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ANNUAL FINANCIAL STATEMENTS 2021

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021

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. The company belongs to the world's leading suppliers of functional fillers and specialty alumina on the basis of aluminum hydroxide (ATH) and aluminum oxide. Annual production capacity registers 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 as white pigments in paint;
- 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. Flame protection within the plastics and cable & wire industry will continue to grow dynamically in the years to come, which is supported by market research results. In order to benefit from this development disproportionately high, production capacities for environmentally friendly, flame-retardant fillers were specifically expanded in the "Functional Fillers" product segment. Today, Nabaltec is one of the world's leading suppliers in this area. Nabaltec's still new battery market segment for electrical mobility applications serves a market which will post strong growth in the coming years. Nabaltec sees itself as one of the world's leading manufacturers of boehmite-based coating material.

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

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

Corporate Structure

Nabaltec, based in Schwandorf, Germany, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminium 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 and 2015 and the capital increase in 2017. This market access, maintained by transparent and reliable communications at all times, secures Nabaltec AG a balanced and largely independent means of financing.

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

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

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

In order to strengthen its operations in the Southeast Asian market, Nabaltec AG established a wholly-owned subsidiary in 2016, Nabaltec Asia Pacific K.K., based in Tokyo, Japan, which will market and distribute Nabaltec AG's entire portfolio of products.

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

Nabaltec AG does not currently have any other participations or subsidiaries.

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

PRODUCT SEGMENTS

“FUNCTIONAL FILLERS” and
“SPECIALTY ALUMINA”

Market segments:

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

1.2 OBJECTIVES AND STRATEGIES

For the further development of the company, Nabaltec AG has set the following objectives and core strategic areas:

1. Global growth strategy in target markets with a focus on sustained double-digit EBIT margins

Fire safety concerns within the plastics and cable & wire industry will continue growing in the years to come, which is supported by recent market research results by among others Frost & Sullivan and Roskill. In order to benefit from this trend disproportionately high, we have specifically expanded our production capacity for aluminum hydroxide both at the Schwandorf site and in the US. Electric mobility is also gaining importance. With our boehmite, we can make an important contribution towards industrial safety in the production of lithium ion batteries. As a result, we are expanding production capacity in this area as well and will continue to do so in the future. Today, Nabaltec is already one of the world's leading suppliers in this area.

Stricter quality requirements in the refractory industry have resulted in steady growth in reactive aluminum oxides. Accordingly, we have expanded our capacity in this product range as well.

Nabaltec has for many years been a leading supplier of its own ready-to-press aluminum oxide-based ceramic bodies for highly specialized applications, due to amongst others the state-of-the-art production facility in Schwandorf.

2. Strategic alignment towards growth markets

Environmentally friendly products and processing solutions are globally advancing forward. This trend is supported in part by voluntary industry initiatives, as well as by the requirements of laws and standards. With an export share of 75.1%, Nabaltec already profits from these worldwide trends. By adopting a deliberate global growth strategy and expanding our capacity in high-added-value products, we are pursuing the goal of posting double-digit EBIT margins on a sustained basis.

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

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

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

4. Systematic expansion of our product range

Nabaltec develops its own product portfolio along three dimensions:

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

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

5. Strategic expansion and extension of boehmite production capacity

In order to meet and consistently follow the sharply increasing growth in the market for lithium-ion batteries, which is financially significant for Nabaltec, production capacity was increased from 7,000 to 10,000 tons per year in 2021. In a further step, capacity is to be expanded to 25,000 tons per year within the next two years.

6. 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.

7. 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 a company-wide incentive scheme, assigning responsibilities and defining specific objectives for even for the smallest units of the company.

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

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

1.4 BASICS OF THE REMUNERATION SYSTEM FOR CORPORATE OFFICERS

The Management Board

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

The assessment basis for the variable compensation is calculated as follows: The Management Board Chairman receives a profit share equal to 4%, and each other member receives 2%, of the amount by which pre-tax consolidated net income in accordance with IFRS, adjusted for non-controlling interests and subtracting losses carried forward from the

year before, exceeds EUR 4.2 million. Variable compensation is capped at 100% of the fixed annual salary.

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

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

The Supervisory Board

Remuneration of Supervisory Board members was last revised by resolution of the shareholders at the general meeting of 27 June 2017. Remuneration is comprised of a fixed salary in the amount of EUR 10,000.00 a year and a fee of EUR 1,500.00 per meeting of the Supervisory Board, with the Chairman of the Supervisory Board receiving one and a half times the sums mentioned above. 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 for that year on a prorated basis.

In the interest of the company, the members of the Supervisory Board are covered by a company D&O insurance policy with an insured sum of up to EUR 25.0 million, and with no deductible for the insured Supervisory Board members. The insured sum was raised from EUR 20.0 million to EUR 25.0 million effective 1 January 2020 by shareholder resolution of 27 June 2019. Insurance premiums are paid by the company.

1.5 RESEARCH AND DEVELOPMENT

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. A key element of the research and development strategy is close collaboration and joint development efforts with customers. In all product segments, the focus is on providing customers with an optimal product and helping them achieve a competitive advantage. As a leading supplier of highly specialized products, Nabaltec considers research and development to be one of its central core competencies. Research and development expenses accounted for 2.2% of revenues in 2021.

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

In order to ensure continued success in a global market, the optimization of production processes is also a high priority for R&D work. Efficient use of energy and resources are the key drivers in this regard.

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

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

In addition to the effort to work out new ideas for products, processes and applications and to start corresponding new developments, Nabaltec AG's research and development activities are primarily 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 market segment 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 2021 reporting year was once again marked in particular by challenges relating to electric mobility. Separator film for lithium ion batteries with ceramic coating had unchanged very high growth rates in 2021. Nabaltec AG's boehmite products have been further optimized in order to meet the growing demand and stricter quality requirements, and key developments have been achieved in the course of production. At the same time, key fundamental developments have been continued in order to meet the requirements of the next generation of separator film, with higher energy density resulting in higher storage capacity. The separator film which will be required for this purpose will have to be equipped with even thinner coating. For this purpose, the first pilot production batches were sampled for Nabaltec AG's most important customers.

In addition, the application performance of existing boehmite products for coating electrodes (e.g. cathode edge coating) was demonstrated.

Another key aspect of electric mobility is managing the heat generated by battery systems. Given the demand for significantly faster charging times and, in particular, due to the plans for a dense network of rapid charging stations, the issue of thermally conductive materials is becoming increasingly important. These long-term developments of Nabaltec AG culminated in 2020 in the launch of a product family designed for thermal conductivity, consisting of the APYRAL[®] HC, NABALOX[®] HC and ACTILOX[®] HC product groups. Aluminum hydroxide-based APYRAL[®] HC products allow very high filler loads and thermal conductivity with very low abrasion. APYRAL[®] HC has been manufactured at the Chattanooga site since 2021 by

Naprotec in the US. Commercial supply in the area of thermal management, which was launched in 2020, showed the hoped-for customer interest in 2021.

Mineral-based flame retardants continue to ensure growth for Nabaltec AG's innovative and eco-friendly products. In addition to the issues of flue gas development and flue gas toxicity, the stricter fire safety requirements in connection with the new EU Construction Products Regulation have become increasingly important. The new rules require plastic components with a high share of aluminum hydroxide, which must be highly processable as well. In 2021, APYRAL® 40 (EX) CDO, a complementary product to APYRAL® 40 CD with further improved processing behavior during compounding, was presented.

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

Collaboration with customers in connection with the GRANALOX® product family, which has traditionally been highly individualized, was characterized by a geographical extension of the customer base to Asian users in 2021 as well.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

Economic development in 2021 remained affected by the consequences of the coronavirus pandemic and attempts to contain it. Although waves of infection are becoming less synchronized internationally and the economic impact varies across countries – for example, as countries with high vaccination rates now tolerate higher incidences and containment measures are correspondingly lower – the coronavirus pandemic is still clearly influencing events. In the advanced economies in particular, this effect was reflected in the second half of 2021 in a recent tangible weakening of economic activity, after the second quarter of 2021 had still been characterized by an easing of pandemic-related restrictions and a recovery in economic activity had meanwhile set in. The International Monetary Fund (IMF) expects the global economy to grow by 5.9% in 2021 as a whole, while the Kiel Institute for the World Economy (IfW) has a slightly lower forecast of 5.7%. In particular, the supply bottlenecks caused by the containment measures and the increased energy prices continue to be of significance for overall economic development.

On the whole, IfW expects Germany's GDP to grow by 2.6% in 2021. The recovery of the German economy was again slowed down in the course of the year by the resurgence of infections. Overall, the dent in the recovery process caused by the pandemic will probably be greater than the IfW had assumed at the time in its fall forecast. However, the setback will be nowhere near as severe as in the previous winter.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), the situation in the industrial sector has stabilized with a cautiously optimistic outlook. According to the Federal Ministry of Economics and Technology, production in the manufacturing sector

remained almost constant in November compared to the previous month, falling slightly by 0.2%. Industrial output increased slightly (+0.2%), while construction output decreased by 0.8%. New orders also rose again in the manufacturing sector in November 2021 compared to the previous month.

2.1.2 INDUSTRY SITUATION

The chemical industry in Germany was able to make significant gains again in 2021, registering production growth of 4.5%. Revenues increased by 15.5% to EUR 220.0 billion. The number of employees increased slightly by around 2,000 (+0.5%) to 466,500.

The long-term trend of growing demand for non-halogenated flame retardant fillers, and aluminum hydroxide in particular, remains intact. Independent market forecasts call for annual global demand growth of 4.2% through 2025 (ATH-based, source: Frost & Sullivan, 2019). 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 aluminum hydroxide product segment. The long-term outlook for boehmite is also excellent, in the estimation of Nabaltec AG, with a wide variety of applications, above all in electric vehicles. We expect European production of lithium ion batteries to ramp up significantly in the next one to two years. As a result, the potential for boehmite in Europe will be gradually increased, alongside the Asian market.

In the “Specialty Alumina” product segment, the refractory market is shaped by demand from the steel industry. The trend towards high-quality refractory products and wear-resistant ceramics is continuing. Market experts estimate that the market for refractory products and technical ceramics will grow at a rate of 2.6% per year through 2025 (source: Roskill, 2019).

2.2 COURSE OF BUSINESS

In the course of 2021, Nabaltec AG’s business development increasingly gained momentum. In the fourth quarter, the sound development was once again underlined on a sustained basis. With revenues of EUR 187.0 million for 2021 as a whole, Nabaltec achieved a 17.2% increase in revenues compared to the previous year (EUR 159.6 million), which had been strongly affected by the impact of the coronavirus pandemic. At the same time, Nabaltec AG was thus able to exceed the previous record year of 2019, in which revenues had amounted to EUR 180.0 million. Revenues in the “Functional Fillers” product segment came to EUR 130.0 million, compared to EUR 113.7 million in the previous year (up 14.3%), while revenues in the “Specialty Alumina” product segment were EUR 56.3 million, compared to EUR 45.3 million in the previous year (up 24.3%). Revenues which were not attributable to either product segment amounted to EUR 0.7 million in 2021 (2020: EUR 0.6 million).

Especially in boehmite sales, Nabaltec was able to grow at an even faster pace in recent months, as customers have recently been buying heavily in stock and building up inventories. The great uncertainty regarding supply bottlenecks in many areas seems to play a role here. However, this will probably also result in the momentum slowing down again somewhat in the further course of 2022. Overall, the market remains correspondingly difficult to predict.

In the “Specialty Alumina” product segment, the recovery in the steel industry and the construction sector were the main drivers. In the past Financial Year 2021, volume effects were particularly noticeable here.

Earnings before income (EBT) were EUR 20.6 million in 2021, compared to EUR -30.2 million in the previous year. In the previous year, Nabaltec AG had recognized extraordinary depreciation of EUR 6.7 million on the book value of the investment in Nabaltec USA Corporation, in particular due to declining expectations for Nashtec's business volume. In addition, there were allowances of loan receivables from Nashtec LLC in the amount of EUR 4.1 million as well as a compensation payment from the strategy center, Nabaltec AG, to the subsidiary, Nashtec LLC, in the amount of EUR 22.6 million, which is included in other operating expenses. This was in addition to write-downs on inventories and non-recurring expenses due to abandonment of the mullite product area in the amount of EUR 2.0 million. Non-recurring effects in 2020 weighed down earnings by a combined total of EUR 35.3 million.

Due to the very sound business development, Nabaltec raised the forecast twice in the course of 2021, most recently on 28 October 2021. Nabaltec AG originally expected revenue growth in the range of 6% to 9% and an EBIT margin of 8% to 10%. The forecast was concretized in October 2021 with revenue growth in a range of 13% to 15% and an EBIT margin of 11% to 12%. This forecast was also exceeded once again with the 2021 results.

2.3 SITUATION

2.3.1 EARNINGS POSITION

Nabaltec AG earned EUR 187.0 million in revenues in Financial Year 2021, compared to EUR 159.6 million in the previous year (up 17.2%). The main revenue drivers were the continuing solid performance of the boehmite product range and the growth achieved across almost all product ranges.

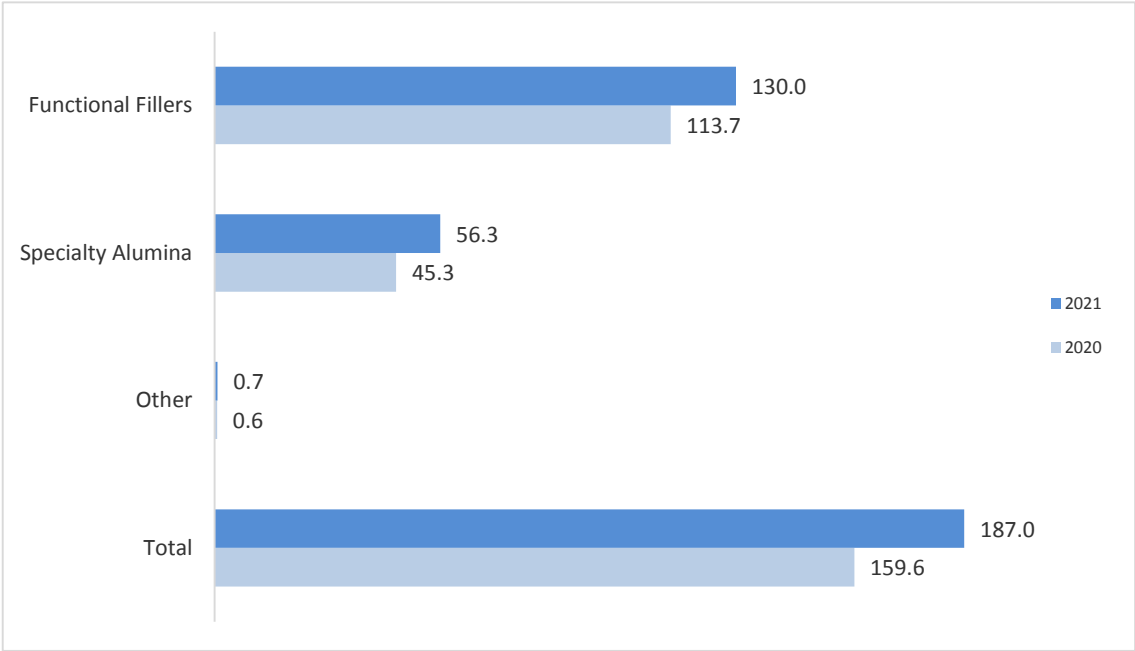
In each quarter, Nabaltec AG outperformed the corresponding period of the previous year, which was further impacted by the effects of the coronavirus pandemic. Revenues came to EUR 46.2 million in the first quarter, compared to EUR 45.6 million in the same quarter of last year (up 1.3%). Revenues in the second quarter of 2021 amounted to EUR 48.0 million after EUR 36.3 million in the same period from the previous year. This represents a 32.2% increase in revenue compared to the second quarter of 2020, which was heavily impacted by the effects of the coronavirus pandemic. In the third quarter, Nabaltec AG exceeded the previous year's quarter by 26.0% and increased revenues to EUR 46.5 million, compared to EUR 36.9 million in the same period of the previous year. In the fourth quarter, revenues were EUR 46.3 million, compared to EUR 40.7 million in the fourth quarter of the previous year. This corresponds to an increase of 13.8%.

Nabaltec attained revenues in the “Functional Fillers” product segment of EUR 130.0 million in Financial Year 2021, compared to EUR 113.7 million in the previous year (up 14.3%). The

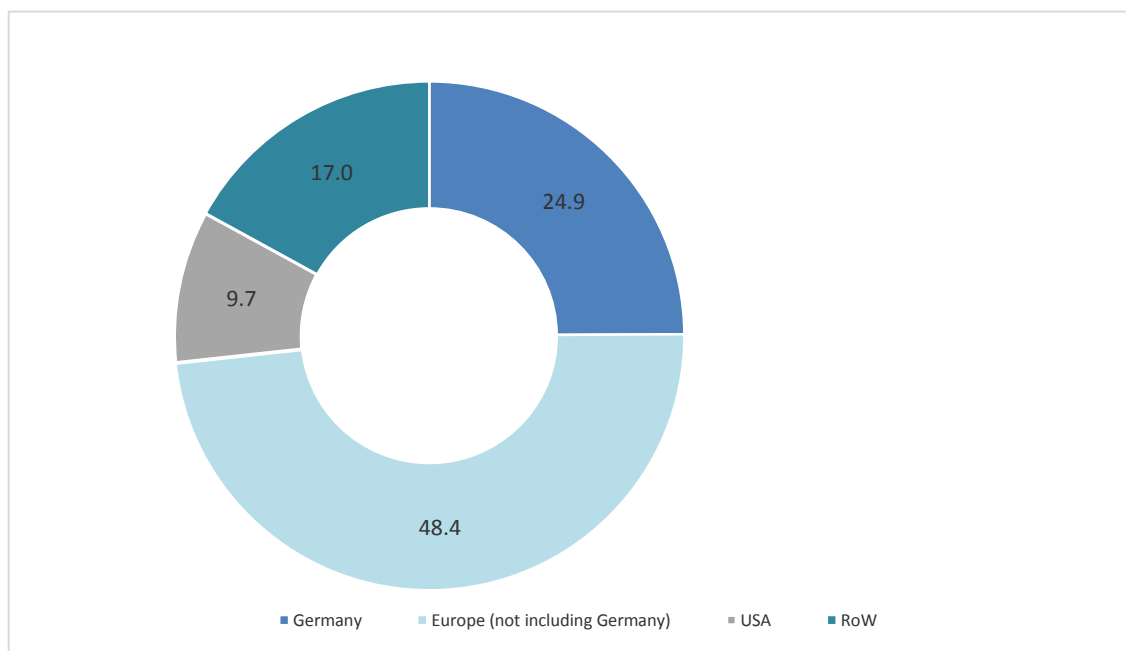
solid revenue development was attributable to volume growth across all product ranges and the continued very sound development of the boehmite product range.

In the “Specialty Alumina” product segment, revenues in 2021 amounted to EUR 56.3 million, compared to EUR 45.3 million in the previous year (up 24.3%). In particular, the stronger momentum in the steel and refractory industries favored the surge in demand.

Revenues by product segment, 2021
(in EUR million)



Revenues by region, 2021
(in %)



Over the year as a whole, exports accounted for 75.1% of revenues. Nabaltec AG recorded growth in all regions in 2021.

Orders received amounted over the year as a whole to EUR 263.0 million, compared to EUR 163.6 million in the previous year. This high figure reflects the fact that customers, particularly from the “Specialty Alumina” product segment, already placed far-reaching orders in 2021 for 2022 and that the momentum in order intake will therefore weaken in the first months of 2022. Nabaltec ended the year 2021 with EUR 115.9 million in orders on hand, compared to EUR 39.9 million in the year before.

Nabaltec AG's total performance was EUR 186.4 million in 2021, compared to EUR 155.4 million in the previous year. The main reason for this development was the significant improvement in revenue compared to the previous year. Following a significant reduction in inventories of finished goods in 2020, there was a slight reduction in inventories in the financial year just closed.

Other operating income increased to EUR 3.9 million (previous year: EUR 0.9 million) and included currency gains in the amount of EUR 3.5 million.

Operating expense ratios as a percentage of total performance		
	2021	2020
Cost of materials	50.6%	52.1%
Personnel expenses	19.6%	19.9%
Other operating expenses	14.4%	31.0%

The cost of materials ratio (cost of materials as a percentage of total performance) decreased to 50.6% (2020: 52.1%). The improvement resulted, among other things, from an optimized product mix. In addition, non-recurring effects had a negative impact on the cost of materials in the previous year.

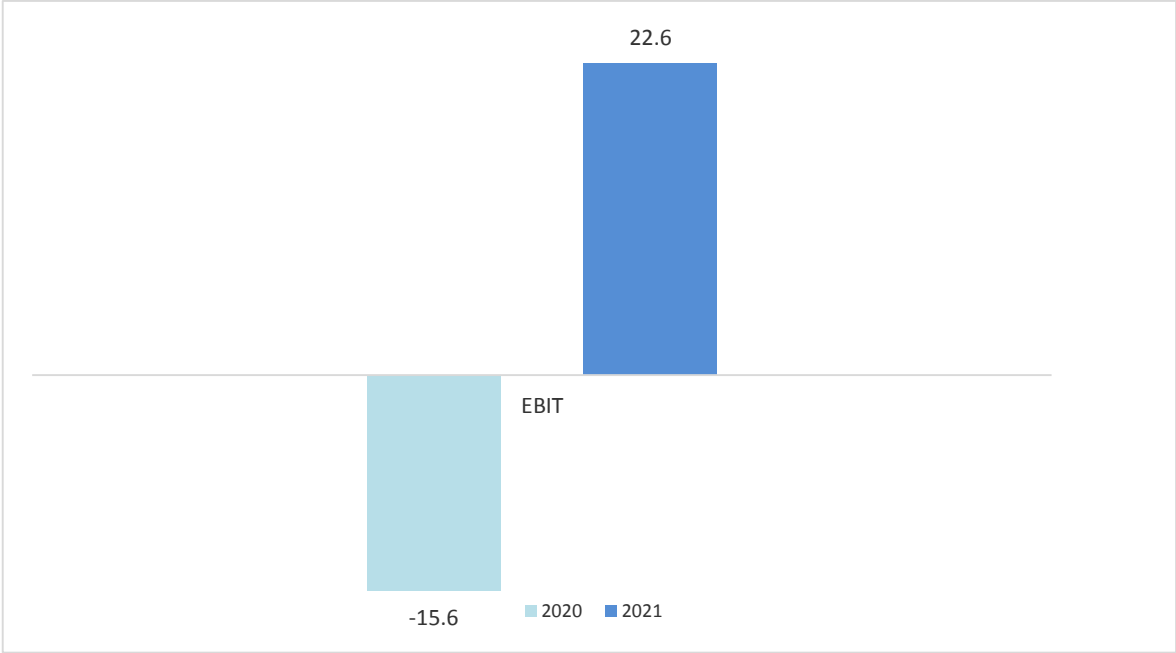
The personnel expense ratio (personnel expenses as a percentage of total performance) decreased from 19.9% in the previous year to 19.6% in 2021. The number of employees decreased from 474 on 31 December 2020 to 465 on 31 December 2021. The increase in personnel expenses is attributable to higher performance-related compensation and the reversal of cost-cutting measures.

Other operating expenses fell from EUR 48.2 million in the previous year to EUR 26.8 million in 2021. In the previous year, other operating expenses included EUR 23.6 million in non-recurring effects, largely resulting from a compensation payment to the Nashtec subsidiary in the US in connection with the asset impairment. Adjusted for the non-recurring effects, other operating expenses increased by EUR 1.9 million due to higher freight costs. The expense ratio (ratio of other operating expenses to total performance) decreased from 31.0% in the previous year to 14.4%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 32.7 million, compared to EUR -3.9 million in 2020.

Operating income (EBIT) was EUR 22.6 million in 2021, compared to EUR -15.6 million in the previous year. Operating profit adjusted for the special effects in the previous year amounted to EUR 9.0 million. The increase in the reporting year compared with adjusted operating profit from the previous year is attributable to higher revenues.

EBIT
(in EUR million)



Earnings before taxes (EBT) amounted to EUR 20.6 million in 2021 (previous year: EUR - 30.2 million, including one-time non-recurring effects totaling EUR 35.3 million). EBT includes EUR -2.0 million in net financial income. In the previous year, net financial income amounted to EUR -14.7 million.

Income tax expenses came to EUR 6.4 million in Financial Year 2021 after EUR 2.3 million in the previous year.

Net income came to EUR 14.2 million last year, compared to EUR -32.6 million the year before.

2.3.2 LIQUIDITY POSITION

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

Nabaltec counters fluctuations in the USD/EUR exchange rate by using exchange rate hedging instruments when such a course is indicated due to the volatility of the markets or 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 (2020: EUR 28.7 million). The interest rates and contractual terms conform to the standards for mid-sized companies. Nabaltec also uses various interest rate

hedging instruments with a mid- to long-term interest rate lock period (e.g. interest rate swaps) on a case-by-case basis in connection with variable-interest outside financing.

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

Nabaltec AG's loans against borrower's notes are subject to covenants tied to Group "leverage coverage ratios" and the Group equity ratio. None of the covenants in effect as of 31 December 2021 were breached in the 2021 reporting year.

The first tranche of the 2015 loan against borrower's note, in the amount of EUR 31.0 million, was repaid as agreed in April 2020. The payment was made by taking out a bilateral loan with a volume of EUR 20.0 million, paid out in April 2020. The second tranche of the 2015 bonded loan of EUR 39.0 million and the bilateral loan of EUR 20.0 million are due for repayment as scheduled in April 2022 (for information on refinancing, please refer to the report on events after the close of the year).

2.3.2.1 CAPITAL STRUCTURE

Nabaltec AG's subscribed capital is EUR 8.8 million. Shareholders' equity increased to EUR 77.9 million as of 31 December 2021, compared to EUR 63.8 million in the previous year, due in particular to the solid net results. The equity ratio was 40.1% on 31 December 2021. This represents a very strong capital base by industry standards.

EUR 47.9 million in provisions existed as of 31 December 2021 (previous year: EUR 38.3 million), including EUR 36.8 million in pension reserves (previous year: EUR 32.5 million).

Liabilities amounted to EUR 68.6 million on 31 December 2021, compared to EUR 69.2 million at the end of 2020.

Selected balance sheet items as a percentage of total assets:

	12/31/2021	12/31/2020
Shareholders' equity	40.1%	37.2%
Provisions	24.6%	22.4%
Liabilities	35.3%	40.4%

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 7.6 million in investments last year, compared to EUR 14.9 million the year before. The funds were used in particular for technical equipment and machinery to expand capacity, for infrastructure measures and process optimization, and for replacement investments.

For 2022, Nabaltec AG is planning investments primarily for boehmite capacity expansion, for the expansion of process optimization and infrastructure, as well as for digitalization.

2.3.2.3 FINANCIAL POSITION

Total assets increased from EUR 171.3 million to EUR 194.5 million compared to 31 December 2020. This is primarily attributable to current assets due to the increased cash on hand and in banks.

Key balance sheet assets as a percentage of total assets:

	12/31/2021	12/31/2020
Non-current assets	56.7%	64.6%
thereof: property, plant and equipment	38.0%	45.4%
Current assets	43.3%	35.4%
thereof: Inventories	12.9%	15.3%

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. The company is managed in such a way as to ensure profitable and capital-efficient growth. Therefore, significant importance is ascribed to revenue growth, EBIT and EBIT margin as performance indicators. Accordingly, the focus is on continually monitoring and optimizing these three 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 for long-term management purposes. This internal controlling and management system enables management to pursue value-based management.

Other ratios used by Nabaltec AG:

Return on sales and capital	2021	2020
Return on equity	18.2%	-51.1%
Return on capital employed (ROCE)	17.7%	-11.7%

Return on equity, consisting of the ratio of net income to shareholders' equity, amounted to 18.2% in the reporting year, compared to -51.1% in the year before.

Return on capital employed (ROCE) is the ratio of EBIT to capital employed (non-current assets + working capital). In the reporting period, this figure amounted to 17.7%, compared to -11.7% in the previous year.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

Employees

At the end of 2021, Nabaltec AG had a total of 465 employees. All employees work in Germany (31 December 2020: 474). This figure also includes 42 trainees (31 December 2020: 54). Nabaltec sets a high value on good training. In 2021 as well, the trainee rate represented a remarkably large share of the workforce, 9.0%. This rate again exceeded the industry average significantly in 2021. Nabaltec's trainees are regularly among the best of their class. Training positions are currently available (m/f/d) for industrial clerks, digitization management clerks, chemical laboratory technicians, chemists, electrical mechanics specialists and industrial mechanics specialists, as well as for chemicals production workers.

Nabaltec offers its employees prospects and opportunities for advancement within the company in order to promote identification with the company by these means as well, and to encourage hard work and commitment. Nabaltec AG is a family-friendly company which has been recognized multiple times. Nabaltec supports its employees in all life situations, offering individual arrangements to improve work/life balance. The company also offers numerous programs designed to maintain and improve employee health within the framework of health management. In this context, Nabaltec AG has received silver-standard "Healthy Company" certification for the second time from the health insurance provider AOK Bayern in recognition of its strong commitment to corporate health management.

Customer relations

In recent years, Nabaltec has been able to continually strengthen its market position and develop it in certain areas.

Nashtec LLC's customer supply in the US continued to stabilize during 2021. In addition to supplying the US market, the company was also able to make an export contribution to supplying customers within the Nabaltec Group. With the commissioning of the production site in Chattanooga, USA, and the expansion of the activities of the sales subsidiary in Shanghai, China, Nabaltec has realized essential steps for even closer cooperation with customers worldwide. Small progress was made in the market launch of Naprotec LLC's products after delays caused by the pandemic during the year.

Nabaltec's distribution subsidiary in Shanghai successfully further expanded its operations and revenues in the reporting year. In light of the highly strained logistics situation in 2021, particular attention was paid to the stocking and thus flexible delivery options of Nabaltec (Shanghai) Trading Co., Ltd.

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

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

Management systems

In order to promote safety-consciousness among all of our employees and to simplify implementation of statutory and trade association requirements, Nabaltec decided as far back as 2007 to introduce a health and workplace safety management system in accordance with BS OHSAS 18001 (British Standard Occupational Health and Safety Assessment Series) in addition to its existing quality and environmental management systems in accordance with ISO 9001 and ISO 14001. In 2021, successful surveillance audits for the existing management systems based on ISO 9001 and ISO 14001 were performed at the Schwandorf site. The existing occupational health and safety management system in accordance with ISO 45001 (formerly BS OHSAS 18001) was successfully recertified as part of a repeat audit.

In order to be able to effectively meet the requirements of a continuously changing energy market, Nabaltec introduced a certified energy management system as early as 2010. The energy management system was successfully updated in 2021 in the course of a surveillance audit.

The accreditation of Nabaltec AG’s analysis center in accordance with the ISO/IEC 17025 standard was confirmed and updated in a 2021 surveillance audit.

A surveillance audit was also successfully performed in 2021 for US subsidiary Nashtec LLC’s quality management system in accordance with the ISO 9001 standard.

In the course of introducing a quality management system in accordance with ISO 9001 at the American subsidiary Naprotec LLC, the Stage I audit was successfully carried out in November 2021.

Environmental protection

Nabaltec requires its own products to significantly contribute toward environmental protection and toward the improvement of the eco balance of a multitude of products. The increasing significance of environmental protection is one of the most important drivers for the global market success of Nabaltec products. They are used in diesel particulate filters and catalyzers and play an important role in reducing particulate matter and soot. Other product

families are found in plastics. Here, they mainly replace flame retardants containing bromine. This makes products safer and easier to recycle. In this respect, it is of central importance that research and development, production as well as up- and downstream logistics to be as environmentally friendly as possible. The conservation of natural resources is a central concern for Nabaltec and a prerequisite for social acceptance of the company. Nabaltec AG actively accepts responsibility for the environment: a commitment that extends well beyond its own site.

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

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

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

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 2022 as well, but with a continued uncertain market environment and increased volatility. Based on its existing market position and the reputation it has built up over many years, Nabaltec sees good future prospects for its key products. The forecast does not yet reflect the potential economic impact of the Russia-Ukraine conflict, which broke out at the end of February 2022, due to the dynamic development of the current situation, as neither the specific extent nor the duration of the impact can be reliably determined at present.

Economic and Sector Conditions

In its January 2022 forecast update (before the outbreak of the Russia-Ukraine conflict), the IMF expected global growth to decline from 5.9% in 2021 to 4.4% in 2022. This slowdown is mainly attributable to the forecast downturns in the two largest economies, the US and China.

Due to persistently high energy prices as well as continuing supply bottlenecks, due in particular to the COVID-19 variant omicron and, as a result, renewed mobility restrictions in individual countries, inflation is expected to last longer than forecasted in the World

Economic Outlook of October 2021. Global growth is also expected to slow to 3.8% by 2023. This forecast is based on the assumption that health impairments will decline to low levels in most countries by the end of 2022, provided vaccination rates improve globally and therapies are more effective.

In line with the global economy, the situation in Germany is currently also significantly impacted by ongoing supply bottlenecks and high energy prices, which has slowed down the recovery of the German economy. As in previous waves, the spread of infection in the winter of 2021/2022 has particularly inhibited activity in contact-intensive service industries and has, as a result, led to a decline in private consumer spending. A strong recovery and rising economic activity are expected as early as spring as the strain of the pandemic eases, especially because the supply bottlenecks burdening the industry are then expected to ease.

For 2022, the IfW expects gross domestic product to increase by 4.0%, with inflation remaining high.

GDP Growth Forecast over Prior Year (in %)		
	2022	2023
World	4.5	4.0
USA	4.4	2.9
Euro zone	3.5	3.1
Germany	4.0	3.5
France	2.9	2.9
Italy	3.2	2.6
United Kingdom	4.5	1.9
Japan	2.8	2.0
China	4.1	4.9
India	11.7	7.9

Source: IfW, Kieler Konjunkturberichte No. 85 „Weltwirtschaft im Winter 2021,“ 15 December 2021

The VCI (Verband der Chemischen Industrie e.V. – German Chemical Industry Association) expects production in the chemical industry to increase by 2.0% and revenues to grow by 5.0% to EUR 231 billion in 2022, and thus sees further positive development for the industry. According to the association, supply chain problems and the rapid rise in electricity and gas prices will be the main challenges facing the industry in 2022. However, the industry in general is not lacking in orders.

The long-term outlook in key target markets is largely positive, in Nabaltec’s view. In the short term as well, Nabaltec expects growth in almost all product ranges due to the continued solid demand.

Outlook on the Course of Business

The fourth quarter of 2021 ended with a renewed surge in sales, as a large number of customers increased their inventories in order to better counter the supply bottlenecks that currently still exist in many areas. At the start of 2022, momentum was slowed due to these anticipatory effects, particularly in the boehmite product range. In the majority of product ranges, demand remained stable at the beginning of the new financial year, with prices

rising. Overall, uncertainties remain even in 2022 in connection with bottlenecks in logistics and various materials.

In the US, Nabaltec expects a successive improvement of the business situation at Nashtec. The market launch of Naprotec's products has been further delayed due to the coronavirus pandemic. Originally expected revenue will not be realized until a later date due to delayed customer releases. The current situation means that the market is taking longer to develop.

In 2022 as well, fine hydroxides will continue to be the most important product range by far within the "Functional Fillers" product segment. The boehmite product range will continue to gain in importance due to the encouraging development in electromobility, although increased inventory build-up on the customer side at the end of 2021 may lead to shifts in the growth rates during the year. Products with high added value will continue to gain importance in the "Specialty Alumina" product segment.

Expected Earnings, Financial and Liquidity Position

Due to the economic and industry environment and the price increases realized at the start of the year, Nabaltec is expecting revenue growth in a range from 10% to 12% in 2022. On the earnings side, Nabaltec is expecting an EBIT margin in a range from 10% to 12%. The forecast is based on the assumption that, despite the current war in the Ukraine, the economy and the industries relevant to Nabaltec will develop positively. At the time the forecast was prepared at the beginning of March 2022, it was not yet clear how the increasing geopolitical risks and a potential dissemination of the Omicron variant will affect the course of business. If the Russia-Ukraine conflict escalates or expands accordingly and the associated negative economic distortions occur, negative effects on the earnings, liquidity and financial position cannot be ruled out.

Stringent political measures to curb the coronavirus pandemic, such as closure of some international borders and lockdowns, remain in effect. These measures may continue to affect Nabaltec AG's economic performance. If the consequences of the pandemic intensify in 2022, revenues and earnings may decline. At the time this report was prepared, Nabaltec's supply chains remained largely intact, with no critical disruptions in either procurement or sales.

Note with Respect to Uncertainties in the Outlook

The forward-looking statements and information described are based on current expectations and specific assumptions, particularly with regard to the further development of the Russia-Ukraine conflict and the associated economic effects. They therefore involve several risks and uncertainties. A large number of factors, a significant part of which are not under Nabaltec AG's control, affect future sales and earnings. 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 has implemented a strategic planning system in order to take advantage of medium- and long-term opportunities and to identify risks. All relevant units are involved in the strategy development process. Risks arising from competition, anti-trust, tax and environmental laws and regulations are mitigated by Nabaltec in advance by engaging experts. Quality assurance measures limit product and environmental risks. Such measures include e.g. certification of our activities in accordance with international standards, constant improvements to facilities and processes, the development of new and the improvement of existing products as well as participation in international professional committees.

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

Sales Market

The 2008/2009 international economic crisis and the coronavirus pandemic have shown that a shock in demand such as was seen then can have far-reaching consequences in Nabaltec AG's target markets as well. In spite of greater flexibility and adjustments in cost structures and capacities, such high fluctuations in demand can implicate noticeable volume and margin risks. Additional sales risks include the potential loss of significant key accounts, loss of market share due to technological innovation and new advances by competitors. Due to Nabaltec's solid position as well as continuous monitoring of target markets, such risks can be confined and the relevant market mechanisms can, at the same time, be used as an opportunity within global competition.

Geopolitical risks, particularly the current Russia-Ukraine conflict, may have a negative impact on sales. The share of total revenues in the two countries is manageable at around 4%. Nevertheless, risks also exist for Nabaltec depending on the potential economic effects of the Russia-Ukraine conflict. As a result of the war, overall economic growth may decline and thus also have a negative impact on Nabaltec's sales situation. Likewise, negative effects on the sales market cannot be ruled out in the event of an increasing expansion of the Omicron variant.

Procurement Market

Nabaltec AG monitors its suppliers' economic situation very closely and deliberately builds up alternatives for all products. Nabaltec AG uses mid- and long-term supply agreements for its supply of raw materials. The supply of the most important energy sources for the production process, such as electricity, gas and steam, is largely secured by long-term contracts. In view of the Russia-Ukraine conflict, however, further increases in energy costs and possible supply bottlenecks (e.g., due to a boycott of Russian oil and gas imports) may have a negative impact on Nabaltec.

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

Nabaltec will not be able to escape the sharp rise in prices on the procurement market in 2022, both for raw materials and for energy. The cost increases will take effect successively via medium- and long-term contracts.

Financial Market

When necessary, foreign exchange risks are strategically minimized using hedging instruments covering risks arising from US dollar exposure. In the case of medium-term financing, interest risks are hedged using swaps or loan agreements are concluded with fixed interest rates. 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. The risk of changes in interest rates is countered in part through hedging. Nabaltec's loan agreements are subject in some cases to covenants which are tied to Group leverage coverage ratios as well as the Group's equity ratio. If the covenants are not observed, the lender has the option to increase the interest margin or exercise its right of extraordinary termination. Covenants valid as of 31 December 2021 were not breached in the reporting year.

Factoring is used to a substantial extent for the financing of accounts receivable.

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.

Taxes

In the tax return for financial year 2020, the devaluation of Nashtec LLC was noted as a tax expense deductible in Germany. The tax field audit on this state of affairs is currently underway and there is a chance of collecting a previously unrecognized tax gain in the low single-digit millions in 2022.

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.

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 and from not recognizing technological developments. As an innovation leader, Nabaltec tries to minimize these risks by engaging in continuous and intensive research and development efforts and by maintaining pronounced customer proximity. In fact, technological developments offer numerous opportunities for Nabaltec to generate a competitive edge in product quality, by occupying new markets through fast-paced product adjustments and by creating process, processing and quality advantages together with our customers so as to set the stage for economic success.

Legal Framework

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

As an intensive electricity user in international competition, Nabaltec will benefit from the renewable energy surcharge in 2022 as well. Nabaltec uses fossil fuels, for which it has been charged a carbon price in Germany since 2021. Due to the annual increase in the national CO₂ prices, Nabaltec's cost burden is continuously rising.

Coronavirus

Reference is made to the section on "expected earnings, net assets and financial position" with regard to the procurement and sales risks posed by the coronavirus pandemic.

Report on Events after the Balance Sheet Date

In February 2022, a bonded loan was successfully issued with a volume of EUR 90.0 million and a value date of April 2022. The proceeds from the issue will be used to refinance existing bonded loans in the amount of EUR 39.0 million and a bilateral bank loan in the amount of EUR 20.0 million, 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.

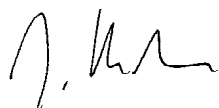
The war between Russia and Ukraine, which broke out on 24 February 2022, directly affects Nabaltec's business only to a limited extent. Nevertheless, consequential effects such as a decline in overall economic growth and rising energy costs may have a negative impact on the liquidity, financial and earnings positions. These macroeconomic effects are highly dependent on the further development of the war and are thus subject to corresponding uncertainties. Due to the dynamic development of the overall situation, neither the specific extent nor the duration of the effects can be reliably determined at present.

Overall Assessment

Based on our continuous surveillance of relevant markets for the Nabaltec AG, as described above, as well as the constant efforts to improve our products and adapt to the needs of current and potential customers, the company's future development is currently not exposed to any significant risks – subject to unexpectedly grave negative economic consequences from the Russia-Ukraine conflict and the coronavirus pandemic, which is not yet over. On the whole, potential impact of the company's risk is limited, in our estimation. There are currently no discernable risks which could jeopardize the future existence of the Nabaltec AG.

Schwandorf, 25 March 2022

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 2021

	1/1 - 12/31/2021		1/1 - 12/31/2020	
	TEUR	TEUR	TEUR	TEUR
1. Revenue		187,003		159,583
2. Increase or decrease in finished goods		-1,112		-4,555
3. Own work capitalized		498		367
Total performance		186,389		155,395
4. Other operating income		3,863		851
- thereof from currency translation: TEUR 1,405 (PY: TEUR 350)				
		190,252		156,246
5. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	93,231		80,324	
b) Cost of purchased services	1,068	94,299	704	81,028
Gross profit		95,953		75,218
6. Personnel expenses				
a) Wages and salaries	27,242		24,391	
b) Social security contributions and cost of pension and other benefit	9,254		6,516	
- thereof for pensions: TEUR 4,405 (PY: TEUR 1,911)				
7. Amortization/depreciation of intangible assets and property, plant and equipment	10,052		11,658	
8. Other operating expenses	26,784	73,332	48,204	90,769
- thereof from currency translation: TEUR 380 (PY: TEUR 896)				
		22,621		-15,551
9. Income from other securities and loans (financial assets)	159		514	
- thereof from affiliated companies: TEUR 159 (PY: TEUR 514)				
10. Other interest and similar income	5		15	
11. Depreciation of financial assets and securities held as current assets	0		12,776	
- thereof from affiliated companies: TEUR 0 (PY: TEUR 12,776)				
12. Interest and similar expenses	2,160	-1,996	2,444	-14,691
- thereof from discounts: TEUR 729 (PY: TEUR 822)				
Net before tax result*		20,625		-30,242
13. Income taxes		6,363		2,276
14. Net after-tax result		14,262		-32,518
15. Other taxes		75		80
16. Net result for the year		14,187		-32,598
17. Profit carried forward		6,527		39,125
18. Accumulated profit		20,714		6,527

*thereof non-recurring effects in the amount of EUR -1.3 million (PY: EUR -35.3 million)

Balance sheet of Nabaltec AG, Schwandorf
for 31 December 2021

ASSETS	12/31/2021	12/31/2020	LIABILITIES	12/31/2021	12/31/2020
	TEUR	TEUR		TEUR	TEUR
A. NON-CURRENT ASSETS			A. SHAREHOLDERS' EQUITY		
I. Intangible assets			I. Subscribed capital (conditional capital: TEUR 4,400 (PY: TEUR 4,000).	8,800	8,800
1. Concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets	259	288	II. Capital reserve	48,424	48,424
2. Advance payments	55	89	III. Accumulated profits	20,714	6,527
	314	377		77,938	63,751
II. Property, plant and equipment			B. SPECIAL ITEM FOR INVESTMENT GRANTS	1	1
1. Land, leasehold rights and buildings, including buildings on non-freehold land	24,565	25,731	C. PROVISIONS		
2. Technical equipment, plant and machinery	41,928	41,943	1. Retirement benefit obligation and similar provisions	36,817	32,486
3. Other fixtures, fittings and equipment	3,245	3,468	2. Accrued taxes	3,671	0
4. Advance payments as well as plant and machinery under construction	4,278	6,624	3. Other provisions and accrued liabilities	7,451	5,823
	74,016	77,766		47,939	38,309
III. Financial assets			D. ACCOUNTS PAYABLE		
1. Shares in affiliated companies	3,684	3,684	1. Payables to banks	59,274	59,273
2. Loans to affiliated companies	32,092	28,730	2. Trade payables	7,710	8,804
			3. Payables to affiliated companies	1,133	628
			4. Other payables	475	498
			- thereof relating to taxes: TEUR 336 (PY: TEUR 306).		
			- thereof relating to social security: TEUR 42 (PY: TEUR 42).		
	35,776	32,414			
				68,592	69,203
	110,106	110,557			
B. CURRENT ASSETS					
I. Inventories					
1. Raw materials and supplies	16,855	16,138			
2. Finished goods and merchandise	8,191	10,037			
	25,046	26,175			
II. Accounts receivable and other assets					
1. Trade receivables	5,030	4,852			
2. Liabilities due to affiliated companies	1,839	1,138			
3. Other assets	6,013	5,624			
	12,882	11,614			
III. Cash on hand and in banks	46,185	22,729			
	84,113	60,518			
C. PREPAID EXPENSES	251	189			
	194,470	171,264		194,470	171,264

Statement of fixed assets of Nabaltec AG for the Financial Year 1 January to 31 December 2021

German Commercial Code

	COST					DEPRECIATION					Book value 12/31/2021	Book value 12/31/2020
	As of 1/1/2021	Additions	Disposals	Adjustments	12/31/2021	As of 1/1/2021	Additions	Write-ups	Disposals	As of 12/31/2021		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets												
1. Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	3,482,016.95	57,006.20	62,996.86	66,656.07	3,542,682.36	3,193,822.05	152,442.47	0.00	62,996.35	3,283,268.17	259,414.19	288,194.90
2. Advance payments made	88,764.67	32,449.98	0.00	-66,656.07	54,558.58	0.00	0.00	0.00	0.00	0.00	54,558.58	88,764.67
	3,570,781.62	89,456.18	62,996.86	0.00	3,597,240.94	3,193,822.05	152,442.47	0.00	62,996.35	3,283,268.17	313,972.77	376,959.57
II. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on non-owned land	38,496,030.45	122,651.28	0.00	0.00	38,618,681.73	12,764,556.94	1,289,144.65	0.00	0.00	14,053,701.59	24,564,980.14	25,731,473.51
2. Technical equipment, plant and machinery	151,652,220.88	2,970,804.47	27,699.49	4,792,045.85	159,387,371.71	109,709,562.74	7,777,572.49	0.00	27,699.49	117,459,435.74	41,927,935.97	41,942,658.14
3. Fixtures, fittings and equipment	12,732,450.34	587,800.63	287,725.40	23,559.43	13,056,085.00	9,264,444.81	833,060.16	0.00	286,665.98	9,810,838.99	3,245,246.01	3,468,005.53
4. Advance payments rendered and machinery in process of construction	6,623,541.48	2,469,971.86	0.00	-4,815,605.28	4,277,908.06	0.00	0.00	0.00	0.00	0.00	4,277,908.06	6,623,541.48
	209,504,243.15	6,151,228.24	315,424.89	0.00	215,340,046.50	131,738,564.49	9,899,777.30	0.00	314,365.47	141,323,976.32	74,016,070.18	77,765,678.66
III. Financial assets												
1. Shares in affiliated companies	10,367,495.06	0.00	0.00	0.00	10,367,495.06	6,683,232.15	0.00	0.00	0.00	6,683,232.15	3,684,262.91	3,684,262.91
2. Loans to affiliated companies	35,137,880.56	1,387,940.77	159,308.73	0.00	36,366,512.60	6,408,128.15	0.00	2,133,036.86	0.00	4,275,091.29	32,091,421.31	28,729,752.41
	45,505,375.62	1,387,940.77	159,308.73	0.00	46,734,007.66	13,091,360.30	0.00	2,133,036.86	0.00	10,958,323.44	35,775,684.22	32,414,015.32
	258,580,400.39	7,628,625.19	537,730.48	0.00	265,671,295.10	148,023,746.84	10,052,219.77	2,133,036.86	377,361.82	155,565,567.93	110,105,727.17	110,556,653.55

Nabaltec AG, Schwandorf

Notes for Financial Year 2021

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.

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

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.

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.

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

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

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

Liquid funds are recognized at face value.

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

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

Subscribed capital is recognized at nominal value.

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

Pension reserves are measured using the projected unit credit method, applying actuarial principles, with an actuarial interest rate of 1.86% per annum, based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. Based on the option pursuant to Article 67(1) Sentence 1 of the Introductory Act to the German Commercial Code, TEUR 267 was transferred to pension reserves in the Financial Year (1/15th of the difference calculated on 1 January 2010), as was done in previous years as well. Pension liability insurance policies exist which are pledged to the pension recipients. These assets, which serve exclusively to secure direct pension commitments and are protected from attachment by all other creditors (plan assets in terms of § 246(2) Sentence 2 of the German Commercial Code), are recognized at fair value (market value, price as of the reporting date). Accordingly, the assets and liabilities in connection with the pension liability insurance policies are netted out in accordance with § 246(2) of the German Commercial Code.

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

Accounts payable are recognized at their settlement amount.

Accounts 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.

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.

Derivative financial instruments are measured individually at cost or fair value as of the reporting date, if the latter is lower. If the requirements for the formation of valuation units pursuant to § 254 of the German Commercial Code are met, the derivatives and the underlying transactions are measured as a single unit. If a comparison of changes in value or cash flows arising from the hedges and the underlying transactions reveals a net loss from the ineffective portion due to changes in market value, this loss is recognized in profit and loss. The unrealized gains and losses from the effective portion of the hedge cancel each other out entirely and are not recognized on the balance sheet or in profit and loss (freezing method).

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 82 was included in production costs in the reporting year. The average financing cost rate used to determine capitalizable debt interest was 1.90%.

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

Property, plant and equipment:

Land, leasehold rights and buildings, including buildings on unowned land	EUR 0
Technical equipment and machinery	EUR 40,997.90
Other fixtures, fittings and equipment	EUR 0
Advance payments made and assets in process of construction	EUR 40,574.50

Accounts receivable and other assets

Accounts receivable from affiliated companies result from deliveries and services.

Other assets largely consist of accounts receivable from a factoring company for withheld purchase prices (TEUR 2,731), value-added tax refund claims (TEUR 1,753), an energy tax refund claim (TEUR 402) and an electricity tax refund claim (TEUR 616).

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 251 of deferred expenses and accrued income relates to prepaid expenses for the next Financial Year.

Shareholders' equity

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

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

b) Authorized capital

Authorized capital as of 31 December 2021 amounted to
(through 31 May 2026) EUR 4,400,000.00

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

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

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

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

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

To date, no such bonds have been issued.

d) Capital reserve EUR 48,424,219.38

As of 31 December 2021, the capital reserve amounted to TEUR 48,424 (previous year: TEUR 48,424).

e) Retained earnings EUR 20,713,528.68

As of 1 January 2021 EUR 6,527,160.03

Dividend payment pursuant to shareholder resolution EUR 0

= Profit carry-forward as of 31 December 2021 EUR 6,527,160.03

Net income in Financial Year 2021 EUR 14,186,368.65

As of 31 December 2021 EUR 20,713,528.68

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Special item for fixed-asset investment grants

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

Pension reserves

Pension liabilities were measured in accordance with generally accepted actuarial principles using the projected unit credit (PUC) method. The biometric calculation was based on the 2018 G benchmark tables of Prof. Dr. Klaus Heubeck. The measurement was performed based on the following additional assumptions: an actuarial interest rate of 1.86% per annum (previous year: 2.30%), 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%). 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 2021 was TEUR 802. This transfer was recognized under other operating expenses in 2021.

Pension liability insurance policies are pledged and therefore protected from attachment by all other creditors so as to secure direct pension commitments. Accordingly, the liabilities are offset by the corresponding assets, and the associated income and expenses must be netted out. The asset value of pension liability insurance as of the reporting date, TEUR 1,912, is netted out with the settlement value, in the amount of TEUR 38,729, for a net disclosure of TEUR 36,817. Net income from pension liability insurance in the amount of TEUR 95 was recognized under interest and similar expenses. The fair value and cost of the pension liability insurance policies are equal to their asset value.

Discounting pension reserves at the average market interest rate for the past ten years results in a difference of TEUR 3,823 (previous year: TEUR 4,581) 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 4,593), clean-up and disposal expenses (TEUR 298) and outstanding invoices (TEUR 1,955).

The anniversary provision is measured in the PUC method using an actuarial interest rate of 1.33% (average market interest rate over the past seven years, assuming a residual term of 15 years), a salary trend of 2.75% and a fluctuation rate of 1.00%.

Accounts payable

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

(amounts from the previous year are indicated in parenthesis)

	Total amount	Residual terms			Secured amount	Type of security
		Less than 1 year	1-5 years	Over 5 years		
	TEUR	TEUR	TEUR	TEUR	TEUR	
Accounts payable to banks	59,274 (59,273)	59,274 (273)	0 (59,000)	0 (0)	0 (0)	
Trade payables	7,710 (8,804)	7,710 (8,804)	0 (0)	0 (0)	0 (0)	
Accounts payable to affiliated companies	1,133 (628)	1,133 (628)	0 (0)	0 (0)	0 (0)	
Other accounts payable	475 (498)	475 (498)	0 (0)	0 (0)	0 (0)	
	68,592 (69,203)	68,592 (10,203)	0 (59,000)	0 (0)	0 (0)	

Accounts payable to banks consist of loans against borrower's notes and long-term loans obtained at typical market interest rates, for which specific covenants were agreed upon.

Accounts payable to affiliated companies result entirely from deliveries and services.

Disclosures Concerning the Income Statement

Revenues

Breakdown of revenues by geographical region:

	2021		2020	
	TEUR	%	TEUR	%
Germany	46,564	24.9	40,403	25.3
Rest of Europe	90,364	48.3	79,568	49.9
USA	18,164	9.7	15,694	9.8
Rest of world	31,911	17.1	23,918	15.0
	187,003	100.0	159,583	100.0

Breakdown of revenues by product segments:

	2021		2020	
	TEUR	%	TEUR	%
Functional Fillers	130,010	69.5	113,651	71.2
Specialty Alumina	56,315	30.1	45,317	28.4
Other	678	0.4	615	0.4
	187,003	100.0	159,583	100.0

Other operating income

Other operating income mainly includes currency-related income from write-ups of financial assets of Nashtec LLC and Naprotec LLC in the amount of TEUR 2,133, income from payments in kind in the amount of TEUR 203, and income from costs charged to third parties in the amount of TEUR 75.

Other operating expenses

Other operating expenses include expenses for outgoing freight in the amount of TEUR 12,361, sales commissions in the amount of TEUR 3,485, expenses for third-party repairs in the amount of TEUR 2,737 and consulting expenses in the amount of TEUR 546.

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.

Other Disclosures

Disclosures concerning transactions not reported in the balance sheet

In order to improve its liquidity, Nabaltec AG concluded lease agreements with a total expense of TEUR 227 for the year and assigned a total of TEUR 29,832 in accounts receivable to a factor. The transfer of the default risk to the factor as a result of the factoring agreement was offset in 2021 by expenses in the amount of TEUR 391 for execution and advance financing of the factoring arrangement.

Contingent liabilities and guarantees

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

	31 Dec. 2021 TEUR	31 Dec. 2020 TEUR
Liabilities arising from performance bonds	1,670	1,810
- thereof in favor of affiliated companies	0	0

This performance bond, in the amount of TEUR 1,670, consists entirely of amounts owed due to separate network fees for gas. The bond amount is continually reduced at a rate of EUR 139,200.00 per year and expires on 31 December 2032. The probability of utilization is considered to be low, as the management assumes that the payment obligations will be met on an ongoing basis due to the Company's positive liquidity situation.

Nabaltec AG has issued a payment guarantee in the amount of TUSD 1,200 (previous year: TUSD 1,300) to secure its supply of raw materials. Due to the economic situation of the Company, the risk of utilization is considered to be low.

Other financial liabilities

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

	31 Dec. 2021 TEUR	31 Dec. 2020 TEUR
a) Liabilities arising from rental, lease, service and consulting agreements thereof	1,636	716
- maturing in less than 1 year	652	498
- maturing in 1-5 years	983	216
- maturing in more than 5 years	1	2
b) Liabilities arising from investment orders	2,633	2,314
- maturing in less than 1 year	2,633	2,314
Total	4,269	3,030
- thereof to affiliated companies	0	0

Auditor's fee

The auditor's fee for the 2021 financial statements (including the 2021 consolidated financial statements) amounts to TEUR 117. The auditor received a fee in the amount of TEUR 9 for other assurance services and a fee of TEUR 134 for tax advisory services.

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

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

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

	Share of capital stock			Shareholders' equity in previous year *)		Earnings in previous year *)	
	in %	in USD	In EUR	in USD	in EUR	in USD	in EUR
Direct holdings							
Nabaltec USA Corp.	100.0	3,775,411.88	3,247,340.47	4,982,226.46	4,401,260.12	30,905.28	26,111.24
Indirect holdings via Nabaltec USA Corp.							
Nashtec LLC, Corpus Christi (USA)	100.0			-2,894,321.24	-2,556,820.88	566,463.33	478,593.50
Naprotec LLC, Chattanooga (USA)	100.0			-151,495.24	-133,829.74	179,684.96	151,812.24
Direct holdings	in %	in RMB	In EUR	in RMB	in EUR	in RMB	in EUR
Nabaltec (Shanghai) Trading Co., Ltd., Shanghai (China)	100%	2,755,685.15	359,385.03	4,002,770.31	554,615.43	2,529,269.48	331,181.93
Direct holdings	in %	in JPY	In EUR	in JPY	in EUR	in JPY	in EUR
Nabaltec Asia Pacific K.K., Tokyo (Japan)	100.0	10,000,000.00	77,537.41	14,865,203.00	114,066.94	1,025,423.00	7,961.22

*) 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.

Additional funds in the amount of TEUR 1,229 were made available to the subsidiary Naprotec LLC in Financial Year 2021.

Derivative financial instruments

The following interest rate derivatives have been entered into in connection with the loans against borrower's notes obtained in previous years in order to hedge against interest risks in connection with variable interest rates based on the 6-month EURIBOR.

Face value in TEUR	Term	Market value in TEUR
39,000	23 April 2015 – 23 April 2022	-293

These derivatives form measurement units with the underlying loans in terms of § 254 of the German Commercial Code. Accordingly, provisions for losses are not to be formed.

The market value of derivatives is determined based on the mark-to-market valuation of the participating banks.

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			Deferred tax	
	Book value in commercial balance sheet TEUR	Book value in tax balance sheet TEUR	Difference TEUR	Asset TEUR	Liability TEUR
Deferred tax assets					
Pension reserve	-38,729*	-17,501	-21,228	6,184	
Other provisions	-7,451	-6,491	-960	280	
Financial assets/loans to affiliated companies	32,092	36,367	-4,275	63	
Trade payables	-7,710	-7,706	-4	1	
	-21,798	4,669	-26,467	6,528	
Deferred tax liabilities					
Trade receivables	5,030	4,831	199		58
	5,030	4,831	199		58
Net total				6,470	

*Before adjusting for pension liability insurance

Employees

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

	2021
	Number
Industrial workers	246
Employees	172
Minimally employed workers	3
	421

In addition, an average of 43 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. Michael Klimes

COO until 31 December 2021

Dr. Alexander Risch

COO since 1 October 2021

Total remuneration of the Management Board amounted to TEUR 2,574 in Financial Year 2021 (previous year: TEUR 1,181).

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of three members. As 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 56 for Financial Year 2021.

Major events occurring after the reporting date

In February 2022, a bonded loan was successfully issued with a volume of TEUR 90,000 and a value date of April 2022. The proceeds from the issue will be 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 war between Russia and Ukraine, which broke out on 24 February 2022, directly affects Nabaltec's business only to a limited extent. Nevertheless, consequential effects such as a decline in overall economic growth and rising energy costs may have a negative impact on the liquidity, financial and earnings positions. These macroeconomic effects are highly dependent on the further development of the war and are thus subject to corresponding uncertainties. Due to the dynamic development of the overall situation, neither the specific extent nor the duration of the effects can be reliably determined at present.

Proposal for appropriation of retained earnings

The Management Board proposes that the distributable profit of the Financial Year 2021, amounting to EUR 20,713,528.68, will be used as follows:

An amount of EUR 2,200,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.25 per share on the 8,800,000 non par value shares entitled to dividend payments for the Financial Year 2021. The remainder in the amount of EUR 18,513,528.68 will be carried forward.

Schwandorf, 25 March 2022

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 2021, and the statement of profit and loss for the financial year from 1 January 2021 to 31 December 2021, 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 2021 to 31 December 2021.

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 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

Other information

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

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

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

Our audit opinions on the annual financial statements and on the management report do not cover the other 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 and, in so doing, to consider whether the other information

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

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

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

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

Nuremberg, 25 March 2022

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

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

Appropriation of distributable profit

The Management Board proposes that the distributable profit of the Financial Year 2021, amounting to EUR 20,713,528.68, will be used as follows:

An amount of EUR 2,200,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.25 per share on the 8,800,000 non par value shares entitled to dividend payments for the Financial Year 2021. The remainder in the amount of EUR 18,513,528.68 will be carried forward.

Schwandorf, April 2022

The Management Board

Johannes Heckmann

Günther Spitzer

Dr. Alexander Risch

Report of the Supervisory Board

Ladies and Gentlemen,
Dear Shareholders,

The market's recovery in 2021 was much stronger than had been expected at the start of the year. Due to this highly positive development, the company was able to exceed its forecast for Financial Year 2021, which was revised higher in October for the second time in 2021. In doing so, the company was able to demonstrate once again that it is well-prepared for crises, as well as its ability to master difficult environments and take full advantage of market opportunities as they arise.

But despite the company's strong performance in 2021, Nabaltec's markets remain volatile in the business environment which has been shaped by the coronavirus pandemic. The company's focus on innovation and high-growth future markets, such as the boehmite segment and electric vehicles, is of key importance for future growth. Nabaltec aims to play a key role in these markets in the long run.

Collaboration between the Supervisory and Management Boards

The Supervisory Board duly performed its assigned tasks in Financial Year 2021 in accordance with the law, the Articles of Association and the Rules of Procedure and was routinely informed by the Management Board in detail as to the performance and position of the company. The Supervisory Board advised the Management Board in accordance with the underlying information and exercised utmost care in monitoring and supervising the Management Board. The Supervisory Board was involved at an early stage in all decisions of fundamental importance for the company, and was kept fully and directly informed by the Management Board.

Major events, as well as questions relating to strategy, planning, business development, the risk position, risk management and compliance, were considered by the Supervisory Board both internally and in conjunction with the Management Board. The Supervisory Board voted on the reports and draft resolutions submitted by the Management Board after careful deliberation and review. All transactions requiring approval in Financial Year 2021 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 2021 reporting year.

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

Meetings of the Supervisory Board and focus of deliberations

Four regular ordinary meetings of the Supervisory Board were held in the reporting year, on 20 April, on 16 June, following the virtual Annual General Meeting, on 29 September and on 14 December. The meetings on 16 June 2021 and 14 December 2021 were held in-person, while the meetings on 20 April 2021 and 29 September 2021 were held as virtual meetings (video conference). All members were present at all meetings in 2021. No additional meetings took place in 2022 prior to the Supervisory Board meeting on 7 April 2022 (held as an in-person meeting), in which the Board votes on adoption of the financial statements. The members of the Supervisory Board also deliberated in writing and by telephone. On nine occasions in 2021, resolutions were adopted by the Supervisory Board outside of Supervisory Board meetings.

The following issues were the subject of particularly intensive consideration in Financial Year 2021:

- the 2020 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- planning for 2022 and mid-term planning through 2024;
- investment and financing planning for the period from 2022 through 2024;
- measures in connection with the coronavirus pandemic (i.a. lifting the pay cut, conduct of the 2021 Annual General Meeting in virtual form);
- changes in the Management Board (the appointment of Dr. Alexander Risch);
- refinancing in 2022 by issuing a new loan against borrower's note with a volume of up to EUR 90.0 million.

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 2021.

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. The impact of the coronavirus pandemic and the response to it were routinely 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 2021 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 2021, and has issued an unqualified auditor's opinion.

The Supervisory Board engaged the auditor in accordance with the resolution of the Annual General Meeting of 16 June 2021. The focus of the audit for Financial Year 2021 was set on impairment tests for assets (IFRS consolidated financial statements), as well as financial assets (individual financial statements in accordance with the German Commercial Code) in connection with US operations.

All documents relating to the financial statements, as well as the auditor's audit reports, were made available to the Supervisory Board in a timely manner for independent review. These documents and reports were the subject of intensive consideration at the session on 7 April 2022. The auditor was present at this meeting, reported on the key findings of the audit and was available for further questions. Based on its independent review of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report, the Supervisory Board adopts the findings of the auditor Deloitte GmbH. The Supervisory Board has furthermore declared that it has no objections to the audit's findings. The Supervisory Board therefore approved the annual financial statements prepared by the Management Board for Nabaltec AG and Nabaltec Group for 31 December 2021. The annual financial statements of Nabaltec AG for 2021 are therefore adopted.

Personnel changes in the Management Board

Dr. Michael Klimes, who has served on Nabaltec AG's three-member Management Board as COO since 2017, has chosen not to extend his contract, which expired on 31 December 2021. The term of long-serving Management Board member Mr. Johannes Heckmann was extended by five more years, through 24 August 2026, and that of Management Board member Mr. Günther Spitzer (CFO) was also extended by five years, through 31 December 2026. In addition, Dr. Alexander Risch was appointed to the company's Management Board effective 1 October 2021, with his term set to expire on 30 September 2025. Dr. Alexander Risch will serve on the Management Board as Chief Operating Officer (COO).

The Supervisory Board heard of Dr. Michael Klimes' decision with great regret. Dr. Michael Klimes successfully performed his tasks with expertise and commitment, and we would like to thank him expressly for his consistently excellent work and for our trust-based relationship.

Thank you

The Supervisory Board would like to thank the Management Board and all the employees for their extraordinary achievements and successful work in the past year, which was shaped by many challenges as a result of the COVID-19 pandemic.

Schwandorf, 7 April 2022

Gerhard Witzany
Chairman of the Supervisory Board

FINANCIAL CALENDAR 2022

Interim Report 1/2022	31 May
Annual General Meeting	29 June
Interim Report 2/2022	25 August
Interim Report 3/2022	24 November

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Photos

Clemens Mayer, Strandperle

Statements relating to the future

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

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

Rounding

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



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