

REPORT

OF THE SUPERVISORY
BOARD

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

*Ladies and Gentlemen,
Dear Shareholders,*

*Once again, Nabaltec
looks back on a
successful year*

Nabaltec AG can once again look back on a successful year, one which was largely shaped by Nashtec's implementation of a stand-alone solution in the US and the creation of new structures, particularly as the company has expanded operations in the US, with Nabaltec USA Corporation and Naprotec LLC. In light of this situation, factors arose during the year which had the effect of weighing down earnings, although Nabaltec was able to partially compensate for these effects at the Group level. It is evident, however, that long-term demand in Nabaltec AG's target markets is intact and that the company was able to implement price changes in some cases alongside improvements to its product mix. In addition, the formation last year of Nabaltec (Shanghai) Trading Co., Ltd. as a wholly-owned subsidiary of Nabaltec has laid the groundwork for increasing the supply of lithium ion batteries to the Chinese market in the future.

*The Supervisory Board
was kept fully informed
by the Management
Board*

The Supervisory Board duly performed its assigned tasks in Financial Year 2018 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 2018 were decided positively.

All transactions requiring approval in Financial Year 2018 were decided positively

The Supervisory Board of Nabaltec AG last revised the objectives for composition of the Supervisory Board in December 2018, adapting them to conform to the company's international development.

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.

In accordance with the German Corporate Governance Code, the Supervisory Board has reviewed the efficiency of its activities and has reached a positive conclusion. The focuses of its review were above all on procedures and the timely and adequate provision of information.

FINANCIAL YEAR 2018

The Supervisory Board once again opted not to form committees in the past financial year. The Supervisory Board of Nabaltec AG consists of three members, and is therefore 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 2018 reporting year.

Four regular ordinary meetings of the Supervisory Board were held in the reporting year, on 9 April 2018, on 26 June 2018, following the Annual General Meeting, on 11 September 2018 and on 11 December 2018. All members were present at all meetings in 2018. No additional meetings took place in 2019 prior to the Supervisory Board meeting on 9 April 2019, 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 seven occasions in 2018, resolutions were adopted by the Supervisory Board outside of Supervisory Board meetings. Each of these resolutions was duly recorded in writing by the Supervisory Board Chairman and approved.

The Supervisory Board had four meetings in 2018

FOCUS OF DELIBERATIONS

The following issues were the subject of particularly intensive consideration by the full Supervisory Board in Financial Year 2018:

- the 2017 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- the formation of Nabaltec USA Corporation and Naprotec LLC and the integration of Naprotec LLC and Nashtec LLC into Nabaltec USA Corporation;
- the resumption of operations by Nashtec LLC;
- the formation of Nabaltec (Shanghai) Trading Co., Ltd.;
- planning for 2019 and mid-term planning through 2021;
- investment and financing planning for the period from 2019 through 2021.

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 2018.

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

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 competitive situation, the development of sales, revenues and earnings and the degree to which projections were met in monthly and quarterly reports. To this end, the Chairman of the Supervisory Board maintained a close and routine exchange of information and thoughts with the Management Board.

The joint 2018 Declaration of Conformity was permanently made available for shareholders on the company's website

On 2 March 2018, the joint 2018 Declaration of Conformity with the German Corporate Governance Code was issued by the Supervisory Board and Management Board and has been permanently made available for shareholders on the company's website, www.nabaltec.de. Further information about corporate governance at Nabaltec AG can be found in the Corporate Governance Report on the company's website, www.nabaltec.de, in the Investor Relations/Corporate Governance section.

2018 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, has audited the annual financial statements and management report of Nabaltec AG, which were prepared in accordance with the German Commercial Code, as well as the consolidated financial statements, which were prepared based on the IFRS (International Financial Reporting Standards) pursuant to § 315e of the German Commercial Code, and the consolidated management report, each for 31 December 2018, 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 26 June 2018. The auditor's independence declaration was obtained by the Supervisory Board in advance pursuant to Section 7.2.1 of the German Corporate Governance Code. No circumstances were evident which would have established doubts as to the auditor's independence. Moreover, the auditor was obligated to immediately notify the Supervisory Board of circumstances which could establish a bias on its part and to report any services it performed in addition to the audit. The focus of the audit for Financial Year 2018 was set on accounting questions arising in connection with realization of the stand-alone solution for Nashtec LLC and with its further development.

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 the auditor's report were the subject of intensive consideration at the session of 9 April 2019. 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 has raised no objections and adopts the findings of the auditor Deloitte GmbH. The Supervisory Board therefore approved the annual financial statements prepared by the Management Board for Nabaltec AG and Nabaltec Group for 31 December 2018. The annual financial statements of Nabaltec AG for 2018 are therefore adopted.

The annual and consolidated financial statements for 31 December 2018 have been reviewed and approved by the Supervisory Board

The Supervisory Board would like to thank the Management Board and all the employees for their commitment and for their successful work last year, and looks forward with confidence to the company's development in the future.

Schwandorf, 9 April 2019



GERHARD WITZANY

Chairman of the Supervisory Board