

**OUR KNOW-HOW
FOR YOUR SAFETY**

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MANAGEMENT REPORT OF NABALTEC AG FOR THE FINANCIAL YEAR 2020

1. FOUNDATIONS 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. The production capacity entails approximately 265,000 tons per annum (t.p.a.) with an export share of around 75%.

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. It is the combination of these important characteristics that guarantee Nabaltec products outstanding growth prospects. Particularly in the area of functional fillers, non-halogenated flame retardants, such as Nabaltec products, are increasingly replacing heavy metal containing plumbiferous, and thus environmentally hazardous, fillers. 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 recent market research results. In order to benefit from this trend disproportionately high, we have specifically expanded our production capacity for ATH-based flame-retardant fillers. Today, Nabaltec is one of the world's leading suppliers in this area. Nabaltec's relatively 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, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminum AG. In September 2006, the Company was transformed into a stock corporation and has been listed in the Open Market division of the Frankfurt stock exchange since November 2006 and has 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 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 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
- Batteries
- Adsorption & Catalysis
- 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 area 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 around 75%, we already profit from these worldwide trends. By adopting a deliberate global growth strategy and expanding our capacity, 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 our constant exchange with our customers, the Company's product and process development activities are continuously optimized and directed toward specific customer 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.

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 of which represent major 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. 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.

6. 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 companywide 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 NAV" 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 on 19 June 2016 by resolution of 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 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 up to 50%, of their last fixed gross salary, and surviving spouses are entitled to up to 75% of the

were worked on by Nabaltec employees in 2020, working through project committees. Research partners include multiple Fraunhofer Institutes, RWTH Aachen University, the German Plastics Center (*Süddeutsche Kunststoff-Zentrum e.V.*, SKZ) in Würzburg, the German Institute for Refractories and Ceramics (*Deutsches Institut für Feuerfest und Keramik GmbH*) and *Forschungsgemeinschaft Feuerfest*, a refractory products research association, both in Höhr-Grenzhausen, and the Federal Institute for Materials Research and Testing in Berlin.

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.

Aside from searching for new products, processes and applications, the focus of Nabaltec's research and development activities is above all on improving and refining existing products and processes. The rules are defined by customer and market requirements, which are constantly changing. These requirements must be met at all times, while at the same time supplementing and extending our product range in target markets.

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 2020 reporting year was once again marked in particular by challenges relating to electric mobility. Separator film for lithium ion batteries with ceramic coating had very high growth rates in 2020. Nabaltec'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 launched 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.

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, plans for a dense network of rapid charging stations, the issue of thermally conductive materials is becoming increasingly important. Nabaltec has devoted itself to the issue of thermally conductive fillers for some years now, and was able to report substantial progress in 2020 in the development of products and applications. These developments culminated 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 of nearly 3 W/mK with very low abrasion. APYRAL® HC is manufactured at the Schwandorf site as well as at the Chattanooga site by Naprotec in the US. Commercial deliveries of thermal management products commenced over the course of 2020, closely supervised by our application engineers. We expect the growth in this area to accelerate 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. A long and intensive collaboration between our application engineers and our customers has culminated in the market launch of ACTILOX® PA-B2 in 2020. ACTILOX® PA-B2 is a processing aid which also acts as a flame retardancy booster. This product allows our customers to equip APYRAL®-based HFFR compounds for the highest flame retardancy requirements without having to compromise processability or other properties.

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. We were able to place a new highly reactive aluminum oxide on the market in 2020, NABALOX® NO 530. With its bimodal grain size distribution, NABALOX® NO 530 is optimized for the viscosity requirements of the refractory castable and the mechanical strain on mixers.

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 2020 as well. The successes in this area include the development of new ultra-pure materials and obtaining the first approvals. The newly developed products have been successfully placed in automotive applications in particular, in addition to applications in the electronics sector. Electrical mobility has also opened up potential new applications in engineering ceramics and ceramic components are being increasingly used in high-voltage electronics and sensors.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

The emergence of the coronavirus pandemic and the consequences of measures taken in an effort to contain its spread had a lasting impact on economic performance in 2020, and this impact continues to do this day. In particular, the first big lockdown in the first and second quarters of 2020 resulted in a global economic downturn. In its October outlook and its update in January 2021, the International Monetary Fund (IMF) continues to describe a steep recession in 2020, although the magnitude of the recession was somewhat weaker than had been expected in the June 2020 outlook. As a result, many economies were able to recover faster than originally expected through autumn of 2020. The IMF 2020 outlook in October 2020 called for world output to drop by 4.4% relative to 2019. In January 2021, this forecast was raised slightly, and the IMF now expects a drop of 3.5%.

The two main reasons why the recession in 2020 was weaker than expected, according to the IMF, are China's return to growth, which was stronger than expected, and the extensive, rapid and unprecedented fiscal, monetary and regulatory measures which have been adopted in many countries. These measures had the effect of preserving household disposable income, protecting corporate cash flow and facilitating lending. On the whole, the

IMF contends that it is thanks to these measures that a repetition of the financial crisis of 2008/2009 has been avoided.

Germany's GDP is expected to drop by 5.0% in 2020, according to the Federal Ministry of Economics and Energy. The strong recovery in the third quarter, with 8.5% growth for the quarter, was slowed by the partial lockdown in November and the subsequent intensification and extension of lockdown measures. The Ministry expects stagnation at best in the fourth quarter.

Evidently, the industrial sector has been less affected by the new lockdown. Production in the manufacturing industry in November 2020 was up slightly from the previous month, by 0.9%, as production was up in both the industrial and the construction sectors (by 1.2% and 1.4% respectively). The IMF provides a similar description of developments on the global scale, pointing out that, unlike previous recessions, the downturn triggered by the pandemic has affected service-oriented sectors most of all, while the industrial sector has been affected to a somewhat lesser extent.

Despite the recession and the severity of the pandemic, the IMF is optimistic for 2020 and the coming years, due in particular to the expansion of coronavirus testing, improved treatment methods and the speed of the vaccine roll-out, as well as the heightened sense of international solidarity with regard e.g. to the lifting of trade restrictions for medical equipment and financial support for at-risk countries.

2.1.2 INDUSTRY SITUATION

The year 2020 left its mark on the German chemical industry as well, as industry revenues were down 6.0% to EUR 186.4 billion and chemicals production was down 3.0%. The total workforce remained stable, at 464,000.

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 within the steel industry. That sector is currently in a weak state, resulting in a significant downturn especially for manufacturers of refractory products in Europe, and therefore for Nabaltec as well. 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

Nabaltec AG's course of business in 2020 was largely shaped by the impact of the coronavirus pandemic. The market environment worsened as early as the first quarter, so that results in the first three quarters were down sharply from the previous year, and it was not until the fourth quarter of 2020 that the company was once again able to generate growth.

The company posted revenues of EUR 159.6 million in 2020, compared to EUR 180.0 million in the previous year (down 11.3%). Revenues in the "Functional Fillers" product segment came to EUR 113.7 million, compared to EUR 122.6 million in the previous year (down 7.3%), while revenues in the "Specialty Alumina" product segment were EUR 45.3 million, compared to EUR 56.8 million in the previous year (down 20.2%). Revenues which were not attributable to either product segment amounted to EUR 0.6 million in 2020 (2019: EUR 0.6 million).

Costs were reduced thanks to the quick adoption of cost-cutting measures, such as cutting working hours and reducing the number of temporary employees. Starting in April 2020, Nabaltec took advantage of the opportunity offered by the collective bargaining agreement to reduce weekly working time. Specifically, working time was cut by 12% through 31 October 2020, with a corresponding reduction in pay. Pay for all non-collective employees was reduced by the same amount, as well as for the Management Board. As of 1 November 2020, working time for collective employees was cut by 6.7%, with a corresponding reduction in pay.

As was announced in an ad-hoc notice on 27 October 2020, Nabaltec will be writing down the book value of Nashtec's property, plant and equipment in the US. This move was prompted by the fact that capacity utilization at Nashtec LLC had dropped below 50% due to COVID-19, and sales in the North American market are expected to be slow to recover in the coming years. A compensation payment in the amount of EUR 22.6 million was made in this regard from the entrepreneur, Nabaltec AG, to the subsidiary Nashtec LLC, and this payment is included in other operating expenses. The compensation payment was made in exchange for the return of shareholder loans. In addition, the impairment in Nabaltec AG's commercial balance sheet resulted in a EUR 6.7 million write-down in its investment in Nashtec, held through Nabaltec USA Corporation, as well as allowances on loans receivable from Nashtec LLC in the amount of EUR 4.1 million. This was in addition to write-downs on inventories and non-recurring expenses due to abandonment of the mullite product range in the amount of EUR 2.0 million. Non-recurring effects weighed down earnings by a combined total of EUR 35.3 million.

As a result, the earnings before taxes (EBT) reported in Nabaltec AG's 2020 financial statements are EUR -30.2 million. Adjusting for non-recurring effects yields earnings before taxes (EBT) of EUR 5.1 million in 2020.

Due to the uncertainty of the economic and sector environment, as well as mounting pressure on sale prices, Nabaltec had originally expected slight revenue growth in Financial Year 2020 and an EBIT margin in the high single digits. The forecast was suspended on 30 April 2020 due to the unforeseeable impact of the coronavirus pandemic, and was not updated through the end of 2020. On the whole, thanks to its strong fourth quarter, Nabaltec AG's 2020 results were better than could have been expected at the end of the third quarter.

2.3 SITUATION

2.3.1 EARNINGS POSITION

Nabaltec AG earned EUR 159.6 million in revenues in Financial Year 2020, compared to EUR 180.0 million in the previous year (down 11.3%). A further optimized product mix, thanks in particular to the outstanding performance of the boehmite product area, played a key part in stabilizing revenues, as did the return to growth in the fourth quarter for nearly all product ranges.

The quarterly results reflect the economic situation in the course of the coronavirus pandemic. Revenues came to EUR 45.6 million in the first quarter, compared to EUR 48.6 million in the same quarter of last year (down 6.2%). The steepest revenue loss came in the second quarter, when revenues were down 26.1% from the same period of last year, dropping from EUR 49.1 million to EUR 36.3 million. The situation stabilized in the third quarter, as revenues were down 16.7% from the third quarter of 2019 (EUR 44.3 million), to EUR 36.9 million. In the fourth quarter, revenues were up 7.4% from the same period of last year.

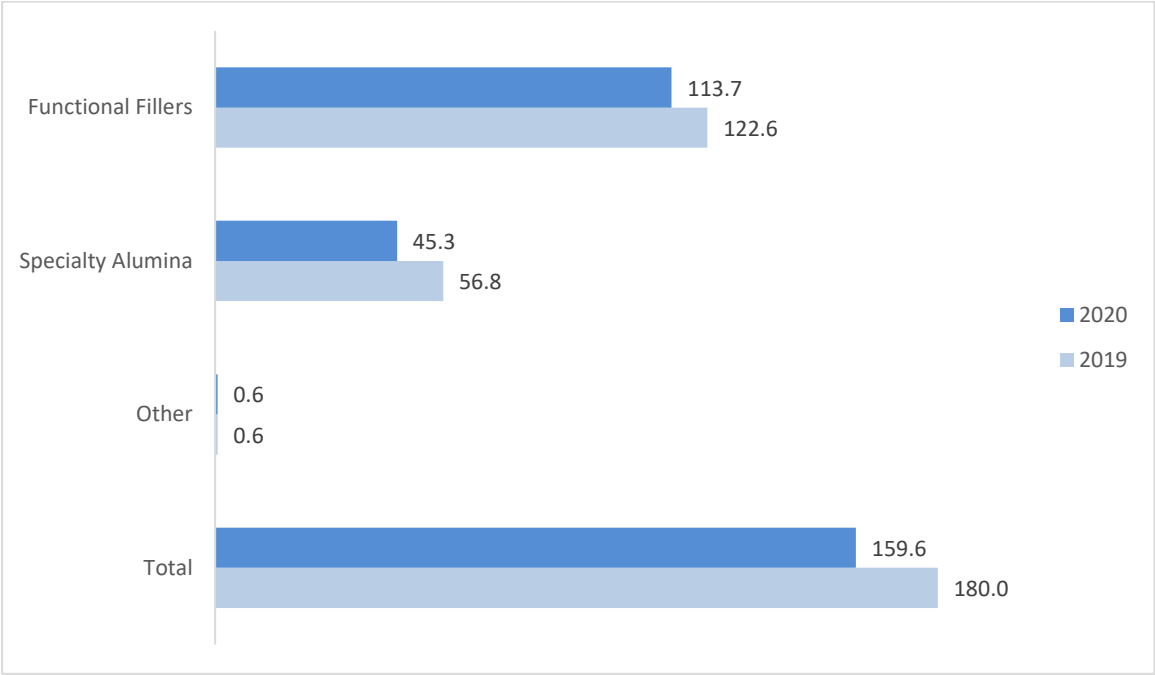
The export ratio was down slightly on the year, but remains at a very high level: dropping from 76.2% in the previous year to 74.7% in 2020. The drop in the export ratio was especially steep during the first lockdown, as deliveries had to be temporarily reduced due to the closure of international borders, making it temporarily more difficult to supply markets in the US and the rest of Europe. But this trend reversed itself as the year went on, and the export ratio in the fourth quarter was 77.1%.

Incoming orders amounted to EUR 163.6 million for the year as a whole, compared to EUR 162.3 million in the previous year. Nabaltec ended the year 2020 with EUR 39.9 million in orders on hand, compared to EUR 35.9 million in the year before. This figure once again reflects the fact that customers have been placing shorter-term orders due to the uncertainty of the current environment.

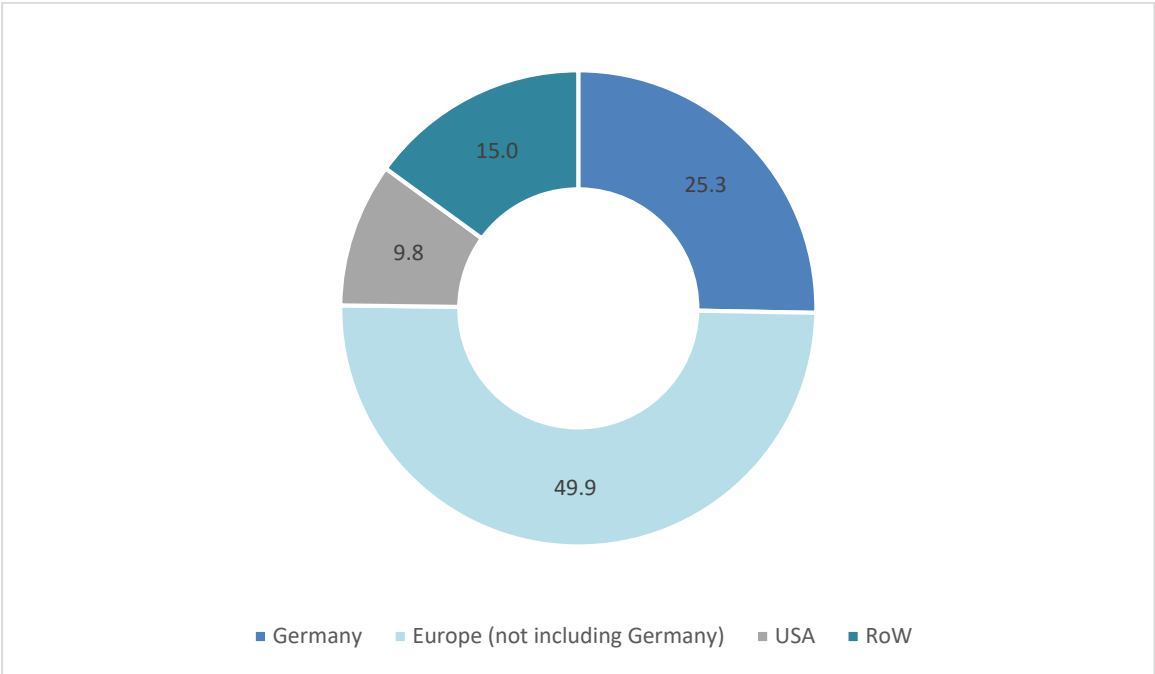
Revenues in the "Functional Fillers" product segment amounted to EUR 113.7 million in Financial Year 2020, compared to EUR 122.6 million in the previous year. The decrease in revenues is largely attributable to the worsening in market conditions as a result of the pandemic, as well as increased price pressure. Revenues in the boehmite product area were up throughout the year, as revenues were up 38.4% over the previous year.

Revenues in the "Specialty Alumina" product segment came to EUR 45.3 million in Financial Year 2020, down 20.2% from the previous year. The decrease in revenues is due to the general weakening in the refractory industry, which has resulted in weaker demand and lower prices.

Revenues by product segment, 2020
(in EUR million)



Revenues by region, 2020
(in %)



Nabaltec AG's total performance was EUR 155.4 million in 2020, compared to EUR 181.4 million in the previous year. The decrease in total performance can be attributed to two factors: weaker revenue performance relative to the year before and the deliberate drawdown in inventories of finished goods and merchandise.

Other operating income decreased to EUR 0.9 million (previous year: EUR 1.1 million) and included currency gains in the amount of EUR 0.4 million.

Operating expense ratios as a percentage of total performance		
	2020	2019
Cost of materials	52.1%	47.8%
Personnel expenses	19.9%	20.1%
Other operating expenses	31.0%	15.5%

The cost of materials ratio (cost of materials as a percentage of total performance) increased to 52.1% (2019: 47.8%), due primarily to the increase in merchandise. In absolute terms, gross earnings amounted to EUR 75.2 million, compared to EUR 95.8 million in the previous year.

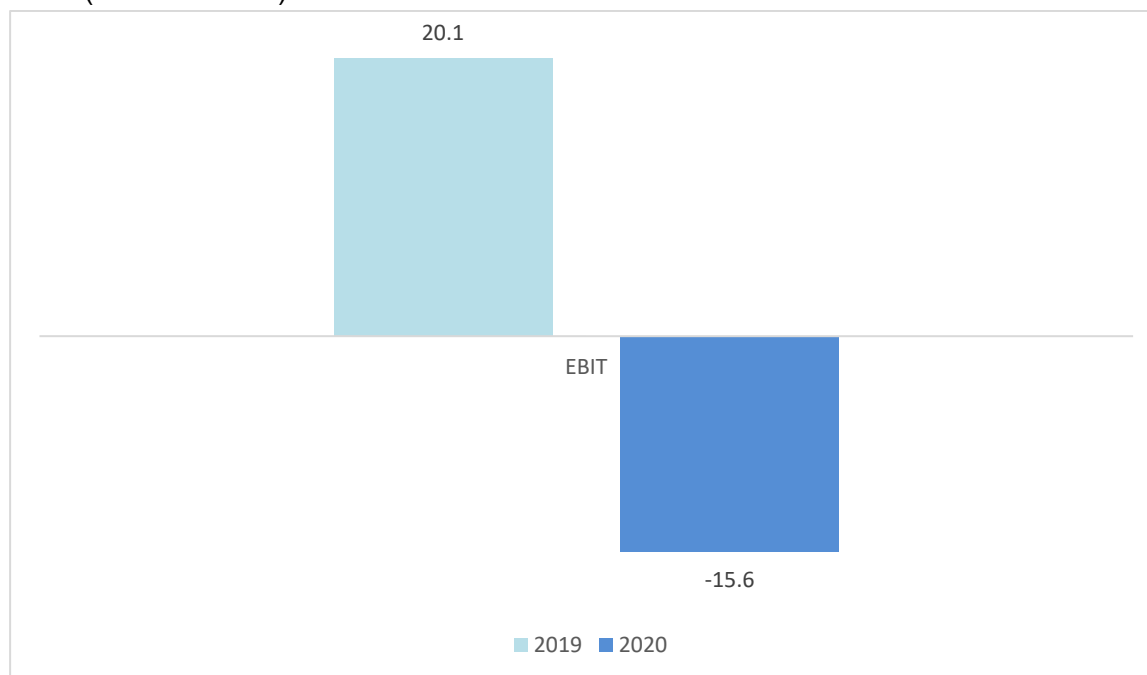
The personnel expense ratio (personnel expenses as a percentage of total performance) decreased from 20.1% in the previous year to 19.9%. The number of employees decreased from 498 on 31 December 2019 to 474 on 31 December 2020. Measures taken to cut costs and a lower allocation to pension reserves had the effect of reducing personnel expenses by EUR 5.5 million relative to last year's value.

Other operating expenses, in the amount of EUR 48.2 million (previous year: EUR 28.1 million), 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. The expense ratio (ratio of other operating expenses to total performance) increased from 15.5% in the previous year to 31.0%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -3.9 million, compared to EUR 31.3 million in 2019. Adjusting for non-recurring effects in Financial Year 2020 yields an adjusted EBITDA of EUR 20.4 million.

Adjusting for EUR 11.7 million in depreciation and amortization in Financial Year 2020 yields an operating profit (EBIT) of EUR -15.6 million, compared to EUR 20.1 million in the year before, as well as an EBIT margin (EBIT as a percentage of total performance) of -10.0% (previous year: 11.1%). EBIT came to EUR 9.0 million in the reporting year after adjusting for non-recurring effects.

EBIT (in EUR million)



Net financial income, in the amount of EUR -14.7 million (previous year: EUR -2.3 million), includes EUR -10.7 million in non-recurring effects due to the write-down of the investment in Nashtec, held through Nabaltec USA Corporation, in the amount of EUR 6.7 million, as well as allowances on shareholder loans to Nashtec in the amount of EUR 4.1 million.

As a result, earnings before taxes (EBT) came to EUR -30.2 million, a figure which includes EUR 35.3 million in non-recurring effects.

Tax expenses came to EUR 2.3 million in Financial Year 2020 (2019: EUR 6.2 million). A tax expense was incurred despite the net loss as a result of the income tax situation in Germany.

Net income came to EUR -32.6 million last year, compared to EUR 11.5 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 28.7 million were made available to the subsidiaries through the reporting date (2019: EUR 55.1 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 growth and investments 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 2020 were breached in the 2020 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, and by extending overdraft lines by EUR 20.0 million.

In addition, a loan against borrower's note from 2013 with a volume of EUR 0.5 million was repaid on time in October 2020.

2.3.2.1 CAPITAL STRUCTURE

Nabaltec AG's subscribed capital is EUR 8.8 million. Due to the impact of non-recurring effects and the associated reduction in earnings, shareholders' equity decreased to EUR 63.8 million as of 31 December 2020, down from EUR 97.7 million on 31 December 2019. The equity ratio was 37.2% on 31 December 2020. This still represents a very strong capital base by industry standards.

EUR 38.3 million in provisions existed as of 31 December 2020 (previous year: EUR 40.1 million), including EUR 32.5 million in pension reserves (previous year: EUR 30.6 million).

Liabilities amounted to EUR 69.2 million on 31 December 2020, compared to EUR 81.9 million at the end of 2019.

Selected balance sheet items as a percentage of total assets:

	31 Dec. 2020	31 Dec. 2019
Shareholders' equity	37.2%	44.5%
Provisions	22.4%	18.2%
Liabilities	40.4%	37.3%

Other off-balance sheet financing instruments

Nabaltec has, to a minor extent, concluded lease agreements with terms of up to five years. Nabaltec also make uses 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 14.9 million in investments last year, compared to EUR 24.7 million the year before. Around half of the investments were made in financial assets to finance investments and to compensate for the losses of the US subsidiaries. In the second half, investments were made in the Schwandorf site and particularly in technical equipment and machinery for capacity expansion, infrastructure, process optimization and replacement investments.

In 2021, Nabaltec AG expects investments to go primarily towards expanding boehmite capacity, process optimization and infrastructure.

2.3.2.3 FINANCIAL POSITION

Total assets decreased from EUR 219.7 million on 31 December 2019 to EUR 171.3 million. This decline was driven by non-recurring effects, largely affecting financial assets.

Key balance sheet assets as a percentage of total assets:

	31 Dec. 2020	31 Dec. 2019
Non-current assets	64.6%	67.3%
thereof: property, plant and equipment	45.4%	37.4%
Current assets	35.4%	32.7%
thereof: Inventories	15.3%	14.9%

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	2020	2019
Return on equity	-51.1 %	11.8 %
Return on capital employed (ROCE)	-11.7 %	11.7 %

Return on equity, consisting of the ratio of net income to equity, amounted to -51.1% in the reporting year, compared to 11.8% 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 -11.7%, compared to 11.7% in the previous year.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

Employees

At the end of 2020, Nabaltec AG had a total of 474 employees (31 December 2019: 498). All employees work in Germany. This figure also includes 54 trainees (31 December 2019: 53). Nabaltec sets a high value on good training. In 2020 as well, the trainee rate represented a remarkably large share of the workforce, 11.4%. This rate again exceeded the industry average significantly in 2020. 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 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. With Nashtec LLC in the US resuming production, the production site in Chattanooga, USA going online, and the operations of the distribution subsidiary in Shanghai, China, Nabaltec has taken more significant steps for even closer collaboration with its customers all over the world.

Nabaltec's distribution subsidiary in Shanghai significantly expanded its operations and revenues in the reporting year. E-mobility customers in emerging markets in particular, both in China and throughout the Asia-Pacific region, have received timely and satisfactory service thanks to effective cooperation from the distribution subsidiaries in Shanghai and Tokyo. Reliable and comprehensive on-site service pays off, particularly for commercial and technical solutions and in connection with the successful launch of newly developed product solutions in thermal management applications for energy storage systems. In addition to deliveries for e-mobility applications, the company has also succeeded in acquiring and developing new business in the conventional filler and specialty alumina markets thanks to its unique proximity to customers.

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 and is a member of the American Ceramics Society (ACerS). 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.

A basic prerequisite for Nabaltec's market success is products which are specifically developed and optimized to meet customers' requirements, and which are steadily supplied in the needed quantities over long periods of time in consistently optimal quality. Joint development projects often result in long-term supply contracts and lasting relationships. Particularly for new products, Nabaltec often undergoes long and intensive approval procedures with its customers. In most cases, the successful conclusion of these procedures results in long-term supply agreements. Nabaltec confronts customer requirements e.g. in the fields of electrical mobility and lithium ion battery applications with a high density of communications, e.g. in its subsidiaries, and through the quick deployment of working groups, which take on a variety of tasks in close cooperation with customers, such as quality management, ensuring reliable delivery and optimizing products. Process development and approval procedures continue to be expedited in order to promote the successful development of e-mobility operations in particular.

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 2020, successful surveillance audits for the existing management systems based on ISO 9001 and ISO 14001 were performed at the Schwandorf site. In addition, the existing workplace safety and health management system in accordance with BS OHSAS 18001 was successfully transitioned to the new ISO 45001 standard in the course of a transition 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 2020 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 2020 surveillance audit.

A surveillance audit was also successfully performed in 2020 for US subsidiary Nashtec LLC's quality management system in accordance with the ISO 9001 standard.

EcoVadis awarded Nabaltec AG a silver medal in 2020 for its commitment to sustainability.

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 used in plastics, where they are replacing largely brominated flame retardants. 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.

Technical ceramics materials are recycled and reintegrated into the production process, a practice which contributes to 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.

In waste management, collecting individual categories of waste in compactors have significantly reduced shipments. This in turn will reduce traffic volume to and from Nabaltec and emissions of carbon dioxide, nitrous gases and particulate matter in the immediate vicinity of the company. Nabaltec will continue to pursue this goal. With regard to maintaining air purity, the focus is on future requirements. Nabaltec AG participates in the Sevilla Process, which defines the best available techniques for industrial equipment within the EU.

However, 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 2021 as well, but with an uncertain market environment and increased volatility. The Company has taken a leading international position within its markets. 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.

Economic and sector conditions

In its January 2021 outlook update, the IMF projects global GDP growth of about 5.5% in 2021 and around 4.2% in 2022. The IMF expects global GDP growth to weaken to about 3.5% in the medium term. Progress in reaching the pre-pandemic growth forecast through 2025 will be limited, as advanced economies as well as emerging markets and developing economies will be confronted with production losses and increased personnel shortages. For all three groups, the IMF expects that efforts to improve the standard of living will suffer a severe setback and goes so far as to state that the pandemic will have the effect of reversing the progress which had previously been made in the fight against global poverty, resulting in higher inequality.

At the same time, the IMF's forecast for this year involves an unusually high amount of uncertainty, as it is based on assumptions which are shakier than is typically the case, in terms of both public health and economic performance. For example, the IMF notes in its outlook that progress in treatment and vaccination may come slower than expected, and that not every country may have equal access to these resources. Although the recent vaccine approvals give reason to hope for a turnaround over the course of this year, the emergence of new waves and new variants of the virus raises concerns and makes the outlook less bright.

In Germany, the economic recovery is already slowing, now that measures have once again been taken for a nationwide shutdown after the pandemic flared up again in November 2020. Because of these continuing measures, which will run into the first quarter of 2021, the Kiel Institute for the World Economy (IfW) expects Germany's Gross Domestic Product to decrease, although not as sharply as in the spring of 2020. On the whole, IfW expects Germany's GDP to grow by 3.1% in 2021. Assuming Germany is successful in combating the pandemic, IfW expects to see a strong recovery in 2022, with 4.5% GDP growth. However, the second wave of the pandemic has slowed the job market recovery and imposed an even greater burden on public finances than was foreseeable in autumn of last year. Significant losses are expected in these areas in both 2021 and 2022.

GDP Growth Forecast over Prior Year (in %)		
	2021	2022
World	6.1	4.5
USA	3.7	3.5
Euro zone	4.9	4.0
Germany	3.1	4.6
France	6.3	3.6
Italy	5.3	3.6
United Kingdom	6.5	4.0
Japan	3.7	2.0
China	9.2	5.9
India	11.6	8.8

Source: IfW, Kieler Konjunkturberichte No. 73 "Weltkonjunktur im Winter 2020," 16 December 2020

The chemicals industry association VCI (Verband der Chemischen Industrie e.V.) expects production to increase by 1.5% in 2021, with revenues climbing by 2.5%. But VCI expects

the total number of employees to drop slightly, by 1.0%, due to structural changes in the industry, a process which was accelerated by the coronavirus pandemic. According to a VCI survey, the association's members generally expect that the chemical industry will be slow to return to where it was before the pandemic broke out: 47% of the companies surveyed expect the crisis to be overcome no earlier than 2022.

The long-term outlook in key target markets is largely positive, in Nabaltec's view. The company is expecting moderate growth in the short term given the difficulty of the general economic environment, which will be associated with high volatility in the company's target markets.

Outlook on the course of business

Sales improved at the start of 2021, resulting in a high utilization ratio for Nabaltec. However, incoming orders still tend to be short-term in nature, reflecting the current uncertainty in the market. In the US, Nabaltec expects Nashtec's production to slowly normalize over the medium term. The launch of Naprotec's products was delayed because of the coronavirus pandemic, and the originally expected revenues will not be realized until a later date due to delays in customer approval procedures. Because of the current situation, it will take longer than expected to build the market.

Orders on hand amounted to EUR 39.9 million as of 31 December 2020.

In 2021 as well, fine hydroxides will continue to be the most important product range by far within the "Functional Fillers" product segment. Boehmite is also continuing to gain importance due to the positive trend in electric mobility. Products with high added value are increasingly gaining importance in the "Specialty Alumina" product segment.

Expected earnings, net assets and financial position

Due to the economic and industry environment and continuing pressure on sale prices, Nabaltec is expecting revenue growth in a range from 6% to 9% in 2021. On the earnings side, Nabaltec is expecting an EBIT margin in a range from 8% to 10%. This forecast assumes positive performance in the economy and in the sectors of relevance for Nabaltec. At the time the forecast was prepared, in late February 2021, it was not yet clear how the continuing efforts to contain the coronavirus pandemic will affect the course of business. If the pandemic spreads, a negative impact on earnings cannot be ruled out.

Intensified 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 2021, revenues and earnings may decline. At the time this report was prepared, Nabaltec's supply chains remained intact, with no disruptions in either procurement or sales.

Note with respect to uncertainties in the outlook

The statements and information with respect to future developments stated above are based on current expectations as well as certain assumptions. They therefore involve several risks and uncertainties. A large number of factors, a significant part of which are not under Nabaltec Group'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 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 strong position as an innovation leader and reliable supplier, 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.

Procurement Market

Nabaltec 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. Supply of the energy sources which are most important for the production process, such as electricity, gas and steam, is secured by long-term agreements. 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.

Financial Market

When necessary, foreign exchange risks are strategically minimized using hedging instruments covering risks arising from US dollar exposure. In 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 AG's loan agreements are subject in some cases to covenants which are tied e.g. 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 2020 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.

Production, Processes and IT

Nabaltec has an integrated quality management system with ISO 9001 accreditation that is implemented companywide. Therefore, Nabaltec considers production-specific risks clear and manageable. For IT applications that are critical for the business, Nabaltec 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 2021 as well. Nabaltec uses fossil fuels, for which it will be charged a carbon price in Germany starting in 2021. This will result in an additional cost burden in the mid-six figures for Nabaltec in 2021.

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.

Subsequent Events

Due to the winter onset of the century in mid-February 2021 in Texas, USA, energy prices for gas and electricity have increased exorbitantly during this period. Nabaltec is directly affected by this one-time event, accordingly we expect additional energy costs in the USA in the low single-digit million range for the month of February 2021.

Overall Assessment

Based on our continuous surveillance of relevant markets, 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. On the whole, potential impact of the Company's risk is limited, in our estimation. Subject to unexpectedly grave negative economic consequences from the coronavirus pandemic, which is not yet over, there are currently no discernable risks which could jeopardize Nabaltec AG's future existence.

Schwandorf, 22 March 2021

Nabaltec AG
The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Michael Klimes

Income statement of Nabaltec AG, Schwandorf
for the period from 1 January 2020 - 31 December 2020

	1/1 - 12/31/2020		1/1 - 12/31/2019	
	TEUR	TEUR	TEUR	TEUR
1. Revenues		159,583		179,996
2. Change in finished goods		-4,555		623
3. Own work capitalized		367		741
Total performance		155,395		181,360
4. Other operating income - thereof from currency translation: TEUR 350 (PY: TEUR 601)		851		1,066
		156,246		182,426
5. Cost of materials:				
a) Cost of raw materials, supplies and purchased goods	80,324		85,473	
b) Cost of purchased services	704	81,028	1,183	86,656
Gross profit		75,218		95,770
6. Personnel expenses				
a) Wages and salaries	24,391		27,982	
b) Social security contributions and cost of pensions and support - thereof for pensions: TEUR 1,911 (PY: TEUR 3,720)	6,516		8,419	
7. Amortization/depreciation of intangible assets and property, plant and equipment	11,658		11,250	
8. Other operating expenses - thereof from currency translation: TEUR 896 (PY: TEUR 351)	48,204	90,769	28,058	75,709
		-15,551		20,061
9. Income from other securities and loans (financial assets) -thereof from affiliated companies: TEUR 514 (PY: TEUR 654)	514		654	
10. Other interest and similar income	15		62	
11. Depreciation of financial assets and securities held as current assets - thereof from affiliated companies: TEUR 12,776 (PY: TEUR 77)	12,776		77	
12. Interest and similar expenses - thereof for compounding interest: TEUR 822 (PY: TEUR 881)	2,444	-14,691	2,928	-2,289
Net before-tax result		-30,242 ¹		17,772
13. Income taxes		2,276		6,236
14. Net after-tax result		-32,518		11,536
15. Other taxes		80		85
16. Net result for the year		-32,598		11,451
17. Profit carried forward		39,125		28,994
18. Accumulated profit		6,527		40,445

¹ thereof non-recurring effects of EUR -35.3 million

Balance sheet of Nabaltec AG, Schwandorf
for 31 December 2020

ASSETS	12/31/2020	12/31/2019	LIABILITIES	12/31/2020	12/31/2019
	TEUR	TEUR		TEUR	TEUR
A. NON-CURRENT ASSETS			A. SHAREHOLDERS' EQUITY		
I. Intangible assets			I. Subscribed capital (conditional capital: TEUR 4,000; 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	288	318	II. Capital reserve	48,424	48,424
2. Advance payments	89	97	III. Accumulated profits	6,527	40,445
	377	415			
II. Property, plant and equipment				63,751	97,669
1. Land, leasehold rights and buildings, including buildings on non-freehold land	25,731	26,682	B. SPECIAL ITEM FOR INVESTMENT GRANTS	1	2
2. Technical equipment and machinery	41,943	46,500	C. PROVISIONS		
3. Other fixtures, fittings and equipment	3,468	3,526	1. Retirement benefit obligation and similar provisions	32,486	30,564
4. Advance payments as well as plant and machinery under construction	6,624	5,386	2. Accrued taxes	0	3,122
	77,766	82,094	3. Other provisions and accrued liabilities	5,823	6,445
III. Financial assets				38,309	40,131
1. Shares in affiliated companies	3,684	10,367	D. ACCOUNTS PAYABLE		
2. Loans to affiliated companies	28,730	55,061	1. Payables to banks	59,273	70,931
	32,414	65,428	2. Trade payables	8,804	9,575
	110,557	147,937	3. Payables to affiliated companies	628	929
B. CURRENT ASSETS			4. Other payables	498	487
I. Inventories			- thereof relating to taxes: TEUR 306 (PY: TEUR 345)		
1. Raw materials and supplies	16,138	18,459	- thereof relating to social security: TEUR 42 (PY: TEUR 40)		
2. Finished goods and products	10,037	14,325			
	26,175	32,784		69,203	81,922
II. Accounts receivable and other assets					
1. Trade receivables	4,852	5,519			
2. Receivables from affiliated companies	1,138	749			
3. Other assets	5,624	5,177			
	11,614	11,445			
III. Cash and cash equivalents	22,729	27,429			
	60,518	71,658			
C. PREPAID EXPENSES	189	129			
	171,264	219,724		171,264	219,724

Statement of Fixed Assets of Nabaltec AG for the Period from 1 January 2020 to 31 December 2020

German Commercial Code

	COST					DEPRECIATION					Book value	Book value
	1/1/2020	Additions	Disposals	Adjustments	12/31/2020	1/1/2020	Additions	Write-ups	Disposals	12/31/2020	12/31/2020	12/31/2019
	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	3,349,771.19	48,241.36	0.00	84,004.40	3,482,016.95	3,031,889.59	161,932.46	0.00	0.00	3,193,822.05	288,194.90	317,881.60
2. Advance payments made	96,747.90	76,021.17	0.00	-84,004.40	88,764.67	0.00	0.00	0.00	0.00	0.00	88,764.67	96,747.90
	<u>3,446,519.09</u>	<u>124,262.53</u>	<u>0.00</u>	<u>0.00</u>	<u>3,570,781.62</u>	<u>3,031,889.59</u>	<u>161,932.46</u>	<u>0.00</u>	<u>0.00</u>	<u>3,193,822.05</u>	<u>376,959.57</u>	<u>414,629.50</u>
II. Property, plant and equipment												
1. Land, leasehold rights and buildings, including buildings on unowned land	38,165,672.56	225,320.70	0.00	105,037.19	38,496,030.45	11,484,067.94	1,280,489.00	0.00	0.00	12,764,556.94	25,731,473.51	26,681,604.62
2. Technical equipment and machinery	146,860,183.39	2,694,687.44	0.00	2,097,350.05	151,652,220.88	100,360,327.78	9,349,234.96	0.00	0.00	109,709,562.74	41,942,658.14	46,499,855.61
3. Fixtures, fittings and equipment	11,938,355.43	709,066.71	22,473.80	107,502.00	12,732,450.34	8,411,996.02	866,130.23	0.00	13,681.44	9,264,444.81	3,468,005.53	3,526,359.41
4. construction	5,385,751.59	3,547,679.13	0.00	-2,309,889.24	6,623,541.48	0.00	0.00	0.00	0.00	0.00	6,623,541.48	5,385,751.59
	<u>202,349,962.97</u>	<u>7,176,753.98</u>	<u>22,473.80</u>	<u>0.00</u>	<u>209,504,243.15</u>	<u>120,256,391.74</u>	<u>11,495,854.19</u>	<u>0.00</u>	<u>13,681.44</u>	<u>131,738,564.49</u>	<u>77,765,678.66</u>	<u>82,093,571.23</u>
III. Fixed assets												
1. Shares in affiliated companies	10,367,495.06	0.00	0.00	0.00	10,367,495.06	0.00	6,683,232.15	0.00	0.00	6,683,232.15	3,684,262.91	10,367,495.06
2. Loans to affiliated companies	55,376,119.80	7,578,790.45	27,817,029.69	0.00	35,137,880.56	315,494.61	6,092,633.54	0.00	0.00	6,408,128.15	28,729,752.41	55,060,625.19
	<u>65,743,614.86</u>	<u>7,578,790.45</u>	<u>27,817,029.69</u>	<u>0.00</u>	<u>45,505,375.62</u>	<u>315,494.61</u>	<u>12,775,865.69</u>	<u>0.00</u>	<u>0.00</u>	<u>13,091,360.30</u>	<u>32,414,015.32</u>	<u>65,428,120.25</u>
	<u>271,540,096.92</u>	<u>14,879,806.96</u>	<u>27,839,503.49</u>	<u>0.00</u>	<u>258,580,400.39</u>	<u>123,603,775.94</u>	<u>24,433,652.34</u>	<u>0.00</u>	<u>13,681.44</u>	<u>148,023,746.84</u>	<u>110,556,653.55</u>	<u>147,936,320.98</u>

Nabaltec AG, Schwandorf

Notes for Financial Year 2020

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 value of less than EUR 150.00 are written off as expenses in the year of addition. A collective item is recognized for assets which exceed this value but whose value does not exceed EUR 1,000.00. This item is reversed at a rate of one fifth per annum. The limit for immediate write-offs was raised to EUR 800.00 as of 1 January 2018. Collective depreciation will no longer be used for new assets as of 2018. As of 1 January 2018, low-value assets with a cost of between EUR 250.00 and EUR 800.00 will be immediately written off in the year of addition.

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

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 the higher value.

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

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

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

Liquid funds are recognized at face value.

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

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

Subscribed capital is recognized at nominal value.

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 2.30% 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 more than one year 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 103 was included in production costs in the reporting year. The average financing cost rate used to determine capitalizable debt interest was 2.10%.

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 1,105.58
Technical equipment and machinery	EUR 14,865.36
Other fixtures, fittings and equipment	EUR 0
Advance payments made and assets in process of construction	EUR 87,317.52

Financial assets

Nabaltec AG holds all shares in Nashtec LLC indirectly, through Nabaltec USA Corporation. Due to slumping demand in the North American market and a resulting impairment for Nashtec LLC, Nabaltec AG's investment in Nabaltec USA Corporation was written down by TEUR 6,683 in its commercial balance sheet, in addition to allowances in the amount of TEUR 4,058 on loans receivable from Nashtec LLC.

In this context, a compensation payment in the amount of EUR 22.6 million was made by the Group parent company, Nabaltec AG, to the subsidiary, Nashtec LLC. The compensation payment was netted out with shareholder loans.

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 3,018), value-added tax refund claims (TEUR 1,490), an energy tax refund claim (TEUR 258) and an electricity tax refund claim (TEUR 279).

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 189 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 2020 amounted to
(through 31 May 2021) EUR 3,200,000.00

The Management Board, with the Supervisory Board's approval, is authorized by resolution of the shareholders of 30 June 2016 to raise the capital stock through 31 May 2021 once or multiple times by up to EUR 4,000,000.00 by issuing up to 4,000,000 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 2016/I).

Utilizing the authorized capital made available by resolution of the shareholders of 30 June 2016 (Authorized Capital 2016/I), the Management Board, with the Supervisory Board's approval, raised Nabaltec AG's capital stock by issuing 800,000 new bearer shares, each representing EUR 1.00 of the capital stock, in exchange for cash contributions, with preemption rights excluded. As a result, Nabaltec AG's subscribed capital (capital stock) was raised from TEUR 8,000 to TEUR 8,800. The capital increase was entered into the Commercial Register on 15 September 2017.

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

The capital stock was conditionally raised by up to EUR 4,000,000 by resolution of the shareholders of 30 June 2016 (Conditional Capital 2016/I). The conditional capital serves exclusively to provide shares to holders of warrants and convertible bonds issued by the company based on the authorization of the shareholders of 30 June 2016. The Management Board has not issued any preemptive shares as of the reporting date.

The Management Board, with the Supervisory Board's approval, is authorized by resolution of the shareholders of 30 June 2016 to issue convertible bonds and/or warrants made out to the bearer with a total value of up to EUR 150,000,000.00 and with a term of no more than 15 years (Convertible Bonds and/or Warrants) through 31 May 2021 once or multiple times and to provide holders of convertible bonds with conversion rights for up to 4,000,000 bearer shares in the company as specified in the Terms of Warrants and Convertible Bonds (Terms of Bonds) which are to be defined by the Management Board with the approval of the Supervisory Board.

d) Capital reserve EUR 48,424,219.38

As of 31 December 2020, the capital reserve amounted to TEUR 48,424 (previous year: TEUR 48,424).

e) Retained earnings EUR 6,527,160.03

As of 1 January 2020 EUR 40,445,285.19

Dividend payment pursuant to shareholder resolution EUR -1,320,000.00

= Profit carry-forward as of 31 December 2020 EUR 39,125,285.19

Net loss in Financial Year 2020 EUR -32,598,125.16

As of 31 December 2020 EUR 6,527,160.03

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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 2.30% per annum (previous year: 2.71%), 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 2020 was TEUR 1,069. This transfer was recognized under other operating expenses in 2020.

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 1,878, is netted out with the settlement value, in the amount of TEUR 34,364, for a net disclosure of TEUR 32,486. Net income from pension liability insurance in the amount of TEUR 100 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 4,581 (previous year: TEUR 4,747) 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 3,046), clean-up and disposal expenses (TEUR 298) and outstanding invoices (TEUR 2,135).

The anniversary provision is measured in the PUC method using an actuarial interest rate of 1.60% (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	59,273	273	59,000	0	0	
	(70,931)	(31,931)	(39,000)	(0)	(0)	
Trade payables	8,804	8,804	0	0	0	
	(9,575)	(9,575)	(0)	(0)	(0)	
Accounts payable to affiliated companies	628	628	0	0	0	
	(929)	(929)	(0)	(0)	(0)	
Other accounts payable	498	498	0	0	0	
	(487)	(487)	(0)	(0)	(0)	
	69,203	10,203	59,000	0	0	
	(81,922)	(42,922)	(39,000)	(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.

The first tranche of the 2015 loan against borrower's note, in the amount of TEUR 31,000, was repaid as agreed in April 2020. The funds for this payment were secured through by obtaining a bilateral loan with a volume of TEUR 20,000 and by extending overdraft lines by TEUR 20,000. A loan against borrower's note from 2013, in the amount of TEUR 500, was also repaid on time on 23 October 2020.

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

Disclosures Concerning the Income Statement

Revenues

Breakdown of revenues by geographical region:

	2020		2019	
	TEUR	%	TEUR	%
Germany	40,403	25.3	42,813	23.8
Rest of Europe	79,568	49.9	92,992	51.7
USA	15,694	9.8	20,809	11.5
Rest of world	23,918	15.0	23,382	13.0
	159,583	100.0	179,996	100.0

Breakdown of revenues by product segments:

	2020		2019	
	TEUR	%	TEUR	%
Functional Fillers	113,651	71.2	122,554	68.1
Specialty Alumina	45,317	28.4	56,847	31.6
Other	615	0.4	595	0.3
	159,583	100.0	179,996	100.0

Other operating income

Other operating income largely includes income from insurance indemnities in the amount of TEUR 59, income from payments in kind in the amount of TEUR 210 and income from costs charged to third parties in the amount of TEUR 203.

Depreciation of intangible assets and property, plant and equipment

Depreciation (TEUR 11,658; previous year: TEUR 11,250) includes write-downs for equipment which is no longer needed following closure of the mullite production site in the

"Specialty Alumina" product segment, in the amount of TEUR 290. It also includes write-downs on property, plant and equipment in the amount of TEUR 156 in the "Functional Fillers" product segment

Other operating expenses

Other operating expenses include expenses for compensation payments to Nashtec LLC in the amount of TEUR 23,292, expenses for outgoing freight in the amount of TEUR 10,248, sales commissions in the amount of TEUR 3,666, expenses for third-party repairs in the amount of TEUR 2,864 and consulting expenses in the amount of TEUR 470.

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.

Depreciation of financial assets

Depreciation of financial assets (TEUR 12,776; previous year: TEUR 77) includes a write-down based on an impairment of Nabaltec USA Corporation's investment in Nashtec LLC in the amount of TEUR 6,683 as well as a write-down of loans receivable from Nashtec in the amount of TEUR 4,058.

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 287 for the year and assigned a total of TEUR 22,568 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 2020 by expenses in the amount of TEUR 316 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. 2020 TEUR	31 Dec. 2019 TEUR
Liabilities arising from performance bonds	1,810	1,949
- thereof in favor of affiliated companies	0	0

This performance bond, in the amount of TEUR 1,810, 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.

Nabaltec AG has issued a payment guarantee in the amount of TUSD 1,300 to secure its supply of raw materials.

Other financial liabilities

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

	31 Dec. 2020 TEUR	31 Dec. 2019 TEUR
a) Liabilities arising from rental, lease, service and consulting agreements thereof	716	908
- maturing in less than 1 year	498	631
- maturing in 1-5 years	216	273
- maturing in more than 5 years	2	4
b) Liabilities arising from investment orders	2,314	3,897
- maturing in less than 1 year	2,314	3,897
 Total	 3,030	 4,805
- thereof to affiliated companies	0	0

Auditor's fee

The auditor's fee for the 2020 financial statements (including the 2020 consolidated financial statements) amounts to TEUR 104. The auditor received a fee in the amount of TEUR 11 for other assurance services and a fee of TEUR 73 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	4,951,321.18	4,033,662.88	-10,157,686.43	-8,900,881.92
Indirect holdings via Nabaltec USA Corp.							
Nashtec LLC, Corpus Christi (USA)	100.0			-3,460,784.57	-2,819,376.43	21,757.58	19,065.52
Naprotec LLC, Chattanooga (USA)	100.0			-331,180.20	-269,800.58	-2,106,840.30	-1,846,162.19
Direct holdings							
Nabaltec (Shanghai) Trading Co., Ltd., Shanghai (China)	100%	2,755,685.15	359,385.03	1,473,500.83	183,973.73	452,050.79	57,449.95
Direct holdings							
Nabaltec Asia Pacific K.K., Tokyo (Japan)	100.0	10,000,000.00	77,537.41	13,839,780.00	109,405.38	306,752.00	2,429.11

*) 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 1,348 were made available to the subsidiary Nashtec LLC in Financial Year 2020, and TEUR 5,717 in additional funds were made available to the subsidiary Naprotec LLC.

Derivative financial instruments

The following interest rate derivatives have been entered into in connection with the loans against borrower's note 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	-874

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		Difference TEUR	Deferred tax	
	Book value in commercial balance sheet TEUR	Book value in tax bal- ance sheet TEUR		Asset TEUR	Liability TEUR
Deferred tax assets					
Pension reserve	-34,363*	-16,499	-17,864	5,204	
Other provisions	-5,823	-5,119	-704	205	
Financial assets/loans to affil- iated companies	28,730	35,138	-6,408	685	
Trade receivables	4,852	5,000	-148	43	
	-6,604	18,520	-25,124	6,137	
Deferred tax liabilities					
Trade payables	-8,804	-8,821	17		5
	-8,804	-8,721	17		5
Net total				6,132	

* Before adjusting for pension liability insurance

Employees

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

	2020
	Number
Industrial workers	250
Employees	178
Minimally employed workers	3
	431

In addition, an average of 51 trainees were employed in the Financial Year.

Mandatory disclosures

JOSTKA GmbH & Co. KG, 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

Total remuneration of the Management Board amounted to TEUR 1,181 in Financial Year 2020 (previous year: TEUR 2,170).

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 2020.

Major events occurring after the reporting date

As a result of the devastating winter storm which hit Texas in mid-February 2021, energy prices for gas and electricity have increased by an exorbitant amount in this period. Nabaltec was directly affected by this unique event, and we therefore expect to incur additional energy costs in the US running into the low single-digit millions.

Proposal for appropriation of retained earnings

Due to the uncertainties associated with the coronavirus pandemic and given 2020 earnings, the Management Board will not be proposing a dividend payout for Financial Year 2020. In view of the fact that the future development of the pandemic is unforeseeable, strengthening the company's resilience has top priority.

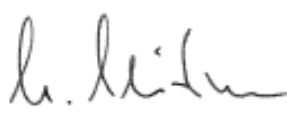
The Management Board proposes that retained earnings as of 31 December 2020, in the amount of EUR 6,527,160.03, be carried forward to new account.

Schwandorf, 22 March 2021

Nabaltec AG
The Management Board



Johannes Heckmann



Günther Spitzer



Dr. Michael Klimes

This is a convenience translation of the German original.
Solely the original text in German language is authoritative.

INDEPENDENT AUDITOR'S REPORT

To the Nabaltec AG, Schwandorf

Audit Opinions

We have audited the annual financial statements of Nabaltec AG, Schwandorf, which comprise the balance sheet as at December 31, 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, and 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 to 31 December 2020.

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 December 31, 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 § 322 Abs. 3 Satz [sentence] 1 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 § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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.

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Solely the original text in German language is authoritative.

Other Information

The executive directors are responsible for the other information. The other information comprises

- the Annual Report,
- with the exception of the audited annual financial statements and management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual 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.

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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 § 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 skepticism 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.

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- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) 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.

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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, 26 March 2021

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

(Christian Fischer)
German Public Auditor

(Johannes Graebner)
German Public Auditor

Appropriation of distributable profit

The Management Board proposes that the distributable profit of the Financial Year 2020, amounting to EUR 6,527,160.03 will be used as follows:

The distributable profit in the amount of EUR 6,527,160.03 will be carried forward.

Schwandorf, April 2021

The Management Board

Johannes Heckmann

Günther Spitzer

Dr. Michael Klimes

Report of the Supervisory Board

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec AG's performance in Financial Year 2020 was shaped by the global coronavirus pandemic, which had a lasting impact on the economy and on workers everywhere. The market environment worsened rapidly in the second quarter due to the impact of the pandemic, and was very slow to recover over the remainder of 2020. Aside from the non-recurring expense represented by the extraordinary write-down at Nabaltec's US subsidiary Nashtec, the impact of the pandemic was moderate in the overall scheme of things. At the same time, the company demonstrated that it is well-prepared for emerging crises and that it is capable of maneuvering in a difficult environment. The continuing focus on innovations and, therefore, on the newly developed markets of the future, such as boehmite for electric mobility, will provide the basis for stable corporate performance in the long term.

Collaboration between the Supervisory and Management Boards

The Supervisory Board duly performed its assigned tasks in Financial Year 2020 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 2020 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 2020 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 21 April, on 30 June, following the virtual Annual General Meeting, on 29 September and on 15 December. The meetings on 21 April 2020, 30 June 2020 and 29 September 2020 were held in-person, while the meeting on 15 December 2020 was a virtual meeting (video conference). All members were present at all meetings in 2020. No additional meetings took place in 2021 prior to the Supervisory Board meeting on 20 April 2021 (as a video conference), 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 four occasions in 2020, 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 2020:

- the 2019 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- planning for 2021 and mid-term planning through 2023;
- investment and financing planning for the period from 2021 through 2023;
- measures in connection with the coronavirus pandemic (pay cuts, conduct of the 2020 Annual General Meeting in virtual form);
- performance, planned measures, outlook and accounting treatment for the US subsidiary Nashtec.

The goals and realization status of innovative projects, the effectiveness of the risk management system, the accounting processes 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 2020.

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 and response to the coronavirus pandemic 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 2020 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 2020, 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 30 June 2020. The focus of the audit for Financial Year 2020 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 20 April 2021. 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 2020. The annual financial statements of Nabaltec AG for 2020 are therefore adopted.

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, 20 April 2021

Gerhard Witzany
Chairman of the Supervisory Board

FINANCIAL CALENDAR 2021

Interim Report 1/2021	27 May
Annual General Meeting	16 June
Interim Report 2/2021	26 August
Interim Report 3/2021	25 November

CONTACT

Heidi Wiendl-Schneller

Nabaltec AG

Alustraße 50 – 52
92421 Schwandorf
Germany

Phone: +49 9431 53-202

Fax: +49 9431 53-260

E-mail: InvestorRelations@nabaltec.de

Frank Ostermair

Better Orange IR & HV AG
Haidelweg 48
81241 Munich
Germany

Phone: +49 89 8896906-14

Fax: +49 89 8896906-66

E-mail: nabaltec@better-orange.de



IMPRINT

Publisher

Nabaltec AG

Alustraße 50 – 52

92421 Schwandorf

Germany

Phone: +49 9431 53-202

Fax: +49 9431 53-260

E-mail: info@nabaltec.de

Internet: www.nabaltec.de/en

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Statements relating to the future

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

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

Rounding

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



Nabaltec AG

Alustraße 50 – 52, 92421 Schwandorf, Germany

Phone: +49 9431 53-0, Fax: +49 9431 53-260

E-mail: info@nabaltec.de, www.nabaltec.de/en