supervisory Board remuneration.

1.5 RESEARCH AND DEVELOPMENT

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. A key element of the research and development strategy is close collaboration and joint development efforts with customers. In all product segments, the focus is on providing customers with an optimal product and helping them achieve a competitive advantage. As a leading supplier of highly specialized products, Nabaltec considers research and development to be one of its central core competencies. Research and development expenses accounted for 2.2% of revenues in 2022.

Close collaboration with customers is a common thread for all functional areas and processes. Application-oriented sales allow it to identify specific customer requirements at an early stage and incorporate them immediately into development work for application engineering, process development and production. This is true both for the optimization of established products and for the development of new products.

In order to ensure continued success in a global market, the optimization of production processes is also a high priority for R&D work. Energy and resource efficiency have always been key drivers here and will be given additional weight in future ESG reporting.

Nabaltec works intensively with universities and institutions to examine relevant trends. Three public-funded industrial collective research projects have been worked on by Nabaltec employees since 2021, working through project committees. The research partners include several institutes of the Fraunhofer-Gesellschaft, the RWTH in Aachen, the Papiertechnische Stiftung PTS in Heidenau and the University of Bayreuth.

An expression of Nabaltec's strong commitment to research and development is its receipt of various national and international awards and distinctions for innovativeness. For example, Nabaltec AG has been recognized as one of the 100 most innovative mid-sized German companies eleven times and has received awards for innovativeness in multiple areas.

In addition to the effort to work out new ideas for products, processes and applications and to start corresponding new developments, Nabaltec AG's research and development activities are also aimed at further developing and refining existing products and processes.

As part of the strategy development process, interdisciplinary teams comprised of employees from development, sales, plant and process development, depending on the product and application, analyze market data in light of identified trends. This ensures that new applications, processes and products are implemented in a timely manner, in conformance with the strategy.

Research and development in the 2022 financial year was once again marked by challenges relating to electric mobility. While the economic environment for ceramic-coated separator films for lithium-ion batteries led to a dip in growth for boehmites in 2022, further developments in this product and application area continued with high intensity. On the one hand, activities focused on process engineering and production-related developments in connection with the ongoing capacity expansions. On the other, key fundamental developments have been continued in order to meet the requirements of the next generation of separator film, with higher energy density resulting in higher storage capacity. The separator film which will be required for this purpose will have to be equipped with even thinner coating. For this purpose, further pilot production batches were sampled by Nabaltec's key customers.

Electrode coating (especially cathode edge coating) has gained importance due to the development of further battery cell factories in Europe. After demonstrating application performance through its own elaborations, Nabaltec started initial release processes with customers for Nabaltec boehmites in 2022, to be completed in 2023.

Another key aspect of electric mobility is managing the heat generated by battery systems. Given the demand for significantly faster charging times and, in particular, due to the plans for a dense network of rapid charging stations, the issue of thermally conductive materials is becoming increasingly important. The product family for thermal conductivity applications launched in 2020, consisting of the APYRAL[®] HC, NABALOX[®] HC and ACTILOX[®] HC product groups, has now been able to establish itself in wide areas of battery and charging technology. The aluminum hydroxide-based APYRAL[®] HC products enable very high filling efficiencies and thermal conductivities in TIMs (Thermal Interface Materials) or so-called "gap fillers." At the same time, the products manufactured on the basis of APYRAL[®] HC show very low abrasion during production and application in battery-module or battery-pack manufacturing. APYRAL[®] HC is also manufactured at the Chattanooga site by Naprotec in the US.

Mineral-based flame retardants continue to ensure growth for Nabaltec's innovative and eco-friendly products. In addition to the issues of flue gas development and flue gas toxicity, the stricter fire safety requirements in connection with the new EU Construction Products Regulation have become increasingly important. The new rules require plastic components with a high share of aluminum hydroxide, which must be highly processable as well. Already introduced to the market in 2021, APYRAL[®] 40 (EX) CDO, a complementary product to APYRAL[®] 40 CD with further improved processing behavior during compounding, was produced for the first time at Nashtec LLC during 2022. Key customers in North America could thus be provided samples on an industrial scale.

For years, the company has been seeing a trend in the refractory industry towards increased use of highly reactive aluminum oxides. As a result, Nabaltec AG's development activities have been oriented towards expanding its know-how with regard to reactive alumina. The

resulting new developments and application investigations were presented at the UNITECR 2022 refractory conference in Chicago, Illinois, USA. In order to keep pace with the growing demand for reactive alumina, Nabaltec is also working intensively on the optimization and modification of existing production processes.

The traditionally very individual cooperation with customers in the GRANALOX® product group area was characterized in 2022 by an expansion of sales volume to Asian customers, particularly in the electromobility supply sector. In the field of wear protection, a new product has been developed: GRANALOX® NM ZTA 10. Release processes at several customers were triggered. For the advanced ceramics segment, GRANALOX® NM 9991 F was presented to a broad trade audience at CIMTEC 2022 in Perugia, Italy. The first sales could already be realized in 2022.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

Global economic growth slowed significantly to 3.2% in 2022 from 6.1% in 2021. Factors of strong influence were high energy prices and major general uncertainties, clearly exacerbated by geopolitical developments, in particular the war in the Ukraine. Monetary policy, which was tightened very quickly in view of high inflationary pressure across the board, also had a braking effect in the further course of the year. Although production continued to trend upward overall into the fall, with impetus coming from easing supply bottlenecks and the further normalization of activity in the sectors of the economy hit particularly hard by the corona pandemic, the trend in production was not positive. At the same time, however, this development was overshadowed by a slowdown in economic momentum toward the end of the year, emanating mainly from the major mature economies. These are about to enter a phase of weakened economic prospects at the end of 2022, despite substantial financial support measures. With growth of 3.2% expected in December 2022 for 2022 as a whole, the global economy is likely to perform slightly better than forecast in the course of the year, but the further outlook for the start of the year and the course of 2023 remains characterized by skepticism, and a further slowdown is expected.

With economic growth of 1.9% in 2022, Germany will be well below the euro area average (3.4%), according to expectations published by Kiel Institute for the World Economy (IfW) in December 2022. A comparatively sound first quarter with growth of 0.8% was followed by a very marked slowdown to 0.1% in the second quarter. Despite slight signs of improvement in the third quarter, with growth of 0.4%, IfW Kiel remains skeptical for the six-month winter period. Thus, no more growth is seen for the fourth quarter of 2022. High energy prices were and are the key factor. They weigh on the purchasing power of private households and dampen private consumption. The global economic environment was weak and did not provide any positive stimulus for the German economy. The slight brightening in the autumn was mainly due to the significant drop, at least temporarily, in wholesale prices for natural gas and electricity - even though they remain at a high level. The highs here were reached in August and September. IfW experts also assume that the burdens on private households and companies caused by high energy costs will be cushioned by so-called "price brakes." The fact that exports have so far proven robust in the third quarter, for example, despite falling sentiment indicators, has also had a supportive effect on the economy. The labor

market also proved stable despite the economic slowdown, partly because companies are still looking for skilled workers. Overall, the outlook for the economy brightened somewhat towards the end of 2022/start of 2023, despite considerable uncertainty. Although economic output is likely to decline slightly in the six-month winter period, the overall trend for 2023 is somewhat more stable, in contrast to earlier forecasts by economic experts.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), the situation in the industrial sector has stabilized as of year-end after a weak start in the fourth quarter. According to the BMWi, the ifo business climate index brightened further in December, partly because material bottlenecks are likely to ease increasingly in the first few months of the new year. Likewise, the German government's decisions on the natural gas and electricity price brakes helped to further improve sentiment not only among companies but also among consumers. Nevertheless, the outlook for the industrial economy in the first quarter of 2023 remains subdued in view of continued weak demand.

2.1.2 INDUSTRY SITUATION

The German Chemical Industry Association (VCI) expects production in 2022 to be 6% lower than in the previous year. If the pharmaceuticals business is excluded, this decline increases to around 10%. The last time there was a similarly sharp drop in production was 2009 as a result of the global economic crisis. Nevertheless, price-driven revenues in Germany's chemical industry for the year as a whole were still around 17.5% higher than in 2021, at EUR 266.5 billion. Sales volumes were down. Due to the enormous pressure on energy and raw material costs, there was a sharp rise in product prices. As a result, chemical products were 22% more expensive on average in 2022 as a whole than in the previous year.

The long-term trend of growing demand for non-halogenated flame retardant fillers, and aluminum hydroxide in particular, remains intact, however. Independent market forecasts call for annual global demand growth of 4.3% through 2027 (ATH-based, source: *MarketsandMarkets*, 2022).² Market growth is stimulated above all by the growing public awareness as to the need for fire safety as well as the ongoing replacement of potentially hazardous flame retardants with eco-friendly, halogen-free aluminum hydroxide. This trend has had a particularly positive effect on the fine precipitated hydroxide product range. With a wide variety of applications, above all in electric vehicles, the long-term outlook for boehmite continues to be excellent, in the estimation of Nabaltec, even though a temporary slump in demand has come about in this area. Nabaltec expects a significant increase in the volume of lithium-ion batteries produced in Europe in one to two years. As a result, the potential for boehmite in Europe will be gradually increased, alongside the Asian market.

In the Specialty Alumina product segment, the refractory market is shaped by demand from the steel industry. The trend towards high-quality refractory products and wear-resistant ceramics is continuing. Market experts estimate that the market for refractory products will grow at a rate of 4.3% and that of technical ceramics at a rate of 6.5% per year through 2028 (Source: IMARC Group, 2023).³

² *MarketsandMarkets*, "Flame Retardants Market, Global Forecast to 2027" study from 2022

³ IMARC Group, *Study "Aluminum Oxide Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023-2028"* from 2023

2.2 COURSE OF BUSINESS

Nabaltec AG had a very sound financial year in 2022 – in terms of revenues and earnings, the most successful year in the company's history. However, the result in figures should not hide the fact that this was purely price-driven and that demand on the markets deteriorated in the course of the year compared to the previous year. Uncertainty remains high in light of inflation and rising energy and raw material prices, and companies are ordering predominantly on demand and paying greater attention to low inventory levels. In the fourth quarter in particular, this effect was again clearly felt as demand declined.

Nabaltec AG's revenue was EUR 218.9 million in 2022, compared to EUR 187.0 million in the previous year (up +17.1%). Revenues in the "Functional Fillers" product segment came to EUR 147.4 million, compared to EUR 130.0 million in the previous year (up +13.4%), while revenues in the "Specialty Alumina" product segment were EUR 70.8 million, compared to EUR 56.3 million in 2021 (up +25.8%). At the end of 2021, boehmite sales were already expected to show reduced momentum in 2022 due to robust inventory purchases by customers at that time. With an annualized sales decline of 27.6% in 2022, the boehmite market was significantly impacted by the lack of stimulus from the industry. Nabaltec will closely monitor further developments and expects the market to regain momentum in the medium term, although the environment remains difficult to predict at present. Revenues which were not attributable to either product segment amounted to EUR 0.7 million in 2022 (2021: EUR 0.7 million).

Earnings before taxes (EBT) were EUR 26.6 million in 2022, compared to EUR 20.6 million in the previous year.

Due to the very sound revenue and earnings performance in the first half of 2022, in August 2022 Nabaltec increased its revenue forecast for the full year. In light of the continued very sound development in the third quarter and additional price effects, the previous forecast was again adjusted upwards. The company originally anticipated revenue growth in a range of 10% to 12% for Financial Year 2022 and initially increased this expectation from 12% to 14%, then from 15% to 17% later in the year. On the earnings side, Nabaltec initially confirmed an EBIT margin in the range of 10% to 12% in the summer of 2022, due to the significant rise in raw material and energy prices for the full year. Due to positive price effects on the sales side in the second half of the year, the EBIT margin forecast was adjusted upward to 12% and 13% in the fall. Both the forecast for revenues and the EBIT margin were fully met in 2022 compared to the last forecast in 2022 and were exceeded compared to the original forecast for Financial Year 2022.

2.3 SITUATION

2.3.1 EARNINGS POSITION

Nabaltec AG earned EUR 218.9 million in revenues in Financial Year 2022, compared to EUR 187.0 million in the previous year (up +17.1%). The development of revenues was mainly driven by price increases across all product ranges.

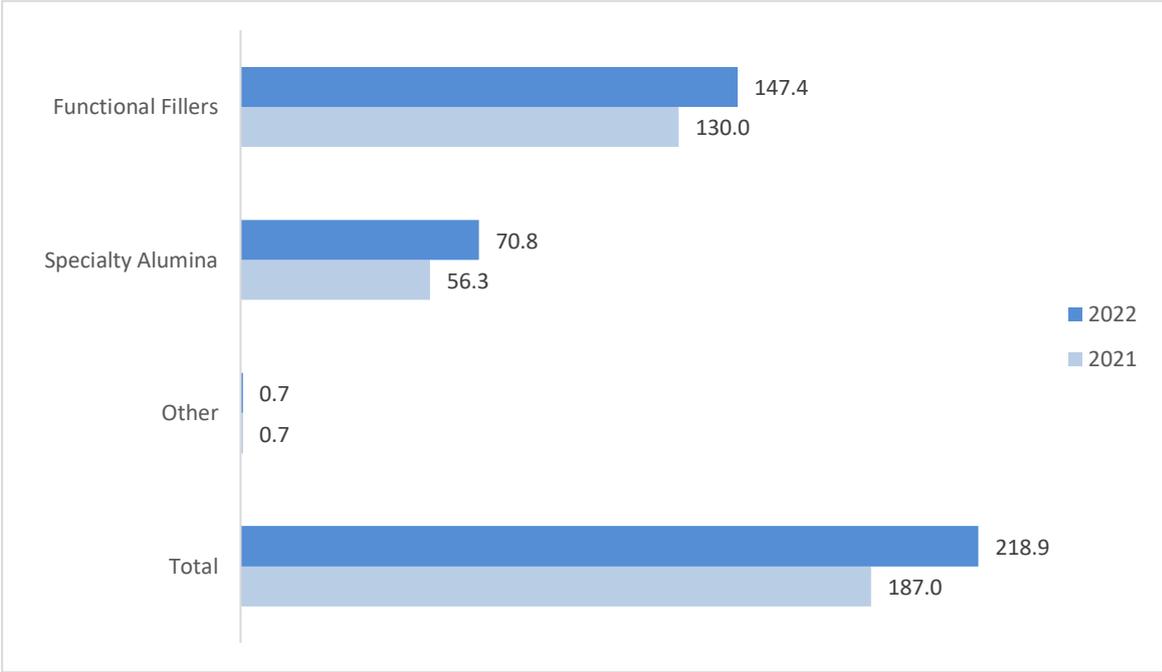
Nabaltec AG outperformed the corresponding period of the previous year in each quarter. Revenues came to EUR 54.8 million in the first quarter, compared to EUR 46.2 million in the

same quarter of last year (up +18.6%). Revenues in the second quarter of 2022 amounted to EUR 56.2 million after EUR 48.0 million in the same period from the previous year (up +17.1%). In the third quarter, Nabaltec AG exceeded the previous year's quarter by 21.3% and increased revenues to EUR 56.4 million, compared to EUR 46.5 million in the corresponding period of 2021. In the fourth quarter, revenues were EUR 51.5 million, compared to EUR 46.3 million in the same quarter of the previous year. This corresponds to an increase of 11.2%.

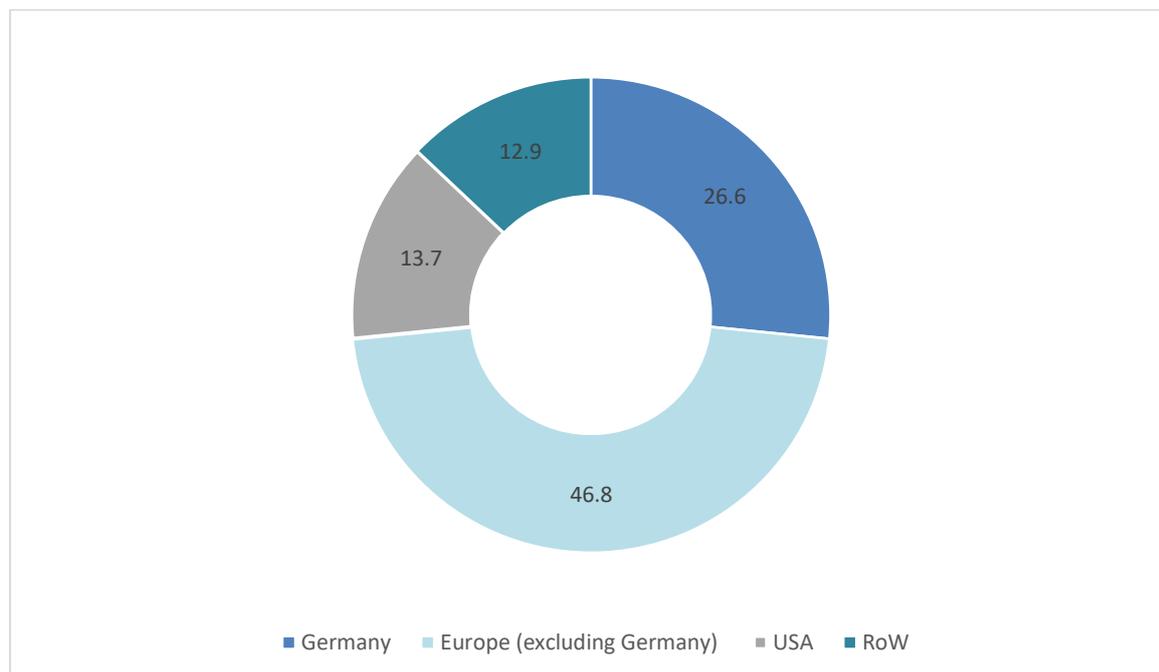
Nabaltec attained revenues in the "Functional Fillers" product segment of EUR 147.4 million in Financial Year 2022, compared to EUR 130.0 million in the previous year, corresponding to a gain of 13.4%. The solid revenue performance is solely attributable to price developments. Sales volumes were down 5.7% overall in 2022 due to uncertainties in the markets and consistent reduction in inventories at the end of the year on the part of many customers.

In the "Specialty Alumina" product segment, revenues in 2022 amounted to EUR 70.8 million, compared to EUR 56.3 million in the previous year (up +25.8%). Here, too, growth was largely price-driven, accompanied by a slight decline in volumes.

Revenues by product segment, 2022
(in EUR million)



Revenues by region, 2022 (in %)



Over the year as a whole, the export share decreased slightly, remaining at a very high level of 73.4% (previous year: 75.1%). In the regions with the highest revenues, Nabaltec AG recorded revenue growth across the board in 2022; only the Asian market, including China, saw a decline.

Orders received amounted over the year as a whole to EUR 164.6 million, compared to EUR 263.0 million in the previous year. After customers had already placed far-reaching orders for 2022 in the previous year, the momentum of incoming orders subsequently slowed significantly in the course of 2022. At the same time, there is once again a trend among customers to reduce their stock levels and order their requirements at shorter notice. Nabaltec ended the year 2022 with EUR 61.7 million in orders on hand, compared to EUR 115.9 million in the year before.

Nabaltec AG's total performance was EUR 221.5 million in 2022, compared to EUR 186.4 million in the previous year. The main reason for this development was the significant improvement in revenue compared to the previous year. Furthermore, Nabaltec AG increased inventories in Financial Year 2022 following a reduction in inventories in the previous year.

Other operating income decreased from EUR 3.9 million to EUR 2.9 million and included currency gains in the amount of EUR 2.2 million.

Operating expense ratios as a percentage of total performance		
	2022	2021
Cost of materials	51.2%	50.6%
Personnel expenses	17.3%	19.6%
Other operating expenses	15.9%	14.4%

The cost of materials ratio (as a percentage of total performance) increased slightly to 51.2% (previous year: 50.6%), which clearly shows that increased costs were well cushioned by the price adjustments implemented. At the same time, Nabaltec benefited here from a forward-looking procurement policy.

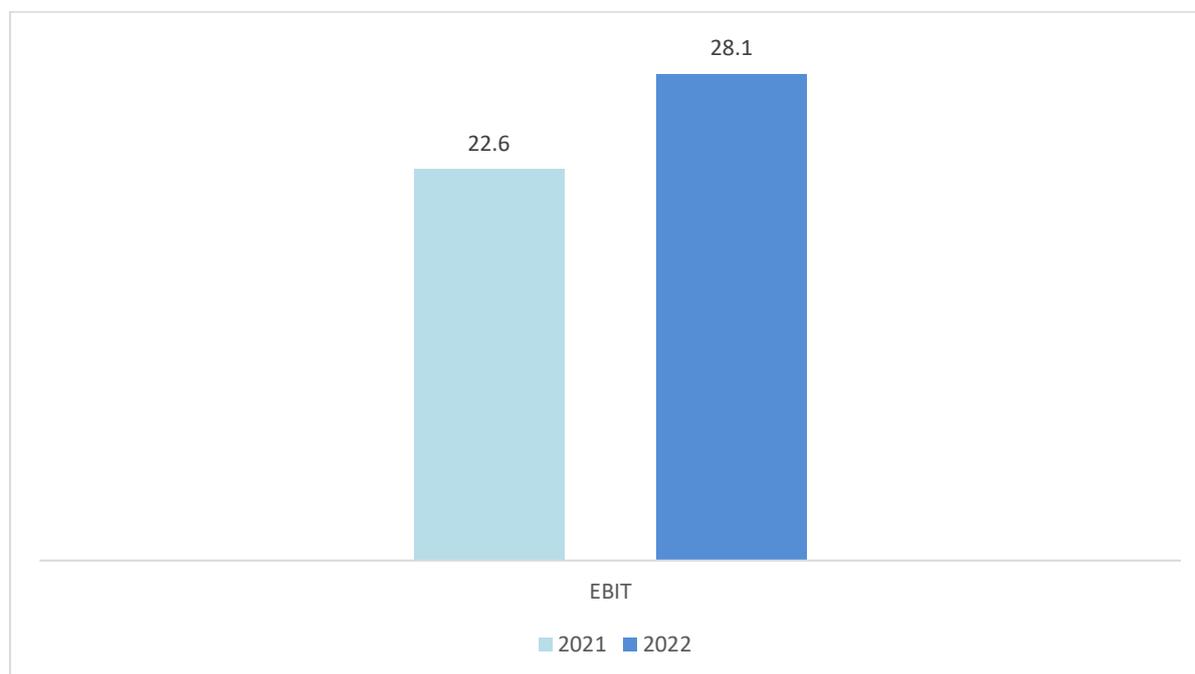
The personnel expense ratio (as a percentage of total performance) decreased from 19.6% in the previous year to 17.3% in 2022. The number of employees increased from 465 on 31 December 2021 to 490 at year-end 2022. The inflation allowance of EUR 3,000 per full-time employee agreed in the collective bargaining agreement for the chemical industry was already paid out in full by Nabaltec AG to employees in Germany in December 2022.

Other operating expenses increased from EUR 26.8 million to EUR 35.2 million, mainly due to higher freight costs as a result of price increases in freight rates and increased repair and distribution costs. The cost share of other operating expenses (as a percentage of total performance) increased from 14.4% in the previous year to 15.9%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 37.5 million, compared to EUR 32.7 million in 2021 (up +14.7%).

Operating profit (EBIT) was EUR 28.1 million in 2022, compared to EUR 22.6 million in the previous year.

EBIT (in EUR million)



Earnings before taxes (EBT) amounted to EUR 26.6 million in 2022 (previous year: EUR 20.6 million). This includes EUR -1.5 million in net financial income. In the previous year, net financial income amounted to EUR -2.0 million.

Income tax expenses came to EUR 1.5 million in Financial Year 2022 after EUR 6.4 million in the previous year. Taxes on income include tax income of EUR 6.8 million, resulting from the contractual cost settlement with Nashtec LLC in financial year 2020. Upon completion of the tax assessment at the end of September 2022 for financial year 2020, the cost compensation granted to Nashtec LLC in 2020 was recognized by the German revenue authorities in full as a tax expense deductible in Germany. Due to the uncertainty surrounding this matter, no tax income had previously been recognized (see also the "Taxes" section of the report on opportunities and risks in the 2021 Annual Report).

The net result for the financial year just closed was EUR 25.0 million, compared to EUR 14.2 million in the previous year.

2.3.2 LIQUIDITY POSITION

Financial management is assigned to the Management Board directly and primarily includes managing the capital structure, managing liquidity, interest rate and currency hedging and obtaining funds. The subsidiaries are integrated into the Group's liquidity management system.

Nabaltec counters fluctuations in the USD/EUR exchange rate by using exchange rate hedging instruments when such a course is indicated due to the scope of the foreign exchange transactions.

Liquid funds in the amount of EUR 32.3 million were made available to the subsidiaries through the reporting date (2021: EUR 32.1 million). The interest rates correspond to the usual conditions for external financing of Nabaltec AG. Nabaltec also uses various interest rate hedging instruments with a mid- to long-term interest rate lock period on a case-by-case basis in connection with variable-interest outside financing.

Funding to finance sought growth and the investments made is secured by means of shareholders' equity via loans and through operating cash flow.

Nabaltec AG's loans against borrower's notes are subject to covenants tied to Group "leverage coverage ratios." None of the covenants in effect as of 31 December 2022 were breached in the 2022 Financial Year.

The second tranche of the 2015 bonded loan of EUR 39.0 million and a bilateral loan of EUR 20.0 million were due for repayment as scheduled in April 2022. To refinance the two items, bonded loans with a volume of EUR 90.0 million and maturities of five and seven years respectively with a value date of April 2022 were successfully issued in February 2022. In addition, the funds will be used to finance further growth projects, in particular to expand capacity in the boehmite product range for lithium-ion batteries.

2.3.2.1 CAPITAL STRUCTURE

Nabaltec AG's subscribed capital is EUR 8.8 million. Shareholders' equity increased to EUR 100.8 million as of 31 December 2022, compared to EUR 77.9 million in the previous year, due in particular to the solid net results. The equity ratio was 39.5% on 31 December 2022.

EUR 50.8 million in provisions existed as of 31 December 2022 (previous year: EUR 47.9 million), including EUR 38.2 million in pension reserves (previous year: EUR 36.8 million).

Liabilities amounted to EUR 103.5 million on 31 December 2022, compared to EUR 68.6 million at the end of 2021.

Selected balance sheet items as a percentage of total assets:

	12/31/2022	12/31/2021
Shareholders' equity	39.5%	40.1%
Provisions	19.9%	24.6%
Liabilities	40.6%	35.3%

Other off-balance sheet financing instruments

Nabaltec has, to a minor extent, concluded lease agreements with terms of up to five years. Nabaltec also make uses of factoring on a continuous basis for trade receivables, in part as a way of minimizing default risks. Nabaltec AG does not use any other instruments which can be categorized as financial engineering.

2.3.2.2 INVESTMENTS

Nabaltec AG made EUR 9.9 million in investments last year, compared to EUR 7.6 million the year before. In 2022, the focus of investment was on the Schwandorf site. The funds were used in particular for technical equipment and machinery to expand capacity, for infrastructure measures and process optimization, and for replacement investments.

For 2023, Nabaltec AG plans to invest primarily in expanding capacity for boehmite and viscosity-optimized aluminum hydroxides, which are used primarily as composite materials in electromobility. In addition, investments are planned for process optimization, infrastructure measures and digitization projects.

2.3.2.3 FINANCIAL POSITION

Total assets increased from EUR 194.5 million as of 31 December 2021 to EUR 255.0 million as of 31 December 2022. This is primarily attributable to current assets due to the sharply increased cash on hand and in banks.

Key balance sheet assets as a percentage of total assets:

	12/31/2022	12/31/2021
Non-current assets	43.3%	56.7%
thereof: Property, plant and equipment	29.0%	38.0%
Current assets	56.6%	43.3%
thereof: Inventories	13.0%	12.9%

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 FINANCIAL PERFORMANCE INDICATORS

The success of Nabaltec AG's operations is based on a long-term growth strategy. Company management aims to ensure profitable and capital-efficient growth for the Company. Therefore, significant importance is ascribed to revenues and the EBIT margin as performance indicators. Accordingly, the focus is on continually monitoring and optimizing both major financial performance indicators, which also represent the basis for operational decisions and serve as the basis for forecasting as well.

Nabaltec AG also uses the following financial performance indicators to gauge Company outcomes. The company's internal controlling and management system forms the basis for value-oriented management by the Management Board of Nabaltec AG.

Return on equity and capital (in %)	2022	2021
Return on equity	24.8%	18.2%
Return on capital employed (ROCE)	19.0%	17.7%

The return on equity is calculated as the ratio of net income to shareholders' equity.

Return on capital employed (ROCE) is the ratio of EBIT to capital employed (non-current assets + working capital).

These two financial performance indicators have not been used for the internal management of the company.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

The non-financial performance indicators mentioned above are not used for centralized management of the company.

Employees

At the end of 2022, Nabaltec AG had a total of 490 employees (31 December 2021: 465), All employees worked in Germany. This figure also includes 43 trainees (31 December 2021: 42), Nabaltec sets a high value on good training. In 2022 as well, the trainee rate represented a remarkably large share of the workforce, 8.8%. This rate again exceeded the industry average significantly in 2022. Nabaltec's trainees are regularly among the best of their class. Training positions are currently available (m/f/d) for industrial clerks, digitization management clerks, chemical laboratory technicians, chemists, as well as for chemicals production workers.

Nabaltec offers its employees prospects and opportunities for advancement within the company in order to promote identification with the company by these means as well, and to encourage hard work and commitment. As part of its occupational health management program, the company offers numerous measures to maintain and promote health. In this context, Nabaltec AG has received silver-standard "Healthy Company" certification for the second time from the health insurance provider AOK Bayern in recognition of its strong commitment to corporate health management.

Customer Relations

Nabaltec AG's goal is to continuously strengthen and selectively expand its own market position.

Customer supply by Nashtec LLC in the US developed stably during 2022 and sales were expanded slightly.

Only slight progress was made in 2022 in the market launch of Naprotec LLC's products after delays caused by the pandemic.

The sales subsidiary in Shanghai performed well in the financial year despite local pandemic restrictions. As in the previous year, special attention was paid in 2022 to the ability of Nabaltec (Shanghai) Trading Co., Ltd. to maintain inventories and thus to deliver at very short notice in some cases.

Nabaltec AG restructured its business activities in the growing market for separator foils in lithium-ion batteries in Asia in Financial Year 2022 in order to further sharpen its profile in the market and strengthen ties with customers and distribution partners. With the establishment of a direct communication channel to the Company's headquarters in Schwandorf, through which all relevant issues regarding expansion plans in the battery business and markets can be coordinated, Nabaltec can provide maximum support for its customers' global growth plans and thus generate greater added value. In this restructuring process, the subsidiary

Nabaltec Asia Pacific K.K. was no longer able to play its original role in sales activities and was therefore dissolved in Financial Year 2022.

Nabaltec participates in various European associations in order to ensure full access to key markets and technologies. In addition to the two professional associations within Cefic, the European Chemical Industry Council, Pinfa, (the Phosphorus, Inorganic & Nitrogen Flame Retardants Association) and EPSA (European Producers of Specialty Alumina), Nabaltec is also involved in the pan-European association of plastics producers, PlasticsEurope Deutschland e.V., Forschungsgesellschaft Kunststoffe e. V., a plastics research association, as well as the German Ceramics Society (DKG) and Verband der Deutschen Feuerfest-Industrie e.V., the German Refractory Industry Association.

In the US and China, Nabaltec is involved in pinfa North America and pinfa China. Nabaltec is a member of the American Ceramic Society (ACerS) and plans to expand its association activities in this region in order to cover other major markets. Through these activities, Nabaltec is able to identify major trends in the primary markets, "flame retardants" and "ceramics," at a very early stage and on a global scale.

Management Systems

In order to promote safety-consciousness among all of our employees and to simplify implementation of statutory and trade association requirements, Nabaltec decided as far back as 2007 to introduce a health and workplace safety management system in addition to its existing quality and environmental management systems. In 2022, the existing ISO 9001 and ISO 14001 management systems at the Schwandorf site were successfully recertified as part of repeat audits. The certificate of the existing occupational health and safety management system according to ISO 45001 was successfully confirmed during a surveillance audit.

In order to be able to effectively meet the requirements of a continuously changing energy market, Nabaltec introduced a certified energy management system as early as 2010. The energy management system was successfully re-certified in 2022 in the course of a repeat audit.

The accreditation of Nabaltec AG's analysis center in accordance with the ISO/IEC 17025 standard was confirmed and updated in a 2022 surveillance audit.

A repeat audit was also successfully performed in 2022 for US subsidiary Nashtec LLC's quality management system in accordance with the ISO 9001 standard.

In January 2022, the quality management system of the American subsidiary Naprotec LLC was successfully certified in accordance with the international standard ISO 9001 as part of a certification audit.

In addition, Nabaltec commitment to sustainability was awarded gold status in 2022 by EcoVadis after twice receiving silver awards.

Environmental Protection

Nabaltec requires its own products to significantly contribute toward environmental protection and toward the improvement of the eco balance of a multitude of products. The increasing significance of environmental protection is one of the most important drivers for the global market success of Nabaltec products. They are used in diesel particulate filters and catalyzers and play an important role in reducing particulate matter and soot. Other product families are found in plastics. Here, they mainly replace flame retardants containing bromine. This makes products safer and easier to recycle. In this respect, it is of central importance that research and development, production as well as up- and downstream logistics to be as environmentally friendly as possible. The conservation of natural resources is a central concern for Nabaltec and a prerequisite for social acceptance of the Company. Nabaltec AG actively accepts responsibility for the environment: a commitment that extends well beyond its own site.

Within the framework of recyclability, material is reintegrated into the production process in the Technical Ceramics area. In the Functional Fillers area, flushing material and other non-specific materials are reused internally as raw materials. This aids the sustainable use of raw materials. The separation of material flows for reuse is also a focus in the waste sector. In addition, a substantial percentage of Nabaltec's energy requirements are met through renewable energy in collaboration with the Schwandorf special-purpose association for waste recycling. By obtaining thermal energy from the neighboring waste-to-energy plant in the form of steam and electricity, Nabaltec AG is doing its part to reduce CO₂ emissions.

In general, Nabaltec endeavors to develop production processes with a closed loop for all production facilities. Regarding the handling of chemicals, such as lye, which are used for the production of fine hydroxide, Nabaltec consistently seeks to keep them from being released into the environment and instead to ensure that they are reused in a closed-loop production cycle.

3. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

3.1 OUTLOOK

Overall Statement on the Prospective Development

Nabaltec foresees largely intact sales markets for its products in 2023 as well, but with a currently uncertain market environment and increased volatility. Based on its existing market position and the reputation it has built up over many years, Nabaltec sees good future prospects for its key products.

Economic and Sector Conditions

In its January 2023 forecast update, the International Monetary Fund (IMF) projected that global growth is likely to fall from an estimated 3.4% in 2022 to 2.9% in 2023 and then rise to 3.1% in 2024. The 2023 forecast was 0.2 percentage points higher than predicted in the October 2022 World Economic Outlook (WEO), but below the historical average (2000 to 2019) of 3.8%.

The increase in central bank interest rates to combat inflation and the war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent end to lockdowns and the resulting opening of markets has

paved the way for a faster-than-expected recovery. Global inflation is projected to decline from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, but still above the pre-pandemic level (2017 to 2019) of about 3.5%.

The outlook for the German economy has brightened somewhat as a result of a slight drop in energy prices. Nevertheless, the energy crisis is weighing heavily on economic strength. According to the winter forecast by IfW Kiel, gross domestic product is likely to be 0.3% in 2023, down from 1.9% in 2022. Inflation is expected to be 5.4% in 2023 (to date: 8.7%).

GDP Growth Forecast over Prior Year (in %)		
	2023	2024
World	2.2	3.2
USA	-0.4	0.5
Euro zone	0.6	1.5
Germany	0.0	1.7
France	0.3	1.3
Italy	0.5	0.9
United Kingdom	-0.6	1.5
Japan	0.7	1.6
China	4.6	5.2
India	7.4	7.3

Source: IfW, Kieler Konjunkturberichte No. 97 "Weltwirtschaft im Winter 2022," 21 December 2022

VCI (Verband der Chemischen Industrie e.V. – German Chemical Industry Association) does not expect the situation in the chemical industry to improve in 2023, as uncertainty remains high. The energy crisis is forcing the German and European economies into recession, the Association says. The challenges facing the industry in the coming year are therefore enormous: lack of orders, disrupted supply chains and high energy costs. As things stand, VCI expects a further sharp decline in production in the chemical and pharmaceutical industry in 2023. Revenues are also expected to develop negatively in all likelihood. In domestic business, the Association expects a sharp decline due to the industrial recession. Due to the extremely volatile situation, no quantitative forecast is given beyond this qualitative assessment.

The long-term outlook in key target markets of Nabaltec is largely positive, however, in the company's view. In the short term, demand is expected to wane due to recessionary trends in the global economy. In the medium and long term, Nabaltec again expects growth in almost all product segments due to its promising product portfolio.

Outlook on the Course of Business

The fourth quarter of 2022 ended with a slight decline in revenues compared to the strong third quarter. At the end of the year, customers reduced their inventories, resulting in lower sales volumes in the fourth quarter of 2022. Demand at the start of 2023 is also restrained, largely short-term, with a further increase in price levels.

Nabaltec AG expects demand to remain stable in the majority of its product segments in the current financial year. Overall, uncertainties related to raw material and energy prices remain even in 2023 in connection with the forecast bottlenecks in logistics and various materials.

In the US, Nabaltec expects business to remain good at Nashtec and to improve successively at Naprotec.

In 2023 as well, fine hydroxides will continue to be the most important product range by far within the "Functional Fillers" product segment. The boehmite product range will continue to gain in importance due to expected developments in electromobility, although the forecast increase in battery cell capacity in Europe is still a long time coming. Products with high added value will continue to gain importance in the "Specialty Alumina" product segment.

Expected Earnings, Financial and Liquidity Position

Due to the economic and industry environment and the price increases realized at the start of the year, Nabaltec AG is expecting revenue growth in a range from 3% to 5% in 2023. On the earnings side, Nabaltec AG is expecting an EBIT margin in a range from 8% to 10%. The forecast is based on the assumption that, despite the current war in the Ukraine, the economy and the industries relevant to Nabaltec will develop in a stable fashion. At the time the forecast was prepared at the beginning of March 2023, it remains unclear at what speed or with what dynamics the economic situation will recover globally and in the markets relevant for Nabaltec. High inflation, rising interest rates and an uncertain situation are putting the brakes on consumption and investment worldwide. In the event of continuing negative economic upheavals due to the geopolitical situation, adverse effects on the liquidity, financial and earnings situation cannot be ruled out.

Note with Respect to Uncertainties in the Outlook

The forward-looking statements and information described are based on current expectations and assumptions. As a result, actual results may deviate from the statements and forecasts made in this report.

3.2 RISKS AND OPPORTUNITIES REPORT

Risk Management System

For Nabaltec AG, the relevance of risk management is derived from its business activities and its worldwide operations in an international competitive and regulatory environment, as well as the general complexity of the global economy. Nabaltec AG's success depends to a considerable extent on identifying associated risks and opportunities as well as dealing with them consciously and bringing risks under control. Effective risk management is a core element for securing the company long term, for its economic success in international markets and for its successful, sustainable further development.

Nabaltec is constantly working to develop the Company's risk management system. The continuous optimization of risk prevention tools in all areas enables the early identification and elimination of business risks. Integral elements include risk management as an ongoing process, risk controlling, extensive communication and documentation processes, as well as an internal monitoring system. All discernable internal and external risks are identified, documented, assessed and included in a risk matrix as efficiently as possible. This risk

matrix represents the basic framework for the assessment of potential risks and for the identification of key risks.

The starting point of the actual risk management processes at Nabaltec is the identification and evaluation of various types of risks and risk profiles that are monitored and managed by the controlling department. Reports on business risks as well as continuous status reports are prepared for the Management Board and discussed at the management level. An important component is also the comprehensive operational budget including targets, regularly supplemented with forecasts.

Nabaltec has implemented a strategic planning system in order to take advantage of medium and long-term opportunities and to identify risks. All relevant units are involved in the strategy development process. Risks arising from competition, anti-trust, tax and environmental laws and regulations are mitigated by Nabaltec in advance by engaging experts. Quality assurance measures limit product and environmental risks. Such measures include e.g. certification of our activities in accordance with international standards, constant improvements to facilities and processes, the development of new and the improvement of existing products as well as participation in international professional committees.

Risk management also includes routinely reviewing the efficiency of applied hedging instruments and the reliability of controlling systems. There is insurance coverage for casualty and liability risks, thus limiting the financial consequences for the company's liquidity, financial position and earnings as well as preventing situations that could jeopardize the continued existence of the company.

Sales Market

Material sales risks include the potential loss of significant key accounts, loss of market share due to technological innovation and new advances by competitors. Due to Nabaltec's solid position as well as continuous monitoring of target markets, such risks can be confined and the relevant market mechanisms can, at the same time, be used as an opportunity within global competition.

Geopolitical risks, particularly the continuing Russia-Ukraine conflict, may have an impact on sales. Even before the outbreak of the war, the share of total revenues in the two countries is manageable at around 4%. Nevertheless, risks also exist for Nabaltec AG depending on the potential economic effects of the Russia-Ukraine conflict. Economic recession, inflation, and a European or global energy crisis may also have a negative impact on Nabaltec AG's sales situation in the medium and long term. Furthermore, there are risks in connection with the market development of Naprotec products in the USA. Likewise, negative effects on the sales market remain in the event of a resurgence of the pandemic situation.

Procurement Market

Nabaltec AG monitors its suppliers' economic situation very closely and deliberately builds up alternatives for all products. The current energy situation in Europe is leading Nabaltec to increasingly involve suppliers outside of Europe, resulting in increased expenses and risks in logistics. Nabaltec AG uses mid- and long-term supply agreements for its supply of raw materials. Supply of the most important energy sources for the production process, such as electricity, natural gas and steam, is secured. But as a result of the war in the Ukraine, energy costs have risen sharply. A long-term natural gas contract dating from 2020 and running until the end of 2024 is still having a dampening effect on cost increases. In view of the Russia-Ukraine conflict, however, further increases in energy costs and possible supply bottlenecks may have a negative impact on Nabaltec AG.

Nabaltec was unable to escape the sharp rise in prices on the procurement market in 2022, both for raw materials and for energy. The disproportionate cost increases in raw materials and energy will continue in Financial Year 2023.

The certification of the energy management system in accordance with ISO 50001 supports these efforts. In addition, efforts are constantly being made to optimize production processes in order to reduce specific energy usage.

An additional risk is an excessive increase in logistics costs. Nabaltec AG can counter this risk by passing on logistics costs to customers and by finding a balanced logistical mix. For example, Nabaltec AG has its own railway siding, which makes transport by rail very attractive.

Financial Market

When necessary, foreign exchange risks are strategically minimized using hedging instruments covering risks arising from US dollar exposure. Nabaltec AG has a detailed financial and liquidity forecast which is subjected to routine comparisons of estimates against results. If additional liquidity is deemed necessary, the appropriate financing measures are initiated. Nabaltec partially counters the interest rate risk by hedging. As of 31 December 2022, there were no hedging transactions in this regard. Nabaltec AG's loan agreements are subject to financial covenants which are tied to leverage coverage ratios. If the covenants are not observed, the lender has the option to increase the interest margin or exercise its right of extraordinary termination. Covenants valid as of 31 December 2022 were not breached in the financial year.

Factoring can be used to finance a significant portion of trade receivables.

Personnel

Particularly the fluctuation of employees in key positions gives rise to personnel risks. Nabaltec minimizes these risks through intensive training/education and management trainee programs to enhance the qualification of employees, performance-based remuneration, employee substitution arrangements that govern the temporary replacement of key employees, and through early advance plans for successors. The company also offers good career opportunities and advancement possibilities. Nabaltec's market position, the reputation it has earned in the industry, its high reliability and its familiar strong focus on

research and development make Nabaltec an attractive employer within its market segments and region.

Production, Processes and IT

Nabaltec has an integrated quality management system with ISO 9001 accreditation that is implemented companywide. Therefore, Nabaltec considers production-specific risks clear and manageable. For IT applications that are critical for the business, Nabaltec AG relies on standard programs and the redundantly designed high-quality hardware. Through regular verification of the access structure, data protection is guaranteed; data security is therefore based on generally established procedures. Compliance with data protection policies based on the legal requirements is ensured at all times within the company and is additionally supervised by an external data protection officer.

Environmental Protection

Environmental risks can arise from exceeding admissible thresholds for noise and dust pollution or through the emission of hazardous substances. Nabaltec counters these risks by means of extensive environmental management based on ISO 14001, which is accredited and is periodically further developed and audited. Nabaltec uses largely closed-loop production processes, e.g. for water and lye.

Technological Development

Potential technological risks could result from customers replacing Nabaltec products due to a change in technology, from the failure to use new technologies or the failure by Nabaltec to recognize technological developments. As an innovation leader, Nabaltec tries to minimize these risks by engaging in continuous and intensive research and development efforts and by maintaining pronounced customer proximity. In fact, technological developments offer numerous opportunities for Nabaltec to generate a competitive edge in product quality, by occupying new markets through fast-paced product adjustments and by creating process, processing and quality advantages together with our customers so as to set the stage for economic success.

Legal Framework

Changes within the legal framework could lead to risks for Nabaltec. Currently, regulatory changes are creating additional market opportunities - and this trend is not expected to reverse in the medium and long term. Eco-friendly products such as Nabaltec's are being pushed forward on a global scale in an effort to eliminate materials which are harmful to the environment from the cycle.

As an energy-intensive company that competes internationally, Nabaltec is subject to various energy and climate regulations, including the national CO₂ price. Changes in or new legal regulations may result in increased costs for Nabaltec.

Overall Assessment of the Company's Opportunities and Risks

Based on the described constant monitoring of the markets relevant for Nabaltec AG, as well as due to the continuous further development of products and the adaptation to the needs of current and potential customers, subject to unexpected, serious negative economic consequences of the war in the Ukraine, there are currently no significant risks for the future development of Nabaltec AG in the opinion of the Management Board. On the whole,

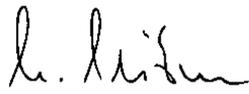
potential impact of the company's risk is limited, in our estimation. There are currently no discernible risks that could jeopardize the continued existence of Nabaltec AG.

Schwandorf, 31 March 2023

Nabaltec AG
The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Alexander Risch

Income statement of Nabaltec AG, Schwandorf
for the Financial Year 1 January to 31 December 2022

	1/1 - 12/31/2022		1/1 - 12/31/2021	
	TEUR	TEUR	TEUR	TEUR
1. Revenue		218,856		187,003
2. Increase or decrease in finished goods		2,123		-1,112
3. Own work capitalized		513		498
Total performance		221,492		186,389
4. Other operating income		2,916		3,863
- thereof from currency translation: TEUR 2,171 (PY: TEUR 1,405)				
		224,408		190,252
5. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	-112,146		-93,231	
b) Cost of purchased services	-1,194	-113,340	-1,068	-94,299
Gross profit		111,068		95,953
6. Personnel expenses				
a) Wages and salaries	-31,466		-27,242	
b) Social security contributions and cost of pension and other benefit	-6,919		-9,254	
- thereof for pensions: TEUR 1,603 (PY: TEUR 4,405)				
7. Amortization/depreciation of intangible assets and property, plant and equipment	-9,384		-10,052	
8. Other operating expenses	-35,157	-82,926	-26,784	-73,332
- thereof from currency translation: TEUR 1,755 (PY: TEUR 380)				
		28,142		22,621
9. Income from investments	13		0	
- thereof from affiliated companies: TEUR 13 (PY: TEUR 0)				
10. Income from other securities and loans (financial assets)	401		159	
- thereof from affiliated companies: TEUR 401 (PY: TEUR 159)				
11. Other interest and similar income	338		5	
12. Interest and similar expenses	-2,255	-1,503	-2,160	-1,996
- thereof from discounts: TEUR 647 (PY: TEUR 729)				
Net before tax result*		26,639		20,625
13. Income taxes		-1,527		-6,363
14. Net after-tax result		25,112		14,262
15. Other taxes		-83		-75
16. Net result for the year		25,029		14,187
17. Profit carried forward		18,513		6,527
18. Accumulated profit		43,542		20,714

* thereof special effect Nashtec cost compensation of TEUR 6,784 in 2022

Development of fixed assets in Financial Year 2022

German Commercial Code

	COST					DEPRECIATION					Book value 12/31/2022	Book value 12/31/2021
	As of 1/1/2022 EUR	Additions EUR	Disposals EUR	Adjustments EUR	12/31/2022 EUR	As of 1/1/2022 EUR	Additions EUR	Write-ups EUR	Disposals EUR	As of 12/31/2022 EUR		
I. Intangible assets												
1. Concessions acquired against payment, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,542,682.36	99,236.73	0.00	54,182.26	3,696,101.35	3,283,268.17	144,209.24	0.00	0.00	3,427,477.41	268,623.94	259,414.19
2. Advance payments made	54,558.58	226,569.22	0.00	-54,182.26	226,945.54	0.00	0.00	0.00	0.00	0.00	226,945.54	54,558.58
	3,597,240.94	325,805.95	0.00	0.00	3,923,046.89	3,283,268.17	144,209.24	0.00	0.00	3,427,477.41	495,569.48	313,972.77
II. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on non-owned land	38,618,681.73	76,107.88	0.00	2,417.37	38,697,206.98	14,053,701.59	1,194,347.32	0.00	0.00	15,248,048.91	23,449,158.07	24,564,980.14
2. Technical equipment, plant and machinery	159,387,371.71	2,930,835.24	0.00	1,343,778.16	163,661,985.11	117,459,435.74	7,113,571.25	0.00	0.00	124,573,006.99	39,088,978.12	41,927,935.97
3. Fixtures, fittings and equipment	13,056,085.00	1,229,374.13	64,274.41	111,818.25	14,333,002.97	9,810,838.99	932,179.07	0.00	64,272.54	10,678,745.52	3,654,257.45	3,245,246.01
4. Advance payments rendered and machinery in process of construction	4,277,908.06	4,971,226.44	0.00	-1,458,013.78	7,791,120.72	0.00	0.00	0.00	0.00	0.00	7,791,120.72	4,277,908.06
	215,340,046.50	9,207,543.69	64,274.41	0.00	224,483,315.78	141,323,976.32	9,240,097.64	0.00	64,272.54	150,499,801.42	73,983,514.36	74,016,070.18
III. Financial assets												
1. Shares in affiliated companies	10,367,495.06	0.00	77,537.41	0.00	10,289,957.65	6,683,232.15	0.00	0.00	0.00	6,683,232.15	3,606,725.50	3,684,262.91
2. Loans to affiliated companies	36,366,512.60	400,604.22	400,604.22	0.00	36,366,512.60	4,275,091.29	0.00	217,091.29	0.00	4,058,000.00	32,308,512.60	32,091,421.31
	46,734,007.66	400,604.22	478,141.63	0.00	46,656,470.25	10,958,323.44	0.00	217,091.29	0.00	10,741,232.15	35,915,238.10	35,775,684.22
	265,671,295.10	9,933,953.86	542,416.04	0.00	275,062,832.92	155,565,567.93	9,384,306.88	217,091.29	64,272.54	164,668,510.98	110,394,321.94	110,105,727.17

Nabaltec AG, Schwandorf

Notes for Financial Year 2022

General Disclosures Concerning the Financial Statements

Nabaltec AG, with registered office in Schwandorf, Germany¹, was formed by Company Agreement of 14 December 1994 with the corporate name Nabaltec GmbH and registered office in Schwandorf (entered into the Commercial Register of the Local Court of Amberg under Commercial Register No. B 3920). It acquired the specialty oxides business of VAW Vereinigte Aluminiumwerke AG in 1995 and was transformed into a joint-stock company in 2006. The annual financial statements were prepared in accordance with the accounting rules of the German Commercial Code. The provisions of the German Stock Corporation Act were also observed. The cost summary method was applied for the income statement.

Nabaltec AG, Schwandorf, is a large corporation in terms of § 267(3) of the German Commercial Code.

Accounting Policies

The following recognition and measurement methods were applied to the items of the income statement, with no change from the previous year:

Intangible assets are recognized at cost less straight-line depreciation. Depreciation in the year of addition is performed on a prorated basis.

Property, plant and equipment are recognized at cost less depreciation. Cost of production is recognized in the same way as finished products. Cost of production includes interest on debt.

Depreciation is performed using the straight-line method based on the typical useful life for the asset, which is based on the maximum allowable rates under tax rules. Depreciation is prorated in the year of addition.

Independently usable assets with a cost of between EUR 250.00 and EUR 800.00 will be immediately written off in the year of addition.

Financial assets are recognized at cost. If necessary, they are written down to fair value, if the latter is lower. Such write-downs are performed even in cases where a permanent impairment is not expected. If the reasons for using this lower measurement no longer apply, they are written up to a maximum of the cost of acquisition.

¹ Nabaltec AG, Alustraße 50 - 52, 92421 Schwandorf, Germany

Raw materials and supplies, as well as **merchandise**, are recognized at cost observing the strict lowest-value principle. Cost is determined using the average method. Items whose fair value is below cost as of the reporting date are written down to fair value.

Finished products are measured at cost, observing the strict lowest-value principle. Production cost includes reasonable percentages of material and production overhead costs in addition to direct material and production costs. Interest on debt and general and administrative expenses are not included in production costs. Finished products are combined into valuation units for group measurement pursuant to § 240(4) of the German Commercial Code. To this end, the production costs of products of the same type and nearly equivalent products are not assigned to individual items, but are instead measured using the weighted average value for their group.

Accounts receivable and other assets are recognized at face value. Individual allowances are performed to account for identified individual risks. A general allowance was not performed in the reporting year, as was the case in the previous year as well.

Liquid funds are recognized at face value.

Deferred expenses and accrued income consist of spending prior to the reporting date which relates to periods after the reporting date. This item is reversed in straight-line fashion over the course of time.

Deferred taxes are calculated for temporary differences between commercial and tax law in the measurement of assets, liabilities and accrual and deferral items. Deferred taxes are presently calculated based on a combined tax rate of 29.13%. This combined tax rate includes corporate income tax, trade tax and the solidarity mark-up. If the result is a net tax liability, this amount is recognized as a deferred tax liability. If the result is a net tax reduction, the associated capitalization option would not be exercised. There was a net deferred tax asset this year, which was not recognized in the financial statements.

Subscribed capital is recognized at nominal value.

The **special item for fixed-asset investment grants** was reversed in the amount of the grant and over the useful life of the subsidized investment.

Pension reserves are measured using the projected unit credit method, applying actuarial principles, with an actuarial interest rate of 1.80% per annum, based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. Based on the option pursuant to Article 67(1) Sentence 1 of the Introductory Act to the German Commercial Code, TEUR 267 was transferred to pension reserves in the Financial Year (1/15th of the difference calculated on 1 January 2010), as was done in previous years as well. Pension liability insurance policies exist which are pledged to the pension recipients. These assets, which serve exclusively to secure direct pension commitments and are protected from attachment by all other creditors (plan assets in terms of § 246(2) Sentence 2 of the German Commercial Code), are recognized at fair value (market value, price as of the reporting date). Accordingly, the assets and liabilities in

connection with the pension liability insurance policies are netted out in accordance with § 246(2) of the German Commercial Code.

Other provisions are formed for all identifiable risks and contingent liabilities in the amount which is necessary based on a reasonable commercial assessment. Measurement of the settlement amount is to take into account cost increases to the extent necessary. Other provisions with a term of less than one year are not discounted. If they have a term of more than one year, they are discounted at rates published by Deutsche Bundesbank commensurate with their term.

Accounts payable are recognized at their settlement amount.

Accounts receivable denominated in foreign currency whose residual term is no longer than one year are measured using the average exchange rate on the reporting date. All other foreign-currency accounts receivable are measured using the exchange rate as of invoicing or the average exchange rate on the reporting date, if the latter is lower.

Accounts payable denominated in foreign currency whose residual term is no longer than one year are measured using the average exchange rate on the reporting date. All other foreign-currency accounts payable are measured using the exchange rate as of invoicing or the average exchange rate on the reporting date, if the latter is higher.

Derivative financial instruments are measured individually at cost or fair value as of the reporting date, if the latter is lower. If the requirements for the formation of valuation units pursuant to § 254 of the German Commercial Code are met, the derivatives and the underlying transactions are measured as a single unit. If a comparison of changes in value or cash flows arising from the hedges and the underlying transactions reveals a net loss from the ineffective portion due to changes in market value, this loss is recognized in profit and loss. The unrealized gains and losses from the effective portion of the hedge cancel each other out entirely and are not recognized on the balance sheet or in profit and loss (freezing method). There were no open transactions in this regard as of the balance sheet date.

Disclosures Concerning the Balance Sheet

Fixed assets

The change in individual fixed-asset items is shown in the Statement of Fixed Assets (Annex to the Notes).

Debt interest in the amount of TEUR 72 was included in production costs in the reporting year. The average financing cost rate used to determine capitalizable debt interest was 1.50%.

Debt interest was capitalized in the Financial Year for the following fixed-asset items:

Property, plant and equipment:

Land, leasehold rights and buildings, including buildings on unowned land	TEUR 0
Technical equipment and machinery	TEUR 19
Other fixtures, fittings and equipment	TEUR 0
Advance payments made and assets in process of construction	TEUR 53

Accounts receivable and other assets

Accounts receivable from affiliated companies result as in the previous year from deliveries and services.

Other assets largely consist of accounts receivable from a factoring company for withheld purchase prices (TEUR 2,463), value-added tax refund claims (TEUR 1,128), an energy tax refund claim (TEUR 244) and an electricity tax refund claim (TEUR 277) and a time deposit with a remaining term of >3 months (TEUR 15,000).

As was the case in the previous year as well, all accounts receivable and other assets have a residual term of less than one year.

Deferred expenses and accrued income

TEUR 275 (previous year TEUR 251) of deferred expenses and accrued income relates to prepaid expenses for the next Financial Year.

Shareholders' equity

a) Subscribed capital EUR 8,800,000.00 (previous year: TEUR 8,800)

The capital stock is divided into 8,800,000 no-par-value shares, each representing EUR 1.00 of the capital stock.

b) Authorized capital

Authorized capital as of 31 December 2022 amounted to
(through 31 May 2026) EUR 4,400,000.00

The Management Board, with the Supervisory Board's approval, is authorized by resolution of the shareholders of 16 June 2021 to raise the capital stock through 31 May 2026 once or multiple times by up to EUR 4,400,000.00 by issuing up to 4,400,000 new no-par-value bearer shares in exchange for cash and/or non-cash contributions, with the stipulation that the number of shares is to be increased in the same proportion as the capital stock. The Management Board may decide to exclude preemption rights with the approval of the Supervisory Board (Authorized Capital 2021/I).

The previous authorization to use Authorized Capital 2016/I expired on May 31, 2021. No use was made of the previous authorization in the previous financial year before its expiry.

c) Conditional capital EUR 4,400,000.00 (previous year: TEUR 4,000)

In fiscal year 2021, the previous Conditional Capital 2016/I was replaced.

By resolution of the Annual General Meeting on 16 June 2021, the share capital of the Company was conditionally increased by up to TEUR 4,400 thousand by issuing up to 4,400,000 no-par value bearer shares (Conditional Capital 2021/I). The conditional capital serves exclusively to grant shares to the holders of convertible bonds and/or bonds with warrants issued by the Company on the basis of the authorization granted by the Annual General Meeting on 16 June 2021.

To date, no such bonds have been issued.

d) Capital reserve EUR 48,424,219.38

As of 31 December 2022, the capital reserve amounted to TEUR 48,424 (previous year: TEUR 48,424).

e) Retained earnings	EUR 43,542,290.52
As of 1 January 2022	EUR 20,713,528.68
Dividend payment pursuant to shareholder resolution	<u>EUR 2,200,000.00</u>
= Profit carry-forward as of 31 December 2022	EUR 18,513,528.68
Net income in Financial Year 2022	<u>EUR 25,028,761.84</u>
As of 31 December 2022	EUR 43,542,290.52 =====

Special item for fixed-asset investment grants

The special item for fixed-asset investment grants was reversed in accordance with the useful life of the subsidized investment.

Pension reserves

Pension liabilities were measured in accordance with generally accepted actuarial principles using the projected unit credit (PUC) method. The biometric calculation was based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. The measurement was performed based on the following additional assumptions: an actuarial interest rate of 1.80% per annum (previous year: 1.86%), a fluctuation rate of 1.00% per annum (previous year: 1.00%), a salary trend of 2.75% per annum (previous year: 2.75%) and a pension trend of 2.00% per annum (previous year: 2.00%). Due to the inflation trend in the fiscal year, the underlying pension trend was also adjusted to 7%. Liabilities were discounted at the average market interest rate for the past ten years according to Deutsche Bundesbank assuming a residual term of 15 years.

The remeasurement of pension reserves on 1 January 2010 resulted in a difference in the amount of TEUR 4,009; as in previous years, TEUR 267 of this difference (1/15th of the total, in accordance with Article 67(1) Sentence 1 of the Introductory Act to the German Commercial Code) was transferred to pension reserves in the reporting year, so that the remaining deficit as of 31 December 2022 was TEUR 535. This transfer was recognized under other operating expenses in 2022.

Pension liability insurance policies are pledged and therefore protected from attachment by all other creditors so as to secure direct pension commitments. Accordingly, the liabilities are offset by the corresponding assets, and the associated income and expenses must be netted out. The asset value of pension liability insurance as of the reporting date, TEUR 1,947, is netted out with the settlement value, in the amount of TEUR 40,174, for a net disclosure of TEUR 38,227. Net income from pension liability insurance in the amount of TEUR 96 was recognized under interest and similar expenses. The fair value and cost of the pension liability insurance policies are equal to their asset value.

Discounting pension reserves at the average market interest rate for the past ten years results in a difference of TEUR 2,401 (previous year: TEUR 3,823) relative to discounting pension reserves at the average market interest rate for the past seven years. This difference is not available for distribution pursuant to § 253(6) Sentence 2 of the German Commercial Code.

Other provisions

Other provisions largely consist of personnel obligations (TEUR 5,517), clean-up and disposal expenses (TEUR 358) and outstanding invoices (TEUR 2,970).

The anniversary provision is measured in the PUC method using an actuarial interest rate of 1.46% (average market interest rate over the past seven years, assuming a residual term of 15 years), a salary trend of 2.75% and a fluctuation rate of 1.00%.

Accounts payable

The breakdown of accounts payable, with residual terms and securities provided, is evident from the statement below:

(amounts from the previous year are indicated in parenthesis)

	Total amount	Residual terms			Secured amount	Type of security
		Less than 1 year	1-5 years	Over 5 years		
	TEUR	TEUR	TEUR	TEUR	TEUR	
Accounts payable to banks	90,783 (59,274)	783 (59,274)	45,000 (0)	45,000 (0)	0 (0)	
Trade payables	11,081 (7,710)	11,081 (7,710)	0 (0)	0 (0)	0 (0)	
Accounts payable to affiliated companies	990 (1,133)	990 (1,133)	0 (0)	0 (0)	0 (0)	
Other accounts payable	628 (475)	628 (475)	0 (0)	0 (0)	0 (0)	
	103,482 (68,592)	13,482 (68,592)	45,000 (0)	45,000 (0)	0 (0)	

Accounts payable to banks consist of a loan against borrower's notes, obtained at typical market interest rates, for which specific covenants were agreed upon.

Nabaltec AG has successfully issued a bonded loan with a volume of TEUR 90,000 and a value date of April 2022. The proceeds from the issue were used to refinance existing bonded loans in the amount of TEUR 39,000 and a bilateral bank loan in the amount of TEUR 20,000, due in April 2022. In addition, the funds will be used to finance further growth projects, in particular to expand capacity in the boehmite product range for lithium ion batteries. The volume is divided into fixed and variable tranches with maturities of five and seven years. The bonded loan was placed without broad marketing as part of a private placement with the participation of five investors.

Nabaltec AG's loan against borrower's notes is subject to covenants which are measured by leverage coverage ratios (net debt/EBITDA). If the covenants are breached, the lender has the option of raising the interest margins or it may exercise its right of extraordinary termination. None of the covenants in effect as of 31 December 2022 were breached in the 2022 reporting year.

Accounts payable to affiliated companies result as in the previous year entirely from deliveries and services.

Disclosures Concerning the Income Statement

Revenues

Breakdown of revenues by geographical region:

	2022		2021	
	TEUR	%	TEUR	%
Germany	58,288	26.6	46,564	24.9
Rest of Europe	102,390	46.8	90,364	48.3
USA	30,039	13.7	18,164	9.7
Rest of world	28,139	12.9	31,911	17.1
	218,856	100.0	187,003	100.0

Breakdown of revenues by product segments:

	2022		2021	
	TEUR	%	TEUR	%
Functional Fillers	147,356	67.3	130,010	69.5
Specialty Alumina	70,847	32.4	56,315	30.1
Other	653	0.3	678	0.4
	218,856	100.0	187,003	100.0

Other operating income

Other operating income includes – in addition to income from currency translation – mainly currency-related income from write-ups of financial assets of Nashtec LLC and Naprotec LLC in the amount of TEUR 217, income from payments in kind in the amount of TEUR 221, and income from costs charged to third parties in the amount of TEUR 232. As in the previous year, this item does not include any notable income relating to other periods.

Other operating expenses

Other operating expenses include expenses for outgoing freight in the amount of TEUR 14,946, sales commissions in the amount of TEUR 3,950, expenses for third-party repairs in the amount of TEUR 3,623 and consulting expenses in the amount of TEUR 532.

Other operating expenses also include expenses in the amount of TEUR 267 (previous year: TEUR 267) from the transfer by installments of the difference arising from remeasurement of pension reserves in the course of first-time application of the provisions of the German Commercial Code which were amended by the Accounting Law Modernization Act. As in the previous year, no significant expenses relating to other periods are included.

Income from investments

Income from investments amounting to TEUR 13 (previous year: TEUR 0) relates to income from the liquidation of the Asia Pacific investment.

Taxes on income and earnings

Taxes on income include tax income of TEUR 6,552.

Other Disclosures

Disclosures concerning transactions not reported in the balance sheet

In order to improve its liquidity, Nabaltec AG concluded lease agreements with a total expense of TEUR 220 for the year and assigned a total of TEUR 31,672 in accounts receivable to a factor. The transfer of the default risk to the factor as a result of the factoring agreement was offset in 2022 by expenses in the amount of TEUR 418 for execution and advance financing of the factoring arrangement.

Contingent liabilities and guarantees

The following guarantees were noted in accordance with § 251 and § 268(7) of the German Commercial Code:

	31 Dec. 2022	31 Dec. 2021
	TEUR	TEUR
Liabilities arising from performance bonds	1,531	1,670
- thereof in favor of affiliated companies	0	0

This performance bond, in the amount of TEUR 1,531, consists entirely of amounts owed due to separate network fees for gas. The bond amount is continually reduced at a rate of EUR 139,200.00 per year and expires on 31 December 2032. The probability of utilization is considered to be low, as the management assumes that the payment obligations will be met on an ongoing basis due to the Company's positive liquidity situation.

Nabaltec AG has issued a payment guarantee in the amount of TUSD 1,600 (previous year: TUSD 1,200) to secure its supply of raw materials. Due to the economic situation of the Company, the risk of utilization is considered to be low.

Other financial liabilities

The following other financial liabilities exist which are of significance for assessment of the financial position:

	31 Dec. 2022 TEUR	31 Dec. 2021 TEUR
a) Liabilities arising from rental, lease, service and consulting agreements thereof	1,540	1,636
- maturing in less than 1 year	732	652
- maturing in 1-5 years	808	983
- maturing in more than 5 years	0	1
b) Liabilities arising from investment orders	6,600	2,633
- maturing in less than 1 year	6,600	2,633
Total	8,140	4,269
- thereof to affiliated companies	0	0

Auditor's fee

The total fee charged by the auditor for the financial year amounts to TEUR 215. The auditor's fee for the 2022 financial statements (including the 2022 consolidated financial statements) amounts to TEUR 126. The auditor received a fee in the amount of TEUR 3 for other assurance services and a fee of TEUR 86 for tax advisory services.

Transactions with related companies and persons in terms of § 285 No. 21 of the German Commercial Code

There were no material transactions with related companies and persons which were not executed at typical market conditions.

Share ownership pursuant to § 285 No. 11 of the German Commercial Code

	Share of capital stock			Shareholders' equity in previous year *)		Earnings in previous year *)	
	in %	in USD	in EUR	in USD	in EUR	in USD	in EUR
Direct holdings							
Nabaltec USA Corp.	100.0	3,775,411.88	3,247,340.47	4,940,829.51	4,627,978.18	-41,396.95	-39,272.31
Indirect holdings via Nabaltec USA Corp.							
Nashtec LLC, Corpus Christi (USA)	100.0			-2,477,349.12	-2,320,484.42	416,972.12	395,571.71
Naprotec LLC, Chattanooga (USA)	100.0			43,579.81	40,820.34	195,075.05	185,063.14
Direct holdings							
Nabaltec (Shanghai) Trading Co., Ltd., Shanghai (China)	100.0	2,755,685.15	359,385.03	6,724,234.48	904,341.94	2,721,464.17	384,914.94

*) Shareholders' equity in the previous year denominated in foreign currency is translated at the average exchange rate on the reporting date. Earnings for the previous year denominated in foreign currency are translated at the average exchange rate for the year.

The investment in Nabaltec Asia Pac. K.K. was dissolved on 21 November 2022, after a lengthy administrative process.

Deferred taxes

Deferred taxes are measured at a tax rate of 29.13%, comprising the corporate income tax rate, the solidarity mark-up and the trade tax rate.

Item	Book value		Difference TEUR	Deferred tax	
	Book value in commercial balance sheet TEUR	Book value in tax balance sheet TEUR		Asset TEUR	Liability TEUR
Deferred tax assets					
Pension reserve	-40,174*	-17,895	-22,279	6,490	
Other provisions	-9,612	-8,354	-1,258	366	
Financial assets/loans to affiliated companies	32,309	36,367	-4,058		
Trade accounts receivable	6,428	6,971	-543	158	
	-11,049	17,089	-28,138	7,014	
Deferred tax liabilities					
Trade payables	-11,081	-11,113	32		9
	-11,081	-11,113	32		9
Net total				7,005	

*Before adjusting for pension liability insurance

Employees

The average number of workers employed over the year as a whole was as follows:

	2022
	Number
Industrial workers	256
Employees	180
Minimally employed workers	5
	441

In addition, an average of 40 trainees were employed in the Financial Year.

Mandatory disclosures

JOSTKA Beteiligungs GmbH, Hirschau, disclosed to Nabaltec AG on 17 February 2012, pursuant to § 20(1) of the Stock Corporation Act, that it holds more than one fourth of the capital stock. This threshold is exceeded when attributing to JOSTKA the shares held by NAHE GmbH & Co. KG, based on a voting agreement.

NAWI Beteiligungs GmbH, Regensburg, disclosed to Nabaltec AG on 25 May 2012, pursuant to § 20(1) and (3) of the German Stock Corporation Act, that it holds more than one fourth of the capital stock.

Management Board and Supervisory Board

In accordance with the company's Articles of Association, the Management Board is to consist of at least one person. The number of Management Board members is determined by the Supervisory Board. The Supervisory Board may appoint a Management Board member to serve as Chairman.

The members of the **Management Board** are:

Mr. Johannes Heckmann

CEO

Mr. Günther Spitzer

CFO

Dr. Alexander Risch

COO

Total remuneration of the Management Board amounted to TEUR 2,537 in Financial Year 2022 (previous year: TEUR 2,574).

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of three members. Throughout Financial Year 2022 until of the time the financial statements were prepared, the Supervisory Board had the following members:

Mr. Gerhard Witzany (Chairman)
Managing Director of NAWI Beteiligungs GmbH

Dr. Dieter J. Braun (Vice Chairman)
Graduate chemist, retired

Prof. Dr.-Ing. Jürgen G. Heinrich
Professor of engineering ceramics, retired

The members of the Supervisory Board received total remuneration in the amount of TEUR 70 for Financial Year 2022.

Major events occurring after the reporting date

No major events occurred after the reporting date.

Proposal for appropriation of retained earnings

The Management Board proposes that the distributable profit of the Financial Year 2022, amounting to EUR 43,542,290.52, will be used as follows:

An amount of EUR 2,464,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.28 per share on the 8,800,000 non par value shares entitled to dividend payments for the Financial Year 2022. The remainder in the amount of EUR 41,078,290.52 will be carried forward.

Schwandorf, 31 March 2023

Nabaltec AG

The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Alexander Risch

INDEPENDENT AUDITOR'S REPORT

To Nabaltec AG, Schwandorf

Audit Opinions

We have audited the annual financial statements of Nabaltec AG, Schwandorf, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January 2022 to 31 December 2022, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Nabaltec AG, Schwandorf, for the financial year from 1 January 2022 to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Other information

The legal representatives or the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board which is expected to be presented to us after the date of this auditor's report,

- all other parts of the Annual Report, which is expected to be presented to us after the date of this auditor's report
- with the exception of the audited consolidated financial statements and management report and our auditor's report.

The supervisory board is responsible for the report of the supervisory board. Furthermore, the legal representatives are responsible for the other information.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nuremberg, 3 April 2023

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:
(Christian Fischer)
Wirtschaftsprüfer
(German Public Auditor)

Signed:
(Johannes Graebner)
Wirtschaftsprüfer
(German Public Auditor)

Appropriation of distributable profit

The Management Board proposes that the distributable profit of the Financial Year 2022, amounting to EUR 43,542,290.52, will be used as follows:

An amount of EUR 2,464,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.28 per share on the 8,800,000 non par value shares entitled to dividend payments for the Financial Year 2022. The remainder in the amount of EUR 41,078,290.52 will be carried forward.

Schwandorf, April 2023

The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Alexander Risch

Report of the Supervisory Board

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec's business performance was very robust and stable in the thoroughly difficult and unsettled environment of 2022, marked by recession concerns, inflation and the explosion of energy prices. In the financial year just closed, price development was decisive for Nabaltec's solid revenue performance. Despite a slight decline in sales volume, the development of prices illustrates that the markets in which the company operates are intact for the long term. Due to the company's positive performance, the forecast, which was raised for the second time in November 2022, was set at the upper end of the range.

Despite the current largely stable business situation, we will always keep a close eye on further developments on the markets in order to identify and respond to both market risks and opportunities at an early stage.

Collaboration between the Supervisory and Management Boards

In Financial Year 2022, the Supervisory Board duly performed the duties ascribed to it by law, the Articles of Association, and the Rules of Procedure, and was regularly informed in depth by the Management Board about the company's development and situation. In accordance with the underlying information, the Supervisory Board advised the Management Board and monitored and controlled it with the greatest possible diligence. The Supervisory Board was involved at an early stage in all decisions of fundamental importance to the company and was informed directly and comprehensively by the Management Board.

Major events, as well as questions relating to strategy, planning, business development, the risk position, risk management and compliance, were considered by the Supervisory Board both internally and in conjunction with the Management Board. The Supervisory Board voted on the reports and draft resolutions submitted by the Management Board after careful deliberation and review. All transactions requiring approval in Financial Year 2022 were decided positively.

In the opinion of the Supervisory Board, all three members of the Board can currently be qualified as independent. However, the Supervisory Board reserves the right to approve consulting and employment contracts between individual members of the Board and the company if the conclusion of such contracts is in the company's interest in specific cases in the opinion of the Management and Supervisory Boards.

The Supervisory Board continued to refrain from forming committees in the past financial year. With three members, the Supervisory Board has the appropriate size to discuss and decide on all matters in the full Supervisory Board. No conflicts of interest arose for individual Supervisory Board members within the framework of the deliberations, resolutions, and control mandate of the Board in the 2022 reporting year. The Board again refrained from forming an audit committee. These tasks are also performed by the full Board.

In the past year, the Supervisory Board once again subjected its own activities to a self-assessment (efficiency check) and came to a positive conclusion. The focusses of the self-assessment were on the procedural routines and the timely and sufficient provision of information.

Meetings of the Supervisory Board and focus of deliberations

Four regular ordinary meetings of the Supervisory Board were held in the reporting period: on 7 April, on 29 June following the virtual Annual General Meeting, on 29 September and on 15 December. All meetings in 2022 were held in person, with all members of the Supervisory Board present. No further meetings were held in 2023 before the in-person Supervisory Board meeting concerning the proposed adoption of the financial statements on 20 April 2023. In addition, the Supervisory Board members consulted in writing and by telephone. Outside Supervisory Board meetings, the Board passed resolutions in three cases in 2022.

The following issues were the subject of particularly intensive consideration in Financial Year 2022:

- the 2021 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- planning for 2023 and mid-term planning through 2025
- investment and financial planning for the period from 2023 through 2025;
- 2023 sales plan for the Nabaltec-Group including the sales structure in North America
- measures in connection with the current macroeconomic situation, particularly the raw materials and energy price situations in Germany

The objectives and implementation status of innovation projects, as well as the effectiveness of the risk management system, the accounting processes in Nabaltec AG and Nabaltec-Group, as well as the monitoring of the internal controlling system were further focuses of the Supervisory Board's work in Financial Year 2022.

Even outside the Supervisory Board meetings, the Supervisory Board was routinely notified of important events of essential importance for assessing the position, performance and management of the company. The company's current situation, the development of the business situation, significant business transactions and important decisions by the Management Board additionally constituted the subject of discussions between the Management and Supervisory Boards and were also dealt with in written reports. In monthly and quarterly reports, the Supervisory Board was informed in particular about market developments, the risk and competitive situation, the development of sales, revenue and earnings, as well as the extent to which estimates had been achieved. Other aspects of importance for business development, such as the energy crisis and further effects of the Corona pandemic, which was still ongoing in 2022, were also regularly discussed. For this purpose, the Chairman of the Supervisory Board maintained a close and regular exchange of information and ideas with the Management Board.

Audit of the 2022 Annual and Consolidated Financial Statements

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, has audited the annual financial statements and management report of Nabaltec AG, prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the consolidated financial statements, prepared in accordance with § 315e HGB on the basis of the International Financial Reporting Standards (IFRS), and the consolidated management report, each for 31 December 2022, and has issued an unqualified auditor's opinions.

The Supervisory Board engaged the auditor in accordance with the resolution of the Annual General Meeting of 29 June 2022. The focus of the audit for Financial Year 2022 was set on

investments in property, plant and equipment, the measurement of financial assets, and the accounting treatment of liabilities to banks.

All documents relating to the financial statements, as well as the auditor's audit reports, were made available to the Supervisory Board in a timely manner for independent review. These documents and reports were the subject of intensive consideration at the session on 20 April 2023. The auditor was present at this meeting, reported on the key findings of the audit and was available for further questions. Based on its independent review of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report, the Supervisory Board adopts the findings of the auditor Deloitte GmbH. The Supervisory Board has furthermore declared that it has no objections to the audit's findings. The Supervisory Board therefore approved the annual financial statements prepared by the Management Board for Nabaltec AG and Nabaltec Group for 31 December 2022. The annual financial statements of Nabaltec AG for 2022 are therefore adopted.

A word of gratitude

The Supervisory Board would like to thank the Management Board and all employees for their high level of commitment in the past financial year and their successful work in an environment that continues to be challenging.

Schwandorf, 10 April 2023

Gerhard Witzany
Supervisory Board Chairman

FINANCIAL CALENDAR 2023

Interim Report 1/2023	25 May
Annual General Meeting	28 June
Half-yearly Report 2023	24 August
Interim Report 3/2023	23 November

CONTACT

Kerstin Schuierer

Nabaltec AG

Alustraße 50 – 52

92421 Schwandorf, Germany

Phone: +49 9431 53-204

Fax: +49 9431 53-260

E-mail: InvestorRelations@nabaltec.de

Frank Ostermair

Better Orange IR & HV AG

Haidelweg 48

81241 Munich, Germany

Phone: +49 89 8896906-14

Fax: +49 89 8896906-66

E-mail: nabaltec@better-orange.de

IMPRINT

Publisher**Nabaltec AG**

Alustraße 50 – 52
92421 Schwandorf, Germany

Phone: +49 9431 53-204

Fax: +49 9431 53-260

E-mail: info@nabaltec.de

Internet: www.nabaltec.de/en

Text

Nabaltec, Schwandorf, Germany
Better Orange, Munich, Germany

Concept & Design

Silvester Group, www.silvestergroup.com

Photos

freepik

Statements relating to the future

These annual financial statements contain statements relating to the future which are based on the Management Board's current estimations and prognosis as well as on information currently available. These statements relating to the future are not to be understood as guarantees of the predicted future developments and results.

The future developments and results are rather dependent on a number of risks and uncertainties and are based on assumptions which possibly may prove to be false. We do not accept any obligation to update these statements relating to the future.

Rounding

Due to computational reasons, rounding differences may appear in the percentages and figures in the tables, graphics and text of this report.



Nabaltec AG

Alustraße 50 – 52, 92421 Schwandorf, Germany

Phone: +49 9431 53-0, Fax: +49 9431 53-260

E-mail: info@nabaltec.de, www.nabaltec.de/en