OUR KNOW-HOW FOR YOUR SAFETY

Annual Report 2023

NABALTEC GROUP

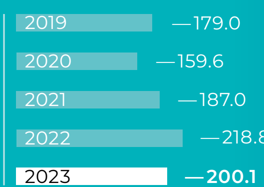
FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2023

in EUR million	2023 (IFRS)	2022 (IFRS)	Change
Revenues			
Total revenues	**200.1**	218.8	–8.5%
thereof			
Functional Fillers	**142.3**	148.0	–3.9%
Specialty Alumina	**57.8**	70.9	–18.5%
Foreign share (%)	**75.0**	73.7	
Earnings			
EBITDA	**31.0**	42.4	–26.9%
EBIT	**18.3**	29.2	–37.3%
Consolidated result after taxes	**11.4**	26.4	–56.8%
Earnings per share (EUR)	**1.30**	3.00	–56.7%
Financial position			
Cash flow from operating activities	**16.5**	32.4	–49.1%
Cash flow from investing activities	**–14.0**	–25.7	–45.5%
Assets, equity and liabilities	**12/31/2023**	**12/31/2022**	
Total assets	**280.9**	281.1	–0.1%
Equity	**141.8**	133.5	6.2%
Non-current assets	**120.7**	135.3	–10.8%
Current assets	**160.2**	145.8	9.9%
Employees[1] (number of persons)	**516**	506	2.0%

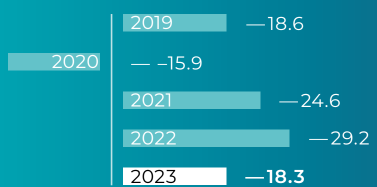
[1] *on the reporting date 31 December, including trainees*

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 remain intact in the long-term, although the global economic situation left a clear mark on the chemical industry – a trend which Nabaltec was not able to completely escape in the past financial year.

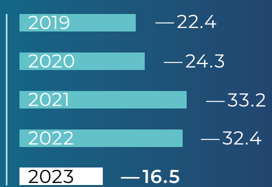
REVENUES
IN EUR MILLION



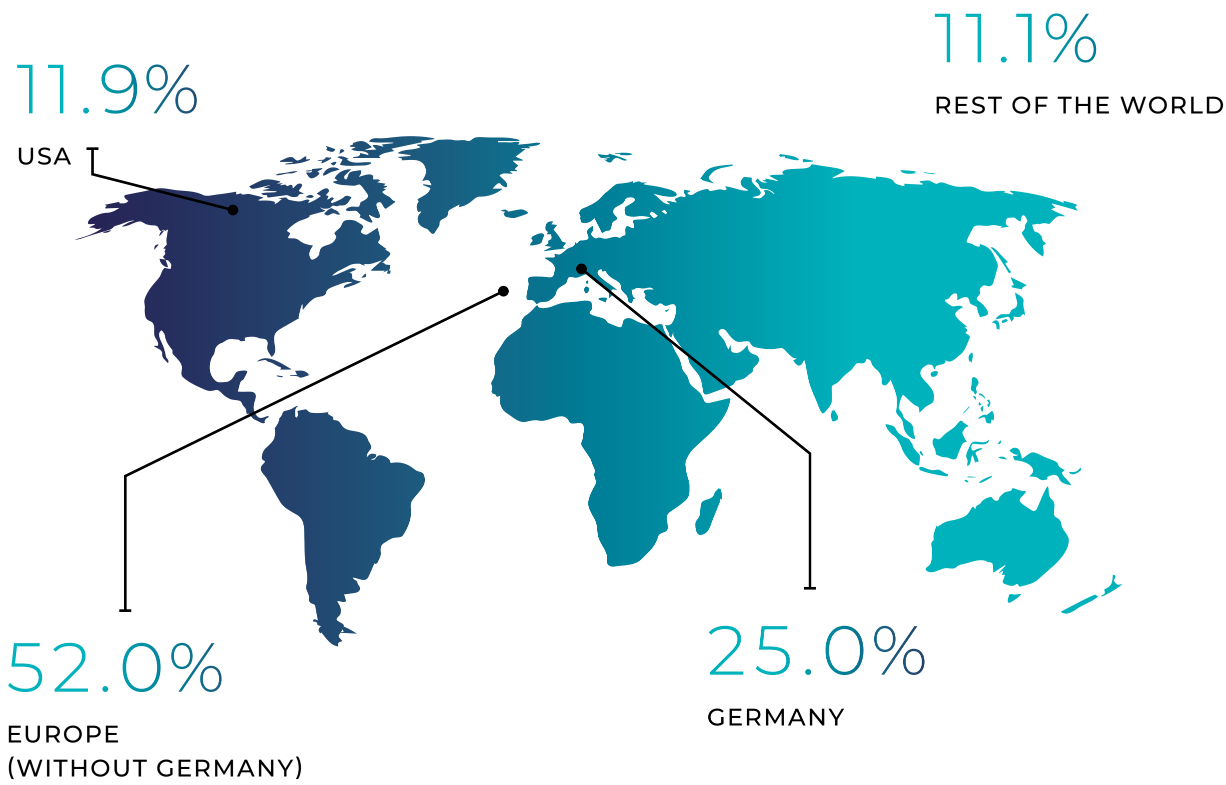
EBIT
IN EUR MILLION



OPERATING CASH FLOW
IN EUR MILLION



REVENUE SHARES 2023



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 offers outstanding long-term prospects for growth for Nabaltec's various specialty chemical products and is the basis for the company's many years of continuous growing economic 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.

NABALTEC AG ON THE INTERNET

www.nabaltec.de/en

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E-mail: InvestorRelations@nabaltec.de

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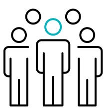
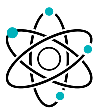


EMPLOYEES

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's success is based largely on the company's high level of innovation. For this, Nabaltec is regularly honored with national and international prizes and awards. In 2023, for example, the company once again and already several times in a row, received the Best Managed Companies Award for excellently managed medium-sized companies. In addition, Nabaltec was also among "Bayerns Best 50" (Bavaria's best 50), the particularly fast-growing medium-sized Bavarian companies, in 2023.

PRODUCT SEGMENTS

FUNCTIONAL FILLERS

EUR 142.3 MILLION

REVENUES

EUR 26.6 MILLION

EBITDA

EUR 16.9 MILLION

EBIT

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 leading manufacturers of boehmite for coating materials for separator films and viscosity optimized aluminum hydroxides for composite materials and gap fillers.

SPECIALTY ALUMINA

EUR 57.8 MILLION

REVENUES

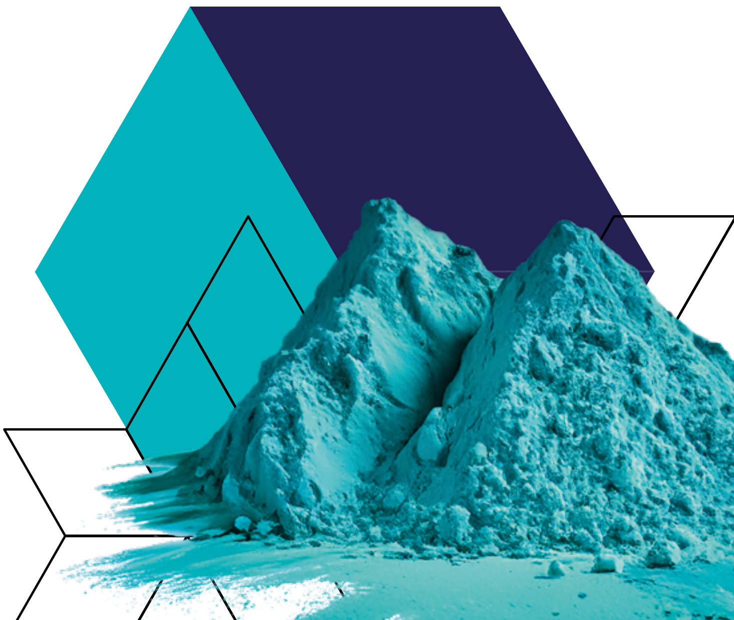
EUR 4.4 MILLION

EBITDA

EUR 1.4 MILLION

EBIT

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.



FOREWORD

of the CEO

Ladies and Gentlemen,
Dear Shareholders and Business Partners,

Nabaltec achieved in 2023 the second-best annual revenues in the company's history. However, the original revenue forecast for the year could not be met

The 2023 Financial Year was characterized by negative influences from the economy, industry trends and weak demand in some target markets. We were therefore unable to meet our expectations, which were entirely justified at the beginning of the year, and had to adjust our forecast downwards in the middle of the year. At EUR 200.1 million, we were able to generate the second-best annual revenues in Nabaltec AG's history, but did not meet the revised revenue forecast for the full year of 2023. On the other hand, we exceeded the forecast for the EBIT margin. With an operating profit (EBIT) of EUR 18.3 million, the EBIT margin was 9.1% (in relation to total performance).

Nabaltec considers the fundamental drivers in the target markets to be intact

As Nabaltec AG, we are well positioned for many applications and target markets thanks to our very broad product portfolio. Together with our excellent reputation on the market, we are very resilient and profitable even in a tough environment. We believe that the fundamental drivers in our markets are intact.

The global economy certainly paints a somewhat different picture at the moment. At 3.1%, global economic growth in 2023 was well below the long-term average. Even though it only accounts for a quarter of our revenues, our home market of Germany brought up the rear among the major industrialized nations with a decline of 0.3%. In Germany, revenues in the chemical industry fell by 12%, according to the industry association VCI. Some target sectors also suffered from difficult development, at least temporarily: The steel industry, especially in Europe, finds itself in a negative market environment. The construction industry is suffering from weak demand, not least due to interest rates. E-mobility is experiencing a dip in growth. In this environment, the results we achieved in 2023 can certainly be seen as a success.

The further outlook for 2024 and 2025 is cautious in the chemical industry

The key question is what will happen in 2024 and 2025. The industry association remains skeptical about the chemical industry as a whole and expects a further decline, even if only in the amount of 3%. The economic outlook for Germany is also unlikely to improve significantly. As recently as February 2024, the OECD halved its forecast for Germany to growth of 0.3%. The global economy will continue to grow in 2024, but probably also below the long-term average. With growth of 4.7% forecasted by the IMF, China cannot fulfill its intended role as the locomotive of the global economy. With these forecasts, the upcoming 2024 Financial Year will once again be challenging. However, looking ahead

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

to 2025 and beyond, we continue to see great growth potential in our target markets. Not only is the high degree of quality consciousness among our customers important, but so are the continuing unbroken trends towards use of sustainable materials and the constantly growing efforts to use environmentally friendly products at all stages of the value chain and in end products. Constantly increasing safety requirements in the various application areas are driving demand for Nabaltec products. We therefore remain optimistic for the coming years and are focusing our company accordingly on the future fields that are opening up for us.

Nabaltec classifies the growth potential in its target markets as high from 2025 onwards

Despite the difficult market environment, we currently expect slight revenue growth compared to the previous year and an EBIT margin in the range of 7% to 9% in Financial Year 2024. We see positive impetus in volume growth across a broad product range. Above all, we expect growth in the United States due to the current improvement in economic conditions. However, we are also seeing a slight increase in demand for new applications such as thermal management and in the area of flame retardants in Europe due to the increased need for cables in the expansion of renewable energies. The “Specialty Alumina” product segment has bottomed out, while the German refractories industry is somewhat more confident. The German Refractories Industry Association (DFFI) has announced that it expects slight revenue growth of 3% in 2024.

For 2024, Nabaltec expects slight year-on-year revenue growth and an EBIT margin in the range of 7% to 9%

If we look at our boehmite, which is primarily used in the field of e-mobility, we had to accept stagnation last year from the previous year, with a revenue share of around 9%. The centers for cell and separator film production are located in Asia. Due to the strong competition in boehmite, we were unable to participate in the growth here. With regard to the massive expansion of cell production, there is still a lack of impetus from the EU and the US, and the associated increase in the production of coated separator films has not yet materialized. In the coming years, we are confident that Nabaltec will use its expertise to become a leading supplier of coating materials for separators, as well as for the still very new field of cathode edge coating. This encourages us to double the annual capacity for boehmite to 20,000 tons when investing in the Schwandorf site.

The same applies to our activities in the field of gap fillers that support thermal management in lithium-ion batteries. Through intensive research and development, we sensitize customers and markets to the advantages of our solutions. Similar to boehmite, we see ourselves in an excellent position on the global market to offer an environmentally friendly and qualitatively leading solution that meets all technological challenges.

With two production sites in the USA, Nabaltec is very well positioned internationally

Another example of Nabaltec's strong future positioning is our regional focus. While many other medium-sized companies in Germany are currently considering whether they should expand into the US, we are already well represented there with two production sites. Favorable energy prices are one of several arguments for our long-term commitment in the US, as is our proximity to customers in a fast-growing market. As far as the energy supply in Schwandorf is concerned, we are also in a very sound position here thanks to our connection to the waste-to-energy plant. Thanks to comprehensive investments in the past, our sites and production facilities are state of the art. And we will continue to invest: not only in expanding our capacity for boehmites and viscosity optimized hydrates, but also in our calcination units in the "Specialty Alumina" product segment. This will strengthen our position as a reliable supplier of high-quality products in the long term.

My special thanks go to our entire team of employees, who once again proved that we can operate successfully worldwide even under these very difficult conditions. I am therefore very much looking forward to the future tasks and opportunities. I would like to thank our customers, business partners and shareholders for their trust. We look forward to continuing our journey together.

Schwandorf, March 2024

Yours,

JOHANNES HECKMANN
CEO

REPORT
of the Supervisory Board

Ladies and Gentlemen,
Dear Shareholders,

In Financial Year 2023, Nabaltec AG was increasingly exposed to the noticeably weaker industrial momentum, which unfortunately did not spare the company's target markets. The overall situation in 2023, which was characterized by high energy costs, inflation, and concerns about recession, led to very volatile order behavior on the customer side, which cannot be predicted over the long term. In terms of revenues, the forecast for the year as a whole was therefore missed slightly. At the same time, however, the forecast for the EBIT margin was exceeded.

Nabaltec was exposed to the noticeably weaker industry momentum in 2023; the revenue forecast for the year as a whole was therefore missed slightly

The Supervisory Board will continue to monitor Nabaltec's business performance closely, especially in light of current market and economic developments. Overall, the company's situation is currently very stable despite the downturn in the markets.

COLLABORATION BETWEEN THE SUPERVISORY AND MANAGEMENT BOARDS

The Supervisory Board duly performed its assigned tasks in Financial Year 2023 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 directly and fully 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 2023 were decided positively.

All transactions requiring approval in Financial Year 2023 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 2023 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.

CHANGES TO THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes to the composition of the Management Board and Supervisory Board in the Financial Year 2023.

MEETINGS OF THE SUPERVISORY BOARD AND FOCUS OF DELIBERATIONS

The Supervisory Board held four meetings in 2023 in which all members were present

Four regular ordinary meetings of the Supervisory Board were held in the reporting period: on 20 April, on 28 June following the Annual General Meeting, on 28 September and on 12 December. All meetings in 2023 were held in person, with all members of the Supervisory Board present. No additional meetings took place in 2024 prior to the Supervisory Board meeting on 17 April 2024 (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. Outside of Supervisory Board meetings, the Supervisory Board did not pass any resolutions in 2023.

The following issues were the subject of particularly intensive consideration in Financial Year 2023:

- the 2022 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit
- planning for 2024 and mid-term planning through 2026
- investment program 2024 and financial planning for the period from 2024 through 2026
- 2024 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 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

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 2023.

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 the overall economic development in Germany and Europe, 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 2023 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 2023, and has issued unqualified auditor's opinions.

The Supervisory Board engaged the auditor in accordance with the resolution of the Annual General Meeting of 28 June 2023. The focus of the audit for Financial Year 2023 was set on the measurement of financial assets.

The annual financial statements for Nabaltec AG and Group for 31 December 2023 have been reviewed and approved by the Supervisory Board

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. The members of the Supervisory Board have examined the documents in detail. These documents and reports were the subject of intensive consideration at the session on 17 April 2024. The auditor was present at this meeting, reported on the key findings of the audit and was available for further questions. The auditor also confirmed its independence to the Supervisory Board; there were and are no discernible circumstances that could give rise to fears of bias on its part. 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 2023. The annual financial statements of Nabaltec AG for 2023 are therefore adopted.

A WORD OF GRATITUDE

The Supervisory Board would like to thank the Management Board and all employees for their consistently strong commitment and their successful work in an environment that continues to be challenging.

Schwandorf, 17 April 2024

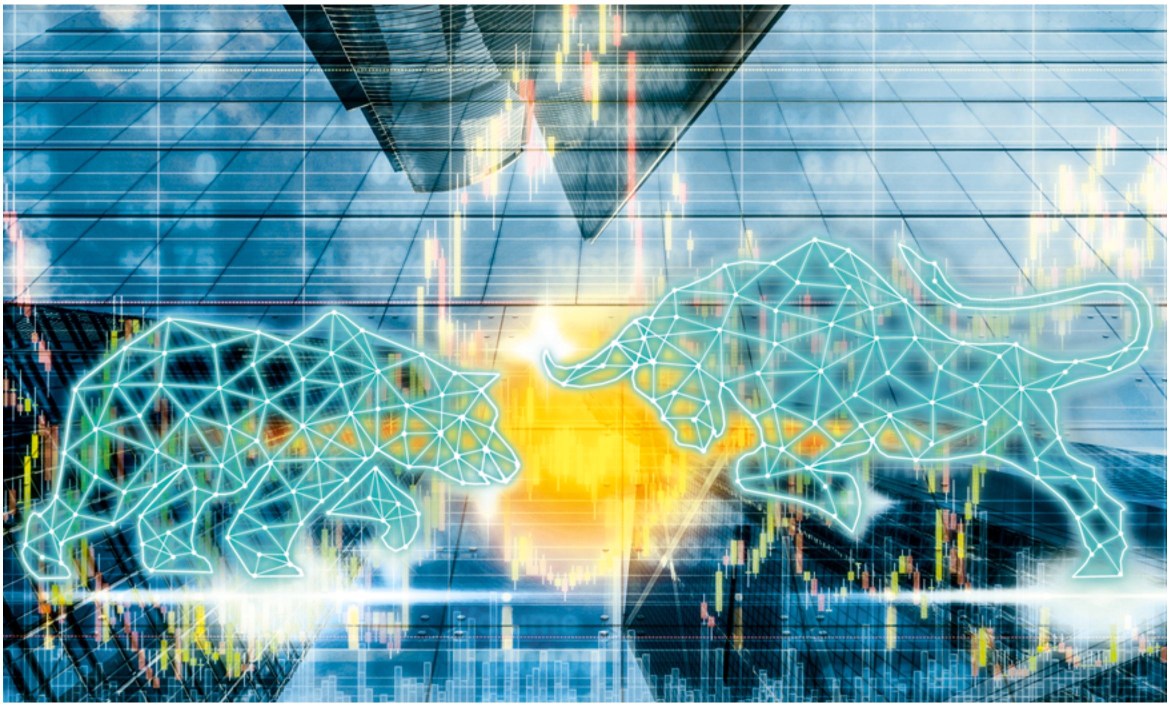
Gerhard Witzany

GERHARD WITZANY
Chairman of the Supervisory Board

NABALTEC SHARE

the Stock Market 2023

ISIN/WKN: 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.

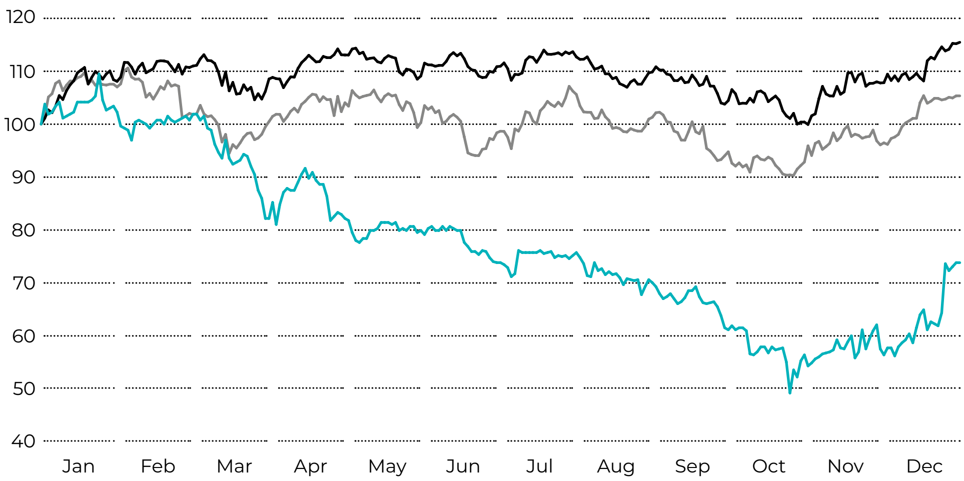


SHARE PERFORMANCE

The Nabaltec share initially trended sideways at the beginning of 2023, in line with the relevant benchmark indices, the SDAX and the specialty chemicals index. As the year progressed, however, it was no longer able to perform at the level of the comparative figures. The persistently challenging environment in the financial markets in 2023 continued to weigh on the Nabaltec share. The high for the year was reached by the Nabaltec share on 24 January 2023 at a price of EUR 28.80. The lowest price was registered on 23 October 2023 at EUR 12.90. By the end of 2023, the share price had risen to EUR 19.40, giving Nabaltec a market capitalization of EUR 170.7 million as of 31 December 2023, compared to EUR 230.6 million on the same date of the previous year.

Nabaltec share reached its high of 2023 at EUR 28.80

PERFORMANCE OF NABALTEC SHARE IN 2023 (XETRA, INDEXED)



KEY DATA FOR NABALTEC SHARE (XETRA)

	2023	2022
Number of shares	8,800,000	8,800,000
Market capitalization (cutoff date, in EUR million)	170.7	230.6
Average price (in EUR)	20.44	27.62
High (in EUR)	28.80	39.60
Low (in EUR)	12.90	19.60
Closing price (cutoff date, in EUR)	19.40	26.20
Average daily turnover (in shares)	3,171	2,996
Earnings per share (in EUR)	1.30	3.00

TRADING VOLUME

Daily average trading volume of 3,171 shares in 2023

The daily average trading volume of the Nabaltec share on Xetra in 2023 was 3,171 shares, thus remaining at a high level. In the previous year, 2,996 shares were traded on a daily average. A total of approximately 0.80 million shares were traded on Xetra in the reporting year, corresponding to around 20% of the free float, unchanged from the previous year. Nabaltec AG has voluntarily supported the tradability of the share since the beginning of the listing through designated sponsoring, which is currently being carried out by Baader Bank AG and Hauck Aufhäuser Lampe Privatbank AG.

EARNINGS PER SHARE

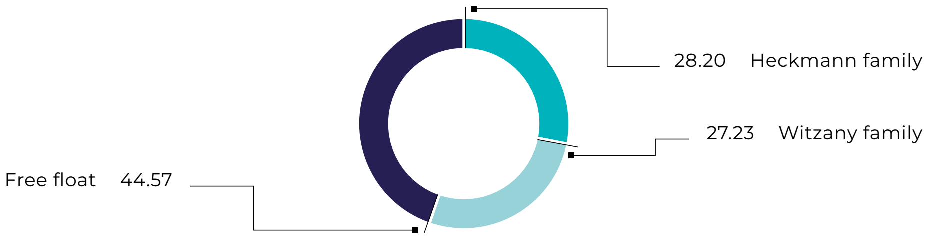
Earnings per share of EUR 1.30 in 2023

The earnings per share (EPS) in 2023 came to EUR 1.30. In the previous year, this key figure was EUR 3.00.

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 28.20% of the company's capital stock and the Witzany family held 27.23%. The remaining 44.57% of the shares were in free float.

SHAREHOLDER STRUCTURE (IN %)



ANALYST RECOMMENDATIONS

Analyst price targets at a "buy" rating

The recommendations of the analysts of Baader Bank AG and NuWays AG (a spinoff of Hauck Aufhäuser Lampe Privatbank AG) regarding the Nabaltec share are positive for the long term.

NuWays AG analyzes the Nabaltec share continuously in research reports, publishing eight studies and updates on the Nabaltec share in the past financial year. In all analyses, it issued a "buy" recommendation. The price target was lowered in the course of the year from EUR 36.00 in February 2023 to EUR 31.00 in November 2023. After the balance sheet date, the price target was set at EUR 25.00 with a "buy" rating on 6 March 2024.

Baader Bank AG also analyzes Nabaltec AG regularly, publishing nine studies on the share in 2023. Over the course of the year, the rating remained constant at "buy" with a price target of EUR 31.00.

The analysts' recommendations of Nabaltec share can be found online at www.nabaltec.de/en/investor-relations/share.

CAPITAL MARKET COMMUNICATIONS

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

Since the start of its listing on the Frankfurt Stock Exchange in 2006, Nabaltec AG has continuously kept its investors informed, exceeding the prescribed minimum standards. Quarterly reporting in accordance with IFRS in German and English, the voluntary obligation to comply with a four-month deadline for publication of the annual report, and coverage by regular analyst reports are some examples of this. Participation in the Scale market segment of the Frankfurt Stock Exchange also entails an increased transparency obligation.

In Financial Year 2023, Nabaltec AG continued its intensive investor relations activities. It participated in several investor and analyst events with participants from Germany and abroad. In 2023, these conferences were held in the form of face-to-face events, including the Spring Conference in May 2023, the Baader Investment Conference in September 2023 and the German Equity Forum in November 2023.

Financial communications activities were supplemented by numerous discussions with representatives of the press, particularly in connection with the publication of the 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 THE NABALTEC SHARE

ISIN (International Security Identification Number)	DE000A0KPPR7
Stock symbol	NTG
Stock exchanges	Frankfurt (Open Market), over-the-counter in Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Index membership (31 December 2023)	Scale All Share, Scale 30, DAXsector All Chemicals, DAXsubsector All Chemicals, Specialty

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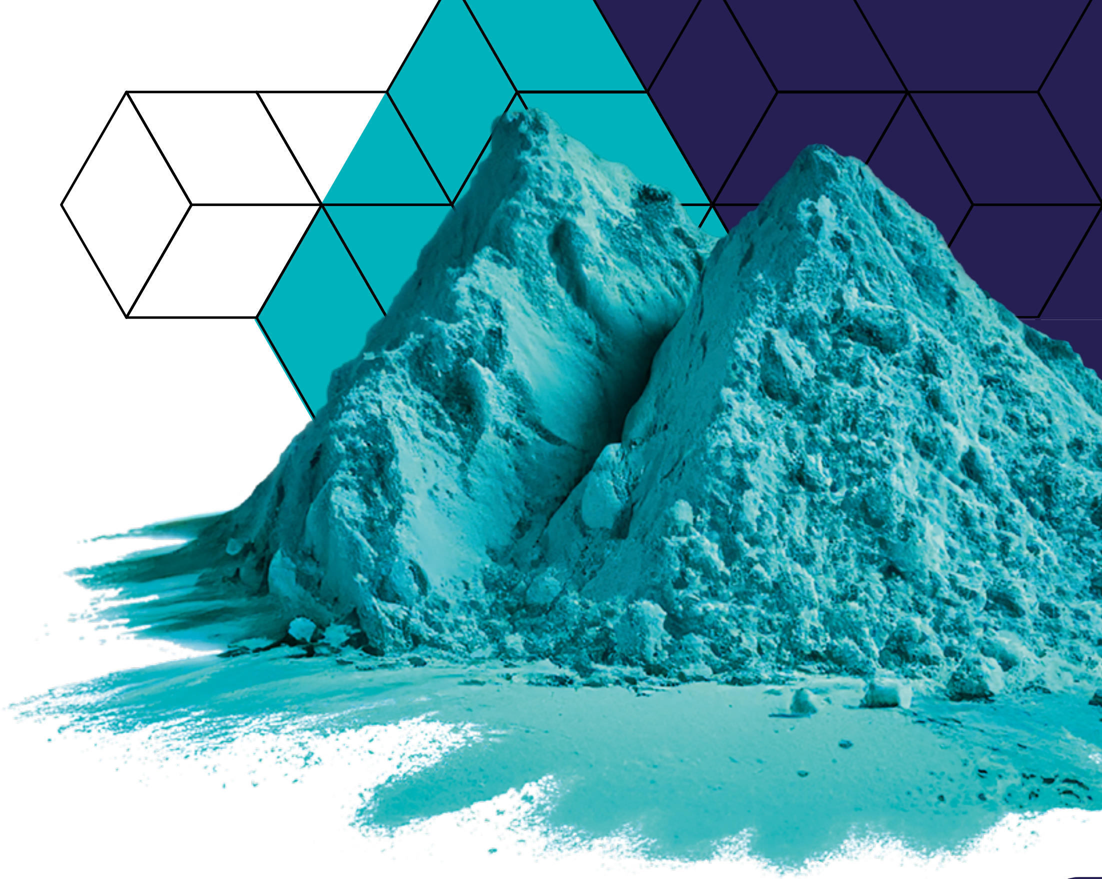


CONSOLIDATED MANAGEMENT REPORT 2023

CONSOLIDATED MANAGEMENT REPORT

for Financial Year 2023*

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 studies. In order to benefit from this development,

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

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 e-mobility applications serves a market which will post strong growth in the coming years, despite currently moving sideways. Nabaltec sees itself as one of the world’s major manufacturers of boehmite-based coating material.

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

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

CORPORATE AND GROUP STRUCTURE

Nabaltec AG, based in Schwandorf, Germany, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminum AG. In September 2006, the company was converted into a German joint stock corporation (Aktiengesellschaft). Nabaltec 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.

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

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.

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, sales activities for Nabaltec Group in North America are also concentrated in Nabaltec USA Corporation. Nashtec LLC and Naprotec LLC are strictly production companies, primarily for products in the halogen-free flame retardant application area.

Naprotec LLC and Nashtec LLC bundled in Nabaltec USA Corporation

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

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 SEGMENT
"FUNCTIONAL FILLERS"

Market segments:

- Wire & Cable
- Resins, Dispersions & Adhesives
- Battery
- Rubber & Elastomers

PRODUCT SEGMENT
"SPECIALTY ALUMINA"

Market segments:

- Refractory
- Technical Ceramics
- Polishing
- Adsorbents & Catalysts

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 in the e-mobility segment, Nabaltec will face new challenges requiring it 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 makes use of standardized release and change management processes, ensuring a further improvement in customer benefits while at the same time 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. By introducing packaging with recycled content, Nabaltec is closing material cycles.

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. One example is the development of new ceramifying flame retardants for heat barriers, for example for battery housings in electric vehicles;
- 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 on a scale 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 the end of 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 the current 20,000 to 50,000 metric tons per year by mid-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 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 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 a pension of up to 50% of their last fixed gross salary. Moreover, surviving spouses are entitled to up to 75% of the pension as a widow's pension in the case of the Management Board Chairman and up to 60% in the case of 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 Nabaltec.

SUPERVISORY BOARD

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 Nabaltec.

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 2.4% of revenues in 2023.

R&D activities play a key role in the company

The results from the cooperation with customers flow directly into the development work of the technical areas of application technology, 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 institutes. Currently, two public-funded industrial collective research projects are being worked on by Nabaltec employees through project committees. The research partners include the Chemnitz University of Technology, the Feuerfest Research Society and the PTS Technical Paper Foundation in Heidenau. The cooperation with the Eastern Bavarian College of Applied Sciences (OTH) Amberg-Weiden in the form of a membership in the PartnerCircle is new. In addition to joint research projects, the partnership agreement aims at intensive cooperation through lectures, excursions, regular events and a company presence in the lecture hall via digital media.

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 e-mobility

Research and development in the 2023 Financial Year was once again sharply marked by challenges relating to e-mobility, especially battery development. The commissioning of a coating system for the laboratory in 2023 was an important milestone for the application of Nabaltec boehmites. It enables Nabaltec to replicate its customers' processes even better. The next generation of lithium-ion battery cells with increased energy densities and thus higher storage capacities requires separator films with ever thinner coatings. This requires the development of extremely fine and yet easily dispersible boehmites. The first customer approvals were based on pilot productions. The first production batches are scheduled to be manufactured at the start of 2024.

Electrode coating (especially cathode edge coating) has gained importance due to the development of further battery cell factories in Europe. Based on the companies' work on the application performance of Nabaltec boehmites, several European and global customers had already been acquired for release processes in 2022. In 2023, these processes are well advanced and the final phase of industrial release has started for some of the customers.

In addition, activities also focused on process engineering and production-related developments in connection with the ongoing capacity expansions for boehmite. The focus was on projects to optimize processes, costs and quality.

Thermal management and flame retardancy in e-mobility battery systems are important areas of development for Nabaltec

In addition to boehmite applications in battery cells, thermal management and flame retardancy in battery systems are key areas of e-mobility development where Nabaltec is active.

Given the demand for significantly faster charging times and due to the dense network of rapid charging stations, the issue of thermally conductive materials is becoming increasingly important. This is because rapid charging in particular generates heat that must be dissipated from the battery to prevent it from being damaged. Nabaltec aluminum hydroxides of the APYRAL® HC series are used to produce thermally conductive materials that can dissipate this heat. Thermal Interface Materials (TIMs) or so-called "gap fillers" contain very high fill levels of APYRAL® HC products and are inserted between the individual battery cells and the aluminum heat conducting plate. APYRAL® HC is also produced at Naprotec's Chattanooga site in the US, guaranteeing international customers a high level of supply reliability. Materials filled with APYRAL® HC increase the service life of a battery in daily use and also offer a high level of flame protection.

To prevent flames from spreading to the entire vehicle on ignition, the battery housing must also provide an appropriate barrier function. Nabaltec has developed flame retardants for this application, which were introduced in 2023 under the name ACTILOX® HTB. The aim of this application is to form a mechanically stable barrier in the event of flame impingement, protecting the battery cover from burning out without the need for additional barrier plates.

Innovative and environmentally friendly flame retardant products are the guarantors of the Nabaltec long-term growth

Nabaltec's innovative and environmentally friendly flame retardant products are the guarantors of its long-term growth. Developments in the areas of recycling and circularity are becoming increasingly important. Nabaltec has therefore joined a consortium project entitled "Tailoring the HFFR Performance of Recyclates," in which eight industrial partners want to demonstrate the upgrading of post-consumer and industrial plastic recyclates to halogen-free flame-retardant specialty compounds for electrical and electronic applications using selected waste streams as examples. The project is being carried out at the Fraunhofer Institute for Structural Durability and System Reliability in Darmstadt.

For years, the Group has been seeing a trend in the refractory industry towards increased use of highly reactive aluminum oxides. Nabaltec has therefore focused its development activities in the refractory application area on expanding its reactive alumina product portfolio. In 2023, NABALOX® NO 550 P was introduced as a new product demonstrating sound flowability in very low-water refractory concretes.

2. Financial report

2.1 Macroeconomic and industry-related conditions

2.1.1 MACROECONOMIC SITUATION

Economic growth in the second half of 2023 was stronger than expected in some cases; overall, economic development in the world increased by 3.1% after 3.5% in the previous year

The International Monetary Fund estimates that economic growth in the second half of 2023 will be stronger than expected in the United States and in several major emerging and developing countries. Government and private spending often contributed to the upturn, with real disposable income growth supporting consumption while labor markets remained tight – albeit easing – and households reduced their savings accumulated during the pandemic. There was also an expansion on the supply side, which was reflected in a broad increase in the labor participation rate, the resolution of supply chain problems from the pandemic period and a shortening of delivery times. However, the increasing momentum was not felt everywhere. Growth in the eurozone was significantly subdued due to subdued consumer sentiment, the ongoing impact of high energy prices and the weakness of the interest rate sensitive manufacturing sector and corporate investment. Overall, the IMF puts global economic growth at 3.1% after 3.5% the year before.[1]

With economic growth of –0.3%, Germany will be below the eurozone average of 0.5% in 2023. Over the course of 2023, economic output in Germany essentially moved sideways, with the small increases from the first half of the year being eroded by the downward trend in the second half. The economic weakness was mainly due to declining consumption and a sluggish export business. Construction activity also continued to trend downwards. However, inflation in Germany fell in 2023 with an inflation rate of 5.9%, after 6.9% in 2022. According to the Kiel Institute for the World Economy, the high inflation phase is over, with inflation rates for the next two years falling further to 2.3% (2024) and 1.8% (2025).[2]

2.1.2 INDUSTRY SITUATION

Sector revenues in the chemical industry down by 12% in 2023

The German Chemical Industry Association (VCI) reports that industry revenues fell by 12% in 2023 compared to the previous year, with a particularly sharp decline in Germany. Production in the sector fell by 8% from the previous year. If the pharmaceuticals business is excluded, this decline increases to around 11%. The VCI member survey revealed that declining sales, falling sales prices and high production costs put considerable pressure on companies' profits: Almost 40% of member companies complained of a significant drop in profits; around 15% of companies were already in the red.[3]

1 *IMF – World Economic Outlook, January 2024*
2 *Kiel Economic Report No. 110 (2023/04), German economy in winter 2023*
3 *Press release VCI, annual balance sheet 2023, 15 December 2023*

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 average annual global demand growth of 4.3% through 2027 (ATH-based, source: MarketsandMarkets, 2022).[4] 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 e-mobility, 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 the coming years. As a result, the potential for boehmite in Europe will be gradually increased, alongside the Asian market.

The long-term trend of growing demand for non-halogenated flame retardant fillers remains intact

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).[5]

2.2 Course of business

2023 started with a very solid first quarter, characterized by revenue growth. This was exclusively price-driven: After 2022, Nabaltec raised its prices again at the start of 2023. The second quarter of 2023 already displayed a significant slowdown in industrial momentum that continued throughout the rest of 2023. Looking at 2023 as a whole, sales volumes fell in almost all product ranges in both the “Functional Fillers” and “Specialty Alumina” product segments. A continued focus on low stock levels and increasingly short-term and erratic ordering behavior on the part of customers were clearly noticeable throughout the year. Given the overall situation on the markets, no further price policy levers could be used. Nabaltec’s consolidated revenues amounted to EUR 200.1 million in 2023, down from EUR 218.8 million the year before (– 8.5%). This was the second-highest revenue in Nabaltec’s history, after the record year 2022.

In 2023, sales volumes declined due to the economic situation; at EUR 200.1 million, Nabaltec’s revenues were the second highest in the company’s history

Nabaltec earned operating profit (EBIT) of EUR 18.3 million in 2023, compared to EUR 29.2 million in the previous year (– 37.3%). The EBIT margin (EBIT as a percentage of total performance) was 9.1%, having reached 13.1% the year before. EBITDA had been EUR 42.4 million in Financial Year 2022 and sank by –26.9% to EUR 31.0 million in Financial Year 2023.

4 *MarketsandMarkets, “Flame Retardants Market, Global Forecast to 2027” study from 2022*
5 *IMARC Group, Study “Aluminum Oxide Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023–2028” from 2023*

Due to the weaker industry momentum, revenues fell slightly short of the August 2023 forecast; the forecast for the EBIT margin was exceeded

Due to the generally highly weak demand and ongoing destocking by customers, there was a significant decline in sales in both product segments in the second quarter of 2023. Contrary to original expectations, the company saw no signs of recovery for the rest of the year and adjusted its forecast for 2023 as a whole in August 2023. Nabaltec now expects a year-on-year decline in revenues in the range of 4% to 6%, after previously expecting revenue growth in the range of 3% to 5%. The actual decline in revenues for 2023 was 8.5%, triggered by an unexpectedly high slump in revenues in the "Specialty Alumina" product segment in the fourth quarter. At the same time, the adjusted forecast for earnings was exceeded. The 2023 EBIT margin, calculated as EBIT divided by total performance, was 9.1% (previous year: 13.1%), thus exceeding the 6% to 8% range forecasted in August 2023. Originally, 8% to 10% had been expected. Lower than expected costs in the fourth quarter of the financial year led to an improved EBIT margin for the year as a whole compared to the adjusted forecast.

2.3 Situation

2.3.1 EARNINGS POSITION

Nabaltec Group earned EUR 200.1 million in revenues in Financial Year 2023, compared to EUR 218.8 million in the previous year (down 8.5%). The decline in revenues was due to the significant slowdown in market momentum with a disproportionate fall in sales volumes.

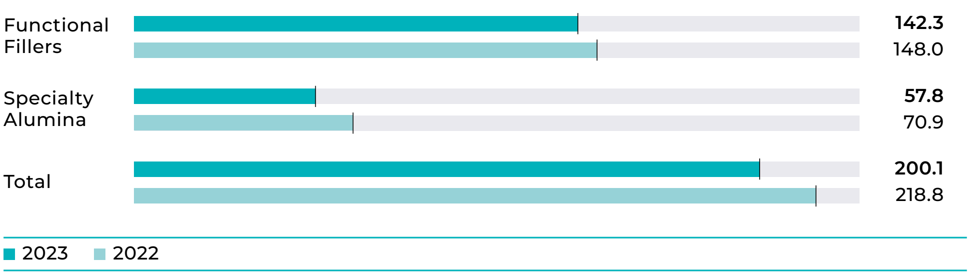
In the first quarter of 2023, Nabaltec grew on prices, earning EUR 57.0 million in consolidated revenue, compared to EUR 54.8 million in the comparable period from the previous year (+4.0%). However, the weak industrial momentum was clearly evident in the following quarters and the effects could no longer be offset by further price adjustments to the same extent as before. In the second quarter, Nabaltec's consolidated revenues fell by 12.2% to EUR 49.1 million (same quarter from last year: EUR 55.9 million). In the third quarter, revenues amounted to EUR 49.8 million, compared to EUR 56.5 million in the same quarter of last year (–11.9%). In the fourth quarter, Nabaltec generated revenues of EUR 44.3 million, compared to EUR 51.7 million in the same period of last year (–14.3%).

Revenues in the "Functional Fillers" product segment amounted to EUR 142.3 million in 2023; the boehmite product range generated revenues of EUR 17.3 million

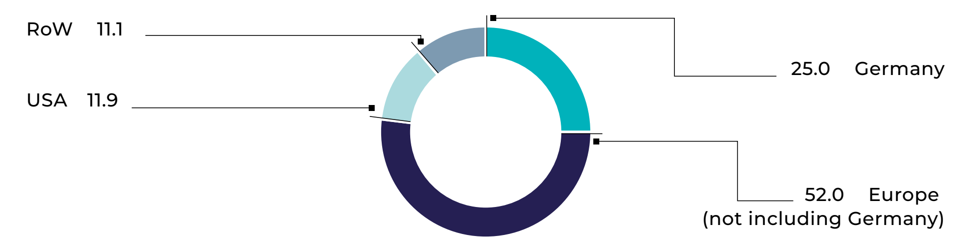
Nabaltec attained revenues in the "Functional Fillers" product segment of EUR 142.3 million in Financial Year 2023, compared to EUR 148.0 million in the previous year, corresponding to a reduction of 3.9%. Sales volumes were down 13.5% overall in 2023 due to uncertainties in the markets and further consistent reduction in inventories on the part of many customers. In the boehmite product range, revenues in 2023 amounted to EUR 17.3 million, compared to EUR 19.0 million the year before. Boehmite's share in consolidated revenues was therefore around 9%, as in the previous year.

In the "Specialty Alumina" product segment, revenues in 2023 amounted to EUR 57.8 million, compared to EUR 70.9 million in the previous year (down 18.5%). This is due to the continuing weakness of the steel industry.

REVENUES BY PRODUCT SEGMENT, 2023 (IN EUR MILLION)



REVENUES BY REGION, 2023 (IN %)



Export ratio with 75.0% at a high level

For the year as a whole, the export share increased slightly to 75.0% (previous year: 73.7%), remaining at a very high level.

Orders received amounted over the year as a whole to EUR 176.4 million, compared to EUR 164.6 million in the previous year. As in 2022, orders in 2023 tended to be placed at short notice and closely in line with demand. Nabaltec ended 2023 with an orders backlog in the amount of EUR 38.0 million (previous year: EUR 61.7 million). This reflected the short-term nature of customers' ordering behavior.

Total performance in the year 2023 at EUR 201,1 million

Nabaltec Group's total performance was EUR 201.1 million in 2023, compared to EUR 223.0 million in the previous year. This development is mainly due to the weaker sales trend compared to 2022 as well as the significantly lower increase in inventories of finished goods and work in progress of EUR 0.6 million in 2023 after EUR 3.6 million in the previous year. The net change in inventories in 2023 resulted from an increase in the value of inventories combined with lower quantities.

Other operating income amounted to EUR 2.8 million at year-end (previous year: EUR 3.5 million) and includes currency gains (EUR 1.0 million) as well as other income from deliveries and services to third parties. The decline is almost exclusively due to lower income from currency translation.

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

	2023	2022
Cost of materials	50.7	47.7
Personnel expenses	19.0	17.8
Other operating expenses	16.3	17.1

The depreciation ratio (depreciation as a percentage of total performance) was 6.3% in 2023, compared to 5.9% the year before. Depreciation amounted to EUR 12.7 million compared to EUR 13.2 million in the year before.

Increased material costs could not be cushioned in 2023 by price adjustments as in the previous year

The cost of materials ratio (cost of materials as a percentage of total performance) increased to 50.7% (previous year: 47.7%). Compared to the previous year, the increased costs for raw materials and energy could no longer be fully offset by price adjustments in 2023. In absolute terms, the cost of materials decreased based on the lower sales volume from EUR 106.4 million to EUR 101.9 million (– 4.2%).

The gross profit margin (as a percentage of total performance) decreased from 53.8% in the previous year to 50.7% in 2023. In absolute terms, gross profit in 2023 came to EUR 102.0 million, compared to EUR 120.0 million the year before.

With 516 employees in the Group at year-end 2023 (31 December 2022: 506), the personnel expense ratio (personnel expenses as a percentage of total performance) increased from 17.8% in the previous year to 19.0% in the reporting period. In absolute terms, personnel expenses slightly decreased from EUR 39.6 million in 2022 to EUR 38.2 million in the reporting year. 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. In addition, personnel expenses in 2023 include lower bonuses and premiums than in the previous year.

Other operating expenses fell from EUR 38.1 million to EUR 32.8 million – mainly due to lower freight costs, as rates in the financial year were noticeably lower than in the previous year. The cost share of other operating expenses as a percentage of total performance amounted to 16.3% compared to 17.1% in the previous year.

EBITDA 2023 at EUR 31.0 million, compared to EUR 42.4 million in the previous year

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 31.0 million, compared to EUR 42.4 million in 2022 (–26.9%). The EBITDA margin (as a percentage of total performance) reached 15.4% in 2023 (previous year: 19.0%).

Operating profit (EBIT) was EUR 18.3 million in 2023, compared to EUR 29.2 million in the previous year. The EBIT margin (as a percentage of total performance) was 9.1% in 2023 (previous year: 13.1%).

EBIT (IN EUR MILLION)

Earnings before taxes (EBT) amounted to EUR 16.1 million in 2023 (previous year: EUR 27.5 million). This includes EUR –2.2 million in 2023 net financial income. In the previous year, the financial result amounted to EUR –1.7 million. In addition to interest expenses of EUR 4.3 million, interest income of EUR 2.1 million could be realized in 2023 due to the sound cash situation.

Tax expenses came to EUR 4.7 million in Financial Year 2023 after EUR 1.1 million in the previous year. Taxes on income from 2022 included tax income of EUR 6.8 million in the third quarter of 2022, resulting from the contractual cost settlement with Nashtec LLC in Financial Year 2020.

The consolidated earnings for the financial year just closed was EUR 11.4 million, compared to EUR 26.4 million in the previous year. This corresponds to an earnings per share (EPS) in 2023 of EUR 1.30 (previous year: EUR 3.00).

Earnings per share in 2023 was EUR 1.30

SEGMENT REPORT: DEVELOPMENTS IN THE PRODUCT SEGMENTS

FUNCTIONAL FILLERS (IN EUR MILLION)

	2023	2022
Revenue	142.3	148.0
EBITDA	26.6	30.5
EBIT	16.9	20.6
Investments	12.3	9.3

In the "Functional Fillers" product segment, the fundamental market drivers are intact

Revenues in the "Functional Fillers" product segment decreased by 3.9% in 2023 from EUR 148.0 million to EUR 142.3 million. Sales volumes in this segment fell by 13.5% overall. Nabaltec expects 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 decreased from EUR 30.5 million in the previous year to EUR 26.6 million in the financial year.

"Functional Fillers" product segment was the focus of investments in 2023

With about 88% of total investment, the "Functional Fillers" product segment was once again the focus of investments in 2023 within the Nabaltec Group. Capital expenditures were made primarily for the expansion of capacities in the boehmite product area, for the further optimization of production processes, and for replacement investments at the Schwandorf site.

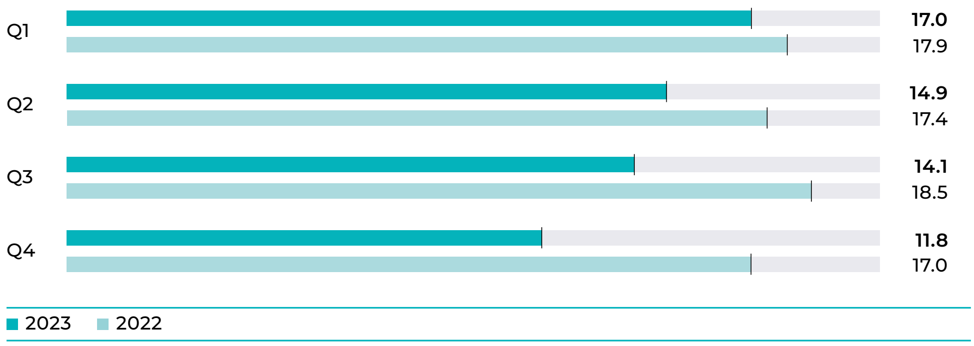
SPECIALTY ALUMINA (IN EUR MILLION)

	2023	2022
Revenue	57.8	70.9
EBITDA	4.4	11.9
EBIT	1.4	8.6
Investments	1.7	1.5

Revenues in the "Specialty Alumina" product segment was EUR 57.8 million

Revenues in the "Specialty Alumina" product segment came to EUR 57.8 million in the reporting period, compared to EUR 70.9 million last year (–18.5%). Overall, sales volumes in the product segment declined by 25.5%.

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



EBITDA in the “Specialty Alumina” product segment was EUR 4.4 million in the financial year just closed, compared to EUR 11.9 million in the previous year.

Around 12% of total investments went into the “Specialty Alumina” product segment, primarily into optimizing production processes and for replacement investments.

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.

Funding to finance sought growth and the investments made is secured by means of shareholders’ equity via loans and through operating cash flow. Following a refinancing measure via a loan against borrower’s note agreement in April 2022, there were no changes in the reporting year.

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 2023 were breached in Financial Year 2023.

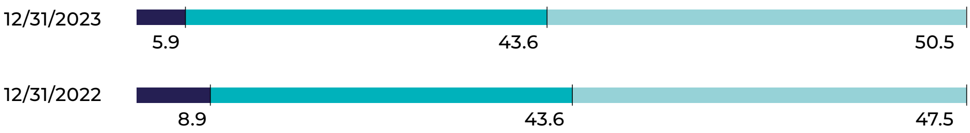
2.3.2.1 Capital structure

Nabaltec’s capital stock is EUR 8.8 million. As of 31 December 2023, consolidated shareholders’ equity increased to EUR 141.8 million, compared to EUR 133.5 million in the previous year. The increase was due in particular to the positive consolidated result.

Equity increased to EUR 141.8 million in 2023

Non-current liabilities amounted to EUR 122.6 million as of 31 December 2023 and were therefore roughly on a par with the previous year (EUR 122.7 million as of 31 December 2022). Current liabilities decreased from EUR 24.9 million on 31 December 2022 to EUR 16.5 million. Lower current trade payables and income tax liabilities were the main reasons for this.

LIABILITIES STRUCTURE (IN %)



■ Current liabilities ■ Non-current liabilities ■ Shareholders' equity

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 14.0 million in investments in 2023

Nabaltec Group made EUR 14.0 million in investments in fixed assets in the financial year just closed, compared to EUR 10.8 million the year before. In 2023, the focus of investment was on the Schwandorf site. The funds were used in particular for technical equipment and machinery to expand capacity, process optimization, and replacement investments.

For 2024, Nabaltec plans to invest around EUR 35 million primarily for expanding capacity for boehmite and viscosity optimized aluminum hydroxides, which are used primarily as composite materials in e-mobility. 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 from EUR 32.4 million in 2022 to EUR 16.5 million in Financial Year 2023. In particular, the significant deviation in earnings before taxes of EUR –11.4 million compared to the previous year is reflected in the reduced cash flow from operating activities. Cash outflows for working capital increased by EUR 1.5 million and for income taxes paid by EUR 3.1 million in Financial Year 2023 compared to the previous year.

Spending on investments decreased from EUR 25.7 million in the year before to EUR 14.0 million. A focus of investment was increasing production capacity for boehmite and process optimization at the Schwandorf site. In the previous year, cash flow from investing activities included a payment of EUR 15.0 million for investments in time deposits with a term of more than three months.

Dividend payment for Financial Year 2022 was EUR 2.5 million

Cash flow from financing activities was EUR –3.4 million in 2023, compared to EUR 28.0 million in the previous year. Cash flow from financing activities includes the payment of the dividend for Financial Year 2022 in the amount of EUR 2.5 million. Interest paid amounted to EUR 3.0 million and interest received to EUR 2.0 million. In the previous year, this included the payment from the proceeds of the loan against borrower's note agreement concluded 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.

Nabaltec's free cash flow (the balance of operating and investing cash flows) amounted to EUR 2.5 million in 2023. In the previous year, cash flow amounted to EUR 6.7 million, taking into account the payment of EUR 15.0 million for investments in time deposits with maturities of more than three months.

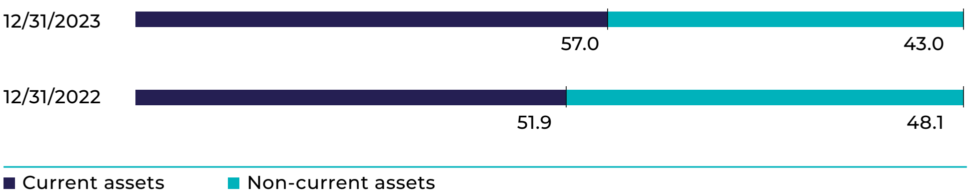
Free cash flow at EUR 2.5 million

Nabaltec Group's total funds, consisting of the sum of cash and cash equivalents, amounted to EUR 86.0 million on 31 December 2023, compared to EUR 87.5 million on the reporting date of the year before.

2.3.2.4 Financial position

Consolidated total assets decreased slightly from EUR 281.1 million to EUR 280.9 million compared to 31 December 2022. Non-current assets decreased from EUR 135.3 million to EUR 120.7 million. This is due to a reclassification of non-current assets in the amount of EUR 15.0 million (investments in time deposits with maturities of more than three months) to current assets. Current assets increased accordingly to EUR 160.2 million as of 31 December 2023, compared to EUR 145.8 million on the previous year's balance sheet date. This includes an increase in inventories from EUR 45.7 million to EUR 51.1 million, mainly due to value adjustments.

ASSET STRUCTURE (IN %)



2.4 Financial and non-financial performance indicators

2.4.1 FINANCIAL 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, great importance is ascribed to revenues and the EBIT margin as performance indicators. Accordingly, the focus is on continually monitoring and optimizing these two major financial performance indicators, which also represent the basis for operational decisions and serve as the basis for forecasting as well.

Revenue growth and EBIT margin are used as key performance indicators

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 %)

	2023	2022
Return on equity	8.0	19.8
Return on capital employed (ROCE)	10.2	17.2

The return on equity is calculated as the ratio of consolidated net income to shareholders' equity. The significant decline in return on equity is mainly due to the EUR 15.0 million decrease in net profit.

Return on capital employed (ROCE) is the ratio of EBIT to capital employed (non-current assets + working capital). With a largely stable level of capital employed, the decline in ROCE is due to the decline in EBIT of EUR 10.9 million in the financial year.

These two financial performance indicators are not used for the internal management of the Group.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

The non-financial performance indicators listed below are not used for the specific internal management of the company or the Group, but are considered by the company to be important for its future development and are therefore monitored on an ongoing basis.

Employees

Training ratio at a high level in the long term

At year-end 2023, the Nabaltec Group had a total of 516 employees (31 December 2022: 506) of whom 500 work in Germany (31 December 2022: 490). This figure also includes 43 trainees (31 December 2022: 43). Nabaltec sets a high value on good training. In Financial Year 2023 as well, the trainee rate represented a remarkably large share of the workforce at 8.3%. Nabaltec's trainees are regularly among the best of their class. Nabaltec currently offers apprenticeships in the following professions: industrial clerk, IT specialist for application development, digitalization management clerk, chemical laboratory technician, chemical technician, chemical production specialist, industrial mechanic and electronics technician for industrial engineering as well as a dual course of study in biotechnology and environmental process engineering.

Nabaltec offers employees extensive development opportunities and numerous measures as part of its company health management program

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 again received silver-standard "Healthy Company" certification 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. As a premium provider, the company attaches great importance to high quality and excellent customer service, which is regularly confirmed by customers.

Nashtec LLC's customer supply in the US continued to develop stably during 2023. With the market launch of Naprotec LLC's products, Nabaltec is continuing to build up its new customer base; customer interest in expanding business relationships is steadily increasing. Sales volumes are therefore improving continuously, albeit still on a low basis.

The sales subsidiary in Shanghai is focusing on the battery market segment. Local stockpiling allows Nabaltec short delivery times and invoicing in local currency.

The company participates in various European associations in order to ensure 360-degree access to key markets and technologies. In addition to the two professional associations within Cefic, the European Chemical Industry Council, Pinfa (the Phosphorus, Inorganic & Nitrogen Flame Retardants Association) and EPSA (European Producers of Specialty Alumina), Nabaltec is also involved in the pan-European association of plastics producers, PlasticsEurope Deutschland e.V., Forschungsgesellschaft Kunststoffe e.V., a plastics research association, as well as the German Ceramics Society (DKG) and Verband der Deutschen Feuerfest-Industrie e.V., the German Refractory Industry Association.

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

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

Management Systems

Nabaltec has integrated management systems in the areas of quality and environment as well as occupational health and safety. In 2023, the existing ISO 9001, ISO 14001 and ISO 45001 management systems at the Schwandorf site were successfully confirmed as part of surveillance audits.

In order to be able to effectively meet the requirements of a continuously changing energy market, Nabaltec possesses a certified energy management system. The energy management system in accordance with ISO 50001 was successfully confirmed in 2023 in the course of a surveillance audit.

The accreditation of Nabaltec's analysis center in accordance with the ISO/IEC 17025 standard was maintained in 2023.

In 2023, the existing ISO 9001 quality management systems at the subsidiaries Nashtec LLC and Naprotec LLC were also successfully confirmed, in a repeat audit for the former and a surveillance audit for the latter.

Nabaltec's commitment to sustainability was awarded silver status by EcoVadis in 2023.

Environmental Protection

Nabaltec requires its own products to significantly contribute toward environmental protection and toward the improvement of the eco balance of a multitude of products. The increasing significance of environmental protection is one of the most important drivers for the global market success of Nabaltec products. They are a component of lithium-ion batteries, for instance, which make a significant contribution to CO_2 reduction in e-mobility. Other products can be found in plastics and mainly replace brominated flame retardants. This makes products safer and easier to recycle. In this respect, it is highly important for 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.

Conservation of natural resources is a major concern for Nabaltec

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 “Specialty Alumina” product segment. In the “Functional Fillers” product segment, flushing material and other non-specific materials are reused internally as raw materials. This supports 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. The efficient use of thermal energy, which is one of the most important sources of energy at Nabaltec, is of particular importance in this context. For example, Nabaltec consistently relies on heat recovery in the drying processes by feeding the heat from the exhaust air back into the drying process.

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 own products in 2024

Nabaltec foresees largely intact sales markets for its products in 2024 as well, but at a low level paired 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 prospects for its key products in the medium term.

ECONOMIC AND SECTOR CONDITIONS

In its January forecast, the IMF expects a global growth in 2023 of 3.1%

In January 2024, the IMF forecasted global growth of 3.1% for the current financial year and 3.2% for the following year 2025, with the forecast for 2024 being 0.2 percentage points higher than in the World Economic Outlook (WEO) of October 2023. The slightly more optimistic outlook is based on the development in the US and in several large emerging and developing countries, which proved to be more resilient than expected, as well as in China, which is receiving government support. However, the IMF also explicitly notes in its January forecast that the figures are below the historical average (measured over the years 2000–2019) of 3.8%. The increased key interest rates of central banks as part of the fight against inflation and the expiry of government support measures as a result of the high level of public debt weighed on economic activity. The underlying productivity growth is low. Inflation is falling faster than expected in most regions, as the problems on the supply side and the period of restrictive monetary policy have been overcome.[6]

6 *IMF – World Economic Outlook Update, January 2024*

According to the Kiel Institute, the German economy is struggling to emerge from stagnation. Economic output is therefore expected to increase again in 2024, although there is currently no sign of any major economic momentum. The fairly strong growth in real disposable income in particular is a boon for private consumption, but the turnaround in interest rates continues to weigh on the construction industry and major impetus from the global economy is yet to come. Economic expansion will also slow down, not least due to the consolidation of the national budget that is becoming apparent following the Federal Constitutional Court's ruling on the supplementary budget for 2021. In the IfW's forecast, the additional savings will reduce the growth rate of gross domestic product by a solid 0.3 percentage points in 2024. Overall, the institute expects gross domestic product to increase by 0.9% in 2024.[7]

GDP GROWTH FORECAST OVER PRIOR YEAR (IN %)

	2024	2025
World	2.9	3.2
USA	1.5	2.0
Euro zone	0.8	1.5
Latin America	1.4	2.1
Asia	5.2	5.2
Germany	0.9	1.4
France	1.0	1.6
Italy	0.2	0.8
United Kingdom	0.8	1.5
Japan	0.7	1.2
China	4.7	4.6
India	7.0	7.0

Source: IfW, Kieler Konjunkturberichte No. 109 "Weltwirtschaft im Winter 2023," 13 December 2023

VCI (Verband der Chemischen Industrie e.V. – German Chemical Industry Association) does not expect the situation in the chemical industry to improve in 2024. At year-end 2023, the industry was still in a recession mood. The current business situation and expectations for the coming months are negative. Declining sales, falling sales prices and high production costs are putting considerable pressure on corporate profits. In its sales forecast for 2024, the Association expects a further decline of 3%.[8]

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 the current economic trends. In the medium and long term, Nabaltec again expects growth in almost all product segments due to its promising product portfolio.

7 *Kiel Economic Report No. 110 (2023/04)*
8 *VCI, Press release on the annual balance sheet 2023, 15 December 2023*

OUTLOOK ON THE COURSE OF BUSINESS

With revenues down 8.5%, Nabaltec AG's performance in 2023 was slightly better than the industry average, which was down 12% from the previous year. On the customer side, increasing orders were received over the course of the year in line with the respective order situation and the continued focus on low inventories was clearly noticeable. Accordingly, there was an increase in short-term and erratic order behavior on the part of customers. Even at the start of 2024, demand remains restrained and characterized by short-term decisions.

Nabaltec expects stable demand for the majority of its product segments

Nabaltec expects demand to remain stable for the majority of its product segments in the current financial year. Overall, uncertainties in connection with raw material and energy prices will remain in 2024.

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

In 2024 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 initially continue to move sideways due to the current weak development in e-mobility. The forecasted increase in battery cell capacity in Europe is also still a long time coming. In the "Specialty Alumina" product segment, a recovery is expected in 2024 following a sharp decline in Financial Year 2023.

EXPECTED EARNINGS, FINANCIAL AND LIQUIDITY POSITION

Nabaltec is expecting revenue growth to be slightly above the previous year's level in 2024 and an EBIT margin in the range from 7% to 9%

Due to the economic and sector-specific environment, Nabaltec expects revenues for 2024 to be slightly above the previous year's level (2023: EUR 200.1 million). On the earnings side, Nabaltec is expecting an EBIT margin in a range from 7% to 9%, compared to 9.1% in Financial Year 2023. The forecast is based on the assumption that the economy and the industries relevant to Nabaltec will develop in a stable fashion. At the time the forecast was prepared, it remains unclear at what speed or with what dynamics the economic situation will recover globally and in the markets relevant for Nabaltec. Inflation, high 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 in the 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 possesses 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 can have a negative impact on sales. 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. There are also risks in connection with the market development of Naprotec products in the United States. If market requirements remain significantly below the original assumptions in the future, there is a risk of permanent underutilization, which may lead to adjustments to assets. 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 involve suppliers outside of Europe as well, 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 continuing Russia-Ukraine conflict, however, sharply volatile energy prices and potential supply bottlenecks may have a negative impact on Nabaltec.

The recent disproportionately high cost increases in raw materials and energy are not expected to continue in 2024

Again in 2023 after 2022, Nabaltec was unable to escape the sharp rise in prices on the procurement market, both for raw materials and for energy. Based on current information, the disproportionately high cost increases in raw materials and energy in 2022 and 2023 are not expected to continue in Financial Year 2024. A sideways movement or slight easing is seen by the company here.

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. In 2023, logistics costs for raw materials rose due to a shortage of capacity on the inland waterway market and a sharp increase in low water surcharges. Nabaltec has counteracted this by switching its logistics for aluminum hydroxide to rail shipments via the seaport of Bremen during the year. From 2025, a logistics hub will be put into operation at Terminal 4 at Weserport GmbH in Bremen on behalf of Nabaltec, which will give Nabaltec more flexibility in raw materials logistics.

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. The risk of changes in interest rates is countered in part through hedging. There were no hedging transactions in this regard as of 31 December 2023.

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. None of the covenants in effect as of 31 December 2023 were breached in the financial year.

There were no breaches of the applicable covenants in the Financial Year 2023

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

PERSONNEL

Particularly the fluctuation of employees in key positions gives rise to personnel risks. Nabaltec minimizes these risks through intensive training/education and management trainee programs to enhance the qualification of employees, performance-based remuneration, employee substitution arrangements that govern the temporary replacement of key employees, and through early advance plans for successors. The company 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.

Intensive continuing education and management training programs

PRODUCTION, PROCESSES AND IT

Nabaltec has an integrated quality management system with ISO 9001 accreditation that is implemented company-wide. 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 Group and is additionally monitored by an external data protection officer. The established cyber security mechanisms are regularly reviewed and actively monitored (penetration test). In addition, more awareness training courses are to be held in the future.

Production-specific risks are clear and manageable

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's goal is 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 economic and geopolitical risks, 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, 28 March 2024

Nabaltec AG

The Management Board

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

CONSOLIDATED FINANCIAL STATEMENTS 2023 (IFRS)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year 1 January to 31 December 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/–12/31/2023	1/1/–12/31/2022
Revenues	5.1	200,133	218,839
Change in inventories of finished goods and work in progress		556	3,603
Own work capitalized	5.2	415	513
Total performance		**201,104**	**222,955**
Other operating income	5.3	2,770	3,486
Cost of materials	5.4	–101,856	–106,399
Gross earnings		**102,018**	**120,042**
Personnel expenses	5.5	–38,175	–39,576
Depreciation	5.7	–12,664	–13,202
Other operating expenses	5.8	–32,840	–38,097
Operating profit (EBIT)		**18,339**	**29,167**
Other financial income	5.10	0	13
Interest and similar income	5.11	2,136	399
Interest and similar expenses	5.12	–4,336	–2,126
Earnings before taxes (EBT)		**16,139**	**27,453**
Taxes on income	5.13	–4,721	–1,078
Net after-tax earnings		**11,418**	**26,375**
Earnings per share (in EUR)	7.5	**1.30**	**3.00**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/–12/31/2023	1/1/–12/31/2022
Net after-tax earnings		**11,418**	**26,375**
Items which may be reclassified to profit and loss in the future			
Currency translation (after taxes)	5.13	–1,042	1,440
Net income from hedge accounting (after taxes)	5.13	0	208
Total		**–1,042**	**1,648**
Items which will not be reclassified to profit and loss in the future			
Actuarial gains and losses (after taxes)	5.13	433	11,148
Total		**433**	**11,148**
Other comprehensive income	5.13	**–609**	**12,796**
Total comprehensive income		**10,809**	**39,171**

CONSOLIDATED BALANCE SHEET

for 31 December 2023

ASSETS

in TEUR	See Notes	12/31/2023	12/31/2022
Non-current assets		**120,716**	**135,315**
Intangible assets		880	575
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	6.1	219	348
Advance payments made	6.1	661	227
Property, plant and equipment		118,985	118,789
Land, leasehold rights and buildings, including buildings on unowned land	6.2	34,202	36,141
Technical equipment and machinery	6.2	64,012	70,145
Other fixtures, fittings and equipment	6.2	5,343	4,334
Advance payments and assets under construction	6.2	15,428	8,169
Financial assets		0	0
Shares in affiliated companies	6.3	0	0
Other assets	6.7	0	15,000
Deferred tax assets	5.13	851	951
Current assets		**160,166**	**145,754**
Inventories		51,131	45,737
Raw materials and supplies	6.4	35,579	30,591
Work in process	6.4	1,585	1,715
Finished goods and merchandise	6.4	13,967	13,431
Other assets and accounts receivable		23,080	12,503
Trade receivables	6.5	1,447	6,451
Taxes receivable	6.6	517	903
Other assets	6.7	21,116	5,149
Cash and cash equivalents	6.8	85,955	87,514
TOTAL ASSETS		**280,882**	**281,069**

LIABILITIES

in TEUR	See Notes	12/31/2023	12/31/2022
Shareholders' equity		**141,810**	**133,465**
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	68,091	44,180
After-tax earnings		11,418	26,375
Other changes in equity with no effect on profit and loss	6.9	–3,227	–2,618
Non-current liabilities		**122,561**	**122,686**
Pension reserves	6.10	27,920	27,985
Other provisions	6.10	1,268	1,286
Accounts payable to banks	6.11	89,962	89,954
Deferred tax liabilities	5.13	3,411	3,461
Current liabilities		**16,511**	**24,918**
Accounts payable from income taxes	6.11	984	2,949
Other provisions	6.10	558	577
Accounts payable to banks	6.11	971	783
Trade payables	6.11	10,124	15,087
Other accounts payable	6.11	3,874	5,522
TOTAL LIABILITIES		**280,882**	**281,069**

CONSOLIDATED CASH FLOW STATEMENT

for the Financial Year 1 January to 31 December 2023

CONSOLIDATED CASH FLOW STATEMENT

in TEUR		See Notes	1/1/–12/31/2023	1/1/–12/31/2022
Cash flow from operating activity				
Earnings before taxes (EBT)			**16,139**	**27,453**
+	Depreciation of fixed assets	5.7	12,664	13,202
–/+	Income/loss from the disposal of assets		–28	–2
–	Interest income	5.11	–2,136	–399
+	Interest expenses	5.12	4,336	2,126
Net operating income before changes in working capital			**30,975**	**42,380**
+/–	Increase/decrease in provisions		–545	55
–/+	Increase/decrease in trade receivables and other assets not attributable to investment of financing activity		4,037	17
+/–	Decrease/increase in inventories	6.4	–5,394	–11,802
+/–	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity		–6,610	4,731
Cash flow from operating activity before taxes			**22,463**	**35,381**
–	Income taxes paid		–6,011	–2,944
Net cash flow from operating activity			**16,452**	**32,437**

CONSOLIDATED CASH FLOW STATEMENT

	in TEUR	See Notes	1/1/–12/31/2023	1/1/–12/31/2022
	Cash flow from investment activity			
+	Payments received from the disposal of property, plant and equipment		54	2
–	Payments made for investments in property, plant and equipment	6.2	–13,609	–10,487
–	Payments made for investments in intangible assets	6.1	–439	–325
–	Payments made for investments in time deposits with a maturity of > 3 months		0	–15,000
+	Payments received from disposals of financial assets		0	77
	Net cash flow from investment activity		**–13,994**	**–25,733**
	Cash flow from financing activity			
–	Dividends		–2,464	–2,200
+	Payments received from loans	6.11	0	89,950
–	Payments made for the amortization of loans	6.11	0	–59,000
–	Interest paid		–2,977	–1,124
+	Interest received		2,028	343
	Net cash flow from financing activity		**–3,413**	**27,969**
	Net change in cash and cash equivalents		**–955**	**34,673**
	Change in funds due to changes in exchange rates		**–604**	**635**
	Funds at start of period	6.8	**87,514**	**52,206**
	Funds at end of period	6.8	**85,955**	**87,514**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the Financial Year 1 January to 31 December 2023

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in TEUR	Subscribed capital	Capital reserve	Earnings reserve
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**
1 January 2023	**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 2023	**8,800**	**47,029**	**9,699**

Profit carry-forward	Other changes in equity with no effect on profit and loss	Consolidated shareholders' equity
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**
70,555	**–2,618**	**133,465**
–2,464	—	–2,464
—	433	433
—	–1,042	–1,042
—	0	0
—	–609	–609
11,418	—	11,418
11,418	**–609**	**10,809**
79,509	**–3,227**	**141,810**

STATEMENT OF CONSOLIDATED FIXED ASSETS

for the Financial Year 1 January to 31 December 2023

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2023

	Cost of acquisition/production					
in TEUR	**1/1/2023**	**Additions**	**Disposals**	**Reclassifi-cation**	**Currency differences**	**12/31/2023**
Intangible assets	**3,886**	**439**	**0**	**0**	**0**	**4,325**
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,659	5	0	0	0	3,664
Advance payments	227	434	0	0	0	661
Property, plant and equipment	**317,650**	**13,609**	**788**	**0**	**–2,938**	**327,533**
Land, leasehold rights and building, including buildings on unowned land	67,415	76	0	0	–740	66,751
Technical equipment and machinery	226,090	2,173	728	1,977	–2,112	227,400
Other fixtures, fittings and equipment	15,976	1,997	60	102	–61	17,954
Advance payments and assets under construction	8,169	9,363	0	–2,079	–25	15,428
Financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Shares in affiliated companies	0	0	0	0	0	0
Total fixed assets	**321,536**	**14,048**	**788**	**0**	**–2,938**	**331,858**

FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2022

	Cost of acquisition/production					
in TEUR	**1/1/2022**	**Additions**	**Disposals**	**Reclassifi-cation**	**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**

Depreciation					Book value	
1/1/2023	Additions	Disposals	Currency differences	12/31/2023	12/31/2023	12/31/2022
3,311	**134**	**0**	**0**	**3,445**	**880**	**575**
3,311	134	0	0	3,445	219	348
0	0	0	0	0	661	227
198,861	**12,530**	**763**	**–2,080**	**208,548**	**118,985**	**118,789**
31,274	1,796	0	–521	32,549	34,202	36,141
155,945	9,667	712	–1,512	163,388	64,012	70,145
11,642	1,067	51	–47	12,611	5,343	4,334
0	0	0	0	0	15,428	8,169
0	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0
202,172	**12,664**	**763**	**–2,080**	**211,993**	**119,865**	**119,364**

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**

CONSOLIDATED NOTES

for the Financial Year 1 January to 31 December 2023

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 28 March 2024.

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 2023 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).

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

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 2023.

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 2023 were applied for Financial Year 2023. This particularly includes the following standards and interpretations, which were to be applied for the first time:

- **Amendments to IAS 1 and IFRS 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. The amendments had no impact on the consolidated financial statements.

- **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 had no impact on the consolidated financial statements.

- **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 had no impact on the consolidated financial statements.

- **Changes to IAS 12: International Tax Reform – Pillar 2 Model Rules:** In May 2023, the IASB published IAS 12 Amendment International Tax Reform – Pillar 2 Model Rules on mandatory relief for the recognition of deferred taxes from global minimum taxation. The amendments include a temporary, mandatory exemption from the recognition of deferred taxes resulting from the introduction of global minimum taxation and specific disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity is affected by the minimum taxation. The Pillar Two international tax reform is not applicable to the Group as the size criteria for application are not met. The amendments thus had no impact on the consolidated financial statements.

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 and Long-term Liabilities with Covenants:** In January 2020 and October 2022, the IASB published amendments to IAS 1 "Presentation of Financial Statements" to clarify the requirements for classifying liabilities as current or non-current if an entity has to fulfill ancillary conditions in its loan agreements (known as covenants). The amendments in 2022 will eliminate ambiguities in the amendments from 2020, which relate in particular to ancillary conditions that do not have to be fulfilled on the reporting date but during the year. It is now clearly stated that only those ancillary conditions that a company must fulfill on or before the balance sheet date influence the classification of a liability as current or non-current. Covenants that a company only has to fulfill after the balance sheet date are irrelevant for classification as of the balance sheet date. In these cases, the company must report in the notes on an existing immediate repayment risk of the debt, which is still reported as non-current, in the event of a breach of the covenant within the next twelve months. If there is a breach of covenant on or before the balance sheet date, as a result of which the liability is immediately repayable at the lender's request, a liability only continues to be recognized as non-current if the borrower has a right on the balance sheet date to defer settlement for at least twelve months after the balance sheet date. Otherwise, the debt is to be classified as current. Here, too, it was clarified that the assessment of whether such a prolongation right exists must be based exclusively on the circumstances on the balance sheet date. The right must be substantial. This is only the case if the lender has agreed to defer repayment by more than twelve months prior to the balance sheet date. Subsequent approval, even if given before the financial statements are approved for publication, may no longer be taken into account. The probability that an existing prolongation right will be exercised is not relevant for the classification. This means that a debt is to be classified as non-current if there is a right of prolongation, even if it is expected to be settled within the next twelve months. Conversely, a company that does not have a prolongation right as of the balance sheet date must recognize a liability as current, regardless of potential refinancing options. The amendments take effect in annual reporting periods beginning on or after 1 January 2024, and are to be applied retroactively. The amendments are tentatively not to have a material impact on the consolidated financial statements.

- **Amendments to IFRS 16 – Lease Liabilities in a Sale and Leaseback:** The IASB published amendments to IFRS 16 "Leases" on 22 September 2022. The amendment relates to the accounting of lease liabilities from sale and leaseback transactions and stipulates that a lessee must measure the lease liability following a sale in such a way that it does not recognize any amount in profit or loss that relates to the retained right of use. The newly inserted paragraphs use examples to explain possible procedures, particularly in the case of variable lease payments. The amendments are to take effect in reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted, according to IASB. The Group does not expect any impact on the consolidated financial statements.

- **Changes to IAS 7 and IFRS 7 – Supplier Finance Arrangements:** On 22 May 2023, the IASB issued amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures," which in particular introduce additional disclosure requirements in connection with supplier financing agreements (reverse factoring agreements) and aim to increase the transparency of such agreements and their impact on the liabilities, cash flows and liquidity risk in a company's financial statements. In addition, the amendments contain clarifications regarding the characteristics of supplier financing agreements. The amendments are to take effect in reporting periods 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 effects on the consolidated financial statements; early adoption by Nabaltec is not planned.

- **Amendments to IAS 21 – Lack of Exchangeability:** On 15 August 2023, the IASB published amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates." The background to the amendments are differences in accounting practice with regard to the recognition of a lack of exchangeability. The amendments regulate the exchange rate to be used if the closing rate is not observable, thereby closing a loophole in IAS 21. If a currency is not exchangeable, information must be disclosed in the notes enabling users of the financial statements to gain an understanding of how the non-exchangeable currency affects the reporting entity's financial, liquidity and earnings position as well as cash flows. The amendments are to apply in reporting periods beginning on or after 1 January 2025. According to the IASB, early application of the amendments is permitted subject to adoption into EU law. The Group does not expect any effects 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

	12/31/2023	12/31/2022
Nabaltec AG and fully consolidated subsidiaries		
Domestic	1	1
Foreign	4	4

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**	**12/31/2023 in %**	**12/31/2022 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 2022.

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.

On 21 November 2022, the former subsidiary Nabaltec Asia Pacific K.K., which was not included in the consolidated financial statements for reasons of materiality, was liquidated. 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 Euro.

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 monthly rate. 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 monthly exchange rate. 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. Due to the uncertainty associated with these assumptions and estimates, it may become necessary under certain circumstances to make substantial adjustments to the book values of the affected assets and liabilities in future periods. Assumptions, estimates and discretionary decisions are subject to increased uncertainty compared to previous years due to an increasingly complex and uncertain macroeconomic and geopolitical environment, particularly as a result of the war in the Ukraine, ongoing inflation, higher interest rates and growing concerns about a slowdown in economic growth in key markets. 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:

- **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 27,920 on 31 December 2023 (previous year: TEUR 27,985). Further details are presented in Section 6.10, “Current and non-current provisions.”

- 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 2023 (prior to netting out with deferred tax liabilities) amounted to TEUR 6,141 (previous year: TEUR 6,966).

- **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 an impairment. Improved factors can, if necessary, lead to write-ups.

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. The Group's revenues are realized exclusively at specific points in time. Accordingly, the timing of revenue realization within the Group 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 2023 (previous year: 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 to 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 2023.

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 to 50 years
◆ Technical equipment and machinery	5 to 22 years
◆ Fixtures, fittings and equipment	3 to 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 2023.

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 investment subsidies 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 2023 due to materiality considerations (previous year: 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 the 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 not applied in Financial Year 2023 for cash flow hedges relating to interest rate risks, because no interest-rate hedges existed. No currency hedges were used in the financial 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 costs 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 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 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 415 (previous year: TEUR 513) was capitalized in Financial Year 2023 for various technical equipment and machinery, including capitalized interest in the amount of TEUR 182 (previous year: TEUR 73).

5.3 Other operating income

Other operating income is comprised as follows:

OTHER OPERATING INCOME

in TEUR	2023	2022
Currency gains	1,004	2,189
Reversal of allowances for claims	447	0
Other	320	411
Payments in kind	238	220
Supply of industrial water	181	167
Rent and lease payments	166	166
Siding and track work	106	10
Analysis Centre services	104	112
Warehouse and scrap sales	76	107
Insurance indemnities	44	72
HR services	32	29
Income from the disposal of property, plant and equipment	28	3
Income from the reversal of reserves	20	0
Government grants	4	0
Total	**2,770**	**3,486**

5.4 Cost of materials

Cost of materials is comprised as follows:

COST OF MATERIALS

in TEUR	2023	2022
Cost of raw materials, supplies and of purchased goods	99,448	103,570
Cost of purchased services	2,408	2,829
Total	**101,856**	**106,399**

The amount of inventory write-downs or impairments recognized as an expense amounted to TEUR 573 (previous year: TEUR 467).

5.5 Personnel expenses

Personnel expenses are comprised as follows:

PERSONNEL EXPENSES

in TEUR	2023	2022
Wages and salaries	31,903	32,920
Social security contributions	5,589	5,559
Expenses for pension obligations	498	918
Other pension expenses	185	179
Total	**38,175**	**39,576**

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 2,301 (previous year: TEUR 2,189), are 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

	2023	2022
Industrial workers	262	256
Employees	208	196
Minimally employed workers	4	5
Total	**474**	**457**

In addition, an average of 38 trainees were employed during the year (previous year: 43).

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.

5.8 Other operating expenses

Other operating expenses are comprised as follows:

OTHER OPERATING EXPENSES

in TEUR	2023	2022
Freight	10,347	15,056
Outside services	8,795	9,905
Sales commissions	3,361	3,440
Other	1,661	1,114
Losses from currency exchange	1,548	1,768
Insurance	1,406	1,340
Other administrative costs	1,091	975
Other taxes	1,045	380
Lease payments	940	986
Ancillary personnel expenses	792	725
Legal and consulting expenses	770	955
Travel expenses	671	416
Advertising expenses	413	598
Allowances on accounts receivable	0	439
Total	**32,840**	**38,097**

5.9 Research and development

All research and development costs for the year, in the amount of TEUR 4,862 (previous year: TEUR 4,755), were recognized as expenses.

5.10 Other financial income

Other financial income, in the amount of TEUR 0 (previous year: TEUR 13), in the previous year related to the profit from the liquidation of the non-consolidated subsidiary Nabaltec Asia Pacific K.K., Tokyo, Japan, which took place on 21 November 2022.

5.11 Interest and similar income

Interest and similar income are composed as follows:

INTEREST AND SIMILAR INCOME

in TEUR	2023	2022
Income from plan assets (pension liability insurance)	109	56
Interest income from bank balances	2,027	343
Total	**2,136**	**399**

5.12 Interest and similar expenses

Interest and similar expenses are shown in the following table:

INTEREST AND SIMILAR EXPENSES

in TEUR	2023	2022
Interest expenses to banks	2,633	1,242
Interest expenses from compounding of provisions	1,165	506
Interest expenses from factoring	523	175
Commission on bank guarantees	8	8
Interest expenses from other compounding	7	10
Interest expenses from interest rate swaps	0	185
Total	**4,336**	**2,126**

5.13 Taxes on income

Taxes on income break down as follows:

TAXES ON INCOME

in TEUR	2023	2022
Actual taxes:		
Tax expense for current year	4,456	8,168
Tax expense/income for prior years	8	–6,477
Deferred taxes:		
Accrual and reversal of temporary differences	16	4,702
Recognized in other comprehensive income not through profit and loss	241	–5,315
Total	**4,721**	**1,078**

Expenses for income tax for Financial Year 2023 consist of current trade and corporate income tax plus the solidarity mark-up as well as foreign income taxes (US and Shanghai). Taxes on income include tax income of TEUR 6,784 in the previous year, 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 state of affairs, 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% (previous year: 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% (previous year: 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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Foreign currency translation	–1,461	2,088	419	–648	–1,042	1,440
Net income from hedge accounting	0	293	0	–85	0	208
Actuarial gains and losses	611	15,730	–178	–4,582	433	11,148
Total	**–850**	**18,111**	**241**	**–5,315**	**–609**	**12,796**

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

	2023	**2022**
Tax rate	**29.13%**	**29.13%**
in TEUR		
Earnings before taxes	**16,139**	**27,453**
Expected tax expense	**4,701**	**7,997**
Deviations		
1. Different foreign tax rate	–78	–90
2. Adjustment for tax expense for prior years	8	–6,477
3. Revaluation of loss carryforward USA	31	0
4. Utilization of previously unrecognized losses	–50	–361
5. Non-deductible expenses	106	52
6. Other	3	–43
Tax expense according to the consolidated statement of comprehensive income	**4,721**	**1,078**

Deferred tax assets and liabilities are as follows:

	Consolidated balance sheet		Consolidated income statement	
in TEUR	**12/31/2023**	**12/31/2022**	**2023**	**2022**
Deferred tax assets				
Other assets	577	567	10	10
Pension reserves	2,674	2,939	–265	–4,567
Other provisions	237	245	–8	–45
Loss carry-forward	2,614	3,062	–448	144
Other	39	153	–114	63
Gross total, deferred tax assets	**6,141**	**6,966**	**–825**	**–4,395**
Netting	–5,290	–6,015	0	0
Net total, deferred tax assets	**851**	**951**	**–825**	**–4,395**
Deferred tax liabilities				
Fixed assets	7,367	8,064	731	363
Inventories	931	601	–330	–69
Other	403	811	408	–601
Gross total, deferred tax liabilities	**8,701**	**9,476**	**809**	**–307**
Netting	–5,290	–6,015	0	0
Net total, deferred tax liabilities	**3,411**	**3,461**	**809**	**–307**

The deferred tax assets on loss carryforwards relate entirely to the existing loss carryforward of Nabaltec USA Corporation of TEUR 12,449 (previous year: TEUR 14,580). This can be used in compliance with the minimum taxation rules applicable in the United States. Deferred tax claims for loss carryforwards are only 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 only in the amount of TEUR 2,614 (previous year: TEUR 3,062) 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 2023, 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.

Borrowing costs of TEUR 182 were capitalized in Financial Year 2023 for the long-term production of various technical equipment, buildings and operating facilities (previous year: TEUR 73). The average financing cost rate used to determine the capitalizable borrowing costs was 3.00% (previous year: 1.50%).

6.3 Financial assets

After a lengthy administrative process, the company Nabaltec Asia Pacific K.K., which was not fully consolidated for reasons of materiality, was wound up on 21 November 2022.

6.4 Inventories

Inventories are comprised as follows:

INVENTORIES

in TEUR	12/31/2023	12/31/2022
Raw materials and supplies	35,579	30,591
Work in process	1,585	1,715
Finished goods and merchandise	13,967	13,431
Total	**51,131**	**45,737**

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 573 (previous year: TEUR 467).

6.5 Trade receivables

Trade receivables are as follows:

TRADE RECEIVABLES

in TEUR	12/31/2023	12/31/2022
Gross trade receivables	1,586	7,037
Individual allowances	–139	–586
Total	**1,447**	**6,451**

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 30,076 (previous year: TEUR 31,672) 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

Income tax claims in the amount of TEUR 517 (previous year: TEUR 903) consist of tax refund claims against the German tax authorities resulting from corporate income tax and solidarity surcharge.

6.7 Other assets

Other assets are comprised as follows:

OTHER FINANCIAL ASSETS

in TEUR	12/31/2023	12/31/2022
Fixed-term deposits with duration > 3 months	15,000	15,000
Accounts receivable from factoring	2,830	2,463
Other	796	1,085
Other financial assets	**18,626**	**18,548**

OTHER NON-FINANCIAL ASSETS

in TEUR	12/31/2023	12/31/2022
VAT receivable	2,122	1,297
Accrued assets	368	304
Other non-financial assets	**2,490**	**1,601**
Total	**21,116**	**20,149**

The accounts receivable from factoring recognized as of 31 December 2023, in the amount of TEUR 2,830 (previous year: TEUR 2,463), consist primarily of security deposits in connection with factoring arrangements.

Of the other assets, TEUR 0 (previous year: TEUR 15,000) 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	12/31/2023	12/31/2022
Bank balances	85,951	87,513
Cash on hand	4	1
Total	**85,955**	**87,514**

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 (previous year: 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

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

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 2023, the capital reserve amounted to TEUR 47,029 (previous year: 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 2023, earnings reserves amounted to TEUR 9,699 (previous year: TEUR 9,699).

For Financial Year 2023, 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 2023, other changes in equity with no effect on profit and loss amounted to a cumulative total of TEUR –3,227 (previous year: TEUR –2,618).

6.10 Current and non-current provisions

OTHER PROVISIONS

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

FINANCIAL YEAR 2023

in TEUR	1/1/2023	Addition	Utilization	Reversal	12/31/2023
Provisions for personnel expenses	**1,286**	98	116	0	**1,268**
Provisions for environmental conservation and disposal	**358**	0	0	0	**358**
Other provisions	**219**	199	218	0	**200**
Total	**1,863**	**297**	**334**	**0**	**1,826**

FINANCIAL YEAR 2022

in TEUR	1/1/2022	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**

Provisions for personnel expenses, in the amount of TEUR 1,268 (previous year: TEUR 1,286), 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 Heubeck 2018 G benchmark tables were used. The measurement was also based on the assumption of an actuarial interest rate of 4.10%, 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 (previous year: TEUR 358) 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	2023	2022
Current service cost	498	918
Net interest expense	1,045	471
Pension expenses	**1,543**	**1,389**
Actual income from plan assets	59	60

The net interest expense is comprised of the interest expense, in the amount of TEUR 1,118 (previous year: TEUR 492), less expected income from plan assets in the amount of TEUR 73 (previous year: TEUR 21). 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 as of 1 January 2022	–21,059
Profit from changes in biometric and financial assumptions	15,368
Experience profits	323
Income from plan assets	39
Actuarial losses as of 31 December 2022	**–5,329**
Profit from changes in biometric and financial assumptions	877
Experience losses	–252
Losses from plan assets	–14
Actuarial losses as of 31 December 2023	**–4,718**

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

DEFINED BENEFIT OBLIGATIONS

in TEUR	
Defined benefit obligations as of 1 January 2022	45,181
Interest expense	492
Current service cost	918
Benefits paid	–969
Actuarial gains/losses	–15,691
Defined benefit obligations as of 31 December 2022	**29,931**
Interest expense	1,118
Current service cost	498
Benefits paid	–1,021
Actuarial gains/losses	–625
Defined benefit obligations as of 31 December 2023	**29,901**

Of the TEUR 29,901 in defined benefit obligations as of 31 December 2023 (previous year: TEUR 29,931), a sum in the amount of TEUR 9,654 (previous year: TEUR 9,515) is covered by pension liability insurance with a premium reserve of TEUR 1,981 (previous year: TEUR 1,947).

Pension payments in the amount of approximately TEUR 1,088 are expected in Financial Year 2024 and TEUR 1,155 in Financial Year 2025.

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 2022	1,912
Employer contributions	36
Benefits paid	–61
Expected return	21
Actuarial gains/losses	39
Fair value of plan assets as of 31 December 2022	**1,947**
Employer contributions	36
Benefits paid	–61
Expected return	73
Actuarial gains/losses	–14
Fair value of plan assets as of 31 December 2023	**1,981**

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 2024.

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

in TEUR	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Present value of defined benefit liability	29,901	29,931	45,181	46,370	48,212
Fair value of plan assets	1,981	1,947	1,912	1,878	1,839
Pension reserves	27,920	27,985	43,269	44,492	46,373

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

in %	2023	2022
Discount rate	4.10	3.80
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 financial year, the underlying pension trend was adjusted by a further 8% across the board to take account of inflation.

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	28,923	30,941
Salary trend	30,049	29,765
Pension trend	30,734	29,111

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	12/31/2023	90,933	971	44,982	44,980
	12/31/2022	90,737	783	44,977	44,977
Trade payables	12/31/2023	10,124	10,124	—	—
	12/31/2022	15,087	15,087	—	—
Accounts payable from income taxes	12/31/2023	984	984	—	—
	12/31/2022	2,949	2,949	—	—
Other accounts payable	12/31/2023	3,874	3,874	—	—
	12/31/2022	5,522	5,522	—	—
Total	**12/31/2023**	**105,915**	**15,953**	**44,982**	**44,980**
	12/31/2022	**114,295**	**24,341**	**44,977**	**44,977**

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 area and for viscosity optimized aluminum hydroxides, which are primarily used as composite materials in electromobility. 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 2023 were breached in the 2023 reporting year. No covenant violations are expected for 2024 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 local income taxes for the financial year just closed.

OTHER ACCOUNTS PAYABLE

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

OTHER ACCOUNTS PAYABLE

in TEUR	12/31/2023	12/31/2022
Financial statements and auditing	251	209
Other	94	217
Professional association	27	123
Other current financial liabilities	**372**	**549**

in TEUR	12/31/2023	12/31/2022
Bonuses and other performance-based compensation	1,900	2,690
Outstanding vacation claims	972	1,008
Amounts owed to the tax office	344	350
Other excise duties	204	813
Social expenses owed	49	65
Inventor compensation	32	38
Demographic Contribution II	1	9
Other current non-financial liabilities	**3,502**	**4,973**
Other current liabilities (total)	**3,874**	**5,522**

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 2023, 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 940 (previous year: TEUR 986) in expenses arising from leases (short-term leases and leases of low-value assets) were recognized in the current year.

Total future lease payments have the following maturities:

in TEUR	12/31/2023	12/31/2022
Lease payments within 1 year	898	732
Lease payments, 1 – 5 years	7,169	808
Lease payments, over 5 years	4,968	0
Total	**13,035**	**1,540**

The increase in future lease obligations results from the conclusion of a logistics agreement with Weserport GmbH in Financial Year 2023.

CONTINGENT LIABILITIES AND GUARANTEES

The following contingent liabilities were recorded as of 31 December 2023:

in TEUR	12/31/2023	12/31/2022
Liabilities from performance guarantees		
Separate grid fees for natural gas	1,392	1,531
Investment costs of Weserport GmbH	1,000	0

The contractual performance guarantee, which relates in full to liabilities due to separate network charges for natural gas, amounted to TEUR 1,392 as of 31 December 2023. The guarantee is continuously being reduced by EUR 139,200.00 each year and will run until 31 December 2032. The probability of utilization is classified as low, as management assumes that the payment obligations will be met on an ongoing basis due to the company's positive liquidity situation.

In 2023, a further contractual performance guarantee was signed in the amount of TEUR 1,000, which relates in full to liabilities for securing the investment costs of Weserport GmbH. This guarantee is limited until 31 December 2029. The probability of utilization is classified as low, as management assumes that the payment obligations will be met on an ongoing basis due to the company's positive liquidity situation.

Nabaltec AG has issued Nashtec LLC a payment guarantee in the amount of TUSD 2,000 to secure its supply of raw materials (previous year: TUSD 1,600). Due to the positive development of Nashtec, the company does not expect any claims to be asserted.

As of 31 December 2023, purchase commitments amounted to TEUR 10,132 (previous year: TEUR 6,600) from investment orders.

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:

		Book value		Fair value	
in TEUR	**Measurement category pursuant to IFRS 9**	**2023**	**2022**	**2023**	**2022**
Financial assets					
Trade receivables	AC	1,447	6,451	1,447	6,451
Other assets and accounts receivable					
Other non-derivative accounts receivable and financial assets	AC	18,626	18,548	18,626	18,548
Cash and cash equivalents	AC	85,955	87,514	85,955	87,514
Financial liabilities					
Financial liabilities at amortized cost					
Accounts payable to banks	AC	90,933	90,737	90,933	90,737
Trade payables	AC	10,124	15,087	10,124	15,087
Other financial liabilities					
Other non-derivative financial liabilities	AC	372	549	372	549

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 the loans and other financial assets corresponds approximately to the book value.

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.

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 2023
Amortized Cost	AC	2,027	—	–641	447	1,833
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	–3,163	—	97	—	–3,066
Total 2023		**–1,136**	**—**	**–544**	**447**	**–1,233**

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**

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 2,640 (previous year: TEUR 1,193).

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.

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 2023, the Group recognized interest rate derivatives with a market value of TEUR 0 (previous year: TEUR 0), 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 0). No currency derivatives were used in the reporting year (previous year: 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 2023 of TEUR 0 (previous year: TEUR 293), 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	2023	2022
1 January	**586**	**147**
Transfers	0	439
Reversals	–447	0
31 December	**139**	**586**

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
12/31/2023	**1,447**	**1,447**	**0**	**0**	**0**	**0**
12/31/2022	6,451	6,451	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.

Time deposits in the amount of TEUR 15,000 (previous year: TEUR 15,000) also show no signs that the banks concerned will be unable to meet their payment obligations.

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 2023 (previous year: TEUR 2,000).

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	12/31/2023	105,788	4,013	56,043	45,732
	12/31/2022	102,750	2,885	54,419	45,446
Trade payables	12/31/2023	10,124	10,124	—	—
	12/31/2022	15,087	15,087	—	—
Other financial liabilities	12/31/2023	372	372	—	—
	12/31/2022	549	549	—	—
Total (financial liabilities)	**12/31/2023**	**116,284**	**14,509**	**56,043**	**45,732**
	12/31/2022	**118,386**	**18,521**	**54,419**	**45,446**

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
2023			
USD	+10	269	0
USD	–10	–269	0
2022			
USD	+10	729	0
USD	–10	–729	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 share-holders' equity* in TEUR
2023			
Europe	+100	579	0
USA	+100	0	0
Europe	–100	–579	0
USA	–100	0	0
2022			
Europe	+100	135	0
USA	+100	0	0
Europe	–100	–135	0
USA	–100	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 2023 and 2022 are shown below:

	12/31/2023 TEUR	12/31/2022 TEUR	Change in %
Shareholders' equity	**141,810**	**133,465**	**6.25**
as % of total capital	60.93	59.53	2.35
Non-current financial debt	89,962	89,954	—
Current financial debt	971	783	24.01
Debt*	**90,933**	**90,737**	**0.22**
as % of total capital	39.07	40.47	–3.46
Total capital for capital management purposes	**232,743**	**224,202**	**3.81**

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

Equity decreased by TEUR 8,345 in the financial year just closed to TEUR 141,810, largely due to positive consolidated earnings of TEUR 11,418 and a reduction of actuarial losses by TEUR 433.

Debt increased by TEUR 196 in the financial year just closed to TEUR 90,933, largely due to changes in current account liabilities.

Together, these effects resulted in an increase in the equity ratio (shareholders' equity as a percentage of total capital) to 60.93% in 2023, up from 59.53% in the previous year. The ratio of debt to capital for capital management purposes decreased from 40.47% on 31 December 2022 to 39.07% on 31 December 2023.

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 2,248 in Financial Year 2023 (previous year: TEUR 2,537). In addition, provisions for anniversary bonuses of TEUR 0 (previous year: TEUR 5) were transferred. In addition, a total of TEUR 581 was spent on post-employment benefits (previous year: TEUR 752).

The members of the Supervisory Board received a total of TEUR 84 in remuneration in Financial Year 2023 (previous year: TEUR 70).

The following accounts receivable and payable existed as of 31 December 2023 and 2022 vis-à-vis related parties and companies:

	Accounts receivable		Accounts payable	
in TEUR	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Companies controlled by Supervisory Board members	0	0	0	0
Companies controlled by Management Board members	4	3	0	25

In addition to Management and Supervisory Board compensation, the following transactions with related parties were recognized in Financial Years 2023 and 2022:

	Deliveries and services performed and other income		Deliveries and services received and other expenses	
in TEUR	**2023**	**2022**	**2023**	**2022**
Companies controlled by Supervisory Board members	0	0	0	0
Companies controlled by Management Board members	32	29	1,347	671

Transactions with companies controlled by Management Board members include human resources services and other services (income in the amount of TEUR 32, previous year: TEUR 29) and investment planning (expenses in the amount of TEUR 1,347, previous year: TEUR 671).

7.5 Earnings per share

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

NUMBER OF SHARES

	2023	2022
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 2023 and 2022.

Earnings per share are therefore as follows:

EARNINGS PER SHARE

	2023	2022
Consolidated after-tax earnings (in TEUR)	11,418	26,375
Average undiluted number of outstanding common shares	8,800,000	8,800,000
Earnings per share (in EUR)	**1.30**	**3.00**

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 on the balance sheet result from changes in current account liabilities amounting to TEUR 188 and from non-cash accrued interest on original transaction costs amounting to TEUR 8.

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 2023 and 2022 Financial Years.

FINANCIAL YEAR ENDING ON 12/31/2023

in TEUR	Functional Fillers	Specialty Alumina	Other	Nabaltec Group
Revenues				
Revenues from non-Group customers	142,309	57,824	—	200,133
Segment earnings				
EBITDA	26,606	4,397	—	31,003
EBIT	16,929	1,410	—	18,339
Assets and liabilities				
Segment assets	138,315	41,612	100,955	280,882
Segment liabilities	11,628	3,912	123,532	139,072
Other segment data				
Investments				
– Property, plant and equipment	12,033	1,576	—	13,609
– Intangible assets	285	154	—	439
Depreciation				
– Property, plant and equipment	9,593	2,937	—	12,530
– Intangible assets	84	50	—	134

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

REGIONAL DATA

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

FINANCIAL YEAR ENDING ON 12/31/2023

in TEUR	Germany	Rest of Europe	USA	Rest of world	Total
Revenues					
Revenues from non-Group customers	50,049	103,963	23,811	22,310	**200,133**
Other segment data					
Segment assets	239,772	—	37,002	4,108	**280,882**
Investments					
– Property, plant and equipment	12,635	—	974	—	**13,609**
– Intangible assets	439	—	—	—	**439**

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**

More than 10% of total revenues in Financial Year 2023 were not earned from a single customer. More than 10% of total revenues in Financial Year 2022 were earned from a single customer. This customer's revenue amounted to TEUR 23,678 in 2022 and is included in the "Functional Fillers" product segment.

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 2023 consolidated financial statements) amounts to TEUR 134 (previous year: TEUR 126). The auditor received a fee in the amount of TEUR 12 (previous year: TEUR 3) for other assurance services, a fee of TEUR 32 (previous year: TEUR 86) for tax advisory services. As in the previous year, other services have not been provided.

Schwandorf, 28 March 2024

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 2023, 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 2023 to 31 December 2023, 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 2023 to 31 December 2023.

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 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, 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 executive directors 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 executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the group 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 identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the group 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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.

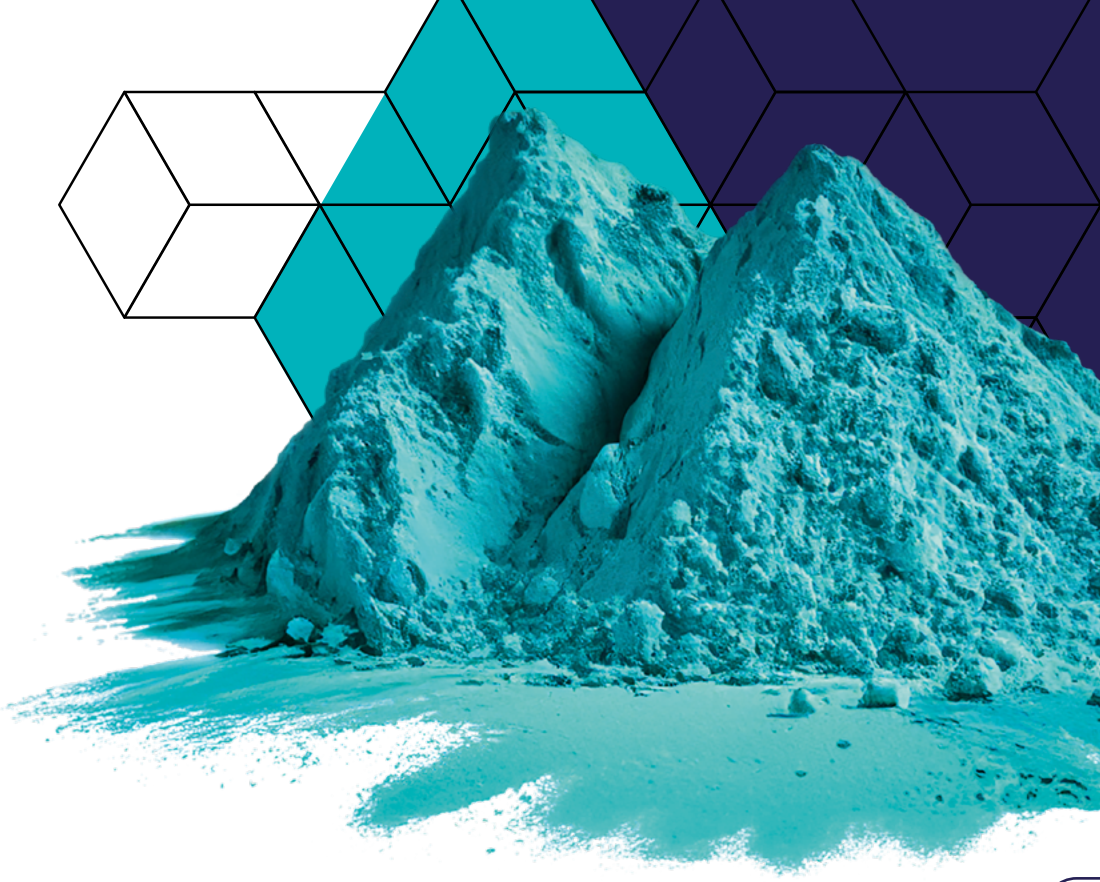
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, 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, 28 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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



ANNUAL FINANCIAL STATEMENTS NABALTEC AG 2023 (GERMAN COMMERCIAL CODE, SHORT VERSION)

BALANCE SHEET

for 31 December 2023

ASSETS

in TEUR		12/31/2023	12/31/2022
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	162	269
2.	Advance payments	661	227
		823	**496**
II.	**Property, plant and equipment**		
1.	Land, leasehold rights and buildings, including buildings on non-freehold land	22,312	23,449
2.	Technical equipment, plant and machinery	35,740	39,089
3.	Other fixtures, fittings and equipment	4,705	3,654
4.	Advance payments as well as plant and machinery under construction	14,627	7,791
		77,384	**73,983**
III.	**Financial assets**		
1.	Shares in affiliated companies	3,607	3,607
2.	Loans to affiliated companies	32,137	32,309
		35,744	**35,916**
		113,951	**110,395**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials and supplies	25,337	22,682
2.	Finished goods and merchandise	11,524	10,485
		36,861	**33,167**
II.	**Accounts receivable and other assets**		
1.	Trade receivables	1,340	6,428
2.	Liabilities due to affiliated companies	2,774	2,796
3.	Other assets	20,953	20,408
		25,067	**29,632**
III.	**Cash on hand and in banks**	**79,643**	**81,565**
		141,571	**144,364**
C.	**Prepaid expenses**	**340**	**275**
TOTAL ASSETS		**255,862**	**255,034**

LIABILITIES

in TEUR	12/31/2023	12/31/2022
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	**51,166**	**43,542**
	108,390	**100,766**
B. Special item for investment grants	**0**	**0**
C. Provisions		
1. Retirement benefit obligation and similar provisions	39,510	38,227
2. Accrued taxes	923	2,947
3. Other provisions and accrued liabilities	8,543	9,612
	48,976	**50,786**
D. Accounts payable		
1. Payables to banks	90,971	90,783
2. Trade payables	6,466	11,081
3. Payables to affiliated companies	575	990
4. Other payables – thereof relating to taxes: TEUR 344 (PY: TEUR 350) – thereof relating to social security: TEUR 45 (PY: TEUR 60)	484	628
	98,496	**103,482**
TOTAL LIABILITIES	**255,862**	**255,034**

INCOME STATEMENT

for the Financial Year 1 January to 31 December 2023

in TEUR	1/1/–12/31/2023		1/1/–12/31/2022	
1. Revenue		199,960		218,856
2. Increase or decrease in finished goods		1,035		2,123
3. Own work capitalized		416		513
Total performance		**201,411**		**221,492**
4. Other operating income – thereof from currency translation: TEUR 986 (PY: TEUR 2,171)		1,933		2,916
		203,344		224,408
5. Cost of materials:				
a) Cost of raw materials, supplies and purchased goods – thereof income from other periods from energy cost reimbursement: TEUR 409 (PY: TEUR 0)	–111,913		–112,146	
b) Cost of purchased services	–767	–112,680	–1,194	–113,340
Gross profit		**90,664**		**111,068**
6. Personnel expenses:				
a) Wages and salaries	–29,998		–31,466	
b) Social security contributions and cost of pension and other benefit – thereof for pensions: TEUR 1,532 (PY: TEUR 1,603)	–6,875		–6,919	
7. Amortization/depreciation of intangible assets and property, plant and equipment	–9,336		–9,384	
8. Other operating expenses – thereof from currency translation: TEUR 1,538 (PY: TEUR 1,755)	–29,670	–75,879	–35,157	–82,926
		14,785		**28,142**
9. Income from investments – thereof from affiliated companies: TEUR 0 (PY: TEUR 13)	0		13	
10. Income from other securities and loans (financial assets) – thereof from affiliated companies: TEUR 1,642 (PY: TEUR 401)	1,642		401	
11. Other interest and similar income	2,023		338	
12. Depreciation on financial assets and current securities – thereof from affiliated companies: TEUR 56 (PY: TEUR 0)	–56		0	
13. Interest and similar expenses – thereof from discounts: TEUR 653 (PY: TEUR 647)	–3,817	–208	–2,255	–1,503
Net before tax result		**14,577**		**26,639**
14. Income taxes		–4,406		–1,527
15. Net after-tax result		10,171		25,112
16. Other taxes		–83		–83
17. Net result for the year		**10,088**		**25,029**
18. Profit carried forward		**41,078**		**18,513**
19. Accumulated profit		**51,166**		**43,542**

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Management Board proposes that the distributable profit of the Financial Year 2023, amounting to EUR 51,165,723.99, 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 2023. The remainder in the amount of EUR 48,701,723.99 will be carried forward.

Schwandorf, April 2024

The Management Board

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

FINANCIAL CALENDAR 2024

German Spring Conference 2024	14 May
Publication Quarterly Financial Report (call-date Q1)	23 May
Annual General Meeting	25 June
Publication Half-yearly Financial Statements	22 August
Publication Quarterly Financial Report (call-date Q3)	21 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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