Nabaltec

OUR KNOW-HOW FOR YOUR SAFETY

ANNUAL REPORT 2022

NABALTEC GROUP

KEY FIGURES

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

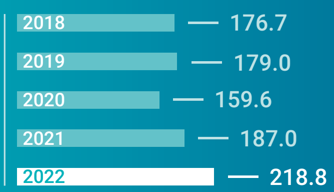
in EUR million	2022 (IFRS)	2021 (IFRS)	Change
Revenues			
Total revenues	**218.8**	187.0	17.0%
thereof			
Functional Fillers	**148.0**	130.6	13.3%
Specialty Alumina	**70.9**	56.4	25.7%
Foreign share (%)	**73.7**	75.5	
Earnings			
EBITDA	**42.4**	37.3	13.7%
EBIT	**29.2**	24.6	18.7%
Consolidated result after taxes[1]	**26.4**	16.3	62.0%
Earnings per share (EUR)[1]	**3.00**	1.85	62.2%
Financial position			
Cash flow from operating activities	**32.4**	33.2	−2.4%
Cash flow from investing activities	**−25.7**	−6.7	283.6%
Assets, equity and liabilities	**12/31/22**	**12/31/21**	
Total assets	**281.1**	220.7	27.4%
Equity	**133.5**	96.5	38.3%
Non-current assets	**135.3**	122.5	10.4%
Current assets	**145.8**	98.2	48.5%
Employees[2] (number of persons)	**506**	481	5.2%

[1] *thereof non-recurring effects tax income cost settlement Nashtec amounting to EUR 6.8 million or EUR 0.77 per share in 2022*
[2] *on the reporting date 31 December, including trainees*

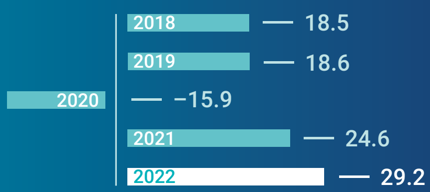
NABALTEC AG

Nabaltec AG, with registered office in Schwandorf, a chemicals business which has received multiple awards for innovativeness, manufactures, develops and distributes highly specialized products based on aluminum hydroxide and aluminum oxide on an industrial scale through its product segments, “Functional Fillers” and “Specialty Alumina.” The markets for Nabaltec products are rather robust in the mid- and long-term, although the geopolitical situation since February 2022 makes it significantly more difficult to make reliable estimates for the future.

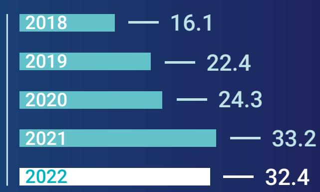
REVENUES IN EUR MILLION



EBIT IN EUR MILLION



OPERATING CASH FLOW IN EUR MILLION



Company headquarters of Nabaltec AG, Schwandorf

CONTACT IR

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NABALTEC AG ON THE INTERNET

www.nabaltec.de/en

SUSTAINABLE PRACTICES

Nabaltec products have an extremely diverse range of applications and are the preferred choice whenever utmost quality, safety, eco-friendliness and durability are required. The combination of these characteristics creates outstanding prospects for growth for Nabaltec's various specialty chemical products and is the basis for the company's many years of growing financial success.

Beyond economic aspects, however, Nabaltec also attaches particular importance to ecological and social responsibility. Over the years, a certified environmental management system, an occupational health and safety management system and an energy management system have been introduced.

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EMPLOYEES

Sustainable employee development is important to Nabaltec AG in order to be prepared for future personnel challenges and in order to position itself as an attractive employer. As a family-friendly company which has been recognized multiple times, Nabaltec is committed to promoting young talent and values work/life balance.

INNOVATIONS

Nabaltec AG is regularly awarded national and international prizes and distinctions for innovation. In 2022, for example, the company once again received the Best Managed Companies Award for the fourth time in a row for outstandingly managed mid-sized companies, due in part to its highly innovative practices.

PRODUCT SEGMENTS

FUNCTIONAL FILLERS

In the product segment "Functional Fillers," Nabaltec produces highly specialized aluminum hydroxide-based products for a wide variety of applications, and is among the leading manufacturers in the world in this area. In addition to current market trends, the development of eco-friendly flame retardant fillers and functional additives is driven above all by the specific requirements of its customers – an example is the relatively young market segment battery for applications in electromobility. Nabaltec assesses itself as one of the world's leading manufacturers of coating materials for separator films based on boehmite.

EUR 148.0 MILLION
REVENUES

EUR 30.5 MILLION
EBITDA

EUR 20.6 MILLION
EBIT

SPECIALTY ALUMINA

In the product segment "Specialty Alumina," Nabaltec manufactures innovative materials for a wide variety of industries and applications based on aluminum oxide. The company is constantly investing in optimizing its production facilities, in innovative technologies and in improving production processes in order to enable the company to consistently supply tailor-made qualities which meet customers' needs.

EUR 70.9 MILLION
REVENUES

EUR 11.9 MILLION
EBITDA

EUR 8.6 MILLION
EBIT

REVENUE SHARES 2022

26.3%
GERMANY

13.8%
USA

46.8%
EUROPE
(WITHOUT GERMANY)

13.1%
REST OF THE WORLD

FOREWORD
OF THE CEO

Ladies and Gentlemen,
Dear Shareholders and Business Partners,

Nabaltec achieves record revenues of EUR 218.8 million with an EBIT margin of 13.1 % in 2022

Nabaltec was again able to achieve record revenues in Financial Year 2022, despite adverse conditions – massive cost increases and uncertainty in the energy sector caused by the Russia-Ukraine War. Compared to the previous year, revenues increased by 17.0% to EUR 218.8 million. Operating profit (EBIT) improved from EUR 24.6 million in the previous year to EUR 29.2 million in Financial Year 2022. We thus succeeded in confirming the excellent EBIT margin of 13.1% (as a percentage of total performance) from the previous year. We were thus able to fully meet our own forecasts, which we had raised during the year.

However, this outstanding performance should not obscure the fact that our industry was very largely occupied with crisis management in 2022. With the coronavirus pandemic still unfolding, Russia's invasion of the Ukraine not only caused great human suffering, but also created huge dislocations in the energy and raw materials markets, fueled inflation, caused recession fears, and fomented additional tensions in already sensitive global supply chains. Energy-intensive sectors such as the chemical industry were and are particularly affected by these challenges.

Massive price increases for raw materials and energy were partially dampened by long-term partnerships and commitments

Due to partial price commitments for raw materials and energy, we were able to dampen the massive price increases over the course of the year, particularly in electricity and natural gas. This is where the trust-based long-term partnerships with our key suppliers pays off, enabling us to negotiate at eye level even in difficult times. Above all, however, we continue to focus on top quality, maximum delivery reliability and continuous product innovations (e.g. in thermally conductive products for thermal management in electromobility), thus ensuring that our customers can derive added value from working with Nabaltec.

This made it possible to pass on the necessary price adjustments to our customers. We already had to implement two price steps in 2022 and will not be able to avoid making further adjustments in 2023. Despite the slight easing of energy prices in the meantime, the environment remains very challenging. We face further cost increases in 2023 for both raw materials and energy.

The Management Board of Nabaltec AG from left to right:
Günther Spitzer, Johannes Heckmann (CEO), Dr. Alexander Risch

The market drivers in Nabaltec's target markets remain intact

Our growth in 2022 was very largely price driven. At the same time, 2022 also showed that both the demand and market drivers in our target markets are intact in this challenging environment. In our view, the slightly lower sales volumes were mainly due to the economic development and inventory optimization on the part of customers. The fourth quarter in particular showed that many customers were implementing a strict inventory policy with a focus on cash and working capital optimization. We are very satisfied with the business performance in 2022 as a whole.

Nabaltec will be well prepared for the globally increasing demand for battery cells with a further capacity expansion to 20,000 tons of boehmite

Revenue development in the boehmite product range did not meet our expectations in 2022. The 21.5% year-on-year decline in revenues was by no means caused by our products failing to impress on the market, but rather by the fact that the European battery industry's capacity expansion fell far short of forecasts. Here, mere announcements about how Europe intends to respond to and profit from the expected surplus demand for lithium-ion batteries for e-mobility still predominate. Meanwhile, Asian manufacturers, especially the Chinese, continue to get the business. There is no question that global demand for battery cells will grow disproportionately in the coming years. Experts expect a global increase in demand and thus also in capacities to over 3,600 GWh by 2030, with electromobility as the key growth driver. Therefore, the restraint in demand for our boehmite is only of a temporary nature. We are also sticking to our investment project and are currently increasing capacity from 10,000 to 20,000 tons. Commissioning is scheduled for the second half of 2024. This means that we will be ideally equipped for 2025 and the ensuing years, which we believe are also crucial for the ramp-up phase of cell manufacturing capacities in Europe.

Electromobility is also developing into a very interesting market for us in other areas. In this context, thermal management is of great importance for batteries, especially in electric vehicles. Thermally conductive materials are making an ever greater contribution to this. Nabaltec has already developed excellent products and solutions for these thermal requirements with its viscosity-optimized aluminum hydroxides. We see ourselves as being in a strong position for the future.

US activities are improving and developing in the right direction

Step by step, our US activities are improving and developing in the right direction. Nashtec was able to increase production output compared to the previous year. Thanks to an optimization of production processes in the second half of the year, we were able to further increase capacity. Improved capacity utilization and price increases enabled a mid-single-digit EBIT margin to be achieved. Naprotec again posted a loss in Financial Year 2022 due to significant underutilization, although signs of a gradual low-level improvement are emerging.

The very sound consolidated net income of EUR 26.4 million, compared to EUR 16.3 million in the previous year, was characterized by a strong operative earnings performance and additionally by extraordinary tax income of EUR 6.8 million due to a cost compensation payment to our US subsidiary Nashtec from 2020. We are continuing our dividend policy of continuity and moderate increases for the financial year just closed. By increasing the dividend by EUR 0.03 to EUR 0.28 per share, we want our shareholders to participate in the successes achieved in 2022. We were able to generate operating cash flow of EUR 32.4 million in 2022, despite a deliberate build-up of inventories. In addition to our strong internal financing capacity, the placement of a new bonded loan with a volume of EUR 90.0 million was an important building block in our company’s financing structure. In addition to refinancing maturing loans, we have thus also created the additional financial leeway to implement forward-looking projects. In addition, the successful placement underscores Nabaltec AG’s intact access to the capital market.

Forecast 2023 with revenue growth in a range from 3% to 5% and an EBIT margin in the range from 8% to 10%

The forecast for 2023 is made significantly more difficult by an environment characterized by a very high degree of uncertainty. We are planning for further growth in 2023 and aim to expand revenues by 3% to 5%. Margins will be squeezed by the foreseeable cost increases for materials and energy. Accordingly, Nabaltec is expecting an EBIT margin in a range from 8% to 10%. The environment certainly offers potential for improvement. Thus, the extent of the economic downturn does not appear to be as pronounced as many experts had expected in mid-2022. Regardless of the further development in the Ukraine and the completely open course of the war, we at Nabaltec and the entire team will continue to focus on our strengths, drive product development, secure our most important raw materials and energy sources with foresight and expand our target markets. I would like to thank the entire staff team for their efforts and successes in 2022. Only together will it be possible to outperform expectations again in 2023. I would be very pleased if you continued to accompany us on this path and thank you for your trust.

Schwandorf, March 2023

Yours,

JOHANNES HECKMANN
CEO

REPORT
OF THE SUPERVISORY BOARD

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec's business development 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 development, the forecast, which was raised for the second time in November 2022, was set at the upper end of the range.

Nabaltec's business development was very robust and stable in the thoroughly difficult and unsettled environment of 2022

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

The Supervisory Board duly performed its assigned tasks in Financial Year 2022 in accordance with the law, the Articles of Association and the Rules of Procedure and was routinely informed by the Management Board in detail as to the performance and position of the company. The Supervisory Board advised the Management Board in accordance with the underlying information and exercised utmost care in monitoring and supervising the Management Board. The Supervisory Board was involved at an early stage in all decisions of fundamental importance for the company, and was kept fully and directly informed by the Management Board.

Major events, as well as questions relating to strategy, planning, business development, the risk position, risk management, compliance and sustainability 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.

All transactions requiring approval in Financial Year 2022 were decided positively

In the Supervisory Board's estimation, all three of its current members should be considered independent. However, the Supervisory Board reserves the right to approve consulting and employment agreements between individual members of the body and the company if the Management Board and Supervisory Board concur that the conclusion of such an agreement is in the company's interest in that particular case.

The Supervisory Board once again opted not to form committees in the past financial year. With three members, the Supervisory Board is of suitable size for all matters to be considered and decided by the full Supervisory Board. No conflicts of interest for individual Supervisory Board members arose in the course of deliberations or voting by the Supervisory Board, or in the Board's exercise of its supervisory mandate in the 2022 reporting year. The Board again refrained from forming an audit committee. These tasks are also performed by the full Board.

The Supervisory Board once again performed a self-assessment of its activities in the past year (efficiency check) and has reached a positive conclusion. The focuses of this self-assessment were above all on procedures and the timely and adequate provision of information.

MEETINGS OF THE SUPERVISORY BOARD AND FOCUS OF DELIBERATIONS

The Supervisory Board had four meetings in 2022 in which all members were present

Four regular ordinary meetings of the Supervisory Board were held in the reportingperiod: 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 additional meetings took place in 2023 prior to the Supervisory Board meeting on 20 April 2023 (held as an in-person meeting), in which the Board votes on adoption of the financial statements. The members of the Supervisory Board also deliberated in writing and by telephone. On three occasions in 2022, resolutions were adopted by the Supervisory Board outside of Supervisory Board meetings.

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 financing 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 goals and realization status of innovative projects, the effectiveness of the risk management system, the accounting process in Nabaltec AG and Nabaltec Group, as well as the monitoring of the internal controlling system were also focuses of the Supervisory Board's work in Financial Year 2022.

The Supervisory Board of Nabaltec AG from left to right:
Prof. Dr.-Ing. Jürgen G. Heinrich, Gerhard Witzany (Chairman of the Supervisory Board), Dr. Dieter J. Braun

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 position, important transactions and key decisions by the Management Board were also the subject of discussions between the Management Board and the Supervisory Board and were addressed in written reports as well. In particular, the Supervisory Board was notified of market trends, the risk and competition situation, the development of sales, revenues and earnings and the degree to which projections were met in monthly and quarterly reports. Other aspects of importance for business development, such as the energy crisis and further effects of the coronavirus pandemic, which was still ongoing in 2022, were also regularly discussed. To this end, the Chairman of the Supervisory Board maintained a close and routine exchange of information and thoughts with the Management Board.

The Supervisory Board was notified in detail of market trends, the risk and competition situation, as well as the development of sales, revenues and earnings

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 German Commercial Code, as well as the consolidated financial statements, prepared based on the IFRS (International Financial Reporting Standards), pursuant to § 315e of the German Commercial Code, as well as the consolidated management report, each for 31 December 2022, and has issued an unqualified auditor's opinion.

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.

The annual financial statements for Nabaltec AG and Group for 31 December 2022 have been reviewed and approved by the Supervisory Board

A WORD OF GRATITUDE

The Supervisory Board would like to thank the Management Board and all the 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, 20 April 2023

GERHARD WITZANY
Chairman of the Supervisory Board

NABALTEC SHARE

THE STOCK MARKET 2022

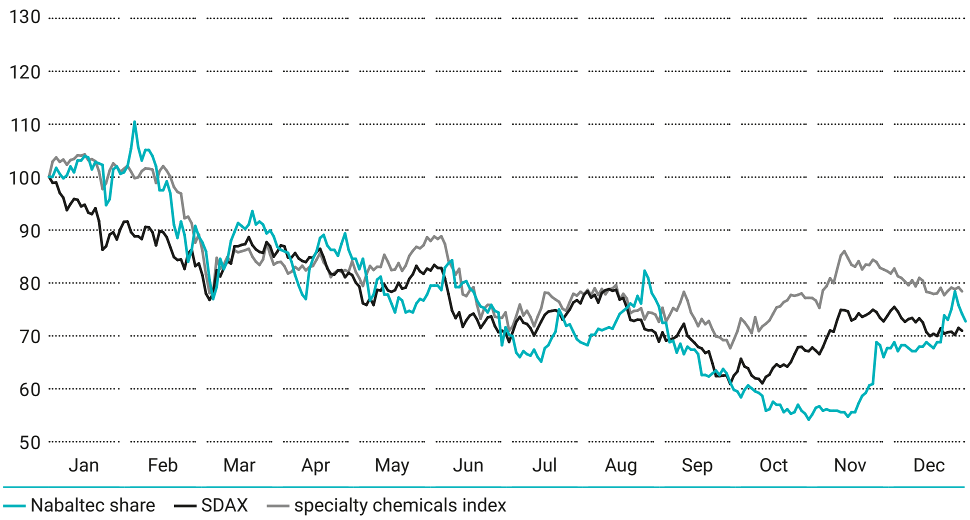
ISIN/WKN (GERMAN SECURITIES ID): DE000A0KPPR7/A0K PPR
SINCE 24 NOVEMBER 2006, NABALTEC SHARE HAS BEEN LISTED IN THE FRANKFURT STOCK EXCHANGE, WHERE IT IS TRADED IN THE SCALE MARKET SEGMENT

SHARE PERFORMANCE

The overall challenging environment in the financial markets had a significant impact on Nabaltec's share price in the course of 2022. There was a great deal of uncertainty on the markets throughout the year, resulting from high inflation rates and interest rate hikes by central banks, and from the ongoing geopolitical tensions of the Russia-Ukraine War. In this difficult environment, Nabaltec's share price declined by 26.2% until 31 December 2022, compared to the closing price on 31 December 2021. The highest price was reached on 3 February 2022 at EUR 39.60. The lowest price was EUR 19.60 on 28 October 2022. Since then, the share price recovered slightly, closing at EUR 26.20 on 31 December 2022. The market capitalization was EUR 230.6 million as of the reporting date 31 December 2022, compared to EUR 312.4 million in the previous year.

Nabaltec share could not evade the challenging environment on the financial markets

PERFORMANCE OF NABALTEC SHARE IN 2022 (XETRA, INDEXED)



KEY DATA FOR NABALTEC SHARE (XETRA)

	2022	2021
Number of shares	8,800,000	8,800,000
Market capitalization (cutoff date, in EUR million)	230.6	312.4
Average price (in EUR)	27.62	32.27
High (in EUR)	39.60	37.80
Low (in EUR)	19.60	23.40
Closing price (cutoff date, in EUR)	26.20	35.50
Average daily turnover (in shares)	2,996	3,059
Earnings per share (in EUR) [1]	3.00	1.85

TRADING VOLUME

Daily average trading volume of 2,996 shares in 2022

Nabaltec share's average XETRA daily trading volume in 2022 was 2,996 shares, thus remaining at a high level. In the previous year, the daily average trading volume had been 3,059 shares. A total of about 0.77 million shares were traded on XETRA in the reporting year, corresponding to around 20% of the free float. Since it was first listed, the liquidity of Nabaltec share has been reinforced by a voluntary commitment from a designated sponsor. This function is currently performed by Baader Bank AG and Hauck Aufhäuser Lampe Privatbank AG.

EARNINGS PER SHARE

Earnings per share of EUR 3.00 in 2022

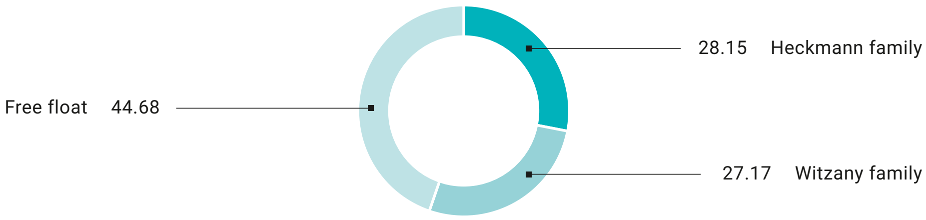
Earnings per share (EPS) came to EUR 3.00 [1] in 2022. In the previous year, this key figure was EUR 1.85.

[1] *Thereof, non-recurring effects tax income cost settlement Nashtec amounting to EUR 6.8 million or EUR 0.77 per share in 2022*

SHAREHOLDER STRUCTURE

The majority of the 8,800,000 Nabaltec shares continue to be held by the Heckmann and Witzany families. As of the reporting date, the Heckmann family held 28.15% of the company's capital stock and the Witzany family 27.17%. The remaining 44.68% are in free float.

SHAREHOLDER STRUCTURE (IN %)



ANALYST RECOMMENDATIONS

Analyst price targets at EUR 36.00 (NuWays, spin-off of Hauck Aufhäuser Lampe Privatbank) and EUR 31.00 (Baader Bank)

Hauck Aufhäuser Lampe Privatbank AG analyzes Nabaltec share continuously in research reports, publishing three studies and updates on Nabaltec share in the financial year just closed. In all analyses, it issued a "buy" recommendation. The price target was lowered in the course of the year from EUR 42.00 in March 2022 to EUR 39.00 in the last study of August 2022. After the balance sheet date, the price target was set at EUR 36.00 with a "buy" rating on 2 February 2023 and confirmed on 8 March 2023, by NuWays, under whose name the research reports of Hauck Aufhäuser Lampe Privatbank AG will henceforth be published (spin-off).

Baader Bank AG also reports regularly on Nabaltec AG, publishing ten studies on the share in 2022. In the course of the year, the rating was successively adjusted and currently stands at a "buy" rating and a price target of EUR 31.00 in the study dated 7 March 2023.

Analyst assessments of Nabaltec share can be found online at www.nabaltec.de/en, in the Investor Relations/Share section.

CAPITAL MARKET COMMUNICATIONS

Nabaltec's reporting has continually exceeded the prescribed minimum standards since its IPO

Since its IPO in the Frankfurt Stock Exchange in 2006, Nabaltec AG has continually kept its investors informed, exceeding the prescribed minimum standards. Examples include quarterly reporting in accordance with IFRS in German and in English, a voluntary commitment to observe a four-month period for publication of its annual report and coverage through routine analyst reports. Nabaltec AG's participation in the Scale market segment of the Frankfurt Stock Exchange also involves stricter transparency requirements.

In Financial Year 2022, Nabaltec AG continued its intensive investor relations activities. It participated in several investor and analyst events with participants from Germany and abroad. In 2022, these conferences were again held in the form of face-to-face events, though some were also virtual, including the Spring Conference in May 2022, the Baader Investment Conference in September 2022 and the German Equity Forum in November 2022.

Nabaltec's financial communications activities were supplemented by numerous discussions with members of the press, particularly in connection with the publication of annual and quarterly results.

On the company's website, www.nabaltec.de/en, investors can find all the information they need about Nabaltec share (in the Investor Relations section) and about the company.

BASIC DATA FOR NABALTEC SHARE

ISIN (International Security Identification Number)	DE000A0KPPR7
Stock symbol	NTG
Stock exchanges	Frankfurt (Open Market), over-the-counter in Berlin, Dusseldorf, Hamburg, Munich, Stuttgart
Sector	Industrial
Industry group	Products & Services
Index membership (31 December 2022)	Scale All Share, Scale 30, DAXsector All Chemicals, DAXsubsector All Chemicals, Specialty

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CONSOLIDATED MANAGEMENT REPORT 2022

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FINANCIAL REPORT

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REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

CONSOLIDATED MANAGEMENT REPORT

FOR FINANCIAL YEAR 2022*

1. DESCRIPTION OF THE BUSINESS ENTERPRISE

1.1 THE GROUP'S BUSINESS MODEL

BUSINESS OPERATIONS

Environmentally friendly and highly specialized products

Nabaltec AG develops, manufactures and distributes with its Group companies environmentally friendly and simultaneously highly specialized products based on mineral raw materials. The Nabaltec Group 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.

Outstanding growth prospects for Nabaltec products

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.

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

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.

CORPORATE AND GROUP STRUCTURE

Nabaltec share listed since 2006 in the Open Market division of the Frankfurt Stock Exchange

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 AG 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 a balanced and largely independent means of financing.

Naprotec LLC and Nashtec LLC bundled in Nabaltec USA Corporation

Nabaltec 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 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 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 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. Due to the low business volume of this sales and marketing company, the subsidiary was previously classified as immaterial and thus not included in Nabaltec’s consolidated financial statements.

No further participations or subsidiaries currently exist.

Reflecting the characteristics of the target and buyers' markets, the Nabaltec Group divided its operations 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

Product and process development are continually optimized

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 Nabaltec 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.

Continuous investment in research and development activities

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 waste water 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 the Nabaltec Group, 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

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

Target agreement process defines responsibilities

Nabaltec has implemented a Group-wide 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 in the Group.

1.4 BASICS OF THE REMUNERATION SYSTEM FOR CORPORATE OFFICERS

The remuneration of the Management Board and Supervisory Board members is explained in greater detail in the Consolidated Notes (Section 7.4).

MANAGEMENT BOARD

Variable remuneration system for members of the 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 25.0 million without any deductible for the insured members of the Supervisory Board. Insurance premiums are paid by the company.

In the interest of the company, members of the Supervisory Board are covered by a company D&O insurance

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'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.

R&D activities play a key role in the company

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.

International awards and distinctions for innovativeness

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 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'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.

R&D activities remain marked in particular by challenges relating to electric mobility

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

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.

For years, the Group has been seeing a trend in the refractory industry towards increased use of highly reactive aluminum oxides. As a result, Nabaltec'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

Growth in the global economy was significantly slowed in 2022 by strong influencing factors such as high energy prices and uncertainties such as the war in Ukraine

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 forecasted 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.

German economic growth will be significantly below the 2022 average in the euro zone

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-based 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 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 remains intact

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). 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).

2.2 COURSE OF BUSINESS

In terms of revenues and earnings, Nabaltec Group recorded the most successful year in the company's history

The Nabaltec Group 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 of 2022 in particular, this effect was again clearly felt as demand declined.

Nabaltec's consolidated revenue was EUR 218.8 million in 2022, compared to EUR 187.0 million in the previous year (up +17.0%). Revenues in the "Functional Fillers" product segment came to EUR 148.0 million, compared to EUR 130.6 million in the previous year (up +13.3%), while revenues in the "Specialty Alumina" product segment were EUR 70.9 million, compared to EUR 56.4 million in 2021 (up +25.7%). 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.

EBIT amounted to EUR 29.2 million; EBIT margin of 13.1%

Operating profit (EBIT) was EUR 29.2 million in 2022, compared to EUR 24.6 million in the previous year. The EBIT margin (EBIT as a percentage of total performance) was 13.1%, as in the previous year.

EBITDA had been EUR 37.3 million in Financial Year 2021 and improved by 13.7% to EUR 42.4 million in Financial Year 2022.

The forecast, which was adjusted upwards in the course of the year, was met

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. With revenue growth of 17.0%, the forecast was met with a precision landing at the upper end of the most recently forecast range. 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. The final values for this forecast were also at the upper end of the range at 13.1%. Compared with the original forecast for Financial Year 2022, both figures were exceeded.

2.3 SITUATION

2.3.1 EARNINGS POSITION

Revenues in 2022 at EUR 218.8 million (+17.0 %)

The Nabaltec Group earned EUR 218.8 million in revenues in Financial Year 2022, compared to EUR 187.0 million in the previous year (up +17.0%). The development of revenues was mainly driven by price increases across all product ranges.

Nabaltec 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 46.0 million in the same quarter of last year (up +19.1%). Revenues in the second quarter of 2022 amounted to EUR 55.9 million after EUR 47.9 million in the same period from the previous year (up +16.7%). In the third quarter, Nabaltec exceeded the previous year's quarter by 21.0% and increased revenues to EUR 56.5 million, compared to EUR 46.7 million in the corresponding period of 2021. In the fourth quarter, revenues were EUR 51.7 million, compared to EUR 46.4 million in the same quarter of the previous year. This corresponds to an increase of 11.4%.

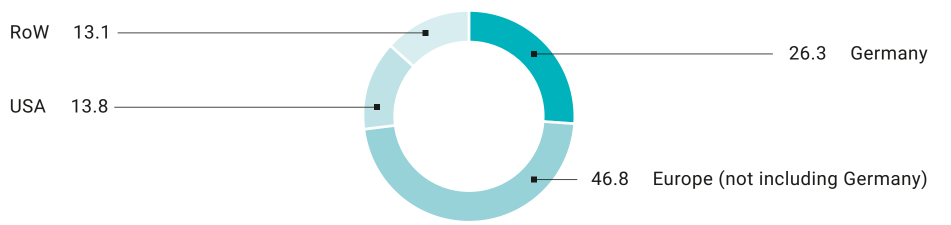
Nabaltec attained revenues in the “Functional Fillers” product segment of EUR 148.0 million in Financial Year 2022, compared to EUR 130.6 million in the previous year, corresponding to a gain of 13.3%. The solid revenue performance is solely attributable to price developments. Sales volumes were down 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 boehmite product range, revenues in 2022 came to EUR 19.0 million, compared to EUR 24.2 million the year before. Boehmite’s share in consolidated revenues is therefore around 9% (previous year: 13%).

Price-driven revenue growth in both product segments

In the “Specialty Alumina” product segment, revenues in 2022 amounted to EUR 70.9 million, compared to EUR 56.4 million in the previous year (up +25.7%). Here, too, growth was 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 73.7% (previous year: 75.5%). In the regions with the highest revenues, Nabaltec recorded revenue growth across the board in 2022; only the Asian market, including China, saw a decline.

Export ratio with 73.7% at a high level

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.

Total performance in the year 2022 at EUR 223.0 million

Nabaltec Group's total performance was EUR 223.0 million in 2022, compared to EUR 187.2 million in the previous year. The main reason for this development was the significant improvement in revenue compared to the previous year. Furthermore, Nabaltec had built up inventories of finished goods and work in progress in the amount of EUR 3.6 million in Financial Year 2022, following a slight reduction in inventories in the previous year.

Other operating income increased to EUR 3.5 million (previous year: EUR 2.7 million) and includes currency gains (EUR 2.2 million) as well as other income from deliveries and services to third parties.

OPERATING EXPENSE RATIOS AS A PERCENTAGE OF TOTAL PERFORMANCE (IN %)

	2022	2021
Cost of materials	47.7	47.1
Personnel expenses	17.8	18.6
Other operating expenses	17.1	15.8

The depreciation ratio (as a percentage of total performance) was 5.9% in 2022, compared to 6.8% the year before. Depreciation amounted to EUR 13.2 million compared to EUR 12.7 million in the year before.

Increased material costs were well cushioned by price adjustments

The cost of materials ratio (as a percentage of total performance) increased slightly to 47.7% (previous year: 47.1%), 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. In absolute terms, the cost of materials increased from EUR 88.2 million to EUR 106.4 million (+20.6%) due to price increases, particularly for raw materials and energy.

The gross profit margin (as a percentage of total performance) decreased slightly from 54.4% in the previous year to 53.8% in 2022. In absolute terms, gross profit in 2022 came to EUR 120.0 million, compared to EUR 101.8 million the year before.

The personnel expense ratio (as a percentage of total performance) decreased from 18.6% in the previous year to 17.8% in 2022. The number of Group employees increased from 481 on 31 December 2021 to 506 at year-end 2022. In absolute terms, personnel expenses increased from EUR 34.8 million in 2021 to EUR 39.6 million in 2022, up 13.8%. 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 29.6 million to EUR 38.1 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 15.8% in the previous year to 17.1%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 42.4 million, compared to EUR 37.3 million in 2021 (up +13.7%). The EBITDA margin (as a percentage of total performance) reached 19.0% in 2022.

EBITDA 2022 at EUR 42.4 million, compared to EUR 37.3 million in the previous year

Operating profit (EBIT) was EUR 29.2 million in 2022, compared to EUR 24.6 million in the previous year. The EBIT margin (as a percentage of total performance) was 13.1% in 2022.

EBIT (IN EUR MILLION)

Earnings before taxes (EBT) amounted to EUR 27.5 million in 2022 (previous year: EUR 22.8 million). This includes EUR –1.7 million in net financial income. In the previous year, net financial income amounted to EUR –1.8 million.

Tax expenses came to EUR 1.1 million in Financial Year 2022 after EUR 6.5 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 consolidated earnings for the financial year just closed came to EUR 26.4 million, compared to EUR 16.3 million in the previous year. This corresponds to an earnings per share (EPS) in Financial Year 2022 of EUR 3.00 (previous year: EUR 1.85).

Earnings per share was EUR 3.00

Segment Report: Developments in the product segments

FUNCTIONAL FILLERS (IN EUR MILLION)

	2022	2021
Revenue	148.0	130.6
EBITDA	30.5	26.0
EBIT	20.6	16.6
Investments	9.3	5.1

Revenues in the "Functional Fillers" product segment increased by 13.3% in 2022 from EUR 130.6 million to EUR 148.0 million. With the exception of the boehmite product range, revenue growth was achieved in all product ranges, even though sales volumes in the product segment fell by 5.7%. The decline in sales in the boehmite range amounted to 21.5%. Nabaltec expects increased positive momentum again in the medium term. In the long term, it is still apparent in the "Functional Fillers" product segment that the fundamental market drivers for the products are intact.

REVENUES IN THE "FUNCTIONAL FILLERS" PRODUCT SEGMENT BY QUARTER (IN EUR MILLION)

EBITDA increased from EUR 26.0 million in 2021 to EUR 30.5 million in the reporting year.

"Functional Fillers" product segment was the focus of investments in 2022

With about 86% of total investments, the "Functional Fillers" product segment was once again the focus of investments in 2022 within the Nabaltec Group. Capital expenditures were made primarily for the expansion of capacities in the boehmite product range, for the further optimization of production processes, and for replacement investments at the Schwandorf site.

SPECIALTY ALUMINA (IN EUR MILLION)

	2022	2021
Revenue	70.9	56.4
EBITDA	11.9	11.3
EBIT	8.6	8.0
Investments	1.5	1.6

Revenues in the "Specialty Alumina" product segment increased to EUR 70.9 million

Revenues in the "Specialty Alumina" product segment increased by 25.7% in the reporting year, from EUR 56.4 million to EUR 70.9 million. In this product segment, too, development was largely driven by rising selling prices. Overall, sales volumes in the product segment declined by 3.2%.

REVENUES IN THE "SPECIALTY ALUMINA" PRODUCT SEGMENT BY QUARTER (IN EUR MILLION)

EBIDTA in the "Specialty Alumina" product segment was EUR 11.9 million in the financial year just closed, compared to EUR 11.3 million in the previous year.

Around 14% of total investments went into the "Specialty Alumina" product segment, primarily into expanding capacity for high value-added products and optimizing production processes.

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.

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'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.

Second tranche of the bonded loan of EUR 39.0 million repaid on schedule

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.

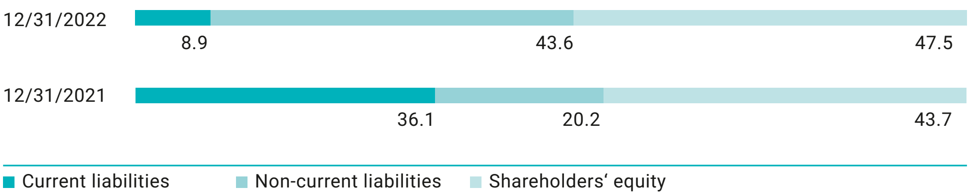
2.3.2.1 CAPITAL STRUCTURE

Equity ratio of 47.5%

Nabaltec's capital stock is EUR 8.8 million. Consolidated shareholders' equity increased to EUR 133.5 million as of 31 December 2022, compared to EUR 96.5 million in the previous year, based in particular on the sound consolidated earnings and a reduction in pension provisions as a result of interest rate developments in accordance with IAS 19. The equity ratio was 47.5% on 31 December 2022.

Non-current liabilities amounted to EUR 122.7 million on 31 December 2022, compared to EUR 44.6 million at the end of 2021. Current liabilities decreased from EUR 79.6 million on 31 December 2021 to EUR 24.9 million. The newly issued bonded loan and the scheduled repayment of existing loans mainly led to this change in current and non-current liabilities.

LIABILITIES STRUCTURE (IN %)



Other financing instruments

Nabaltec has, to a minor extent, concluded lease agreements with terms of up to five years. However, these are not recognized in the consolidated financial statements on the basis of the option under IFRS 16.5. Nabaltec also makes use of factoring on a continuous basis for trade receivables, in part as a way of minimizing default risks. Nabaltec Group does not use any other instruments which can be categorized as financial engineering.

2.3.2.2 INVESTMENTS

Nabaltec made EUR 10.8 million in investments in 2022

Nabaltec Group made EUR 10.8 million in investments in fixed assets in the financial year just closed, compared to EUR 6.7 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 plans to invest primarily in expanding capacity for boehmite as well as for 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 CASH FLOW

The Nabaltec Group's operating cash flow decreased slightly from EUR 33.2 million in 2021 to EUR 32.4 million in the financial year. The significant increase in net profit for the period had a positive impact on cash flow from operating activities. Changes in working capital, particularly the increase in inventories, had a negative impact on cash flow.

Spending on investments increased from EUR 6.7 million in the year before to EUR 25.7 million. The main focus was on the expansion of boehmite capacities and process optimization at the Schwandorf site, as well as the disbursement of EUR 15.0 million for investments in fixed-term deposits with a term of more than three months.

Dividend payment for Fiscal Year 2021 was EUR 2.2 million

Cash flow from financing activity was EUR 28.0 million in 2022, compared to EUR –1.4 million in the previous year. This includes the payment from the proceeds of the bonded loan issued in April 2022 with a volume of EUR 90.0 million and disbursements for the scheduled repayment of previous loans in the amount of EUR 59.0 million. In addition, cash flow from financing activities includes the payment of the dividend for Financial Year 2021 in the amount of EUR 2.2 million. Interest paid in the reporting year amounted to EUR 1.1 million.

Free cash flow at EUR 6.7 million

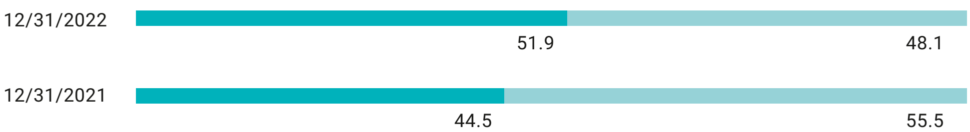
Nabaltec's free cash flow (the balance of cash flow from operating activities and cash flow from investment activities) in 2022, taking into account the payout for investments in time deposits with maturities greater than three months in the amount of EUR 15.0 million, was EUR 6.7 million, compared to EUR 26.4 million in 2021.

Nabaltec Group's total funds, consisting of the sum of cash and cash equivalents, amounted to EUR 87.5 million on 31 December 2022, compared to EUR 52.2 million on the reporting date of the year before.

2.3.2.4 FINANCIAL POSITION

Consolidated total assets increased from EUR 220.7 million to EUR 281.1 million compared to 31 December 2021. This is primarily attributable to current assets due to the clear increase in cash and cash equivalents and increased inventories.

ASSET STRUCTURE (IN %)



Current assets Non-current assets

As part of assets, property, plant and equipment decreased slightly as a result of depreciation from EUR 119.9 million in 2021 to EUR 118.8 million in 2022. Total non-current assets increased to EUR 135.3 million as of 31 December 2022, compared to EUR 122.5 million as of 31 December 2021, and include two-year time deposits of EUR 15.0 million.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 FINANCIAL PERFORMANCE INDICATORS

Revenue growth and EBIT margin are used as key performance indicators

The success of Nabaltec's operations is based on a long-term growth strategy. Group management aims to ensure profitable and capital-efficient growth for the Group. 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 also uses the following financial performance indicators to gauge Group outcomes. The company's internal controlling and management system forms the basis for value-oriented management of the Group by the Management Board of Nabaltec AG.

RETURN ON EQUITY AND CAPITAL EMPLOYED (IN %)

	2022	2021
Return on equity	19.8	16.9
Return on capital employed (ROCE)	17.2	16.6

The return on equity is calculated as the ratio of consolidated 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 Group.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

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

Employees

Training ratio at a high level in the long term

At the end of 2022, Nabaltec Group had a total of 506 employees (31 December 2021: 481), of whom 490 work in Germany (31 December 2021: 465). 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, 8.5%. 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 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'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 has restructured its Asia business operations in 2022

Nabaltec 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 parent 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.

Through its involvement in various associations, Nabaltec has full access to key markets

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'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's commitment to sustainability was awarded gold status in 2022 by EcoVadis after twice receiving silver awards.

Environmental Protection

Conservation of natural resources is a major concern for Nabaltec

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 Group. Nabaltec actively accepts responsibility for the environment: a commitment that extends well beyond its own site.

Reduction of CO_2 emissions by obtaining thermal energy from the neighboring waste-to-energy plant in Schwandorf

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 is doing its part at the head office in Schwandorf to reduce CO_2 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.

Nabaltec foresees largely intact sales markets for its own products in 2023

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%.

In its January forecast, the IMF expects a slight decline in global growth in 2023

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.

Long-term outlook in key target markets is largely positive

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 expects stable demand in the majority of its product ranges

Nabaltec 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 forecasted 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 forecasted 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

Nabaltec is expecting revenue growth in a range from 3% to 5% in 2023 and an EBIT margin in the range from 8% to 10%

Due to the economic and industry environment and the price increases realized at the start of the year, Nabaltec is expecting revenue growth in a range from 3% to 5% in 2023. On the earnings side, Nabaltec 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

Effective risk management is decisive to secure the company's prospects in the long term

For Nabaltec Group, 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 Group'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 and the Group'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.

Implementation of a strategic planning system in order to take advantage of medium- and long-term opportunities and to identify risks

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 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'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

Supply of key energy sources is secured through long-term contracts

Nabaltec monitors its suppliers' economic situation very closely and has deliberately built 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 normally 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.

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.

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.

An additional risk is an excessive increase in logistics costs. Nabaltec can counter this risk by passing on logistics costs to customers and by finding a balanced logistical mix. For example, Nabaltec 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 Group 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's loan agreements are subject to financial covenants which are tied to Group 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

Intensive continuing education and management training programs

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 and Group also offer 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

Production-specific risks are clear and manageable

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 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 within the company and the Group 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

Statutory conditions at the moment are creating additional market opportunities

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 CO_2 price. Changes in or new legal regulations may result in increased costs for Nabaltec.

OVERALL ASSESSMENT OF THE GROUP'S OPPORTUNITIES AND RISKS

Group risks are well managed

Based on the described constant monitoring of the markets relevant for Nabaltec, 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 and the Group in the opinion of the Management Board. On the whole, the potential impact of the company's and the Group's risks is limited, in our estimation. There are currently no discernible risks that could jeopardize the continued existence of the company or the Group.

Schwandorf, 31 March 2023

Nabaltec AG
The Management Board

JOHANNES HECKMANN **GÜNTHER SPITZER** **DR. ALEXANDER RISCH**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/ – 12/31/2022	1/1/ – 12/31/2021
Revenues	5.1	218,839	187,017
Change in inventories of finished goods and work in progress		3,603	–287
Own work capitalized	5.2	513	498
Total performance		**222,955**	**187,228**
Other operating income	5.3	3,486	2,678
Cost of materials	5.4	–106,399	–88,151
Gross earnings		**120,042**	**101,755**
Personnel expenses	5.5	–39,576	–34,839
Depreciation	5.7	–13,202	–12,737
Other operating expenses	5.8	–38,097	–29,628
Operating profit (EBIT)		**29,167**	**24,551**
Other financial income	5.10	13	0
Interest and similar income	5.11	399	58
Interest and similar expenses	5.12	–2,126	–1,826
Earnings before taxes (EBT)		**27,453**	**22,783**
Taxes on income [1]	5.13	–1,078	–6,522
Net after-tax earnings		**26,375**	**16,261**
Earnings per share (in EUR)	7.5	**3.00**	**1.85**

[1] *thereof non-recurring effects cost settlement Nashtec amounting to TEUR 6.784 in 2022*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/ – 12/31/2022	1/1/ – 12/31/2021
Net after-tax earnings		**26,375**	**16,261**
Items which may be reclassified to profit and loss in the future			
Currency translation (after taxes)	5.13	1,440	1,923
Net income from hedge accounting (after taxes)	5.13	208	412
Total		**1,648**	**2,335**
Items which will not be reclassified to profit and loss in the future			
Actuarial gains and losses (after taxes)	5.13	11,148	1,063
Total		**11,148**	**1,063**
Other comprehensive income	5.13	**12,796**	**3,398**
Total comprehensive income		**39,171**	**19,659**

CONSOLIDATED BALANCE SHEET

FOR 31 DECEMBER 2022

ASSETS

in TEUR	See Notes	12/31/2022	12/31/2021
Non-current assets		**135,315**	**122,516**
Intangible assets		575	396
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	6.1	348	341
Advance payments made	6.1	227	55
Property, plant and equipment		118,789	119,904
Land, leasehold rights and buildings, including buildings on unowned land	6.2	36,141	36,462
Technical equipment and machinery	6.2	70,145	74,918
Other fixtures, fittings and equipment	6.2	4,334	3,792
Advance payments and assets under construction	6.2	8,169	4,732
Financial assets		0	78
Shares in affiliated companies	6.3	0	78
Other assets	6.7	15,000	0
Deferred tax assets	5.13	951	2,138
Current assets		**145,754**	**98,190**
Inventories		45,737	33,935
Raw materials and supplies	6.4	30,591	22,532
Work in process	6.4	1,715	1,241
Finished goods and merchandise	6.4	13,431	10,162
Other assets and accounts receivable		12,503	12,049
Trade receivables	6.5	6,451	5,457
Taxes receivable	6.6	903	432
Other assets	6.7	5,149	6,160
Cash and cash equivalents	6.8	87,514	52,206
TOTAL ASSETS		**281,069**	**220,706**

LIABILITIES

in TEUR	See Notes	12/31/2022	12/31/2021
Shareholders' equity		**133,465**	**96,494**
Subscribed capital	6.9	8,800	8,800
Capital reserve	6.9	47,029	47,029
Other earnings reserve	6.9	9,699	9,699
Profit carry-forward	6.9	44,180	30,119
After-tax earnings		26,375	16,261
Other changes in equity with no effect on profit and loss	6.9	–2,618	–15,414
Non-current liabilities		**122,686**	**44,587**
Pension reserves	6.10	27,985	43,269
Other provisions	6.10	1,286	1,318
Accounts payable to banks	6.11	89,954	0
Deferred tax liabilities	5.13	3,461	0
Current liabilities		**24,918**	**79,625**
Accounts payable from income taxes	6.11	2,949	3,677
Other provisions	6.10	577	485
Accounts payable to banks	6.11	783	59,268
Trade payables	6.11	15,087	10,681
Other accounts payable	6.11	5,522	5,514
TOTAL LIABILITIES		**281,069**	**220,706**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

CONSOLIDATED CASH FLOW STATEMENT

in TEUR		See Notes	1/1/ – 12/31/2022	1/1/ – 12/31/2021
Cash flow from operating activity				
Earnings before taxes (EBT)			**27,453**	**22,783**
+	Depreciation of fixed assets	5.7	13,202	12,737
–/+	Income/loss from the disposal of assets		–2	1
–	Interest income	5.11	–399	–58
+	Interest expenses	5.12	2,126	1,826
Net operating income before changes in working capital			**42,380**	**37,289**
+/–	Increase/decrease in provisions		55	–54
–/+	Increase/decrease in trade receivables and other assets not attributable to investment of financing activity		17	–807
+/–	Increase/decrease in inventories	6.4	–11,802	–1,047
+/–	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity		4,731	550
Cash flow from operating activity before taxes			**35,381**	**35,931**
–	Income taxes paid		–2,944	–2,767
Net cash flow from operating activity			**32,437**	**33,164**

CONSOLIDATED CASH FLOW STATEMENT

in TEUR		See Notes	1/1/ – 12/31/2022	1/1/ – 12/31/2021
Cash flow from investment activity				
+	Payments received from the disposal of property, plant and equipment		2	5
–	Payments made for investments in property, plant and equipment	6.2	–10,487	–6,651
–	Payments made for investments in intangible assets	6.1	–325	–90
–	Payments made for investments in time deposits with a maturity of > 3 months		–15,000	0
+	Payments received from disposals of financial assets		77	0
Net cash flow from investment activity			**–25,733**	**–6,736**
Cash flow from financing activity				
–	Dividends		–2,200	0
+	Payments received from loans	6.11	89,950	0
–	Payments made for the amortization of loans	6.11	–59,000	0
–	Interest paid		–1,124	–1,431
+	Interest received		343	8
Net cash flow from financing activity			**27,969**	**–1,423**
Net change in cash and cash equivalents			**34,673**	**25,005**
Change in funds due to changes in exchange rates			**635**	**847**
Funds at start of period		6.8	52,206	26,354
Funds at end of period		6.8	**87,514**	**52,206**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in TEUR	Subscribed capital	Capital reserve	Earnings reserve
1 January 2021	8,800	47,029	9,699
Dividend payments	–	–	–
Actuarial gains and losses	–	–	–
Currency translation	–	–	–
Net income from hedge accounting	–	–	–
Other comprehensive income	–	–	–
Net income after taxes	–	–	–
Net income	**–**	**–**	**–**
31 December 2021	8,800	47,029	9,699
1 January 2022	8,800	47,029	9,699
Dividend payments	–	–	–
Actuarial gains and losses	–	–	–
Currency translation	–	–	–
Net income from hedge accounting	–	–	–
Other comprehensive income	–	–	–
Net income after taxes	–	–	–
Net income	**–**	**–**	**–**
31 December 2022	8,800	47,029	9,699

Profit carry-forward	Other changes in equity with no effect on profit and loss	Consolidated shareholders' equity
30,119	**–18,812**	**76,835**
0	–	0
–	1,063	1,063
–	1,923	1,923
–	412	412
–	3,398	3,398
16,261	–	16,261
16,261	**3,398**	**19,659**
46,380	**–15,414**	**96,494**
46,380	**–15,414**	**96,494**
–2,200	–	–2,200
–	11,148	11,148
–	1,440	1,440
–	208	208
–	12,796	12,796
26,375	–	26,375
26,375	**12,796**	**39,171**
70,555	**–2,618**	**133,465**

STATEMENT OF CONSOLIDATED FIXED ASSETS

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

	Cost of acquisition/production					
in TEUR	1/1/2022	Additions	Disposals	Reclassification	Currency differences	12/31/2022
Intangible assets	**3,561**	**325**	**0**	**0**	**0**	**3,886**
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,506	99	0	54	0	3,659
Advance payments	55	226	0	–54	0	227
Property, plant and equipment	**302,735**	**10,487**	**64**	**0**	**4,492**	**317,650**
Land, leasehold rights and building, including buildings on unowned land	65,185	1,140	0	2	1,088	67,415
Technical equipment and machinery	218,405	2,997	0	1,394	3,294	226,090
Other fixtures, fittings and equipment	14,413	1,434	64	112	81	15,976
Advance payments and assets under construction	4,732	4,916	0	–1,508	29	8,169
Financial assets	**78**	**0**	**78**	**0**	**0**	**0**
Shares in affiliated companies	78	0	78	0	0	0
Total fixed assets	**306,374**	**10,812**	**142**	**0**	**4,492**	**321,536**

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2021

	Cost of acquisition/production					
in TEUR	1/1/2021	Additions	Disposals	Reclassification	Currency differences	12/31/2021
Intangible assets	**3,534**	**90**	**63**	**0**	**0**	**3,561**
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,445	57	63	67	0	3,506
Advance payments	89	33	0	–67	0	55
Property, plant and equipment	**290,605**	**6,651**	**316**	**0**	**5,795**	**302,735**
Land, leasehold rights and building, including buildings on unowned land	63,554	123	0	90	1,418	65,185
Technical equipment and machinery	206,343	3,007	28	4,836	4,247	218,405
Other fixtures, fittings and equipment	13,907	666	288	24	104	14,413
Advance payments and assets under construction	6,801	2,855	0	–4,950	26	4,732
Financial assets	**78**	**0**	**0**	**0**	**0**	**78**
Shares in affiliated companies	78	0	0	0	0	78
Total fixed assets	**294,217**	**6,741**	**379**	**0**	**5,795**	**306,374**

Depreciation					Book value	
1/1/2022	Additions	Disposals	Currency differences	12/31/2022	12/31/2022	12/31/2021
3,165	**146**	**0**	**0**	**3,311**	**575**	**396**
3,165	146	0	0	3,311	348	341
0	0	0	0	0	227	55
182,831	**13,056**	**64**	**3,038**	**198,861**	**118,789**	**119,904**
28,723	1,766	0	785	31,274	36,141	36,462
143,487	10,269	0	2,189	155,945	70,145	74,918
10,621	1,021	64	64	11,642	4,334	3,792
0	0	0	0	0	8,169	4,732
0	**0**	**0**	**0**	**0**	**0**	**78**
0	0	0	0	0	0	78
185,996	**13,202**	**64**	**3,038**	**202,172**	**119,364**	**120,378**

Depreciation					Book value	
1/1/2021	Additions	Disposals	Currency differences	12/31/2021	12/31/2021	12/31/2020
3,082	**146**	**63**	**0**	**3,165**	**396**	**452**
3,082	146	63	0	3,165	341	363
0	0	0	0	0	55	89
166,665	**12,591**	**311**	**3,886**	**182,831**	**119,904**	**123,940**
25,983	1,731	0	1,009	28,723	36,462	37,571
130,739	9,976	24	2,796	143,487	74,918	75,604
9,943	884	287	81	10,621	3,792	3,964
0	0	0	0	0	4,732	6,801
0	**0**	**0**	**0**	**0**	**78**	**78**
0	0	0	0	0	78	78
169,747	**12,737**	**374**	**3,886**	**185,996**	**120,378**	**124,470**

CONSOLIDATED NOTES

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

1. GENERAL

Nabaltec AG, with registered office in Schwandorf, Germany [1], 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 aluminium AG in 1995 and was transformed into a joint-stock company in 2006.

The corporate purpose pursuant to § 2 of the Articles of Association is the manufacture of products based on mineral raw materials, particularly aluminum hydroxide and aluminum oxide, and the distribution of those products.

The shares of Nabaltec AG have been listed in the open market division of the Frankfurt Stock Exchange since 24 November 2006. They have been listed in the new "Scale" segment since 1 March 2017.

The present consolidated financial statements were approved by the Management Board on 31 March 2023.

2. ACCOUNTING POLICIES

The recognition and measurement methods presented below are consistently applied.

2.1 PRINCIPLES OF ACCOUNTING

The consolidated financial statements for the Financial Year 1 January to 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU, as well as the provisions of the German Commercial Code which are to be observed additionally in accordance with § 315e (1) of the German Commercial Code. The IFRS include the International Financial Reporting Standards and International Accounting Standards (IAS) published by the International Accounting Standards Board, as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

These are the consolidated financial statements of Nabaltec AG. All valid standards adopted by the EU were applied insofar as they are relevant for Financial Year 2022.

[1] Nabaltec AG, Alustraße 50–52, 92421 Schwandorf, Germany

Nabaltec AG's financial year runs from 1 January to 31 December of each year.

The consolidated financial statements are presented in Euros (EUR). Unless otherwise indicated, all values are rounded up or down to the nearest thousand Euros (TEUR) using commercial rounding. It should be noted that differences may arise when using rounded numbers and percentages.

Disclosures distinguish between current and non-current assets and liabilities, which in some cases are detailed in the Consolidated Notes according to their time to maturity.

The consolidated statement of comprehensive income is prepared in accordance with the total cost method.

2.2 ACCOUNTING STANDARDS APPLIED

All accounting standards whose application is mandatory for annual periods beginning on 1 January 2022 were applied for Financial Year 2022. This particularly includes the following standards and interpretations, which were to be applied for the first time:

- **Amendments to IFRS 3 (Business Combinations) – Reference to the Conceptual Framework:** In May 2020, the IASB published amendments to IFRS 3. The amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing the existing provisions of the Standard. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, if incurred separately. At the same time, the Board decided to add a clarifying statement pointing out that existing rules for contingent assets in IFRS 3 would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments did not have any impact on the consolidated financial statements, as there were no circumstances within the scope of these amendments during the reporting period.

- **Amendments to IAS 16 (Property, Plant and Equipment) – proceeds before intended use:** In May 2020, the IASB published amendments to IAS 16. Entities would no longer be permitted to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity is to recognize these proceeds, and the cost of producing those items, in profit or loss. The amendments are to be applied retroactively for property, plant and equipment that become operational on or after the beginning of the earliest reporting period presented in the financial statements in which the amendments are first applied. The amendments did not have any impact on the consolidated financial statements, as there were no circumstances within the scope of these amendments during the reporting period.

- **Amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets): Onerous Contracts — Cost of Fulfilling a Contract:** In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments to contracts where not all obligations were fulfilled at the beginning of the reporting period. The amendments did not have any impact on the consolidated financial statements, as there were no circumstances within the scope of these amendments during the reporting period.

- **Improvements to Various International Financial Reporting Standards (2018–2020):** As part of its annual improvements to the IFRS for the 2018–2020 cycle, the IASB has made amendments to IFRS 1 (First-Time Adoption of International Financial Reporting Standards: subsidiary as a first-time adopter), IAS 41 (Agriculture: taxation in fair value measurements) and IFRS 9 (Financial Instruments: fees in the "10%" test for derecognition of financial liabilities). The amendments did not have any impact on the consolidated financial statements, as there were no circumstances within the scope of these amendments during the reporting period.

The following standards and interpretations, which have been published but are not yet mandatory, have not been applied early:

- **Amendments to IAS 1 – Classification of liabilities as current or non-current:** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 (Presentation of Financial Statements) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - what is meant by a right to defer settlement;
  - that the right to defer settlement must exist at the end of the reporting period;
  - that classification is unaffected by the likelihood that an entity will actually exercise its deferral right;
  - that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments take effect for annual reporting periods beginning on or after 1 January 2023, and are to be applied retrospectively. The amendments are not expected to have an impact on the consolidated financial statements.

- **Amendments to IAS 1 and Guidance Document 2 Disclosure of Accounting Policies:** In February 2021, the IASB published amendments to IAS 1 and IFRS Practice Statement 2 "Making Materiality Judgements." These are intended to help companies assess when information on accounting policies should be classified as "material" and consequently disclosed. The amendments are intended to assist entities in providing more helpful disclosures about accounting policies to users of financial statements by replacing the requirement to disclose "significant" accounting policies with the requirement to disclose "material" information about accounting policies and adding guidance to support the application of the concept of materiality in assessing disclosures about accounting policies. These amendments to IAS 1 will take effect in annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. As the amendments to Practice Statement 2 provide non-binding application guidance on the definition of "material" in relation to accounting policy information, an effective date for the amendments was not considered necessary. The Group does not expect the amendments to have a material impact on the disclosures of accounting policies; early adoption by Nabaltec is not planned.

- **Changes to IAS 8: Definition of accounting estimates:** In February 2021, the IASB issued amendments to IAS 8 introducing a new definition for accounting estimates. The amendments clarify how changes in accounting estimates differ from changes in accounting policies and error corrections. They also explain how companies can make accounting estimates using measurement techniques and inputs. The amendments are effective for annual periods beginning on or after 1 January 2023, and are applicable to changes in accounting policies and accounting estimates made on or after the beginning of that financial year. Earlier application is permitted, provided this fact is stated. The Group does not expect the amendments to have any material impact on the consolidated financial statements; early adoption by Nabaltec is not planned.

- **Amendments to IAS 12 Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction:** In May 2021, the IASB published amendments to IAS 12. The IASB thus responded to existing uncertainties in the accounting for deferred taxes in connection with leases and decommissioning obligations. When assets and liabilities were recognized for the first time, the so-called "initial recognition exemption" (IAS 12.15) was already applied under certain conditions. In these cases, deferred taxes are by way of exception not to be recognized. In practice, there was uncertainty as to whether this exemption also applied to leases and decommissioning obligations. In order to ensure uniform application of the standard, the IASB has made a narrowly defined amendment to IAS 12. As a result of the amendment to IAS 12, the initial recognition exemption no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount on initial recognition, even if the other previously applicable conditions are met. This is therefore a retroactive exception to the initial recognition exemption for narrowly defined cases. The amendments result in the recognition of deferred taxes, e.g. on leases accounted for by the lessee and on decommissioning obligations. The amendments will take effect in reporting periods as of 1 January 2023. Earlier application of the amendments is permitted. The Group does not expect any impact on the consolidated financial statements; early adoption by Nabaltec is not planned.

- **Amendments to IFRS 16:** The IASB issued amendments to IFRS 16 “Leases” on 22 September 2022. The amendment relates to the accounting for lease liabilities arising from sale and leaseback transactions and requires a lessee to measure the lease liability subsequent to a sale in such a way that it does not recognize in profit or loss any amount relating to the retained right of use. Among other things, the newly added paragraphs use examples to explain possible approaches, particularly in the case of variable lease payments. The amendments are effective for fiscal years beginning on or after 1 January 2024. According to the IASB, early application of the amendments is permitted – subject to adoption into EU law. The Group does not expect any impact on the consolidated financial statements; early adoption by Nabaltec is not planned.

2.3 SUBSIDIARIES AND CONSOLIDATED COMPANIES

The consolidated financial statements include the financial statements of the parent company and the companies it controls (its subsidiaries), insofar as they are material for presentation of the financial, earnings and liquidity position. The company obtains control when it

- can exercise power over the investee;
- is exposed to variable returns from its investment; and
- has the ability to affect those returns through its power over the investee.

The composition of the Group is evident from the table below:

NUMBER OF COMPANIES

	12/31/2022	12/31/2021
Nabaltec AG and fully consolidated subsidiaries		
Domestic	1	1
Foreign	4	4
Unconsolidated subsidiaries		
Foreign	0	1

The following subsidiaries were included in the consolidated financial statements of Nabaltec AG as fully consolidated companies:

SUBSIDIARY

			Share of capital and voting rights	
Name of subsidiary	Main business	Registered office	12/31/2022 in %	12/31/2021 in %
Nashtec LLC	Production of aluminum hydroxides	Corpus Christi, USA	100.00	100.00
Nabaltec USA Corporation	Administration and distribution	Corpus Christi, USA	100.00	100.00
Naprotec LLC	Production	Chattanooga, USA	100.00	100.00
Nabaltec (Shanghai) Trading Co., Ltd.	Marketing and distribution	Shanghai, China	100.00	100.00

There has been no change to the consolidation base since the consolidated financial statements for 2021.

In Financial Year 2018, Nabaltec AG acquired land and buildings in Chattanooga, Tennessee, USA, for the construction of a production plant for refined hydroxide. Naprotec LLC was formed as a production company for this purpose. The shares in Naprotec LLC were contributed into the newly formed subsidiary Nabaltec USA Corporation in Financial Year 2018. The shares in Nashtec LLC were also contributed into Nabaltec USA Corporation.

Nabaltec AG also formed Nabaltec (Shanghai) Trading Co., Ltd. in October 2018, based in Shanghai, China. The formation of this trading company represents the logical continuation of Nabaltec's expansion of operations in Asia.

The following subsidiary was liquidated 21 November 2022; this subsidiary was not included in the consolidated financial statements of Nabaltec AG of the previous year since it was not material for presentation of the financial, liquidity and earnings position.

SUBSIDIARY

			Share of capital and voting rights	
Name of subsidiary	**Main business**	**Registered office**	**12/31/2022 in %**	**12/31/2021 in %**
Nabaltec Asia Pacific K.K.	Marketing and sales	Tokyo, Japan	0.00	100.00

All financial statements of the consolidated companies, which are prepared in accordance with national law, were reconciled to IFRS and adapted to the Group's accounting policies.

The reporting dates of all companies included in the consolidated financial statements are 31 December.

2.4 CONSOLIDATION METHODS

All intercompany assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full on consolidation. The cost of acquisition is equal to the fair value of the assets paid, the equity instruments issued, and the liabilities incurred and assumed on the transaction date (the "date of exchange"), plus the costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities in connection with a business combination are measured upon initial consolidation at their fair value as of the acquisition date, regardless of the amount of non-controlling interests. The amount by which the cost of acquisition exceeds the Group's share in the net assets of the subsidiary, measured at fair value, is recognized as "goodwill." If the cost of acquisition is lower than the net assets of the acquired subsidiary, measured at fair value, the difference is recognized immediately in the consolidated statement of comprehensive income, following additional review.

The impact of all material intra-Group transactions is eliminated by netting out income and expenses and accounts receivable and payable between Group companies. Interim results from intra-Group sales of assets which have yet to be resold to third parties are eliminated. The tax deferrals required in accordance with IAS 12 are performed on temporary differences arising from consolidation measures.

The results of subsidiaries which are acquired or sold over the course of the year are included in the consolidated statement of comprehensive income from the time the Group begins to exercise control until the time that such control ceases.

2.5 CURRENCY TRANSLATION

The consolidated financial statements are prepared in Euros.

Foreign-currency monetary items (liquid funds, accounts receivable, accounts payable) in the financial statements of consolidated companies which are prepared in the local currency are measured at the closing rate. Exchange differences are recognized in profit and loss. Non-monetary items denominated in foreign currency are recognized at the historical rates.

The translation of the financial statements of the consolidated companies, which are prepared in a foreign currency, is performed based on the functional currency concept in accordance with IAS 21, "The effects of changes in foreign exchange rates," using the modified closing rate method. Since the subsidiaries essentially operate independently in financial, economic and organizational terms, the functional currency is identical to each company's national currency.

Accordingly, assets and liabilities are translated at the closing rate, shareholders' equity at the historical rate and income and expenses at the average rate for the year. Differences arising from currency translation are not recognized in profit and loss and are instead recognized separately in shareholders' equity under "other changes in shareholders' equity with no effect on profit and loss."

Currency differences relative to currency translation in the year before are recognized in shareholders' equity under "other changes in equity with no effect on profit and loss."

Initial historical costs and depreciation of fixed assets are translated at the exchange rate in effect on the last reporting date, while depreciation and all other transactions during the year are translated at the average exchange rate for the year. The translation of the foreign subsidiaries' fixed assets results in translation differences which are presented in separate columns in the statement of fixed assets.

3. USE OF ASSUMPTIONS AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to make certain assumptions and estimates which affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities as of the reporting date and the recognition of income and expenses. However, due to the uncertainty associated with these assumptions and estimates, events may occur which require substantial adjustments to the book values of the affected assets and liabilities in future periods. Assumptions, estimates and discretionary decisions are subject to added uncertainty given the currently unforeseeable global consequences of the coronavirus pandemic and the war in the Ukraine. Effects on the consolidated financial statements may also arise from volatile foreign exchange rates, payment defaults, changing revenue and cost structures and uncertain forecasts with respect to the amount and timing of cash flows. These factors may affect the fair values and carrying amounts of assets and liabilities and the amount and timing of income realization. As a result, negative deviations from the assumptions made in advance may require impairment of goodwill and/or other non-current assets, while positive deviations may lead to the reversal of impairments. Estimates and discretionary decisions of relevance to the consolidated financial statements have been updated with due regard for available information about expected economic performance, as well as government measures in specific countries.

These assumptions and estimates relate primarily to the following:

- Determining the **useful lives** of property, plant and equipment and intangible assets: the useful lives of fixed assets are based on management's estimates. The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each year. There were no changes to estimated useful lives during the current year.

- The option in accordance with IFRS 1.16, in conjunction with IFRS 1.18, for measurement of **land and buildings** at fair value in the IFRS opening balance sheet was exercised. The remeasurement of land and buildings on 1 January 2007 was performed with due regard for outside expert opinions, and recently based on fair value.

- **Pensions** and other **post-employment employee benefits**: pension plans are measured based on actuarial calculations. Actuarial measurement is performed based on assumptions with regard to discount rates, expected income from plan assets, future increases in wages and salaries, mortality and future pension increases. Such estimates are subject to considerable uncertainty in view of the long-term nature of these plans. Provisions for pensions and similar obligations amounted to TEUR 27,985 on 31 December 2022 (year before: TEUR 43,269). Further details are presented in Section 6.10, "Current and non-current provisions."

- Measurement of **other provisions**: provisions are measured using management's best estimate of the amount necessary to settle the current obligation as of the reporting date. As of 31 December 2022, the book value of recognized other provisions was TEUR 1,863 (year before: TEUR 1,803). We refer to the explanations in Section 6.10, "Other current and non-current provisions," for further statements and information.

- Recognition of **deferred taxes**: in assessing the realizability of deferred taxes, the Management Board ascertains the likelihood that all deferred tax assets will be realized. The ability to realize deferred tax assets is ultimately contingent upon whether sufficient taxable income is earned in the periods in which temporary differences are deductible. If that is not the case, the deferred tax assets are not used and are therefore not recognized. Deferred tax assets as of 31 December 2022 (prior to netting out with deferred tax liabilities) amounted to TEUR 6,966 (year before: TEUR 11,361).

- **Impairment** of non-financial assets: impairment tests of other intangible assets and property, plant and equipment are performed as the circumstances require and are generally based on the estimated future discounted net cash flows which are to be expected from continued use of the asset and from disposal of the asset at the end of its useful life. Factors such as diminished revenues, resulting in lower net cash flows, as well as changes in discounting factors, may result in impairment or a write-up, if necessary.

Actual results in future periods may deviate from estimates. If better information becomes available, changes are made with effect on profit and loss.

4. MAJOR ACCOUNTING POLICIES

4.1 REVENUE REALIZATION

Revenues from the sale of goods are recognized in accordance with the criteria established in IFRS 15 in the amount of the expected consideration once the customer obtains control over the goods and can derive benefits from them.

The point in time at which control over the delivered goods is transferred typically confirms to the time of delivery or the contractual date for the passage of risk. Nabaltec AG's revenues are realized exclusively at specific points in time. Accordingly, the timing of revenue realization at Nabaltec AG does not involve significant discretionary decisions. Customers' payment targets are set within narrow periods and no financing components exist.

Revenues are diminished by variable consideration (cost of sales and discounts).

For more detailed information, please see Section 5.1, "Revenues."

4.2 REALIZATION OF EXPENSES

Expenses are recognized on an accrual basis. Operating expenses are recognized in profit and loss at the time of their accrual, or at the time the service is utilized.

4.3 RESEARCH AND DEVELOPMENT COSTS

Nabaltec Group invests part of its financial resources in research and development performances. In addition to internal development activities relating to the individual optimization of purchased software, this particularly includes research and development activities for the improvement of existing products and processes and the development of new products and processes.

Research costs are recognized as expenses in the period in which they accrued. The Group only recognizes development costs in connection with individual projects as intangible assets if it can demonstrate the technical feasibility that the asset will be completed so that it will be available for internal use or sale, as well as its intention to complete the asset and use or sell it. The Group must also show that the asset will generate a future economic benefit, the availability of resources to complete the asset and the ability to reliably determine the expenses attributable to the asset during its development.

Following the first-time recognition of development costs, the cost model is applied, i.e. the asset is recognized at cost less accrued depreciation and impairment costs. Costs include directly attributable personnel expenses and other direct costs, as well as a reasonable share of overhead costs. The capitalized amounts are depreciated over the useful life of the asset once it is commissioned.

Capitalized development costs are tested for impairment once a year if the asset has yet to be used or if there are indications of impairment over the course of the year.

Nabaltec generally capitalizes all material development costs which accrue in the development phase of internally developed software. Amortization of these costs (generally using the straight-line method) over the expected useful life begins at the time the fully developed software becomes technically usable.

Since the Group's development projects are often subject to official approval procedures and other unpredictable events, the requirements for the capitalization of costs accruing prior to approval are generally not met, or the amount of such costs in the brief period between the research/approval and market launch is immaterial.

No development costs were capitalized as of 31 December 2022 (year before: TEUR 0).

4.4 INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost less depreciation. Depreciation of intangible assets is generally performed in a straight-line fashion over the useful life of the asset.

The depreciation term is as follows:

- IT software 4–5 years

The residual values of assets, useful lives and depreciation methods are examined at the end of each year and adapted if necessary. No such adjustments have been made as of 31 December 2022.

Intangible assets with an indefinite useful life do not exist.

Reference is made to Section 4.3, "Research and development costs," for the capitalization of development costs as self-created intangible assets.

4.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less depreciation, in accordance with the expected useful life of the asset. The cost includes a reasonable share of attributable overhead costs in addition to direct costs as well as construction period interest, if applicable.

Depreciation on property, plant and equipment is performed using the straight-line method.

The depreciation terms are as follows:

- Production and office buildings 20–50 years
- Technical equipment and machinery 5–22 years
- Fixtures, fittings and equipment 3–20 years

The residual values of assets, useful lives and depreciation methods are examined at the end of each year and adapted if necessary. No such adjustments have been made as of 31 December 2022.

4.6 BORROWING COSTS

Borrowing costs directly associated with the acquisition, construction or production of qualified assets (i.e. assets which take a substantial period of time to get ready for use or sale) are included in the cost of the asset until such time as the asset is ready for its intended use or sale; see Section 6.2, "Property, plant and equipment."

Income earned from the temporary investment of specifically borrowed funds is subtracted from capitalizable borrowing costs until those funds are spent on qualified assets.

All other borrowing costs are recognized with effect on profit and loss in the period in which they accrue.

4.7 GOVERNMENT GRANTS

Government grants are deducted from the cost of the relevant asset (IAS 20.24, alternative 2). They are reversed over the useful life of the subsidized asset in the form of reduced depreciation.

4.8 LEASES WITH THE GROUP AS LESSEE

The Group makes an evaluation upon the commencement of each contract to determine whether the contract establishes or contains a lease in accordance with IFRS 16. That is the case if the contract entitles a party to control use of an identified asset in exchange for payment of a fee over a defined period of time.

In accordance with IFRS 16, the Group recognizes right-of-use assets and corresponding lease liabilities at present value, provided those assets or liabilities are material. Exercising the option in accordance with IFRS 16.4, the Group does not apply the rules to leases of intangible assets.

Nabaltec has resolved to take advantage of the exemption of IFRS 16.5 and not to recognize rights of use and lease liabilities based on low-value assets or for short-term leases. The Group recognizes lease payments accruing in connection with leases in straight-line fashion over the term of the lease.

The Group recognized no right-of-use assets or corresponding lease liabilities as of 31 December 2022 due to materiality considerations (year before: TEUR 0).

4.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The capitalized book value of intangible assets with a limited useful life and property, plant and equipment is checked for impairment based on the expected future cash flows arising from use of the asset (discounted at a rate commensurate with the risk) and based on the net sale price of the asset (impairment test) if certain events or market developments indicate an adjustment of the estimated useful life of the asset, or that the value of the asset has decreased. On each reporting date, an assessment is made as to whether indications are present that non-current assets may be impaired. If such indications exist, the recoverable amount of the asset is determined and compared to its book value. If individual assets do not generate separate cash inflows that are largely independent of those of other assets or groups of assets, the impairment test is performed based on the smallest overarching cash-generating unit. In addition, intangible assets which are not yet ready for use are tested for impairment annually. If the net book value of the asset is higher than the recoverable amount (the higher of the asset's value in use and net realizable value), a write-down is performed. The determination of expected future cash flows takes into account current and expected future income as well as technological, economic and general developments and developments in the specific field of business. If the reason for an earlier write-down no longer applies, a write-up to the amortized cost of the asset is performed, to the extent permissible.

4.10 FINANCIAL ASSETS

Upon initial recognition, financial assets are classified and measured as follows in accordance with IFRS 9:

- financial assets at amortized cost (AC);
- debt instruments at fair value through other comprehensive income (FVOCI): investments in debt instruments recognized at fair value with changes recognized in other comprehensive income (FVOCI – debt);
- equity instruments at fair value through other comprehensive income (FVOCI): equity investments recognized at fair value with changes recognized in other comprehensive income (FVOCI – equity);
- financial assets at fair value through profit and loss (FVTPL): investments at fair value with changes in value in profit and loss.

Financial assets are not reclassified after initial recognition unless the Group changes its business model for the management of financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period which follows the change in the business model.

Financial assets are recognized at amortized cost if two of the following conditions are met and if the asset is not designated as a financial asset at fair value through profit and loss (FVTPL):

- the asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated as a financial asset held at fair value through other comprehensive income (FVOCI) if one of the following two conditions are met and if the instrument is not designated as a financial asset at fair value through profit and loss (FVTPL):

- the debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity investment not held for trading, the Group may irrevocably elect to recognize subsequent changes in the fair value of the investment in other comprehensive income. This election is made individually for each investment.

All financial assets not held at amortized cost or at fair value through other comprehensive income (FVOCI) are recognized at fair value through profit and loss (FVTPL). This includes all derivative financial assets as well as financial instruments held for trading which are voluntarily designated as financial assets at fair value through profit and loss (FVTPL).

INITIAL MEASUREMENT

Upon initial recognition, financial assets are measured at fair value. For financial assets which are not measured at fair value through profit and loss, the measurement includes transaction costs which are directly attributable to acquisition of the asset.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Group entered into an obligation to buy or sell the asset or liability. Regular way purchases and sales are purchases or sales of financial assets which call for the assets to be delivered within a period defined by market rules or conventions.

SUBSEQUENT MEASUREMENT

Financial assets at amortized cost (AC)

Assets at amortized cost are measured using the effective interest method in subsequent measurement. Impairment costs are subtracted from the amortized cost of the asset. Interest income, exchange rate gains and losses and impairments are recognized in profit and loss. Gains or losses from derecognition are also recognized in profit or loss.

Debt instruments at fair value through other comprehensive income (FVOCI)

These assets are recognized at fair value in subsequent measurement. Interest income calculated using the effective interest rate method, exchange rate gains and losses and impairments are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income. Upon derecognition, cumulative other comprehensive income is reclassified as profit or loss.

Equity investments at fair value through other comprehensive income (FVOCI)

These assets are recognized at fair value in subsequent measurement. Dividends are recognized as income in profit and loss unless the dividends are clearly being paid in order to cover part of the cost of the investment. Other net gains or losses are recognized in other comprehensive income and are never reclassified as profit or loss.

Financial assets at fair value through profit and loss (FVTPL)

These assets are recognized at fair value in subsequent measurement. Net gains and losses, including any interest or dividend income, are recognized in profit and loss.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognized when the company loses its ability to dispose over contractual rights to the cash flows comprising the financial asset.

If the Group transfers its contractual rights to the cash flows generated by an asset but neither transfers nor retains substantially all of the risks and rewards associated with ownership of the asset, so that the Group retains its ability to dispose over the transferred asset, the Group continues to recognize the transferred asset to the extent that it has a continuing involvement in the asset.

In some cases, trade receivables are sold to a factor in order to secure early payment. The affected receivables are derecognized at the time of the sale, since all risks and opportunities associated with ownership of the receivables are transferred to the buyer. The security deposit charged by the factoring partner is recognized under other current financial assets, consistent with the general rules of IFRS 9.

4.11 IMPAIRMENT OF FINANCIAL ASSETS

On each reporting date, a test is performed to determine whether financial assets or groups of financial assets are impaired. An impairment loss is recognized immediately in profit and loss.

Financial assets are subject to a standardized “expected loss impairment model,” which is broken down into a simplified approach for trade receivables and the three-stage general approach for all other financial assets. In the three-stage approach, expected losses upon acquisition of the asset are recognized in the amount of the present value of the expected losses over 12 months (Level 1). If there is a significant increase in credit risk, the loss allowance is to be increased up to the amount of the expected losses over the lifetime of the credit risk (Level 2). If there is objective evidence of impairment, interest is calculated based on the net carrying amount (the carrying amount minus the loss allowance; Level 3).

Trade receivables are recognized at amortized cost less reasonable allowances. Allowances on accounts receivable are performed based on the expected loss.

Allowances are performed on a case-by-case basis if doubts exist as to the recoverability of other assets recognized at amortized cost or financial instruments at fair value through other comprehensive income (FVOCI).

4.12 INVENTORIES

Inventories are measured at cost or at net realizable value, whichever is lower.

Raw materials and supplies are recognized upon addition at cost plus ancillary costs less price reductions. Costs are determined by applying the weighted average method.

Finished goods and work in process are capitalized at their production cost. Production costs include directly attributable production costs as well as a share of attributable fixed and variable overhead production costs. The share of overhead costs is determined based on normal employment. Cost of sales, cost of general administration and borrowing costs are not capitalized.

Finished goods are combined into measurement units as part of a group valuation.

On the reporting date, inventories are written down to account for risks arising from extended storage or diminished realizability, taking into account their net realizable value.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents recognized include cash on hand, bank balances and short-term deposits within original terms to maturity of a maximum of three months. The same definition is used for the purposes of consolidated cash flow statement. Accordingly, the Group's funds correspond to the "cash and cash equivalents" reported in the balance sheet. Measurement is performed at amortized cost.

4.14 TAXES

Actual taxes on income

Actual tax liabilities and refund claims for the current and all earlier periods are recognized in the amount of the expected payment to or refund from the tax authority. This amount is calculated based on the tax rates and laws in effect as of the reporting date.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between tax and IFRS measurement and for consolidation measures with effect on profit and loss using the balance sheet method in accordance with IAS 12, "Income taxes." Pursuant to IAS 12.34, deferred tax assets for loss carry-forwards or temporary differences may only be recognized to the degree that it is likely that future taxable income will be earned so as to enable deduction of these loss carry-forwards.

Deferred taxes are calculated based on the tax rates in effect at the time of realization, based on the current legal situation. Changes in tax rates are taken into account insofar as they can be expected with adequate certainty.

Deferred tax assets and liabilities are netted out where possible.

4.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING INSTRUMENTS

The Group uses derivative financial instruments to hedge against interest rate and currency risks arising from operations. Financial instruments are measured at fair value as of the reporting date. Changes in value are recognized at profit and loss unless the requirements for hedge accounting are met. Changes in the market value of derivative financial instruments subject to hedge accounting are recognized either in profit and loss (fair value hedge) or as a component of shareholders' equity (cash flow hedge). Hedge accounting was applied in the financial year for cash flow hedges relating to interest rate risks. There were no interest rate hedges as of 31 December 2022. No currency hedges were used in the reporting year.

Derivative financial instruments which are not designated as hedging instruments are classified as financial assets at fair value through profit and loss. Derivatives are classified as financial assets if their fair value is positive or as financial liabilities if their fair value is negative. Derivative financial instruments are measured at fair value. Changes in the fair value of these derivative financial instruments are recognized in profit and loss.

4.16 SHAREHOLDERS' EQUITY

Shareholder contributions and payments into the capital reserve are recognized, less transaction costs directly associated with the acquisition of shareholders' equity, and with due regard for a possible tax effect.

4.17 OTHER PROVISIONS

Pursuant to IAS 37, "Provisions, contingent liabilities and contingent assets," provisions are recognized insofar as a present obligation towards third parties arises from a past event which is likely to result in a future payment and which can be reliably estimated. This means that the probability of occurrence must be higher than 50%. Provisions are recognized for identifiable risks and contingent liabilities in their probable amount and recourse claims are not taken into account. Non-current other provisions are discounted. The settlement amount includes cost increases as of the reporting date.

Provisions were made for existing service anniversary bonus obligations established by works agreements using the same calculation assumptions as for pension reserves and pension-like liabilities (see following). Service anniversary bonus obligations are calculated using the projected unit credit method.

4.18 PENSION RESERVES

Pension reserves are calculated using the projected unit credit method in accordance with IAS 19. This method takes into account known pensions and vested rights as of the reporting date as well as expected future increases in pensions and salaries, based on a careful assessment of the relevant factors. The calculation is based on an actuarial opinion with biometric assumptions.

The (net) interest component is determined at the start of the period by multiplying (net) pension obligations, i.e. pension liabilities less plan assets, by the discount rate for measurement of the pension obligation. As a result, the interest expense resulting from the compounding of the obligation is netted out with the expected income from plan assets, with the result to be recognized as profit and loss. Expected income from plan assets is assumed to be in the amount of the discount rate.

Deviations between the actual return on plan assets and/or the actual discount rate as of the reporting date and the expected discount rate (= the expected return on plan assets) are recognized as other comprehensive income, like other actuarial gains and losses, as a remeasurement component.

The discount rate for (net) pension obligations is determined based on the yields of high-quality fixed-interest corporate bonds.

The service time component ("service cost"), which is to be recognized as profit and loss, includes both current service cost and past service costs arising from changes in the plan.

4.19 FINANCIAL LIABILITIES

Financial liabilities in terms of IFRS 9 are classified as “financial liabilities at fair value through profit and loss” or “other liabilities.”

The Group classifies its financial liabilities upon initial recognition and reviews that classification at the end of each year, to the extent reasonable and permissible.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are measured at fair value upon initial recognition. Income and losses due to changes in fair value are immediately recognized as profit and loss. This category includes derivative financial instruments with negative market values. Income and losses from financial liabilities measured at fair value are recognized as profit and loss.

Other liabilities

Loans and bonds are measured at fair value upon initial recognition less directly associated transaction costs. They are not designated as financial liabilities at fair value through profit and loss.

Following initial recognition, interest-bearing loans and bonds are measured at amortized cost using the effective interest method. Differences between the historical cost and the repayment amount are recognized as profit and loss in accordance with the effective interest method.

Financial liabilities, all of which are classified as other liabilities, are measured upon initial recognition at the fair value of the consideration received less associated transaction costs. Following initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized once they are extinguished, i.e. once the underlying obligation is satisfied, cancelled or expired.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUES

Revenues are mainly earned from supplying customers with aluminum hydroxide- and aluminum oxide-based products. No other services are provided to customers. Contracts typically come about through individual customer orders. In other words, the contracts consist exclusively of a single performance obligation, i.e. the delivery of goods. A combination of contracts or contractual modifications is not relevant.

With regard to determination of the transaction price, consideration for Nabaltec is comprised of fixed and variable components. The fixed consideration is the fixed amount specified in the individual order. Variable consideration includes discounts and bonuses, which are subtracted from revenues in the period in which they accrue. Because the terms of the contracts are short (individual orders), there are no significant financing components. Non-cash consideration is not paid.

Nabaltec has currently no contracts with multiple performance obligations. Accordingly, there is no need to allocate the transaction price based on stand-alone selling prices.

Revenue is realized at a specific point in time. In particular, no products exist which have no alternative use for the company due to practical or contractual limitations. The point in time at which control over the delivered goods is transferred typically conforms to the time of delivery and/or the contractual date for passage of risk.

For the breakdown of revenues into product segments, reference is made to the segment reporting and the associated notes in Section 7.7, “Segment reporting.”

5.2 OWN WORK CAPITALIZED

Own work in the amount of TEUR 513 (year before: TEUR 498) was capitalized in Financial Year 2022 for various technical equipment and machinery, including capitalized interest in the amount of TEUR 73 (year before: TEUR 82).

5.3 OTHER OPERATING INCOME

Other operating income is comprised as follows:

OTHER OPERATING INCOME

in TEUR	2022	2021
Currency gains	2,189	1,409
Other	411	415
Payments in kind	220	203
Supply of industrial water	167	156
Rent and lease payments	166	168
Analysis Center services	112	138
Warehouse and scrap sales	107	51
Insurance indemnities	72	12
HR services	29	29
Siding and track work	10	85
Income from the disposal of property, plant and equipment	3	5
Income from the reversal of reserves	0	7
Total	**3,486**	**2,678**

5.4 COST OF MATERIALS

Cost of materials is comprised as follows:

COST OF MATERIALS

in TEUR	2022	2021
Cost of raw materials, supplies and of purchased goods	103,570	85,802
Cost of purchased services	2,829	2,349
Total	**106,399**	**88,151**

The amount of inventory write-downs or impairments recognized as an expense amounted to TEUR 267 (previous year: TEUR 629).

5.5 PERSONNEL EXPENSES

Personnel expenses are comprised as follows:

PERSONNEL EXPENSES

in TEUR	2022	2021
Wages and salaries	32,920	28,773
Social security contributions	5,559	5,064
Expenses for pension obligations	918	817
Other pension expenses	179	185
Total	**39,576**	**34,839**

Expenses for pension obligations meet the criteria for a defined benefit plan in terms of IAS 19.

Other pension expenses consist of employer subsidies to employee pension plans meeting the criteria of a defined contribution plan in terms of IAS 19.

The company's share of statutory pension insurance contributions, in the amount of TEUR 2,189 (year before: TEUR 1,995), is included in social security contributions, which are paid monthly.

5.6 EMPLOYEES

The average number of employees in the Group has changed as follows:

EMPLOYEES

	2022	2021
Industrial workers	246	246
Employees	196	188
Minimally employed workers	5	3
Total	**447**	**437**

In addition, an average of 43 trainees were employed during the year (year before: 42).

5.7 DEPRECIATION

Depreciation of fixed assets is evident from the above presentation of the Statement of Consolidated Fixed Assets.

If there are indications of impairment, the company performs an impairment test for intangible assets and property, plant and equipment, in which the book value of the cash-generating units is compared against the realizable value. The realizable value of each cash-generating unit was determined by calculating the value in use with the help of the discounted cash flow method. These discounted cash flows are based on three-year forecasts using management-approved projections. The cash flow forecasts take into account past experience and management's best estimate of the company's future development. Forecasted cash flows are discounted using a risk-adequate discount rate.

In the context of the impairment test of assets, a total impairment loss of TEUR 0 (previous year: TEUR 0) was recognized on property, plant and equipment for the Financial Year 2022.

5.8 OTHER OPERATING EXPENSES

Other operating expenses are comprised as follows:

OTHER OPERATING EXPENSES

in TEUR	2022	2021
Freight	15,056	12,452
Outside services	9,905	7,621
Sales commissions	3,440	3,020
Losses from currency exchange	1,768	400
Insurance	1,340	1,077
Other	1,114	765
Lease payments	986	795
Other administrative costs	975	812
Legal and consulting expenses	955	693
Ancillary personnel expenses	725	489
Advertising expenses	598	118
Allowances on accounts receivable	439	0
Travel expenses	416	114
Other taxes	380	1,267
Losses from the disposal of fixed assets	0	5
Total	**38,097**	**29,628**

5.9 RESEARCH AND DEVELOPMENT

All research and development costs for the year, in the amount of TEUR 4,755 (year before: TEUR 4,184), were recognized as expenses.

5.10 OTHER FINANCIAL INCOME

Other financial income of TEUR 13 (previous year: TEUR 0) relates to the gain on the above-mentioned liquidation of the subsidiary Nabaltec Asia Pacific K.K., Tokyo, Japan, on 21 November 2022.

5.11 INTEREST AND SIMILAR INCOME

Interest and similar income are composed as follows:

INTEREST AND SIMILAR INCOME

in TEUR	2022	2021
Income from plan assets (pension liability insurance)	56	50
Interest income from bank balances	343	8
Total	**399**	**58**

5.12 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses are shown in the following table:

INTEREST AND SIMILAR EXPENSES

in TEUR	2022	2021
Interest expenses to banks	1,242	728
Interest expenses from compounding of provisions	506	378
Interest expenses from interest rate swaps	185	578
Interest expenses from factoring	175	116
Interest expenses from other compounding	10	17
Commission on bank guarantees	8	9
Total	**2,126**	**1,826**

5.13 TAXES ON INCOME

Taxes on income break down as follows:

TAXES ON INCOME

in TEUR	2022	2021
Actual taxes:		
Tax expense for current year	8,168	6,370
Tax income for prior years	−6,477	0
Deferred taxes:		
Accrual and reversal of temporary differences	4,702	1,592
Recognized in other comprehensive income not through profit and loss	−5,315	−1,440
Total	**1,078**	**6,522**

Taxes on income for Financial Year 2022 consist of current trade and corporate income tax plus the solidarity mark-up as well as US-taxes. Income taxes include a tax benefit of TEUR 6,784 resulting from the contractual cost compensation to Nashtec LLC in fiscal year 2020. After completion of the tax assessment at the end of September 2022 for fiscal year 2020, the cost compensation granted to Nashtec LLC in 2020 was fully recognized by the German tax authorities as a tax expense deductible in Germany. Due to the uncertainty surrounding this matter, no tax income had previously been recognized.

Deferred taxes are calculated based on the tax rates in effect or expected at the time of realization, taking into account tax rules in effect or adopted as of the reporting date. The calculation of deferred taxes in Germany was based on a tax rate of 29.13% (year before: 29.13%). This number is comprised of the 15% corporate income tax rate, which remains unchanged, the unchanged 5.50% solidarity mark-up and the trade tax rate of 13.30% (year before: 13.30%). Taxes for the foreign companies were calculated using the applicable national tax rates.

The effects of taxes in other comprehensive income, recognized as part of consolidated shareholders' equity, break down as follows for each component:

	Before taxes		Deferred taxes		After taxes	
in TEUR	2022	2021	2022	2021	2022	2021
Foreign currency translation	2,088	2,757	–648	–834	1,440	1,923
Net income from hedge accounting	293	581	–85	–169	208	412
Actuarial gains and losses	15,730	1,500	–4,582	–437	11,148	1,063
Total	**18,111**	**4,838**	**–5,315**	**–1,440**	**12,796**	**3,398**

The table below shows the tax reconciliation of the expected tax expense in each year with the actual tax expense recognized in the consolidated income statement:

TAX RATE

	2022	2021
Tax rate	**29.13%**	**29.13%**
in TEUR		
Earnings before taxes	**27,453**	**22,783**
Expected tax expense	**7,997**	**6,637**
Deviations		
1. Different foreign tax rate	–90	–99
2. Adjustments tax expense for previous years due to BP, see above	–6,477	0
3. Utilization of previously unrecognized losses	–361	–60
4. Non-deductible expenses	52	41
5. Other	–43	3
Tax expense recognized in the consolidated income statement	**1,078**	**6,522**

Deferred tax assets and liabilities are as follows:

	Consolidated balance sheet		Consolidated income statement	
in TEUR	12/31/2022	12/31/2021	2022	2021
Deferred tax assets				
Other assets	567	557	10	10
Pension reserves	2,939	7,506	−4,567	−649
Other provisions	245	290	−45	49
Loss carry-forward	3,062	2,918	144	−135
Other	153	90	63	−893
Gross total, deferred tax assets	**6,966**	**11,361**	**−4,395**	**−1,618**
Netting	−6,015	−9,223	0	0
Net total, deferred tax assets	**951**	**2,138**	**−4,395**	**−1,618**
Deferred tax liabilities				
Fixed assets	8,064	8,481	363	189
Inventories	601	532	−69	35
Other	811	210	−601	−198
Gross total, deferred tax liabilities	**9,476**	**9,223**	**−307**	**26**
Netting	−6,015	−9,223	0	0
Net total, deferred tax liabilities	**3,461**	**0**	**−307**	**26**

The deferred tax asset relates to the existing loss carryforward of Nabaltec USA Corporation of TEUR 14,580 (prior year: TEUR 13,897). This can be used in compliance with the minimum taxation in the USA. Deferred tax assets on loss carryforwards are only to be recognized insofar as the company has adequate taxable temporary differences or insofar as there is convincing substantive evidence that adequate taxable income will be available in the future for which unused tax losses can be utilized. Based on management's assumptions and assessments as to future business performance, there is convincing substantive evidence for the realization of these tax claims. This assessment is based on past experiences, as well as currently available information and forecasts. Accordingly, deferred tax assets on loss carry-forwards in the amount of TEUR 3,062 (previous year: TEUR 2,918) were recognized for companies which had negative taxable income in the current or previous year and whose deferred tax assets on loss carry-forwards were not offset by deferred tax liabilities.

Such loss carry-forwards in the US are deductible up to 80% of current taxable income.

Deferred tax assets and liabilities in the US are netted out with deferred tax assets in connection with loss carry-forwards.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 INTANGIBLE ASSETS

With regard to the change in intangible assets, reference is made to the above presentation of the "Statement of Consolidated Fixed Assets."

Intangible assets largely consist of IT software and proprietary rights.

No intangible assets had been transferred by way of security as of 31 December 2022, as was the case in the prior year as well.

Material obligations to acquire intangible assets did not exist.

6.2 PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment is shown in the Statement of Consolidated Fixed Assets, which is presented above.

As in the year before, no property, plant and equipment served as collateral or land charges for debt.

A total of TEUR 73 in borrowing costs were capitalized in Financial Year 2022 (year before: TEUR 82) for the long-term manufacture of various technical equipment, buildings and operating equipment. The average capitalization rate used for the calculation of capitalizable borrowing costs was 1.50% (year before: 1.90%).

6.3 FINANCIAL ASSETS

In the previous year, financial assets related to the 100% share in Nabaltec Asia Pacific K.K., which was not fully consolidated for reasons of materiality. The shares were valued at acquisition cost due to the lack of an active market.

After a lengthy administrative process, the company was dissolved on 21 November 2022.

6.4 INVENTORIES

Inventories are comprised as follows:

INVENTORIES

in TEUR	12/31/2022	12/31/2021
Raw materials and supplies	30,591	22,532
Work in process	1,715	1,241
Finished goods and merchandise	13,431	10,162
Total	**45,737**	**33,935**

As in the previous year, no inventories serve as collateral for accounts payable to banks.

The impairment of inventories, which is recognized as an expense, amounted to TEUR 267 (year before: TEUR 629).

6.5 TRADE RECEIVABLES

Trade receivables are as follows:

TRADE RECEIVABLES

in TEUR	12/31/2022	12/31/2021
Gross trade receivables	7,037	5,604
Individual allowances	–586	–147
Total	**6,451**	**5,457**

All trade receivables are not interest-bearing and have a residual term of less than one year.

Trade receivables as of the reporting date were diminished by TEUR 31,672 (previous year: TEUR 29,832) through a non-recourse factoring arrangement, in which the factor assumes the default risk for the receivables. We refer to Section 7.2, "Disclosures concerning financial instruments," with regard to the development of the allowance account and the age structure of accounts receivable.

6.6 TAXES RECEIVABLE

Taxes receivable, in the amount of TEUR 903 (previous year: TEUR 432), consists of tax refund claims against the German tax authorities resulting from corporate income tax, solidarity mark-up and trade tax.

6.7 OTHER ASSETS

Other assets are comprised as follows:

OTHER FINANCIAL ASSETS

in TEUR	12/31/2022	12/31/2021
Fixed-term deposits with duration > 3 months	15,000	0
Accounts receivable from factoring	2,463	2,731
Other	1,085	1,355
Other financial assets	**18,548**	**4,086**

OTHER NON-FINANCIAL ASSETS

in TEUR	12/31/2022	12/31/2021
VAT receivable	1,297	1,800
Accrued assets	304	274
Other non-financial assets	**1,601**	**2,074**
Total	**20,149**	**6,160**

The accounts receivable from factoring recognized as of 31 December 2022, in the amount of TEUR 2,463 (year before: TEUR 2,731), consist primarily of security deposits in connection with factoring arrangements.

Of the other assets, TEUR 15,000 (prior year: TEUR 0) have a remaining term of more than one year.

6.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised as follows as of the reporting date:

CASH AND CASH EQUIVALENTS

in TEUR	12/31/2022	12/31/2021
Bank balances	87,513	52,204
Cash on hand	1	2
Total	**87,514**	**52,206**

Bank balances earn interest at variable interest rates for sight deposits. Short-term deposits are made for a variety of terms, ranging from one day to as high as three months depending on the Group's needs. They earn interest in each case at the rates in effect for short-term deposits.

For the purposes of the consolidated statement of cash flows, as in the previous year, there are no differences in cash and cash equivalents compared with the cash and cash equivalents reported in the statement of financial position as of the reporting date.

Cash and cash equivalents are not subject to any restrictions on disposal.

6.9 SHAREHOLDERS' EQUITY

The changes in Nabaltec AG's shareholders' equity are shown in the Statement of Consolidated Shareholders' Equity.

Subscribed capital

Fully paid-in capital (capital stock) amounted to TEUR 8,800 on the reporting date (year before: TEUR 8,800) and consists of 8,800,000 bearer shares, with each share representing EUR 1.00 of the capital stock. Each share confers one vote.

Authorized capital

With effect from 31 May 2021, the Authorized Capital 2016/I expired.

The Management Board, with the Supervisory Board's approval, was 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 TEUR 4,400 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 subscription rights with the approval of the Supervisory Board (Authorized Capital 2021/I).

Conditional capital

With effect from 31 May 2021, the Conditional Capital 2016/I expired.

By resolution of the shareholders in general meeting on 16 June 2021, the share capital of the Company was conditionally increased by up to TEUR 4,400 by issuing up to 4,400,000 new no-par-value bearer shares (Conditional Capital 2021/I). The conditional capital serves exclusively to provide shares to holders of warrants and convertible bonds issued by the company based on the authorization of the shareholders of 16 June 2021.

No such bonds have been issued to date.

Capital reserve

As of 31 December 2022, the capital reserve amounted to TEUR 47,029 (year before: TEUR 47,029). The capital reserve results in part from the capital increase executed in September 2017. With an issue price of EUR 23.00 per share, the capital increase generated a premium in the amount of TEUR 17,600. At the same time, transaction costs in the amount of TEUR 335 (after taxes) were subtracted. The capital reserve also includes a premium from the IPO, which took place in 2006. This resulted from the issuance of 2,000,000 shares at a price of EUR 15.50 per share, with each share representing EUR 1.00 of the capital stock, so that a premium of EUR 14.50 was charged per share, for a total of TEUR 29,000; this was offset by transaction costs of TEUR 1,060 (after taxes).

Earnings reserve

As of 31 December 2022, earnings reserves amounted to TEUR 9,699 (year before: TEUR 9,699). For Financial Year 2022, the Management Board will propose to distribute a dividend in the amount of EUR 0.28 per share, i.e., a total of TEUR 2,464, from the retained earnings of Nabaltec AG determined in accordance with the principles of German commercial law.

Profit/loss carried forward

The profit/loss carried forward results from the accumulated consolidated net profit/loss for the year less the dividends distributed by the parent company.

We refer to the consolidated statement of changes in equity regarding changes in earnings carry-forwards.

Other changes in equity with no effect on profit and loss

Differences arising from currency translation, changes in the market value of derivative financial instruments for which hedge accounting is used, actuarial gains and losses from pension reserves and from corresponding deferred taxes are recognized separately in shareholders' equity under this item description. As of 31 December 2022, other changes in equity with no effect on profit and loss amounted to a cumulative total of TEUR –2,618 (year before: TEUR –15,414).

6.10 CURRENT AND NON-CURRENT PROVISIONS

Other provisions

The development of other provisions is shown in the tables below:

FINANCIAL YEAR 2022

in TEUR	01/01/2022	Addition	Utilization	Reversal	12/31/2022
Provisions for personnel expenses	1,318	68	100	0	1,286
Provisions for environmental conservation and disposal	298	60	0	0	358
Other provisions	187	218	186	0	219
Total	1,803	346	286	0	1,863

FINANCIAL YEAR 2021

in TEUR	01/01/2021	Addition	Utilization	Reversal	12/31/2021
Provisions for personnel expenses	1,361	53	96	0	1,318
Provisions for environmental conservation and disposal	298	0	0	0	298
Other provisions	148	186	140	7	187
Total	1,807	239	236	7	1,803

Provisions for personnel expenses, in the amount of TEUR 1,286 (year before: TEUR 1,318), consist of anniversary pay obligations. These obligations were measured using the projected unit credit method, in which anniversary pay obligations are funded by single premiums for the annual growth in vested rights, with due regard for trend assumptions. As a biometric foundation for the calculation, the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck were used. The measurement was also based on the assumption of an actuarial interest rate of 3.80%, a salary trend of 2.75%, pension trend p. a. of 2.00%, fluctuation rate of 1.00%.

The provisions for environmental conservation and disposal include TEUR 358 (year before: TEUR 298) in cleaning expenses relating to discontinuation of the mullite production area.

Pension reserves

The Group has launched defined benefit pension plans which provide for a portion of the Group's employees in the period after retirement. These are final salary pension plans for Management Board members and employees based on the pension rules. The pension plans are in effect for employees who joined the company prior to 1 May 1995 and who are employed for an unlimited term as of this reporting date. As a result, there can be no additions to the group of pension beneficiaries. Pension liability insurance premiums are paid for a portion of the plans. Because of how the plans are structured, the employer is exposed to actuarial risks, of which the most significant are interest rate risk and longevity risk. The age of the persons covered by the pension plans is in a range from 60 to 65 years. Pension obligations are calculated based on a retirement age of 63 (pension rules) and 65 (Management Board members).

The tables below show the composition of the pension expenses recognized in the consolidated statement of comprehensive income as well as amounts recognized in the consolidated balance sheet for the individual pension plans:

PENSION EXPENSES

in TEUR	2022	2021
Current service cost	918	817
Net interest expense	471	352
Pension expenses	**1,389**	**1,169**
Actual income from plan assets	60	59

The net interest expense is comprised of the interest expense, in the amount of TEUR 492 (year before: TEUR 367), less expected income from plan assets in the amount of TEUR 21 (year before: TEUR 15). The interest share of the funds transferred to pension reserves and income from plan assets is recognized in net interest income. Actuarial gains and losses are recognized in other comprehensive income and have developed as follows:

DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES

in TEUR	
Actuarial losses on 1 January 2021	–22,560
Losses from changes in biometric and financial assumptions	2,553
Experience losses	–1,096
Income from plan assets	44
Actuarial losses on 31 December 2021	**–21,059**
Profit from changes in biometric and financial assumptions	15,368
Experience gains	323
Income from plan assets	39
Actuarial losses on 31 December 2022	**–5,329**

Changes in the present value of defined benefit obligations are as follows:

DEFINED BENEFIT OBLIGATIONS

in TEUR	
Defined benefit obligations on 1 January 2021	46,370
Interest expense	367
Current service cost	817
Benefits paid	–917
Actuarial gains/losses	–1,456
Defined benefit obligations on 31 December 2021	**45,181**
Interest expense	492
Current service cost	918
Benefits paid	–969
Actuarial gains/losses	–15,691
Defined benefit obligations on 31 December 2022	**29,931**

Of the TEUR 29,931 in defined benefit obligations as of 31 December 2022 (year before: TEUR 45,181), a sum in the amount of TEUR 9,515 (year before: TEUR 14,649) is covered by pension liability insurance with a premium reserve of TEUR 1,947 (year before: TEUR 1,912).

Pension payments in the amount of approximately TEUR 1,016 are expected in Financial Year 2023 and TEUR 1,069 in Financial Year 2024.

Changes in the fair value of plan assets are as follows:

FAIR VALUE OF PLAN ASSETS

in TEUR	
Fair value of plan assets as of 1 January 2021	1,878
Employer contributions	36
Benefits paid	−61
Expected returns	15
Actuarial gains/losses	44
Fair value of plan assets as of 31 December 2021	**1,912**
Employer contributions	36
Benefits paid	−61
Expected returns	21
Actuarial gains/losses	39
Fair value of plan assets as of 31 December 2022	**1,947**

Plan assets consist of the asset value of a pension liability insurance policy, which is to be treated as part of plan assets pursuant to IAS 19.7 (b). The Group expects contributions to plan assets to total TEUR 36 in Financial Year 2023.

The recognized value of pension reserves can be reconciled as follows with the present value of the defined benefit liability:

in TEUR	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Fair value of plan assets	1,947	1,912	1,878	1,839	1,807
Present value of defined benefit liability	29,931	45,181	46,370	48,212	37,859
Pension reserves	27,985	43,269	44,492	46,373	36,052

The basic assumptions for the calculation of post-employment pension obligations are shown below:

in %	2022	2021
Discount rate	3.80	1.10
Salary trend	2.75	2.75
Pension trend	2.00	2.00
Fluctuation	1.00	1.00

Post-employment mortality among 65-year-old retirees in accordance with Heubeck's 2018 G benchmark tables

In the fiscal year, a flat-rate adjustment of the underlying pension trend to 7% was made to account for inflation dynamics.

The following would be the effects on the pension liability if the actuarial assumptions change:

PENSION LIABILITY

in TEUR	+25 BP	–25 BP
Discount rate	28,895	31,026
Salary trend	30,052	29,812
Pension trend	30,788	29,110

The above sensitivity analysis is based on a scenario where one assumption changes while all the others remain constant. In reality, however, it is not unlikely for changes in multiple assumptions to be correlated.

The methods and types of assumptions used for the sensitivity analysis have not changed since the previous period.

6.11 CURRENT AND NON-CURRENT ACCOUNTS PAYABLE

BOOK VALUES

in TEUR		Book value	thereof term ≤1 year	thereof term > 1 - 5 years	thereof term > 5 years
Accounts payable to banks	12/31/2022	90,737	783	44,977	44,977
	12/31/2021	59,268	59,268	–	–
Trade payables	12/31/2022	15,087	15,087	–	–
	12/31/2021	10,681	10,681	–	–
Accounts payable from income taxes	12/31/2022	2,949	2,949	–	–
	12/31/2021	3,677	3,677	–	–
Other accounts payable	12/31/2022	5,522	5,522	–	–
	12/31/2021	5,514	5,514	–	–
Total	12/31/2022	114,295	24,341	44,977	44,977
	12/31/2021	**79,140**	**79,140**	**–**	**–**

Accounts payable to banks

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. No covenant violations are expected for 2023 either.

Trade payables

Trade payables have a residual term of up to 90 days.

The book values of trade payables are equal to their fair value due to this short-term nature.

Accounts payable from income taxes

This includes outstanding tax payments in Germany and subsidiaries resulting from corporate income tax, solidarity mark-up and trade tax for the past financial year.

Other accounts payable

Current accounts payable consist of the following financial and non-financial obligations:

OTHER ACCOUNTS PAYABLE

in TEUR	12/31/2022	12/31/2021
Other	217	99
Financial statements and auditing	209	170
Professional association	123	41
Negative market values from interest rate swaps	0	293
Other current financial accounts payable	**549**	**603**

in TEUR	12/31/2022	12/31/2021
Bonuses and other performance-based compensation	2,690	2,520
Outstanding vacation claims	1,008	756
Other excise duties	813	1,138
Amounts owed to the tax office	350	336
Social expenses owed	65	69
Inventor compensation	38	33
Demographic Contribution II	9	9
Other	0	50
Other current non-financial accounts payable	**4,973**	**4,911**
Other current accounts payable (total)	**5,522**	**5,514**

Amounts owed for bonuses and performance-based compensation accrue depending on the degree to which the targets are met. Amounts owed for outstanding vacation claims depend on the individual employees.

Amounts owed to the tax office consist primarily of wage and church tax for the financial year just closed which has yet to be paid as of the reporting date.

Due to the short-term nature of these obligations, the book values of the other current accounts payable are approximately equal to their fair value.

7. OTHER DISCLOSURES

7.1 OTHER FINANCIAL LIABILITIES

Liabilities arising from leases with the Group as lessee

The Group has financial liabilities arising from lease agreements. As of the reporting date, 31 December 2022, no lease agreements existed for various technical equipment and machinery within the context of sale-and-leaseback transactions. The residual terms of all contracts are largely between 1 and 5 years.

A total of TEUR 986 (year before: TEUR 795) in expenses arising from leases (short-term leases and leases of low-value assets) were recognized in the current year.

Total future lease payments (short-term leases and leases of low-value assets) have the following maturities:

in TEUR	12/31/2022	12/31/2021
Lease payments within 1 year	732	771
Lease payments, 1 – 5 years	808	1,052
Lease payments, over 5 years	0	1
Total	**1,540**	**1,824**

Contingent liabilities and guarantees

No material contingent liabilities, guarantees or other material litigation existed for which provisions have not yet been set aside. As of 31 December 2022, there were a total of TEUR 6,600 in obligations (year before: TEUR 2,633) arising from investment orders.

Nabaltec AG has issued Nashtec LLC a payment guarantee in the amount of TUSD 1,600 (year before: TUSD 1,200) to secure its supply of raw materials. The company does not expect to be called upon due to the positive development of Nashtec.

7.2 DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

Book value, measurement and fair value by measurement category

The table below shows the book values and fair values of all financial instruments recognized in the consolidated financial statements:

in TEUR	Measurement category pursuant to IFRS 9	Book value 2022	Book value 2021	Fair value 2022	Fair value 2021
Financial assets					
Trade receivables	AC	6,451	5,457	6,451	5,457
Other assets and accounts receivable					
Other non-derivative accounts receivable and financial assets	AC	18,548	4,086	18,548	4,086
Cash and cash equivalents	AC	87,514	52,206	87,514	52,206
Financial liabilities					
Financial liabilities at amortized cost					
Accounts payable to banks	AC	90,737	59,268	90,737	59,268
Trade payables	AC	15,087	10,681	15,087	10,681
Other financial liabilities					
Other non-derivative financial liabilities	AC	549	310	549	310
Negative market values of interest rate derivatives (designated in effective cash flow hedges)	–	0	293	0	293

The following abbreviations are used for the measurement categories pursuant to IFRS 9:

ABBREVIATIONS		
AC	Amortized cost	Financial instruments recognized at amortized cost
FVOCI (debt)	Fair Value through Other Comprehensive Income – debt instrument	Debt instruments at fair value, with no effect on profit and loss (recycling)
FVOCI (equity)	Fair Value through Other Comprehensive Income – equity instrument	Equity instruments at fair value, with no effect on profit and loss (non-recycling)
FVTPL	Fair Value through Profit and Loss	Financial instruments at fair value through profit and loss

The fair value of derivative financial instruments and loans was determined by discounting expected future cash flows using typical market interest rates. The fair value of other financial assets was calculated using typical market interest rates.

Cash and cash equivalents, trade receivables and other accounts receivable have a residual term of less than one year. As a result, their book value as of the reporting date approximates their fair value.

In accordance with IFRS 9, shares in non-consolidated affiliated companies are generally classified as FVOCI.

Net income by measurement category

Income and expenses from financial instruments are presented below using the measurement categories in IFRS 9:

MEASUREMENT CATEGORY PURSUANT TO IFRS 9

in TEUR		From interest	From subsequent measurement: At fair value	From subsequent measurement: Currency translation	From subsequent measurement: Impairment	Net income 2022
Amortized cost	AC	343	–	462	–439	366
Fair Value through Other Comprehensive Income – debt instrument	FVOCI (debt)	–	–	–	–	–
Fair Value through Other Comprehensive Income – equity instrument	FVOCI (equity)	–	–	–	–	–
Fair Value through Profit and Loss	FVTPL	–	–	–	–	–
Other Liabilities	AC	–1,427	–	–41	–	–1,468
Total 2022		**–1,084**	**–**	**421**	**–439**	**–1,102**

MEASUREMENT CATEGORY PURSUANT TO IFRS 9

in TEUR		From interest	From subsequent measurement: At fair value	From subsequent measurement: Currency translation	From subsequent measurement: Impairment	Net income 2021
Amortized cost	AC	8	–	1,142	–	1,150
Fair Value through Other Comprehensive Income – debt instrument	FVOCI (debt)	–	–	–	–	–
Fair Value through Other Comprehensive Income – equity instrument	FVOCI (equity)	–	–	–	–	–
Fair Value through Profit and Loss	FVTPL	–	–	–	–	–
Other Liabilities	AC	–861	–	–133	–	–994
Total 2021		**–853**	**–**	**1,009**	**–**	**156**

In the consolidated statement of comprehensive income, interest income and expenses from financial instruments are recognized under “interest and similar income” and “interest and similar expenses.” Interest income from financial assets in the “amortized cost” measurement category largely consists of interest income from current account balances and short- and long-term deposits. Interest expenses from financial liabilities in the “other liabilities” measurement category largely consist of interest expenses for accounts payable to banks.

The total interest expense for the loan against borrower’s note, calculated using the effective interest method, was TEUR 1,173 (year before: TEUR 693).

Effects from the subsequent measurement of interest rate derivatives which are designated as effective cash flow hedges are recognized under shareholders’ equity with no effect on profit and loss. The recognition of ineffective hedges with an effect on profit and loss was not necessary.

Currency translation income and expenses for financial assets in the “amortized cost” measurement category and financial liabilities in the “other liabilities” measurement category result from shares in companies which are not fully consolidated, trade payables and receivables and accounts payable to banks which are denominated in foreign currency. They are recognized under “other operating income” and “other operating expenses.”

Impairments largely consist of transfers to and reversals of individual allowances on trade receivables. These amounts are recognized under “other operating income” and “other operating expenses.”

Fair value hierarchy

A hierarchy of various fair values exists for financial assets and liabilities measured at fair value with effect on profit and loss specifying the significance of the input data used for measurement. This hierarchy is as follows:

Level 1: At the first level of the fair value hierarchy, fair value is determined based on publicly quoted market prices, since the best possible objective indication of the fair value of a financial asset or liability can be observed in an active market.

Level 2: If an active market does not exist for a financial instrument, companies determine fair value using valuation models. Valuation models include use of the discounted cash flow method, option price models, comparing the instrument to the present fair value of another, largely identical, financial instrument, and examining recent transactions between well-informed, independent and willing business partners. Fair value is estimated based on the results of a valuation method which uses market data to the greatest possible extent and is based as little as possible on company-specific data.

Level 3: The valuation models used on this level are, in part, not based on parameters and assumptions which are observable in the market.

The financial instruments which are measured by the Group at fair value have been assigned to the following levels of the hierarchy:

12/31/2022

in TEUR	Level 1	Level 2	Level 3	Total
Assets				
Positive market values of currency derivatives	0	0	0	0
Liabilities				
Negative market values of interest rate derivatives	0	0	0	0
Negative market values of currency derivatives	0	0	0	0

12/31/2021

in TEUR	Level 1	Level 2	Level 3	Total
Assets				
Positive market values of currency derivatives	0	0	0	0
Liabilities				
Negative market values of interest rate derivatives	0	293	0	293
Negative market values of currency derivatives	0	0	0	0

No assets or liabilities were reclassified between the measurement levels in Financial Year 2022.

Fair value is determined in each case based on the mark-to-market valuation of the participating banks.

Hedging transactions

Interest rate swaps are executed to hedge against fluctuations in cash flows resulting from changes in market interest rates for the loan against borrower's note with variable rates of interest, which was repaid in full in April 2022. Designated and effective cash flow hedges were recognized in accordance with the hedge accounting rules in IFRS 9. Accordingly, risks arising from fluctuations in interest and exchange rates were deliberately managed with a view to reducing earnings volatility.

Nabaltec AG successfully issued a bonded loan with a volume of TEUR 90,000 with a value date of April 2022. No hedging relationships were entered into for the variable interest-bearing portion in the amount of TEUR 45,000.

At the commencement of the hedge, both the hedging transaction and the Group's risk management goals and strategies with regard to the hedge are formally defined and documented. The documentation is to include a definition of the hedging instrument and the hedged item, as well as the type of risk and a description of how the Group will measure the effectiveness of the hedging instrument in compensating for risks arising from changes in cash flow associated with the hedged item. Hedging transactions are continually examined to ascertain whether they actually were highly effective for the entirety for the reporting period for which the hedging transaction was defined.

Among the requirements imposed by IFRS 9 within the framework of hedge accounting is the requirement that designated hedges must be effective. The effective portion of a hedge, i.e. that which falls within the above range, is recognized in shareholders' equity with no effect on profit and loss, while the ineffective portion is immediately recognized as profit and loss in the consolidated statement of comprehensive income.

As of 31 December 2022, the Group recognized interest rate derivatives with a market value of TEUR 0 (year before: TEUR –293), which served to hedge against interest rate risks associated with loans against borrower's notes, which are recognized under accounts payable to banks (book value: TEUR 0; previous year: TEUR 39,000). No currency derivatives were used in the reporting year (year before: also TEUR 0). Realization of the fair value of the interest rate and currency derivative, with no effect on profit and loss, resulted in changes in value in Financial Year 2022 of TEUR 293 (year before: TEUR 581), the full amount of which was recognized in shareholders' equity. The cash flow hedges are designed to hedge cash flows in the form of routine interest payments, in the case of the interest rate derivatives. Interest rate derivatives amount to a total of TEUR 39,000 expired on 25 April 2022.

There were no major changes relative to the year before to the risk positions for the risks presented below.

Default risk

Default risks arise primarily from trade receivables. Factoring transactions are used in order to minimize default risks. Under these contractual arrangements, the risk that the debtor will be unable to pay is transferred to the counterparty. As a result, the relevant amounts are derecognized in their entirety and are no longer recognized as trade receivables. The exceptions are trade receivables which are not accepted by the factor, e.g. because a credit limit has been exceeded.

The amounts recognized in the balance sheet have been adjusted by the allowance for unrecoverable claims, which was estimated by management using the expected loss model. Individual allowances are made whenever an indication exists that accounts receivable are uncollectible. These indications are based on intensive contacts within the framework of receivables management.

The default risk in the event of counterparty default in connection with the Group's financial assets, such as trade receivables, cash and cash equivalents and other assets, is no higher than the book value of the relevant instruments.

There is no major concentration of default risks within the Group, as these risks are spread out over a large number of counterparties and customers. Trade receivables are also insured through credit default insurance. As in the previous year, there were no restrictions on ownership or disposal.

The table below shows the change in allowances on trade receivables:

in TEUR	2022	2021
1 January	147	**147**
Transfers	439	0
Reversals	0	0
31 December	586	**147**

The age structure of trade receivables is as follows:

			Overdue but not impaired			
in TEUR	Book value	Neither overdue nor impaired	< 3 months	3 – 6 months	> 6 – 12 months	> 12 months
12/31/2022	6,451	6,451	0	0	0	0
12/31/2021	5,457	5,457	0	0	0	0

As far as trade receivables are concerned which are neither in default nor written down, there was no indication as of the reporting date that the debtors will be unable to meet their payment obligations.

No trade receivables were overdue or impaired due to modified conditions.

No other financial assets were impaired. No impairments were expected in that regard as of the reporting date.

Liquidity risk

The Group routinely monitors the risk of a liquidity shortage, taking into account e.g. the terms to maturity of financial assets and liabilities as well as expected cash flows from business activities. The Group's goal is to use bank overdrafts and loans to continually meet liquidity requirements while at the same time ensuring utmost flexibility. The Group has existing unutilized credit limits in the amount of TEUR 2,000 as of 31 December 2022 (year before: TEUR 4,000).

The table below shows the contractually stipulated (undiscounted) cash flows in connection with financial liabilities. It includes all financial liabilities held as of the reporting date for which payments had been contractually stipulated. Estimates of future new obligations were not included. Amounts denominated in foreign currencies were translated using the exchange rate as of the reporting date. Variable interest payments on financial instruments were determined based on the fixed interest rates in effect most recently prior to the reporting date. Financial liabilities which are payable at any time are assigned to the earliest maturity category.

CASH FLOWS (UNDISCOUNTED)

in TEUR		Total	thereof term ≤ 1 year	thereof term > 1 – 5 years	thereof term > 5 years
Accounts payable to banks	12/31/2022	102,750	2,885	54,419	45,446
	12/31/2021	59,679	59,679	–	–
Trade payables	12/31/2022	15,087	15,087	–	–
	12/31/2021	10,681	10,681	–	–
Other financial liabilities	12/31/2022	549	549	–	–
	12/31/2021	603	603	–	–
Total (financial liabilities)	12/31/2022	**118,386**	**18,521**	**54,419**	**45,446**
	12/31/2021	**70,963**	**70,963**	**–**	**–**

Foreign exchange risk

The Group's foreign exchange risks result from its operations. While the individual Group companies operate predominantly with their respective functional currencies, they are exposed to foreign exchange risks in connection with expected payments outside of their functional currency.

In accordance with IFRS 7, foreign exchange risks are presented using sensitivity analyses, which show the effects on pre-tax earnings (due to changes in the measurement of financial assets and liabilities with effect on profit and loss) and possibly shareholders' equity of the Euro going up or down in value relative to all other foreign currencies. These analyses focus on financial instruments which are denominated in a currency other than the local functional currency, and which are monetary in nature. Accordingly, differences arising from the translation of foreign statements into the Group currency, Euros, due to changes in exchange rates are not recognized, in accordance with the requirements of IFRS 7. In contrast to the year before, shareholders' equity as of the reporting date was not affected by changes in the fair value of currency derivatives intended to hedge future cash flows.

	Rate change in %	Impact on pre-tax earnings in TEUR	Impact on shareholders' equity* in TEUR
2022			
USD	+10	729	0
USD	–10	–729	0
2021			
USD	+10	560	0
USD	–10	–560	0

** Not including the impact on pre-tax earnings*

CONSOLIDATED FINANCIAL STATEMENTS

Interest rate risk

The Group's exposure to the risk of fluctuations in market interest rates results primarily from financial accounts payable to banks carrying variable interest rates. The Group's interest expenses are managed through a combination of fixed-interest and variable-interest debt.

Interest rate risks are modeled in accordance with the requirements of IFRS 7 using sensitivity analyses, which show the effects of hypothetical changes in market interest rates on current interest payments, income and expenses as follows in the context of pre-tax earnings and possibly shareholders' equity (from the subsequent measurement of interest rate derivatives designated as effective cash flow hedges):

	Increase/ decrease in basis points	Impact on pre-tax earnings in TEUR	Impact on shareholders' equity* in TEUR
2022			
Europe	+100	135	0
USA	+100	0	0
Europe	–100	–135	0
USA	–100	0	0
2021			
Europe	+10	0	1
USA	+10	0	0
Europe	–10	0	–1
USA	–10	0	0

* *Not including the impact on pre-tax earnings*

7.3 ADDITIONAL DISCLOSURES CONCERNING CAPITAL MANAGEMENT

Nabaltec AG employs a solid capital management scheme in order to enable the Group to remain on track for growth and to ensure its ability to meet its payment obligations. A particular goal is to maintain an enduring balance between equity and debt.

Nabaltec AG's shareholders' equity and debt items recognized in connection with capital management as of 31 December 2022 and 2021 are shown below:

	12/31/2022 in TEUR	12/31/2021 in TEUR	Change in %
Shareholders' equity	**133,465**	**96,494**	**38.31**
as % of total capital	59.53	61.95	–3.91
Non-current financial debt	89,954	–	
Current financial debt	783	59,268	–98.68
Debt*	**90,737**	**59,268**	**53.10**
as % of total capital	40.47	38.05	6.36
Total capital for capital management purposes	**224,202**	**155,762**	**43.94**

* *The company defines debt as accounts payable to banks.*

Equity increased by TEUR 36,971 last year, to TEUR 133,465, largely due to positive consolidated earnings in the amount of TEUR 26,375 as well as reductions in the actuarial losses by TEUR 11,148.

Debt increased by TEUR 31,469 to TEUR 90,737, largely due to the issue of a loan against borrower's note.

Together, these effects resulted in a decrease in the equity ratio (shareholders' equity as a percentage of total capital) to 59.53% in 2022, down from 61.95% in the previous year. The ratio of debt to capital for capital management purposes increased from 38.05% to 40.47% on 31 December 2022.

In the future, the Group will endeavor to steadily optimize its financial management, together with continuous monitoring and management of its equity ratio.

The goal of this financial management is to finance all necessary investments, to present a high level of solvency to Nabaltec AG's business partners, and to optimize the cost of capital.

Nabaltec AG is not subject to any capital adequacy requirements in accordance with its Articles of Association. For covenants arising from loan contracts, reference is made to Section 6.11, "Current and non-current accounts payable."

7.4 TRANSACTIONS WITH RELATED PARTIES

Persons and companies are considered to be related parties in terms of IAS 24, "Related party disclosures," if one of the parties has the ability, directly or indirectly, to control or exercise a significant influence over the other party, or if one of the parties is engaged in joint management of the company.

The following persons and companies have been identified as related parties:

- members of the Management Board (see Section 7.8, "Corporate officers") and their close family members;
- members of the Supervisory Board (see Section 7.8, "Corporate officers") and their close family members;
- companies which are directly or indirectly controlled by members of the Management Board or Supervisory Board.

The members of the Management Board received short-term remuneration in the total amount of TEUR 2,537 in Financial Year 2022 (year before: TEUR 2,574). An additional TEUR 5 was transferred to provisions for service anniversaries (year before: TEUR 1). In addition, a total of TEUR 752 was spent on post-employment benefits (year before: TEUR 686).

The members of the Supervisory Board received a total of TEUR 70 in remuneration in Financial Year 2022 (year before: TEUR 56).

The following accounts receivable and payable existed on 31 December 2022 and 2021 vis-à-vis related parties:

	Accounts receivable		Accounts payable	
in TEUR	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Companies controlled by Supervisory Board members	0	0	0	0
Companies controlled by Management Board members	3	3	25	27

In addition to Management and Supervisory Board compensation, the following transactions with related parties were recognized in Financial Years 2022 and 2021:

	Deliveries and services performed and other income		Deliveries and services received and other expenses	
in TEUR	2022	2021	2022	2021
Companies controlled by Supervisory Board members	0	0	0	0
Companies controlled by Management Board members	29	29	671	50

Transactions with companies controlled by Management Board members include human resources services and other services (income in the amount of TEUR 29, year before: TEUR 29) and investment planning (expenses in the amount of TEUR 671, year before: TEUR 50).

7.5 EARNINGS PER SHARE

The number of outstanding shares changed as follows over the Financial Year:

NUMBER OF SHARES

	2022	2021
Outstanding common shares as of 1 January	8,800,000	8,800,000
No transactions took place in these years	0	0
Outstanding common shares as of 31 December	8,800,000	8,800,000
Average undiluted number of outstanding common shares	**8,800,000**	**8,800,000**

To calculate undiluted earnings per share, the earnings attributable to holders of common shares in the company are divided by the weighted average number of common shares in circulation during the year.

In accordance with IAS 33, "Earnings per share," the calculation of diluted earnings per share must also take into account the effects of potential common shares. Dilutive effects on the earnings do currently not exist. Accordingly, the undiluted earnings per share is equal to the diluted earnings per share for Financial Years 2022 and 2021.

Earnings per share are therefore as follows:

EARNINGS PER SHARE

	2022	2021
Consolidated after-tax earnings – shareholders in the parent company (in TEUR)	26,375	16,261
Average undiluted number of outstanding common shares	8,800,000	8,800,000
Earnings per share (in EUR)	**3.00**	**1.85**

We also refer to the statements in Section 6.9, "Shareholders' equity."

7.6 DISCLOSURES CONCERNING THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement shows the origin and use of cash flows. A distinction is made between cash flow from operating activity and cash flow from investment and financing activity in accordance with IAS 7, "Statement of Cash Flows."

The item presented in Section 6.8, "Cash and cash equivalents," is included in the funds presented in the consolidated cash flow statement.

Interest paid and received and taxes on income are directly evident from the consolidated cash flow statement.

The changes in liabilities to banks attributable to financing activities result from payments for the repayment of financial loans in the amount of TEUR 59,000, and proceeds from the raising of financial loans in the amount of TEUR 89,950, changes in current account liabilities amounting to TEUR 509 and from non-cash accrued interest on original transaction costs amounting to TEUR 10.

7.7 SEGMENT REPORTING

The operating segments conform to the Group's business segments. The Group's risks and internal organizational and reporting structures are largely determined by the products which are manufactured in the various segments.

Business segments

Nabaltec is divided into two product segments, "Functional Fillers" and "Specialty Alumina." Each segment represents a strategic business unit with distinct products and markets.

The "Functional Fillers" division primarily manufactures and distributes non-halogenated flame-retardant fillers for the plastics and cable industry, as well as additives.

In the "Specialty Alumina" division, ceramic materials and ceramic bodies are manufactured and distributed for a wide range of applications in technical ceramics and in the refractory industry.

The "Others" column consists of assets and liabilities which are not attributable to any individual segment. It is comprised primarily of liquid funds (segment assets), accounts payable to banks and pension reserves (segment liabilities).

Transfer prices between the business segments are generally determined based on typical market conditions in accordance with the arm's length principle. Segment revenues, expenses and earnings include transfers between business units which are eliminated over the course of consolidation. No transactions between the business segments took place in the 2022 and 2021 Financial Years.

FINANCIAL YEAR ENDING ON 12/31/2022

in TEUR	Functional Fillers	Specialty Alumina	Other	Nabaltec Group
Revenues				
Revenues from non-Group customers	147,973	70,866	–	218,839
Segment earnings				
EBITDA	30,458	11,911	–	42,369
EBIT	20,597	8,570	–	29,167
Assets and liabilities				
Segment assets	134,695	43,860	102,514	281,069
Segment liabilities	17,225	8,196	122,183	147,604
Other segment data				
Investments				
– Property, plant and equipment	9,077	1,410	–	10,487
– Intangible assets	194	131	–	325
Depreciation				
– Property, plant and equipment	9,773	3,283	–	13,056
– Intangible assets	88	58	–	146

FINANCIAL YEAR ENDING ON 12/31/2021

in TEUR	Functional Fillers	Specialty Alumina	Other	Nabaltec Group
Revenues				
Revenues from non-Group customers	130,645	56,372	–	187,017
Segment earnings				
EBITDA	25,954	11,334	–	37,288
EBIT	16,594	7,957	–	24,551
Assets and liabilities				
Segment assets	123,469	43,760	53,477	220,706
Segment liabilities	12,572	5,426	106,214	124,212
Other segment data				
Investments				
– Property, plant and equipment	5,109	1,542	–	6,651
– Intangible assets	9	81	–	90
Depreciation				
– Property, plant and equipment	9,268	3,323	–	12,591
– Intangible assets	92	54	–	146

Regional data

Regions are defined for Germany, rest of Europe, USA and rest of world.

FINANCIAL YEAR ENDING ON 12/31/2022

in TEUR	Germany	Rest of Europe	USA	Rest of world	Total
Revenues					
Revenues from non-Group customers	57,661	102,388	30,083	28,707	218,839
Other segment data					
Segment assets	238,807	–	38,434	3,828	281,069
Investments					
– Property, plant and equipment	9,208	–	1,279	–	10,487
– Intangible assets	325	–	–	–	325

FINANCIAL YEAR ENDING ON 12/31/2021

in TEUR	Germany	Rest of Europe	USA	Rest of world	Total
Revenues					
Revenues from non-Group customers	45,906	90,361	18,320	32,430	187,017
Other segment data					
Segment assets	182,091	–	36,176	2,439	220,706
Investments					
– Property, plant and equipment	6,151	–	500	–	6,651
– Intangible assets	90	–	–	–	90

In Financial Year 2022, revenues of more than 10% of total revenues were generated with one customer. Revenues of this customer amounted to TEUR 23,678 and are included in the “Functional Fillers” segment. In the 2021 Financial Year, no revenues of more than 10% of total revenues were earned from a single customer.

The Group’s non-current assets are located in Germany and the US. Non-current assets are defined as assets which are used in business operations and which are intended to remain in the company for more than 12 months. The allocation to the various regions is determined by the location of the respective assets.

7.8 CORPORATE OFFICERS

Management Board

- Mr. Johannes Heckmann (Chief Executive Officer)
- Mr. Günther Spitzer (Chief Financial Officer)
- Dr. Alexander Risch (Chief Operating Officer)

Supervisory Board

- Mr. Gerhard Witzany (Chairman)
- Dr. Dieter J. Braun (Vice Chairman)
- Prof. Dr.-Ing. Jürgen G. Heinrich

7.9 MAJOR EVENTS OCCURRING AFTER THE REPORTING DATE

No major events occurred after the reporting date.

7.10 AUDITOR'S FEES

The auditor's fee for auditing services (including the 2022 consolidated financial statements) amounts to TEUR 126 (year before: TEUR 117). The auditor received a fee in the amount of TEUR 3 (year before: TEUR 9) for other assurance services, a fee of TEUR 86 (year before: TEUR 134) for tax advisory services. Other services have not been provided.

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 consolidated financial statements of Nabaltec AG, Schwandorf, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group 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 consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated 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 consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the group 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 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 consolidated financial statements and of arrangements and measures relevant to the audit of the group 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.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the group 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:	Signed:
(Christian Fischer)	(Johannes Graebner)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

ANNUAL FINANCIAL STATEMENTS NABALTEC AG 2022

(GERMAN COMMERCIAL CODE, SHORT VERSION)

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APPROPRIATION OF DISTRIBUTABLE PROFIT

BALANCE SHEET
FOR 31 DECEMBER 2022

ASSETS

in TEUR	12/31/2022	12/31/2021
A. Non-current assets		
I. Intangible assets		
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	269	259
2. Advance payments	227	55
	496	314
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-freehold land	23,449	24,565
2. Technical equipment, plant and machinery	39,089	41,928
3. Other fixtures, fittings and equipment	3,654	3,245
4. Advance payments as well as plant and machinery under construction	7,791	4,278
	73,983	74,016
III. Financial assets		
1. Shares in affiliated companies	3,607	3,684
2. Loans to affiliated companies	32,309	32,092
	35,916	35,776
	110,395	110,106
B. Current assets		
I. Inventories		
1. Raw materials and supplies	22,682	16,855
2. Finished goods and merchandise	10,485	8,191
	33,167	25,046
II. Accounts receivable and other assets		
1. Trade receivables	6,428	5,030
2. Liabilities due to affiliated companies	2,796	1,839
3. Other assets	20,408	6,013
	29,632	12,882
III. Cash on hand and in banks	81,565	46,185
	144,364	84,113
C. Prepaid expenses	275	251
TOTAL ASSETS	255,034	194,470

LIABILITIES

in TEUR	12/31/2022	12/31/2021
A. Shareholders' equity		
I. Subscribed capital (conditional capital: TEUR 4,400 (PY: TEUR 4,400))	8,800	8,800
II. Capital reserve	48,424	48,424
III. Accumulated profits	43,542	20,714
	100,766	**77,938**
B. Special item for investment grants	**0**	**1**
C. Provisions		
1. Retirement benefit obligation and similar provisions	38,227	36,817
2. Accrued taxes	2,947	3,671
3. Other provisions and accrued liabilities	9,612	7,451
	50,786	**47,939**
D. Accounts payable		
1. Payables to banks	90,783	59,274
2. Trade payables	11,081	7,710
3. Payables to affiliated companies	990	1,133
4. Other payables – thereof relating to taxes: TEUR 350 (PY: TEUR 336) – thereof relating to social security: TEUR 60 (PY: TEUR 42)	628	475
	103,482	**68,592**
TOTAL LIABILITIES	**255,034**	**194,470**

INCOME STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

in TEUR	1/1 – 12/31/2022		1/1 – 12/31/2021	
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 – thereof from currency translation: TEUR 2,171 (PY: TEUR 1,405)		2,916		3,863
		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 – thereof for pensions: TEUR 1,603 (PY: TEUR 4,405)	−6,919		−9,254	
7. Amortization/depreciation of intangible assets and property, plant and equipment	−9,384		−10,052	
8. Other operating expenses – thereof from currency translation: TEUR 1,755 (PY: TEUR 380)	−35,157	−82,926	−26,784	−73,332
		28,142		**22,621**
9. Income from investments – thereof from affiliated companies: TEUR 13 (PY: TEUR 0)	13		0	
10. Income from other securities and loans (financial assets) – thereof from affiliated companies: TEUR 401 (PY: TEUR 159)	401		159	
11. Other interest and similar income	338		5	
12. Interest and similar expenses – thereof from discounts: TEUR 647 (PY: TEUR 729)	−2,255	−1,503	−2,160	−1,996
Net before tax result [1]		**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**

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

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

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

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Statements relating to the future

This annual report contains 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.

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