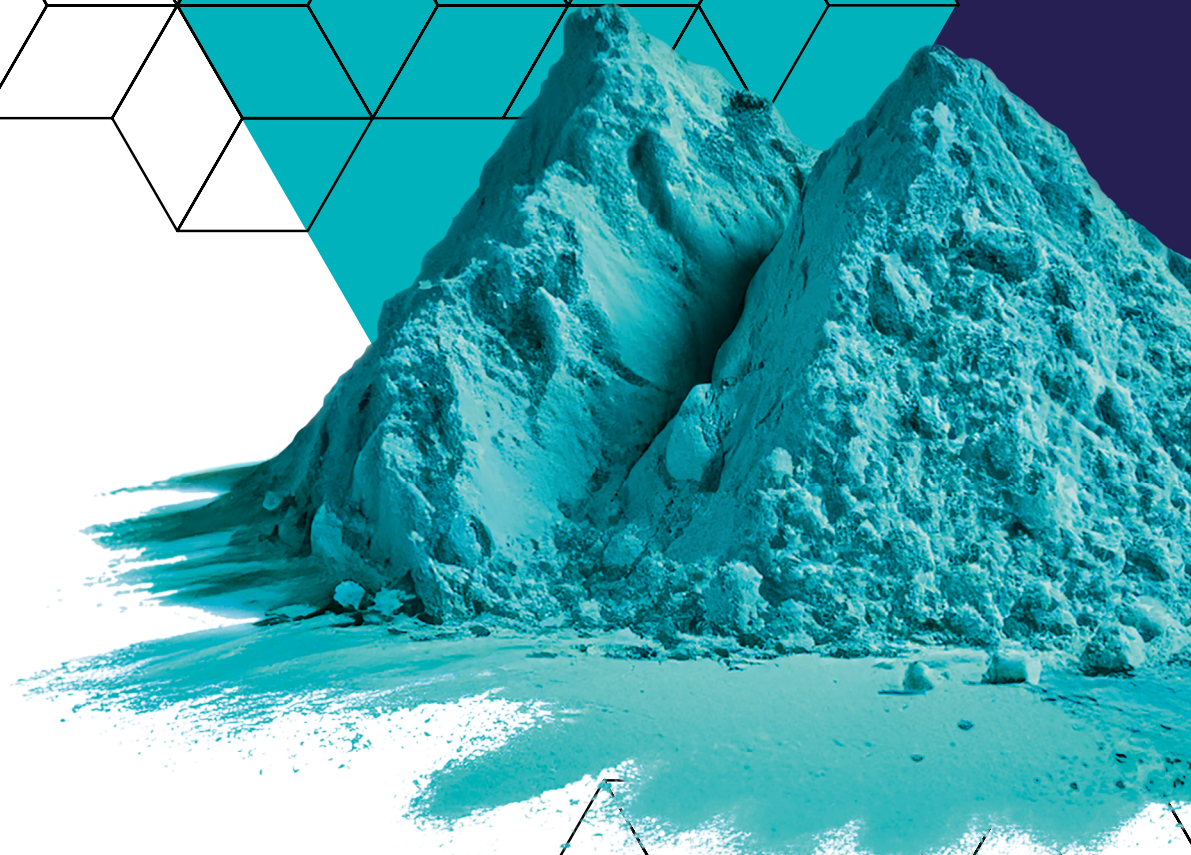


Nabaltec



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Annual Financial Statements 2023



MANAGEMENT REPORT OF NABALTEC AG FOR FINANCIAL YEAR 2023¹

1. DESCRIPTION OF THE COMPANY

1.1 THE COMPANY'S BUSINESS MODEL

Business Operations

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

The range of applications of Nabaltec products is highly diversified:

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

Whenever applications require a high degree of quality, safety, environmental friendliness and product duration, Nabaltec products are always preferred. This combination of critical properties is the basis for excellent growth prospects. The main drivers are the globally increased environmental consciousness, comprehensive international and national regulations and the industry's self-imposed obligation to use more eco-friendly products. The demand for flame protection within the plastics and cable & wire industry will continue to grow dynamically in the years to come, which is supported by market research studies. In order to benefit from this development, 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.

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

Corporate Structure

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

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

Nabaltec AG holds a 100% interest in Nashtec LLC (USA) and Naprotec LLC (USA) through Nabaltec USA Corporation, which was formed in 2018. In addition to administrative functions, sales activities for the 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.

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

No further participations or subsidiaries currently exist.

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

PRODUCT SEGMENT "FUNCTIONAL FILLERS"	PRODUCT SEGMENT "SPECIALTY ALUMINA"
Market segments: <ul style="list-style-type: none"> - Wire & Cable - Resins, Dispersions & Adhesives - Battery - Rubber & Elastomers 	Market segments: <ul style="list-style-type: none"> - Refractory - Technical Ceramics - Polishing - Adsorbents & Catalysts

1.2 OBJECTIVES AND STRATEGIES

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

Through continuous exchange with customers, Nabaltec optimizes its own products and processes and aligns them with customer-specific requirements. Product improvements and upscaling take place in close consultation with customers. Particularly 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.

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

5. Securing future investments through a strong financing base

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

1.3 CONTROLLING

Nabaltec AG has implemented for the entire company and subsidiaries an incentive scheme, assigning responsibilities and defining specific objectives even for the smallest units of the company. Comprehensive earnings, cost and performance forecasts facilitate analysis for achievement of the company's objectives. Comparisons of estimates against results are available online, indicating a need for action at an early stage and promoting the process of agreement on targets. Comparisons of estimates against results are conducted on a monthly basis for all cost centers and cost units.

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

1.4 BASICS OF THE REMUNERATION SYSTEM FOR CORPORATE OFFICERS

Management Board

The 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 the company.

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 the company.

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

1.5 RESEARCH AND DEVELOPMENT

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. A key element of the research and development strategy is close collaboration and joint development efforts with customers. In all product segments, the focus is on providing customers with an optimal product and helping them achieve a competitive advantage. As a leading supplier of highly specialized products, Nabaltec considers research and development to be one of its central core competencies. Research and development expenses accounted for 2.4% of revenues in 2023.

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 AG's research and development activities are also aimed at further developing and refining existing products and processes.

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

Research and development in the 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.

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.

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 company has been seeing a trend in the refractory industry towards increased use of highly reactive aluminum oxides. Nabaltec AG 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

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.²

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).³

2.1.2 INDUSTRY SITUATION

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.

² IMF - World Economic Outlook, January 2024

³ Kiel Economic Report No. 110 (2023/04), German economy in winter 2023

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.⁴

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).⁵ 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.

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).⁶

2.2 COURSE OF BUSINESS

2023 started with a very solid first quarter of 2023, 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 AG's revenues amounted to EUR 200.0 million in 2023, down from EUR 218.9 million the year before (-8.6%). This was the second-highest revenue in Nabaltec's history, after the record year 2022.

Nabaltec earned operating profit (EBT) of EUR 14.6 million in 2023, compared to EUR 26.6 million in the previous year (-45.1%).

⁴ Press release VCI, annual balance sheet 2023, 15 December 2023

⁵ *MarketsandMarkets*, "Flame Retardants Market, Global Forecast to 2027" study from 2022

⁶ IMARC Group, *Study "Aluminum Oxide Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023-2028"* from 2023

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 8.6% at the level of the AG and 8.5% at the level of the Group, triggered by an unexpectedly high slump in revenues in the “Specialty Alumina” product segment in the fourth quarter. The EBIT margin, calculated as EBIT divided by total performance, amounted to 9.1% for the Group in 2023, exceeding the range of 6% to 8% forecast 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 forecasted. At the AG level, this resulted in an EBIT margin of 7.3% in 2023 (previous year: 12.7%).

2.3 SITUATION

2.3.1 EARNINGS POSITION

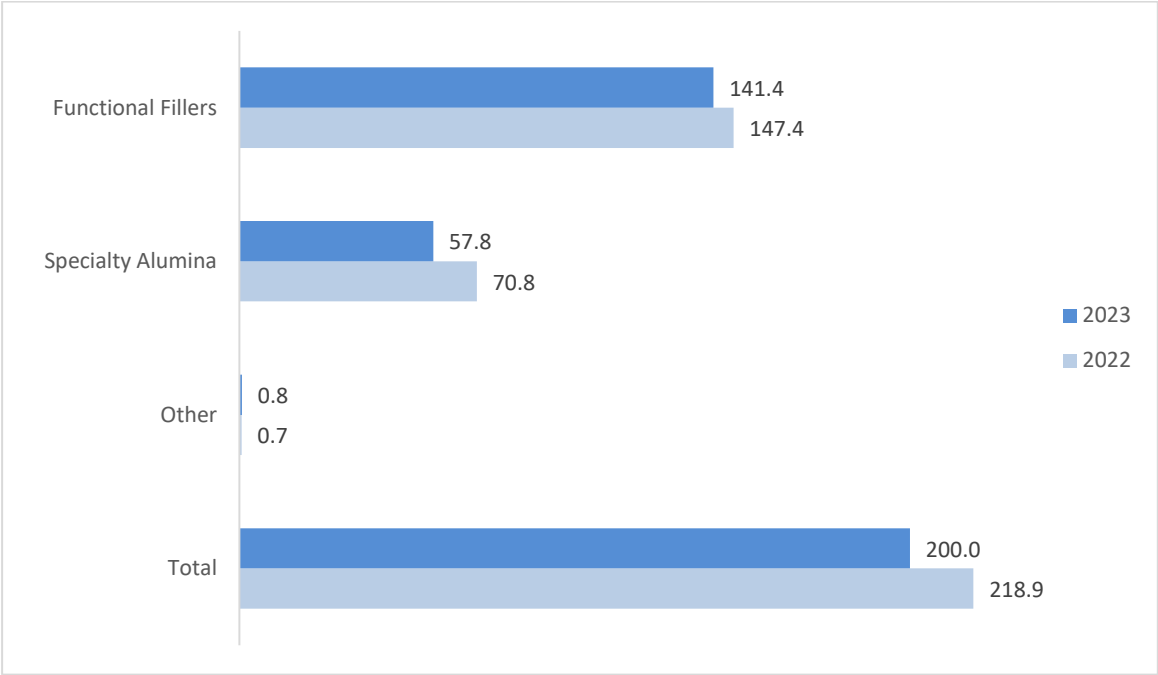
Nabaltec AG earned EUR 200.0 million in revenues in Financial Year 2023, compared to EUR 218.9 million in the previous year (down 8.6%). The decline in revenues was due to the significant slowdown in market momentum with a disproportionate fall in sales volumes.

In the first quarter of 2023, Nabaltec grew on prices, earning EUR 56.7 million in revenue, compared to EUR 54.8 million in the comparable period from the previous year (+3.5%). 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 AG's revenues fell by 13.2% to EUR 48.8 million (same quarter of last year: EUR 56.2 million). In the third quarter, revenues amounted to EUR 49.8 million, compared to EUR 56.4 million in the same quarter of last year (-11.7%). In the fourth quarter, Nabaltec generated revenues of EUR 43.9 million, compared to EUR 51.5 million in the same period of last year (-14.8%).

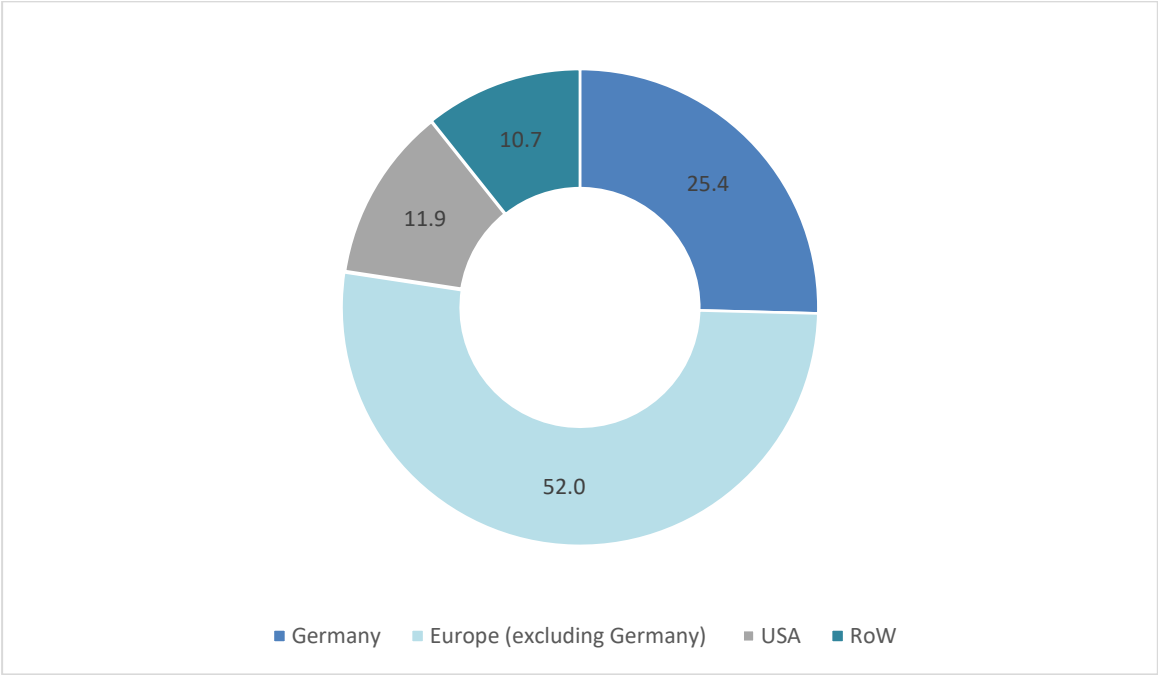
Nabaltec attained revenues in the “Functional Fillers” product segment of EUR 141.4 million in Financial Year 2023, compared to EUR 147.4 million in the previous year, corresponding to a reduction of 4.1%. Sales volumes were down 13.8% overall in 2023 due to uncertainties in the markets and further consistent reduction in inventories on the part of many customers.

In the “Specialty Alumina” product segment, revenues in 2023 amounted to EUR 57.8 million, compared to EUR 70.8 million in the previous year (down -18.4%). This is due to the continuing weakness of the steel industry.

Revenues by product segment, 2023
(in EUR million)



Revenues by region, 2023
(in %)



For the year as a whole, the export share increased slightly to 74.6% (previous year: 73.4%), 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.

Nabaltec AG's total performance was EUR 201.4 million in 2023, compared to EUR 221.5 million in the previous year. The main reasons for this development are the weaker sales trend compared to 2022 and the significantly lower increase in inventories of finished goods. 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 1.9 million at year-end (previous year: EUR 2.9 million). The decline is almost exclusively due to lower income from currency translation.

Operating expense ratios as a percentage of total performance		
	2023	2022
Cost of materials	56.0%	51.2%
Personnel expenses	18.3%	17.3%
Other operating expenses	14.7%	15.9%

The cost of materials ratio (cost of materials as a percentage of total performance) increased to 56.0% (previous year: 51.2%). Compared to the previous year, the increased costs for raw materials and energy could no longer be fully offset by price adjustments in 2023.

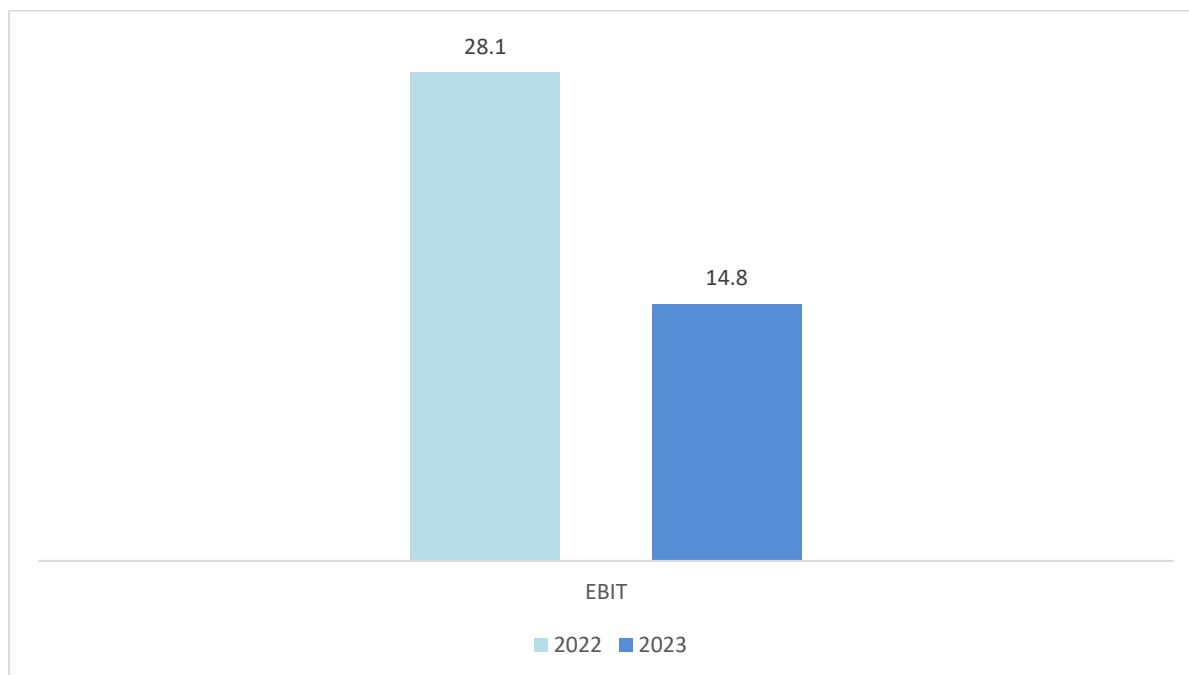
With 500 employees at year-end 2023 (31 December 2022: 490), the personnel expense ratio (personnel expenses as a percentage of total performance) increased from 17.3% in the previous year to 18.3% in the reporting period. The inflation allowance of EUR 3,000 per full-time employee agreed in the collective 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 35.2 million to EUR 29.7 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 14.7% compared to 15.9% in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 24.1 million, compared to EUR 37.5 million in 2022 (-35.7%).

Operating profit (EBIT) was EUR 14.8 million in 2023, compared to EUR 28.1 million in the previous year.

EBIT (in EUR million)



Earnings before taxes (EBT) amounted to EUR 14.6 million in 2023 (previous year: EUR 26.6 million). This includes EUR -0.2 million in 2023 net financial income. In the previous year, the financial result amounted to EUR -1.5 million. In addition to interest expenses of EUR 3.8 million, interest income of EUR 2.0 million could be realized in 2023 due to the sound cash situation. Also included is EUR 1.6 million in income from loans of financial assets of EUR 1.6 million.

Income tax expenses came to EUR 4.4 million in Financial Year 2023 after EUR 1.5 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 net result for the financial year just closed was EUR 10.1 million, compared to EUR 25.0 million in the previous year.

2.3.2 LIQUIDITY POSITION

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

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

Liquid funds in the amount of EUR 32.1 million were made available to the subsidiaries through the reporting date (2022: EUR 32.3 million). The interest rates correspond to the usual conditions for external financing of Nabaltec AG.

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 AG's loans against borrower's note are subject to covenants tied to Group "leverage coverage ratios." None of the covenants in effect as of 31 December 2023 were breached in the 2023 Financial Year.

2.3.2.1 CAPITAL STRUCTURE

Nabaltec AG's subscribed capital is EUR 8.8 million. As of 31 December 2023, shareholders' equity increased to EUR 108.4 million, compared to EUR 100.8 million in the previous year.

EUR 49.0 million in provisions existed as of 31 December 2023 (previous year: EUR 50.8 million). Of this amount, EUR 39.5 million relates to pension provisions (previous year: EUR 38.2 million).

Liabilities amounted to EUR 98.5 million on 31 December 2023, compared to EUR 103.5 million at year-end 2022.

Selected balance sheet items as a percentage of total assets:

	12/31/2023	12/31/2022
Shareholders' equity	42.4%	39.5%
Provisions	19.1%	19.9%
Liabilities	38.5%	40.6%

Other off-balance sheet financing instruments

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

2.3.2.2 INVESTMENTS

Nabaltec AG made EUR 15.5 million in investments in fixed assets in the financial year just closed, compared to EUR 9.9 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 AG 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 FINANCIAL POSITION

Total assets increased slightly from EUR 255.0 million to EUR 255.9 million compared to 31 December 2022.

Key balance sheet assets as a percentage of total assets:

	12/31/2023	12/31/2022
Non-current assets	44.5%	43.3%
thereof: Property, plant and equipment	30.2%	29.0%
Current assets	55.3%	56.6%
thereof: Inventories	14.4%	13.0%

Within current assets, inventories increased to EUR 36.9 million, compared to EUR 33.2 million in the previous year. In contrast, trade receivables fell to EUR 1.3 million due to weaker sales development in the fourth quarter (previous year: EUR 6.4 million).

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 FINANCIAL PERFORMANCE INDICATORS

The success of Nabaltec AG's operations is based on a long-term growth strategy. Company management aims to ensure profitable and capital-efficient growth for the company.

Therefore, 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.

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

	2023	2022
Return on equity	9.3%	24.8%
Return on capital employed (ROCE)	9.3%	19.0%

The return on equity is calculated as the ratio of net income to shareholders' equity. The significant decline in return on equity is mainly due to the EUR 14.9 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 13.4 million in Financial Year 2023.

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

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, but are considered by the company to be important for its future development and are therefore monitored on an ongoing basis.

Employees

At the end of 2023, Nabaltec AG had a total of 500 employees (31 December 2022: 490). All employees worked in Germany. 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 8.6%. 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 AG offers its employees prospects and opportunities for advancement within the company in order to promote identification with the company by these means as well, and to encourage hard work and commitment. As part of its occupational health management program, the company offers numerous measures to maintain and promote health. In this context, Nabaltec AG has 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 AG'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.

The supplying of customers through the subsidiary Nashtec LLC in the US continued to develop stably over the course of 2023. With the market launch of products from the subsidiary Naprotec LLC, 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 AG 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 AG is involved in pinfa North America and pinfa China. Nabaltec is a member of the American Ceramic Society (ACerS) and plans to expand its association activities in this region in order to cover other major markets. Through these activities, Nabaltec is able to identify major trends in the primary markets, “flame retardants” and “ceramics,” at a very early stage and on a global scale.

Management Systems

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 AG'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 CO₂ 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 company. Nabaltec AG actively accepts responsibility for the environment: a commitment that extends well beyond its own site.

Within the framework of recyclability, material is reintegrated into the production process in the 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 AG is doing its part to reduce CO₂ 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 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 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 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.⁷

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 2024.⁸

⁷ IMF - World Economic Outlook Update, January 2024

⁸ Kiel Economic Report No. 110 (2023/04)

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%.⁹

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.

Outlook on the Course of Business

With revenues down 8.6%, Nabaltec AG's performance in 2023 was slightly better than the industry average, which was down 12% from the previous year.¹⁰ 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 AG 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.

⁹ VCI, Press release on the annual balance sheet 2023, 15 December 2023

¹⁰ VCI, Press release on the annual balance sheet 2023, 15 December 2023

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

Due to the economic and sector-specific environment, Nabaltec expects revenues for 2024 to be slightly above the previous year's level (2023: EUR 200.0 million). On the earnings side, Nabaltec is expecting an EBIT margin in a range from 7% to 9%. 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

For Nabaltec AG, the relevance of risk management is derived from its business activities and its worldwide operations in an international competitive and regulatory environment, as well as the general complexity of the global economy. Nabaltec AG's success depends to a considerable extent on identifying associated risks and opportunities as well as dealing with them consciously and bringing risks under control. Effective risk management is a core element for securing the company 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 risk management system. The continuous optimization of risk prevention tools in all areas enables the early identification and elimination of business risks. Integral elements include risk management as an ongoing process, risk controlling, extensive communication and documentation processes, as well as an internal monitoring system. All discernable internal and external risks are identified, documented, assessed and included in a risk matrix as efficiently as possible. This risk matrix represents the basic framework for the assessment of potential risks and for the identification of key risks.

The starting point of the actual risk management processes at Nabaltec is the identification and evaluation of various types of risks and risk profiles that are monitored and managed by

the controlling department. Reports on business risks as well as continuous status reports are prepared for the Management Board and discussed at the management level. An important component is also the comprehensive operational budget including targets, regularly supplemented with forecasts.

Nabaltec 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 in the assets estimates in the individual financial statements. Likewise, negative effects on the sales market remain in the event of a resurgence of the pandemic situation.

Procurement Market

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

Again in 2023 after 2022, Nabaltec AG 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 AG can counter this risk by passing on logistics costs to customers and by finding a balanced logistical mix. For example, Nabaltec AG has its own railway siding, which makes transport by rail very attractive. 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 AG has a detailed financial and liquidity forecast which is subjected to routine comparisons of estimates against results. If additional liquidity is deemed necessary, the appropriate financing measures are initiated.

Nabaltec AG's loan agreements are subject to financial covenants which are tied to leverage coverage ratios. If the covenants are not observed, the lender has the option to increase the interest margin or exercise its right of extraordinary termination. None of the covenants in effect as of 31 December 2023 were breached in the financial year.

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

Personnel

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

Production, Processes and IT

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

on the legal requirements is ensured at all times within the company and is additionally 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.

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

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

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

Overall Assessment of the Company's Opportunities and Risks

Based on the described constant monitoring of the markets relevant for Nabaltec AG, as well as due to the continuous further development of products and the adaptation to the needs of current and potential customers, subject to economic and geopolitical risks, there are currently no significant risks for the future development of Nabaltec AG in the opinion of the Management Board. On the whole, potential impact of the company's risk is limited, in our

estimation. There are currently no discernible risks that could jeopardize the continued existence of Nabaltec AG.

Schwandorf, 28 March 2024

Nabaltec AG
The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Alexander Risch

Income statement of Nabaltec AG, Schwandorf
for the Financial Year 1 January to 31 December 2023

	1/1 - 12/31/2023		1/1 - 12/31/2022	
	TEUR	TEUR	TEUR	TEUR
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		1,933		2,916
- thereof from currency translation: TEUR 986 (PY: TEUR 2,171)				
		203,344		224,408
5. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	-111,913		-112,146	
- thereof income from other periods from energy cost reimbursement: TEUR 409 (PY: TEUR 0)				
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	-6,875		-6,919	
- thereof for pensions: TEUR 1,532 (PY: TEUR 1,603)				
7. Amortization/depreciation of intangible assets and property, plant and equipment	-9,336		-9,384	
8. Other operating expenses	-29,670	-75,879	-35,157	-82,926
- thereof from currency translation: TEUR 1,538 (PY: TEUR 1,755)				
		14,785		28,142
9. Income from investments	0		13	
- thereof from affiliated companies: TEUR 0 (PY: TEUR 13)				
10. Income from other securities and loans (financial assets)	1,642		401	
- thereof from affiliated companies: TEUR 1,642 (PY: TEUR 401)				
11. Other interest and similar income	2,023		338	
12. Depreciation on financial assets and current securities	-56		0	
- thereof from affiliated companies: TEUR 56 (PY: TEUR 0)				
13. Interest and similar expenses	-3,817	-208	-2,255	-1,503
- thereof from discounts: TEUR 653 (PY: TEUR 647)				
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

Balance sheet of Nabaltec AG, Schwandorf
for 31 December 2023

ASSETS

	12/31/2023	12/31/2022
	TEUR	TEUR
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
	255,862	255,034

LIABILITIES

	12/31/2023	12/31/2022
	TEUR	TEUR
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	484	628
- thereof relating to taxes: TEUR 344 (PY: TEUR 350).		
- thereof relating to social security: TEUR 45 (PY: TEUR 60).		
	98,496	103,482
	255,862	255,034

Development of fixed assets in Financial Year 2023

German Commercial Code

	COST					DEPRECIATION					Book value 12/31/2023	Book value 12/31/2022
	As of 1/1/2023	Additions	Disposals	Adjustments	12/31/2023	As of 1/1/2023	Additions	Write-ups	Disposals	As of 12/31/2023		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets												
1. Concessions acquired against payment, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,696,101.35	3,727.63	0.00	0.00	3,699,828.98	3,427,477.41	110,749.06	0.00	0.00	3,538,226.47	161,602.51	268,623.94
2. Advance payments made	226,945.54	434,417.43	0.00	0.00	661,362.97	0.00	0.00	0.00	0.00	0.00	661,362.97	226,945.54
	3,923,046.89	438,145.06	0.00	0.00	4,361,191.95	3,427,477.41	110,749.06	0.00	0.00	3,538,226.47	822,965.48	495,569.48
II. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on non-owned land	38,697,206.98	55,894.46	0.00	0.00	38,753,101.44	15,248,048.91	1,193,218.00	0.00	0.00	16,441,266.91	22,311,834.53	23,449,158.07
2. Technical equipment, plant and machinery	163,661,985.11	1,856,066.95	727,885.48	1,830,020.27	166,620,186.85	124,573,006.99	7,034,833.95	0.00	727,885.48	130,879,955.46	35,740,231.39	39,088,978.12
3. Fixtures, fittings and equipment	14,333,002.97	1,955,606.00	60,494.44	102,059.39	16,330,173.92	10,678,745.52	996,910.29	0.00	51,045.81	11,624,610.00	4,705,563.92	3,654,257.45
4. Advance payments rendered and machinery in process of construction	7,791,120.72	8,767,466.44	0.00	-1,932,079.66	14,626,507.50	0.00	0.00	0.00	0.00	0.00	14,626,507.50	7,791,120.72
	224,483,315.78	12,635,033.85	788,379.92	0.00	236,329,969.71	150,499,801.42	9,224,962.24	0.00	778,931.29	158,945,832.37	77,384,137.34	73,983,514.36
III. Financial assets												
1. Shares in affiliated companies	10,289,957.65	0.00	0.00	0.00	10,289,957.65	6,683,232.15	0.00	0.00	0.00	6,683,232.15	3,606,725.50	3,606,725.50
2. Loans to affiliated companies	36,366,512.60	2,438,194.64	2,553,526.00	0.00	36,251,181.24	4,058,000.00	55,926.10	0.00	0.00	4,113,926.10	32,137,255.14	32,308,512.60
	46,656,470.25	2,438,194.64	2,553,526.00	0.00	46,541,138.89	10,741,232.15	55,926.10	0.00	0.00	10,797,158.25	35,743,980.64	35,915,238.10
	275,062,832.92	15,511,373.55	3,341,905.92	0.00	287,232,300.55	164,668,510.98	9,391,637.40	0.00	778,931.29	173,281,217.09	113,951,083.46	110,394,321.94

Nabaltec AG, Schwandorf

Notes for Financial Year 2023

General Disclosures Concerning the Financial Statements

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

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

Accounting Policies

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

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

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

Depreciation is performed using the straight-line method based on the typical useful life for the asset, which is based on the maximum rates permitted for tax purposes in the depreciation tables published by the revenue authorities. Depreciation is prorated in the year of addition.

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

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

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

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

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

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

Liquid funds are recognized at face value.

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

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

Subscribed capital is recognized at nominal value.

Pension reserves are measured using the projected unit credit method, applying actuarial principles, with an actuarial interest rate of 1.83% per annum, based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. Based on the option pursuant to Article 67(1) Sentence 1 of the Introductory Act to the German Commercial Code, TEUR 267 was transferred to pension reserves in the Financial Year (1/15th of the difference calculated on 1 January 2010), as was done in previous years as well. Pension liability insurance policies exist which are pledged to the pension recipients. These assets, which serve exclusively to secure direct pension commitments and are protected from attachment by all other creditors (plan assets in terms of § 246(2) Sentence 2 of the German Commercial Code), are recognized at fair value (market value, price as of the reporting date). Accordingly, the assets and liabilities in connection with the pension liability insurance policies are netted out in accordance with § 246(2) of the German Commercial Code.

Other provisions and accrued liabilities account for all contingent liabilities and losses from pending transactions and are formed in the repayment amount, as appears necessary according to a prudent commercial assessment. When measuring the repayment amount, future price and cost increases are taken into account where necessary. Other provisions with a term of one year or less are not discounted. If they have a term of more than one year, they are discounted at interest rates appropriate to the term and published by the German Bundesbank.

Accounts payable are recognized at their settlement amount.

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

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

Disclosures Concerning the Balance Sheet

Fixed assets

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

Debt interest in the amount of TEUR 182 was included in production costs in the reporting year. The average financing cost rate used to determine capitalizable debt interest was 3.00%.

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

Intangible assets:

Advance payments rendered	TEUR 11
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Property, plant and equipment:

Land, leasehold rights and buildings, including buildings on unowned land	TEUR 0
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Technical equipment and machinery	TEUR 16
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Other fixtures, fittings and equipment	TEUR 1
--	--------

Advance payments made and assets in process of construction	TEUR 154
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Accounts receivable and other assets

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

Other assets mainly consist of accounts receivable from a factoring company from purchase price retentions (TEUR 2,830), input tax refund claims (TEUR 2,048), an energy tax refund claim (TEUR 258), an electricity tax refund claim (TEUR 202) and a time deposit with a residual term of >3 months (TEUR 15,000).

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

Deferred expenses and accrued income

TEUR 339 (previous year: TEUR 275) of deferred expenses and accrued income relates to prepaid expenses for the next Financial Year.

Shareholders' equity

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

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

b) Authorized capital

Authorized capital as of 31 December 2023 amounted to
(through 31 May 2026) EUR 4,400,000.00

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

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

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

To date, no such bonds have been issued.

d) Capital reserve EUR 48,424,219.38

As of 31 December 2023, the capital reserve amounted to TEUR 48,424 (previous year: TEUR 48,424).

e) Retained earnings	<u>EUR 51,165,723.99</u>
As of 1 January 2023	EUR 43,542,290.52
Dividend payment pursuant to shareholder resolution	<u>EUR -2,464,000.00</u>
= Profit carried forward as of 31 December 2023	EUR 41,078,290.52
Net income for Financial Year 2023	<u>EUR 10,087,433.47</u>
As of 31 December 2023	EUR 51,165,723.99 =====

Pension reserves

Pension liabilities were measured in accordance with generally accepted actuarial principles using the projected unit credit (PUC) method. The biometric calculation was based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. The measurement was performed based on the following additional assumptions: an actuarial interest rate of 1.83% per annum (previous year: 1.80%), a fluctuation rate of 1.00% per annum (previous year: 1.00%), a salary trend of 2.75% per annum (previous year: 2.75%) and a pension trend of 2.00% per annum (previous year: 2.00%). Due to the inflation trend in the fiscal year, the underlying pension trend was also adjusted to further 8%. Liabilities were discounted at the average market interest rate for the past ten years according to Deutsche Bundesbank assuming a residual term of 15 years.

The remeasurement of pension reserves on 1 January 2010 resulted in a difference in the amount of TEUR 4,009; as in previous years, TEUR 267 of this difference (1/15th of the total, in accordance with Article 67(1) Sentence 1 of the Introductory Act to the German Commercial Code) was transferred to pension reserves in the reporting year, so that the remaining deficit as of 31 December 2023 was TEUR 267. This transfer was recognized under other operating expenses in 2023.

Pension liability insurance policies are pledged and therefore protected from attachment by all other creditors so as to secure direct pension commitments. This means that the liabilities must be offset against the corresponding assets and the corresponding expenses and income. As of the balance sheet date, the fair value of the reinsurance policy of TEUR 1,981 was offset against the settlement amount of the provision of TEUR 41,491, resulting in a net balance sheet figure of TEUR 39,510. In the interest and similar expenses item, income from reinsurance amounting to TEUR 95 was offset against interest expenses of TEUR 724. The fair value and the acquisition costs of the reinsurance policies correspond to the asset value.

Discounting pension reserves at the average market interest rate for the past ten years results in a difference of TEUR 483 (previous year: TEUR 2,401) relative to discounting pension reserves at the average market interest rate for the past seven years. This difference is not available for distribution pursuant to § 253(6) Sentence 2 of the German Commercial Code.

Other provisions

Other provisions largely consist of personnel obligations (TEUR 4,567), clean-up and disposal expenses (TEUR 358) and outstanding invoices (TEUR 2,844).

The anniversary provision is measured in the PUC method using an actuarial interest rate of 1.76% (average market interest rate over the past seven years, assuming a residual term of 15 years), a salary trend of 2.75% and a fluctuation rate of 1.00%.

Accounts payable

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

(amounts from the previous year are indicated in parenthesis)

	Total amount	Residual terms			Secured amount	Type of secu- rity
		Less than 1 year	1-5 years	Over 5 years		
		TEUR	TEUR	TEUR		
Accounts payable to banks	90,971 (90,783)	971 (783)	45,000 (45,000)	45,000 (45,000)	0 (0)	
Trade payables	6,466 (11,081)	6,466 (11,081)	0 (0)	0 (0)	0 (0)	
Accounts payable to affili- ated companies	575 (990)	575 (990)	0 (0)	0 (0)	0 (0)	
Other accounts payable	484 (628)	484 (628)	0 (0)	0 (0)	0 (0)	
	98,496 (103,482)	8,496 (13,482)	45,000 (45,000)	45,000 (45,000)	0 (0)	

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

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

Nabaltec AG's loan against borrower's notes is subject to covenants which are measured by leverage coverage ratios (net debt/EBITDA). If the covenants are breached, the lender has the option of raising the interest margins or it may exercise its right of extraordinary termination. None of the covenants in effect as of 31 December 2023 were breached in the 2023 reporting year.

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

Disclosures Concerning the Income Statement

Revenues

Breakdown of revenues by geographical region:

	2023		2022	
	TEUR	%	TEUR	%
Germany	50,770	25.4	58,288	26.6
Rest of Europe	103,967	52.0	102,390	46.8
USA	23,907	11.9	30,039	13.7
Rest of world	21,316	10.7	28,139	12.9
	199,960	100.0	218,856	100.0

Breakdown of revenues by product segments:

	2023		2022	
	TEUR	%	TEUR	%
Functional Fillers	141,400	70.7	147,356	67.3
Specialty Alumina	57,803	28.9	70,847	32.4
Other	757	0.4	653	0.3
	199,960	100.0	218,856	100.0

Other operating income

In addition to income from currency translation, other operating income mainly includes income from the reversal of allowances on accounts receivable in the amount of TEUR 447, income from non-cash benefits in the amount of TEUR 238 and from income charged on in the amount of TEUR 130.

Other operating expenses

Other operating expenses include expenses for outgoing freight in the amount of TEUR 10,217, sales commissions in the amount of TEUR 3,788, expenses for third-party repairs in the amount of TEUR 3,769 and consulting expenses in the amount of TEUR 514.

Other operating expenses also include expenses in the amount of TEUR 267 (previous year: TEUR 267) from the transfer by installments of the difference arising from remeasurement of pension reserves in the course of first-time application of the provisions of the German Commercial Code which were amended by the Accounting Law Modernization Act.

Income from investments

Income from investments in the amount of TEUR 0 (previous year: TEUR 13) relates to income from the wind-up of the subsidiary Nabaltec Asia Pacific K.K..

Taxes on income and earnings

In the previous year, taxes on income included tax income of TEUR 6,552 relating to other periods in accordance with § 285(31) of the Commercial Code resulting from a completed tax field audit.

Other Disclosures

Disclosures concerning transactions not reported in the balance sheet

In order to improve liquidity, Nabaltec AG concluded leasing contracts at an expense in the financial year of TEUR 268 and assigned receivables in the amount of TEUR 30,076 to a factor as of the reporting date. The transfer of the *del credere* risk to the factor resulting from the factoring agreement as part of this genuine factoring will be offset in 2023 by expenses of TEUR 697 for the settlement and pre-financing of the sale of receivables.

Liability relations

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

	12/31/2023 TEUR	12/31/2022 TEUR
Liabilities from performance guarantees		
Separate grid fees for natural gas thereof, in favour of affiliated companies:	1,392 0	1,531 0
Investment costs of Weserport GmbH thereof, in favour of affiliated companies:	1,000 0	0 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 the Management Board 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 the Management Board assumes that the payment obligations will be met on an ongoing basis due to the company's positive liquidity situation.

Nabaltec AG has issued the subsidiary Nashtec LLC a payment guarantee in the amount of TUSD 2,000 (previous year: TUSD 1,600) to secure its supply of raw materials. Due to the financial situation of the company, the risk of a claim is classified as low.

Other financial liabilities

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

	12/31/2023	12/31/2022
	TEUR	TEUR
a) Liabilities arising from rental, lease, service and consulting agreements thereof	13,035	1,540
- maturing in less than 1 year	898	732
- maturing in 1-5 years	7,169	808
- maturing in more than 5 years	4,968	0
b) Liabilities arising from investment orders	10,132	6,600
- maturing in less than 1 year	10,132	6,600
 Total	 23,167	 8,140
- thereof to affiliated companies	0	0

The increase in obligations from rental, leasing, service and consultancy agreements results from the conclusion of a logistics agreement with Weserport GmbH in Financial Year 2023.

Auditor's fee

The total fee charged by the auditor for the financial year amounts to TEUR 178. The auditor's fee for the 2023 financial statements (including the 2023 consolidated financial statements) amounts to TEUR 134. The auditor received a fee in the amount of TEUR 12 for other assurance services and a fee of TEUR 32 for tax advisory services.

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

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

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

	Amount of Shares in capital	Shareholders' equity of the last financial year *)		Result of the last financial year *)	
		USD	in EUR	USD	in EUR
Direct shareholdings	as a %				
Nabaltec USA Corp. Corpus Christi, TX, USA	100.0	4,798,798.56	4,332,218.62	-142,030.95	-131,315.60
Indirect shareholdings via Nabaltec USA Corp.					
Nashtec LLC, Corpus Christi, TX, USA	100.0	-1,989,303.65	-1,795,886.65	488,045.47	451,225.51
Naprotec LLC, Chattanooga, TN, USA	100.0	210,322.23	189,872.92	166,742.42	154,162.74
Direct shareholdings	as a %	in RMB	in EUR	in RMB	in EUR
Nabaltec (Shanghai) Trading Co., Ltd., Shanghai, China	100.0	9,134,400.12	1,165,518.31	2,410,165.64	316,427.58

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

The subsidiary Nabaltec Asia Pac. K.K. was wound up in the previous year on 21 November 2022 after a lengthy administrative process.

Deferred taxes

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

Item	Book value		Difference TEUR	Deferred tax	
	Book value in commercial balance sheet TEUR	Book value in tax bal- ance sheet TEUR		Asset TEUR	Liability TEUR
Deferred tax assets					
Pension reserve	-41,491*	-18,740	-22,751	6,627	
Other provisions	-8,543	-7,310	-1,233	359	
Financial assets/loans to affli- ated companies	32,137	36,251	-4,114	17	
Trade accounts receivable	1,340	1,468	-128	37	
	-16,557	11,669	-28,226	7,040	
Deferred tax liabilities					
Trade payables	-6,466	-6,508	42		12
	-6,466	-6,508	42		12
Net total				7,028	

*Before adjusting for pension liability insurance

Employees

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

	2023
	Number
Industrial workers	262
Employees	192
Minimally employed workers	4
	458

In addition, an average of 38 trainees were employed in the Financial Year.

Mandatory disclosures

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

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

Management Board and Supervisory Board

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

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

Mr. Johannes Heckmann

CEO

Mr. Günther Spitzer

CFO

Dr. Alexander Risch

COO

Total remuneration of the Management Board amounted to TEUR 2,248 in Financial Year 2023 (previous year: TEUR 2,537).

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of three members. Throughout Financial Year 2023 until of the time the financial statements were prepared, the Supervisory Board had the following members:

Mr. Gerhard Witzany (Chairman)

Managing Director of NAWI Beteiligungs GmbH

Dr. Dieter J. Braun (Vice Chairman)

Graduate chemist, retired

Prof. Dr.-Ing. Jürgen G. Heinrich

Professor of engineering ceramics, retired

The members of the Supervisory Board received total remuneration in the amount of TEUR 84 for Financial Year 2023.

Group relations

Nabaltec AG, Schwandorf, as the ultimate parent company, prepares consolidated financial statements. These are submitted to and published in the company register.

Major events occurring after the reporting date

No major events occurred after the reporting date.

Proposal for 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, 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 annual financial statements of Nabaltec AG, Schwandorf, which comprise the balance sheet as at 31 December 2023, and the statement of profit and loss for the financial year from 1 January 2023 to 31 December 2023, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Nabaltec AG, Schwandorf, for the financial year from 1 January 2023 to 31 December 2023.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

Other information

The 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 annual financial statements and on the management report do not cover the other in-formation, 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 annual financial statements, with the audited content of the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Nuremberg, 28 March 2024

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:

Christian Fischer

Wirtschaftsprüfer

(German Public Auditor)

Signed:

Johannes Graebner

Wirtschaftsprüfer

(German Public Auditor)

Appropriation of distributable profit

The Management Board proposes that the distributable profit of the Financial Year 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

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.

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.

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

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 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.

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.

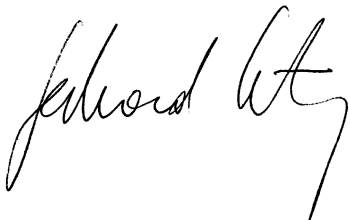
The Supervisory Board engaged the auditor in accordance with the resolution of the Annual General Meeting of 28 June 2023. The focus of the audit for Financial Year 2023 was set on the measurement of financial assets.

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

A handwritten signature in black ink, appearing to read 'Gerhard Witzany', written in a cursive style.

Gerhard Witzany
Chairman of the Supervisory Board

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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Text

Nabaltec, Schwandorf, Germany
Better Orange, Munich, Germany

Concept & Design

Silvester Group, www.silvestergroup.com

Photos

C3 marketing agentur GmbH, freepik

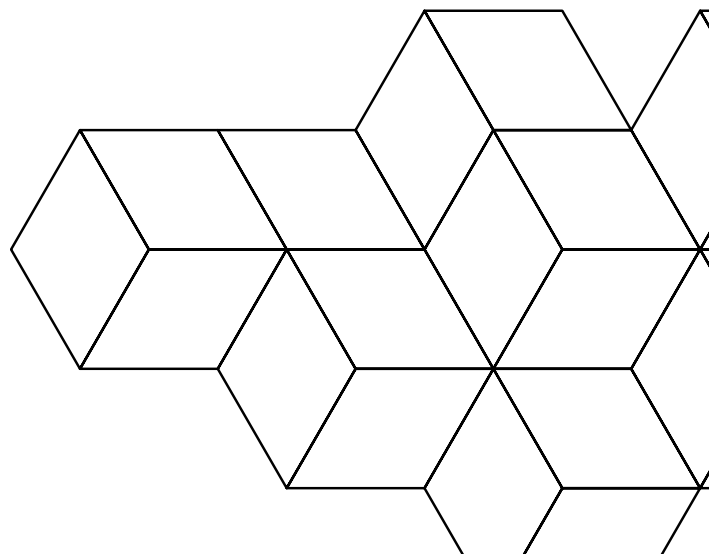
Statements relating to the future

This annual financial statements 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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