

alzchem
group



AGILE SCIENCE PURE RESULTS

Alzchem Group AG

ANNUAL REPORT 2021

Alzchem at a glance

~ € 422
mn

sales generated by Alzchem
in the fiscal year 2021

Fiscal year 2020: ~ € 379 mn

~ € 62.0
mn

EBITDA achieved by Alzchem
in the fiscal year 2021

Fiscal year 2020: ~ € 53.8 mn

€ 2.72

earnings per share in the fiscal year 2021

Fiscal year 2020: € 1.94


1,636

employees support the processes
and products of Alzchem with their
know-how on a daily basis*

Fiscal year 2020: 1,631

* Average number over the
fiscal year 2021

Dividend in €/share	0.77	1.00
for fiscal year	2020	2021*

* Subject to approval by the Annual
General Meeting on May 5, 2022

MARKETS



HUMAN
NUTRITION



ANIMAL
NUTRITION



FINE
CHEMICALS



PHARMA



AGRICULTURE



RENEWABLE
ENERGIES



METALLURGY



CUSTOM
SYNTHESIS

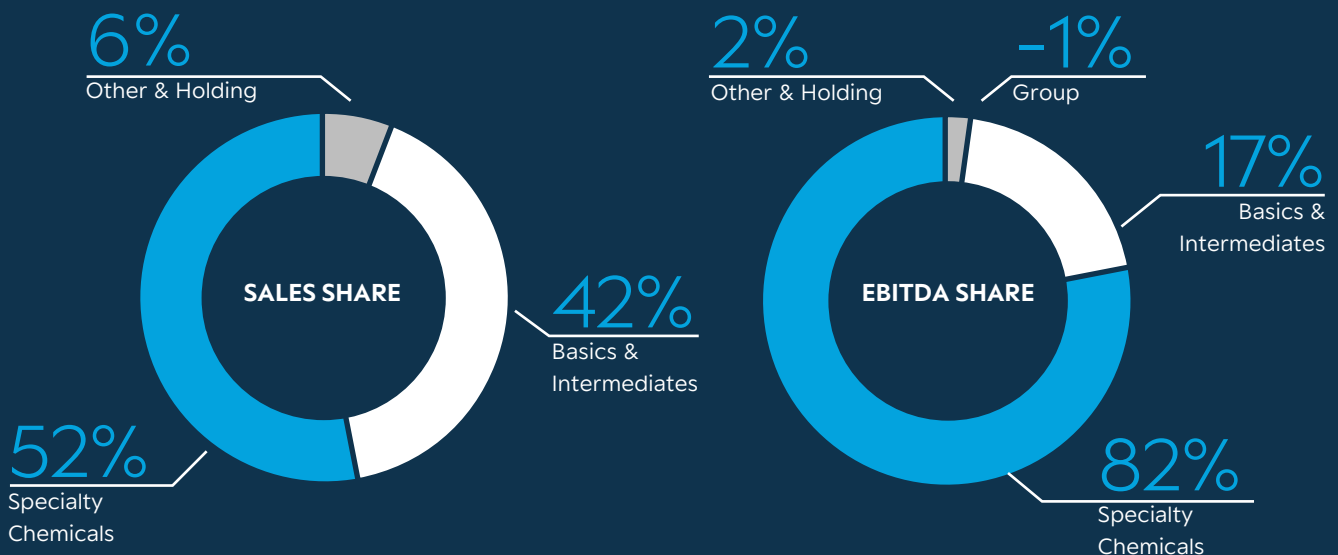
Key Figures

In EUR thousand	2017	2018 ^{a)}	2019	2020	2021	CAGR ^{b)}
Group sales	353,920	375,217	376,072	379,257	422,293	5%
EBITDA	45,668	49,379	50,078	53,805	62,046	8%
EBITDA margin	12.90%	13.16%	13.32%	14.19%	14.69%	
EBIT	31,678	34,192	30,586	30,708	37,572	4%
Consolidated annual result	20,572	22,783	18,147	19,865	27,764	8%
Earnings per share in EUR (undiluted and diluted) ^{c)}	2.00	2.23	1.77	1.94	2.72	8%
Group equity ratio	20.66%	21.81%	17.91%	19.38%	23.72%	
Inventory ratio	20.17%	21.02%	19.84%	17.77%	20.53%	

a) The full-year figures for the period from January 1 to December 31, 2018 are calculated by adding the audited figures for the two short fiscal years from January 1 to June 30, 2018 and July 1 to December 31, 2018.

b) CAGR = Compound Annual Growth Rate (final value/start value)^{1/number of years}

c) Converted to the current number of shares (10,176,335 shares)



Specialty Chemicals Segment

BUSINESS ACTIVITIES

Production and distribution of high-quality chemical products

OVERVIEW

SALES in € mn

220

EBITDA in € mn

51

KEY FIGURES

In EUR thousand	2017	2018*	2019	2020	2021
External sales	185,681	209,414	200,022	207,431	220,499
EBITDA	42,709	50,692	41,684	44,125	50,664
EBITDA margin	23.0%	24.2%	20.8%	21.3%	23.0%
Inventories	44,315	49,672	44,183	38,410	53,971
Inventory ratio	23.9%	24%	22%	19%	24%

* The full-year figures for the period from January 1 to December 31, 2018 are calculated by adding the audited figures for the two short fiscal years from January 1 to June 30, 2018 and July 1 to December 31, 2018.

KEY BRANDS

CREAMINO[®]

Bioselect[®]

Dormex[®]

LIVADUR[®]

Creapure[®]

Silzot[®]

DYHARD[®]

Basics & Intermediates Segment

BUSINESS ACTIVITIES

Production of chemical intermediates for direct sale or refinement as specialty chemicals products

OVERVIEW

SALES in € mn

176

EBITDA in € mn

11

KEY FIGURES

In EUR thousand	2017	2018*	2019	2020	2021
External sales	140,869	139,966	149,408	146,434	176,274
EBITDA	5,592	-889	5,247	8,981	10,985
EBITDA margin	4.0%	-0.6%	3.5%	6.1%	6.2%
Inventories	26,091	28,125	30,924	27,639	33,400
Inventory ratio	18.5%	20%	21%	19%	19%

* The full-year figures for the period from January 1 to December 31, 2018 are calculated by adding the audited figures for the two short fiscal years from January 1 to June 30, 2018 and July 1 to December 31, 2018.

KEY BRANDS

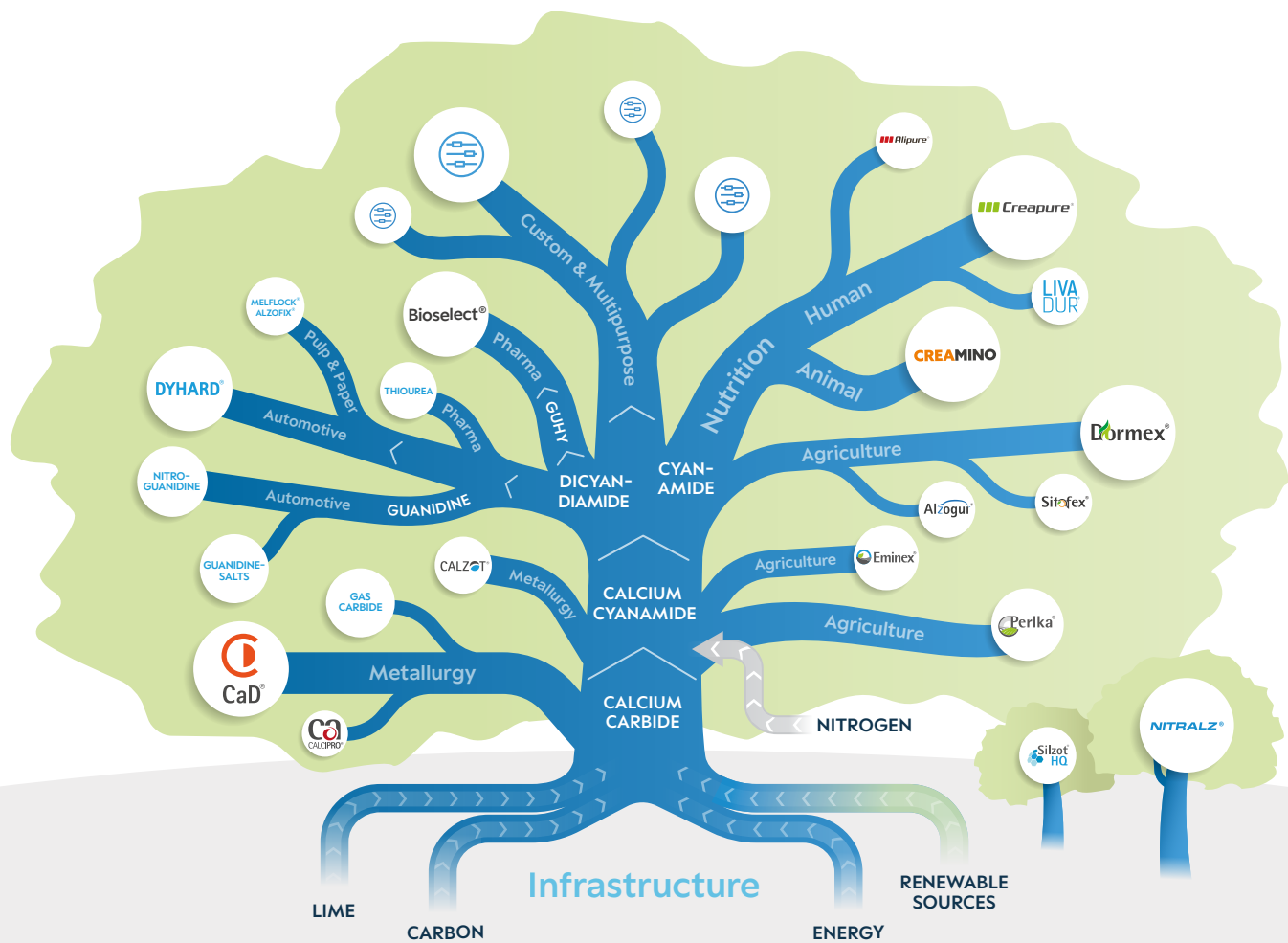


CALZOT®

NITRALZ®



“Verbund production”



The main products of the Alzchem Group are based on the same raw materials, namely lime and coal. Along the calcium carbide/calcium cyanamide (NCN) chain, Alzchem integrates many processing and refining steps to create the respective products in the Basics & Intermediates and Specialty Chemicals segments.

This vertical integration in production is a key strength of the Alzchem Group. It is only made possible by the geo-

graphical proximity of the four historically grown sites in the Bavarian Chemical Triangle. The “Verbund production” allows Alzchem to react flexibly to changes in demand, as many products from the Basics & Intermediates segment are also raw materials for products in the Specialty Chemicals segment. In addition, there are various synergies in the production process and in research and development. The “Verbund production” secures the company a high degree of independence from external suppliers.

OUR VISION

Based on our integrated “production Verbund” and with innovative chemistry, we deliver customer-oriented applications to selected markets.

1. BACKBONE NCN CHAIN

We are committed to carbide and the “production Verbund” based on it. They form the basis for a significant part of our activities.

2. VALUE CREATION FOR OUR CUSTOMERS

We sell solutions. To this end, we work closely with our customers to identify their potential and focus our activities on it.

3. INNOVATION AND GROWTH

We are committed to growth, above all through innovation. Tapping new technologies, developing profitable markets and optimizing our value chain are our daily challenges.

4. FOCUS

We operate in clearly defined markets. We want to be the preferred partner for our customers in these markets.

5. SUSTAINABILITY

For us, sustainability is part of our corporate strategy. It serves us as a guidepost for a successful future.



OUR PRINCIPLES OF CONDUCT

We build on principles of conduct to realize our visions:

STRENGTHENING MUTUAL TRUST...

... through reliability, fairness, timely information and open communication, as well as obtaining and giving feedback

ENTREPRENEURIAL ACTION...

... to pursue the objectives of Alzchem. In doing so, we assume responsibility with our decisions

STRIVING FOR THE HIGHEST QUALITY...

... for us, mistakes are also the chance and obligation to learn

DEVELOPMENT OF CONSTRUCTIVE SOLUTIONS...

... working together on solutions and implementing the decisions made

IN DIALOG WITH OUR BUSINESS PARTNERS AND THE PUBLIC...

... we search for responsible and attractive solutions

SPEED AND AGILITY...

... to successfully adapt to and benefit from constantly changing demands

Our contribution to global developments

WELL EQUIPPED WITH “VERBUND PRODUCTION”



POPULATION GROWTH

In 1900, there were approximately 1.7 billion people worldwide. By the year 2000, this figure had increased to more than 6.1 billion. Just 17 years later, in 2017, the world's population was around 7.6 billion. The United Nations assumes that an increase to more than 8.6 billion people by 2030 is realistic¹. At the same time, the arable land that can be used for agriculture is limited worldwide. Against this background, efficient processes are necessary to ensure the best possible supply of food for the growing population in the future. The products of the Alzchem Group meet these requirements and can be used in agricultural production that is increasingly oriented toward optimized yields.

¹ UN forecast on world population development (https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_Wallchart.pdf)

Dormex[®]

Plant growth regulator used in fruit production.

CREAMINO[®]

A nutritional supplement for poultry and pigs.

Perlka[®]
KALKSTICKSTOFF

For a healthy soil and healthy plants.



HEALTHY AGING

The world population, especially in the western industrialized nations, is aging steadily¹. While the average global life expectancy in 2000 was still around 66.4 years, it was already around 72.0 years on average in 2016². Scientists expect life expectancy to increase significantly again in the coming years³. Medical progress in both the prevention and treatment of diseases is largely responsible. Nevertheless, so-called diseases of civilization and old age are on the increase. At the same time, awareness of health and nutrition is gaining in importance, so that older people in particular are increasingly taking part in sporting activities and consciously paying attention to a healthy diet. With its products, the Alzchem Group aims to support these developments in the dietary supplements, pharmaceuticals, cosmetics and healthcare sectors.

- 1 UN forecast on world population development (https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_Wallchart.pdf).
- 2 WHO homepage: http://www.who.int/gho/mortality_burden_disease/life_tables/situation_trends/en/ (February 10, 2020).
- 3 Lancet Medical Journal homepage: [http://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(16\)32381-9/abstract](http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(16)32381-9/abstract) (February 10, 2020).

**LIVA
DUR**[®]

The dietary supplement with premium quality creatine for adults over 55 years.

Creapure[®]

Premium brand for creatine monohydrate as a dietary supplement in sports nutrition.

Bioselect[®]

High purity form of guanidine hydrochloride salts and guanidine thiocyanate used in corona tests.

Pharmaceutical raw materials



CLIMATE PROTECTION

Energy efficiency and renewable energy are essential for the future of our planet and are therefore becoming increasingly important worldwide. Examples are the Green Deal in the EU and corresponding passages in the latest 5-year plan in China. This has resulted in legal and regulatory requirements; in addition, many technologies are now at a stage where commercial exploitation is attractive. This can be seen very clearly in the global efforts to rapidly replace combustion engines and to completely free the energy supply from fossil raw materials. Alzchem believes it is well positioned to participate extensively in this development with products for hydrogen-powered vehicles, lightweight construction and wind energy. At the same time, as a major consumer, we are benefiting directly from the change in the electricity mix and are developing sustainable products with a negative CO₂ balance.

DYHARD[®]

Hardeners and accelerators in powder, paste and liquid form for epoxy resins (glass fibers and carbon fibers).

Silzot[®]

Silicon nitride powder for solar and ceramic applications.

Eminex[®]

Additive containing calcium cyanamide to reduce methane and CO₂ emissions from manure in livestock farming.



SUSTAINABILITY

ENVIRONMENTAL PROTECTION

Our main environmental protection goals are to reduce energy consumption, reduce and avoid waste, protect water, and protect against immission and noise. Our current environmental program with clearly defined targets and measures can be found on a site-specific basis in the Environmental Statement, which is published annually and can be viewed on our website www.alzchem.com in the "Quality & Environment" section. Concrete CO₂ targets are currently being planned.

EMPLOYEE MATTERS

Our employees are the key to our sustainable success. Therefore, we are particularly committed to offering them a stable and interesting environment: through flexible working hours, attractive remuneration, job security, health management with the "gesund punkten..." campaign, idea management and company pension schemes. We were also able to offer our employees and their families vaccinations during the COVID-19 pandemic.

SOCIAL MATTERS

As a company with regional roots, we assume responsibility, especially in the immediate vicinity of our sites. We promote children's and youth projects, support school projects and are a member of the non-profit association for the promotion of education and entrepreneurship in Germany, the Wissensfabrik. In this way, we make our contribution to social cooperation.

COMPLIANCE

The integrity of all our actions is an essential prerequisite for sustainable business success. It is therefore a matter of course for us that our business activities comply with all legal requirements and core values. These include, in particular, compliance with human rights and the fight against corruption and bribery.

SAFETY

We want to be not only economically successful, but also a good partner, employer, trainer and neighbor. Based on this self-image, we also assume responsibility for the safety and protection of our environment. Through appropriate plant and occupational safety, information security, IT compliance and legal conformity – elementary components of responsible corporate action.

SUPPLY CHAIN

Corporate social responsibility is also a high priority in our supply chain. For this reason, we have undergone an independent CSR rating by the global assessment platform EcoVadis. In addition, in the area of purchasing/supplier approval, we ensure that company-wide standards are met in the procurement of our raw materials.



AGILE SCIENCE PURE RESULTS



www.alzchem.com

ACT NOW. ACT TOGETHER.

Into an agile future with a new corporate identity and logo

Alzchem is a company with a long tradition, whose roots go back over a century. And yet, today, we act more agile and faster than ever before – a key reason for our continued business success. We are part of the answer to the global questions of our time and are helping to shape the future - together, competently and agilely. To underline these success factors externally as well, we have developed a new corporate identity and a new logo that simultaneously represent Alzchem's values and goals.

Tradition also plays an important role. Proven values are carried forward into the future: even as a globally successful company with a leading market position in many fields of activity, Alzchem continues to respect and cultivate its own roots in the region. We will continue to attach great importance to being a good neighbor at all our sites, a reliable partner for our customers, and a company with a sense of social and ecological responsibility.

The name Alzchem will continue to stand for a globally active specialty chemicals company that is one of the market leaders in many of its fields of activity. A new addition is the claim "Agile Science, Pure Results". It expresses in a compact form what characterizes us: agility in thought and action, and a solid scientific basis that



is at the same time open to innovation, which together result in the reliably high quality of our products.

The new logo is probably the most striking component of our new corporate identity. Part of it is derived from the signet of Bayerische Stickstoff-Werke AG, our predecessor company founded in 1908. It thus symbolically carries all the experience gained from over a hundred years of tradition into the future.

"ACT", the stylized lettering in a rounded pentagon, is on the one hand Alzchem's stock exchange abbreviation and on the other hand a clear call to action, because it shows our values and strengths particularly clearly, which contribute significantly to our sustainable business success.

Sustainability and Corporate Social Responsibility at Alzchem: self-image, tradition and obligation at the same time

Sustainable management in dialog with all stakeholders, joint solutions for sustainable development – these goals are an integral part of Alzchem's corporate strategy. Just how seriously we take our responsibility with regard to the environment and society is made clear, among other things, by regular independent assessments by an international auditing company and our participation in the "Together for Sustainability" industry initiative.

EXCELLENT TREATMENT OF PEOPLE AND THE ENVIRONMENT

As a founding member of the first Bavarian Environmental Pact (1995), Alzchem has been focusing on the issues of environmental protection and sustainable action for many years. In order to live up to our responsibility as a traditional company with deep regional roots, we regularly have an audit carried out by the specialists from EcoVadis as part of CSR performance monitoring. In accordance with international CSR standards, such as ISO 26000 and the United Nations Global Compact, our performance in the areas of the environment, labor and human rights, ethics, and sustainable procurement is reviewed and evaluated using a specially developed methodology. The result: the EcoVadis audits confirm Alzchem's responsible approach to people and the environment. In 2020, we were again awarded a gold medal by EcoVadis. This puts Alzchem in the top group of companies assessed by EcoVadis in the field of manufacturing basic chemical products – more precisely, in the top 4%.

SUCCESSFUL REDUCTION OF ANNUAL CO₂ EMISSIONS BY APPROX. 50,000 TONS

Alzchem has been EMAS-certified (Eco-Management and Audit Scheme, also known as the EU Eco-Audit) since 1997. It prepares an annual Environmental Statement and has it audited by an independent environmental auditor in order to document, monitor and evaluate the impact of its own activities in terms of environmental protection and sustainability. For example, we have succeeded in reducing annual carbon dioxide emissions by around 50,000 tons. One of the ways we have achieved this is by reintegrating around 1/3 of the CO₂ produced into our production processes. Furthermore, we were able to significantly increase the amount of energy from our own heat recovery – a considerable contribution to increasing energy efficiency and saving fossil fuels.





INVESTMENTS OF AROUND EUR 20 MILLION EURO IN THE PROTECTION OF THE ENVIRONMENT

The central importance of environmental compatibility and sustainability for Alzchem is also reflected in the fact that we invested around EUR 20 million in environmental protection in 2021. The reduction and avoidance or recycling of waste and the saving of required energy are just a few examples that prove that environmental protection and sustainability are important to Alzchem. With the amendment of the Climate Protection Act on August 31, 2021, the German government has tightened climate protection requirements and anchored the goal of greenhouse gas neutrality by 2045. We plan to even exceed this target through compensation measures for our own products.

SUCCESSFUL AUDITS OF THE TROSTBERG SITE BY THE "TOGETHER FOR SUSTAINABILITY" INDUSTRY INITIATIVE

In 2015 and 2019, Alzchem successfully had its Trostberg site audited by the industry initiative "Together for Sustainability" (TfS) at the customer's request. Founded in 2011 by six globally active chemical companies, the initiative focuses on promoting sustainability in supply chains. The association ensures transparency, reduces effort and saves time, as the assessment of trading partners, which are usually audited at the request of an individual member, is also available to all other members of the initiative as a so-called scorecard. In the May 2019 audit, Alzchem scored 193 out of a possible 200 points, placing it right at the top – an outstanding result, according to the initiative's unequivocal feedback.

COMMITMENT TO COMPLY WITH THE RESPONSIBLE CARE GUIDELINES

Since 2021, Alzchem has been committed to complying with the Responsible Care guidelines. Responsible Care is a global initiative of the chemical industry with which companies demonstrate product responsibility, promote sustainability, create more safety for plants and the neighborhood, and improve environmental and health protection in the workplace. The basis for action are the eleven guidelines of the German Responsible Care program in the six areas of product responsibility, environmental protection, occupational health and safety, plant safety and security, transport safety and dialog.



Alzchem's award-winning additive with proven contribution to significantly more climate protection in livestock farming

In September 2021, Alzchem successfully launched Eminex® in Germany and Austria, an innovative additive for manure and biogas digestate in livestock farming that reliably reduces methane and CO₂ emissions by 90% to 100%, thus enabling environmentally and climate-friendly storage of the manure. This effect of the treatment agent containing calcium cyanamide has been officially confirmed by the Leibniz Institute for Agricultural Engineering and Bioeconomy (ATB Potsdam), the University of Bonn, and the Raumberg-Gumpenstein Higher Federal Teaching and Research Institute (HBLFA). In addition, Alzchem was named the winner of the Responsible Care 2021 competition in Bavaria for Eminex®. Responsible Care is a contribution to the joint sustainability initiative Chemie3 of the three partners Verband der Chemischen Industrie e.V., IG Bergbau, Chemie, Energie and Bundesarbeitgeberverband Chemie e.V.

In addition to the significant reduction in methane and CO₂ emissions, Eminex® enables further benefits:

- **Improved manure quality**

Manure treated with Eminex® has the following positive characteristics: lower storage volume, improved flowability, greater homogeneity, and prevention of floating layer and foam formation. These features result in time and cost savings during agitation.

- **Improved fertilizing effect of manure**

Eminex® increases nitrogen efficiency through more homogeneous nutrient distribution and the combination of mineral and organically bound nitrogen.

- **Improved occupational safety and animal welfare through reduced H₂S emissions in the pig house**

Eminex® reduces hazardous H₂S emissions during manure removal, thus reducing the risk of poisoning in the barn for humans and animals.

With Eminex®, Alzchem is able to take climate protection in livestock farming to a new level. After Germany and Austria, Switzerland and other European markets with intensive animal husbandry are to be gradually opened up.

The use of the product does not require any construction measures or investments in conventional storage and collection containers, but can be easily adapted to any operational situation. Eminex® thus offers farmers an effective approach that can be implemented quickly to sustainably improve the carbon footprint and thus also the image of agricultural livestock farming.



Alzchem's high-purity creatine products "Made in Germany", especially for vegetarians, vegans and athletes

Creatine is a natural, endogenous substance that has a key function in both health and athletic performance. More than 90% of it is stored in the muscles and at the same time, it is involved in other important cellular processes in the brain, liver, kidney, and eye, among others. Around 1% to 2% of the body's creatine is broken down and excreted every day and must be replenished. One part can be synthesized in the human organs. Another part is absorbed through food. However, creatine is only found in relevant quantities in meat and fish, but not in vegetables or dairy products. Against this background, the use of creatine in sports nutrition is already established worldwide and is increasingly in demand in vegetarian and vegan diets as well as in the health markets.

As the leading Western manufacturer, Alzchem is meeting this demand with its Creapure® product, the world's purest creatine monohydrate supplied to the food industry. Creapure® is characterized by the following features:

- Vegan: starting materials and intermediates of neither animal nor plant origin and without traces of animal or plant by-products.
- Production through sustainable resource-saving manufacturing processes
- IFS-Food-Standard-certified production in Trostberg according to GMP standards and HACCP rules, depending on requirements
- Kosher and Halal certified
- Compliance with Jewish and Muslim food regulations

Due to the continuing high demand in existing and new markets, Alzchem has decided in 2021 to significantly increase production capacities for creatine monohydrate and to take advantage of additional market opportunities by expanding the production facility for sodium sarcosinate, the precursor of creatine monohydrate. We will invest a total of approximately EUR 11 million in both measures. Commissioning is planned in stages starting in the second quarter of 2022.

Alzchem has an excellent reputation in the market worldwide with its premium products and a very good market position. We also benefit noticeably from our unique position as a quality leader "Made in Germany". Consequently, in 2021, we received the NutraIngredients Award for Creapure® as "Ingredient of the Year" in the field of sports nutrition. With this award, an independent jury of experts from NutraIngredients.com, the leading international portal for the functional food & beverage and dietary supplements industry, annually honors globally outstanding ingredients, end products, companies, people and initiatives in the food and dietary supplements industry.



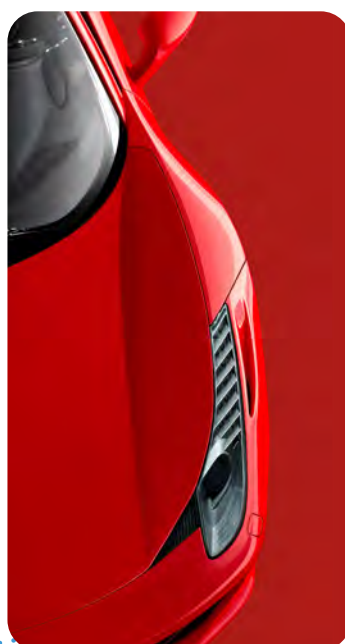
Product worlds close to life at Alzchem



METFORMIN/DCD

Diabetes is considered a widespread disease and affects more than 8 million people in Germany, around 90% of whom suffer from type 2 diabetes.¹ Our pharmaceutical intermediate dicyandiamide is an important building block and raw material for the world's best-known diabetes type 2 drug metformin (drug substance).

¹ https://www.diabetesde.org/ueber_diabetes/was_ist_diabetes_/diabetes_in_zahlen.



NITRALZ®

Nitriles are used in automotive paints. The best-known pigment of these is definitely PR 254, Ir-gazine® Red.

It offered for the first time a non-toxic and lightfast alternative to Vermilion Red and later to Cadmium Red.

Its use as an automotive paint for a very special car gave this red pigment its nickname – Ferrari Red.



BIOSELECT®

Since 2020, nothing has kept the world in suspense like the corona virus. As a supplier of raw materials for the pharmaceutical industry, Alzchem contributes to the production of "corona tests": Alzchem precursors are used in tests to detect SARS-CoV-2 as well as in tests to detect antibodies and in many DNA tests.



PERLKA®

Calcium cyanamide is a specialty among fertilizers. It does not only supply the soil with nitrogen and lime, but also has a number of unique special effects. Many farmers rely on calcium cyanamide or Perlka® to prevent or control yield and quality losses in the increasingly tight crop rotations. Maintaining a healthy and productive soil – while taking environmental protection into account – is becoming more important than ever for sustainable agriculture.



CREAMINO®

Creamino® is a proprietary blend containing the active ingredient guanidinoacetic acid (GAA). GAA is the direct, endogenous precursor of creatine in the energy balance of all vertebrates. The body produces GAA from the amino acids glycine and arginine and further processes GAA into creatine with the help of methionine. However, this endogenous production is not sufficient to meet daily requirements. Creatine is often not present in conventional commercial feeds. Creatine is a key biomolecule for the correct functioning of energy transfer and supply and thus supports a wide variety of functions in the body, such as healthy growth, the immune system and reproduction. Creamino® thus represents the next level of expansion for feeds, as it directly recharges ATP for energy supply and ensures that sufficient energy is available in the body at all times and in all places.

alzchem
group



SCIENCE IS
MAGIC THAT
WORKS.

www.alzchem.com

Content

TO THE SHAREHOLDERS

- 20 Interview with the Management Board
- 26 Report of the Supervisory Board
- 32 Alzchem share

ALZCHEM GROUP AG COMBINED MANAGEMENT REPORT

- 35 Fundamentals of the Group
- 38 Business report
- 54 Situation of Alzchem Group AG (individual financial statements HGB)
- 58 Risk and opportunity report
- 78 Forecast report
- 80 Internal control system related to the accounting process
(report in accordance with sec. 315 para. 4 HGB)
- 81 Report pursuant to sec. 89a and sec. 315 HGB
- 86 Non-financial (Group) statement (sustainability report)
- 101 (Group) Corporate Governance statement
- 110 Supplementary report
- 111 Declaration on the Remuneration Transparency Act

ALZCHEM GROUP AG CONSOLIDATED FINANCIAL STATEMENTS

- 113 Consolidated income statement
- 114 Consolidated statement of comprehensive income
- 114 Consolidated balance sheet
- 116 Consolidated statement of changes in equity
- 118 Consolidated cash flow statement
- 121 Notes to the consolidated financial statements

RESPONSIBILITY STATEMENT

- 187 Responsibility statement

FURTHER INFORMATION

- 188 Independent auditor's report
- 194 List of abbreviations
- 195 Imprint
- 195 Financial calendar 2022
- 195 Remarks

Interview with the Management Board

2021, the year of the continuing pandemic, disrupted supply chains and skyrocketing electricity prices. Where do we start?



Andreas Niedermaier (CEO)

ANDREAS NIEDERMAIER: Let's just start with the extremely positive conclusion: Alzchem performed very successfully in this extremely challenging environment in 2021. Sales increased by 11.3% from EUR 379.3 million to EUR 422.3 million. Our EBITDA grew disproportionately strong by 15.2% from EUR 53.8 million to EUR 62.0 million. We were aware of the challenges from the outset and managed them successfully. In July, we were even able to adjust our forecast upwards. We then also met this forecast in full and thus very significantly exceeded our original targets for sales and EBITDA.

to demonstrate once again how robust and successful the business model with integrated production is, how viable our broad product portfolio based on the NCN chain is, and with what high agility we are able to successfully adapt to changing conditions and specifically exploit market opportunities as they arise. Just one example of this is our position as a supplier of corona PCR tests. Despite the challenges, we have generally been able to ensure reliable supplies to the market – a plus that we have always been committed to and with which we have been able to score sustainable points with our customers, particularly in this challenging environment. As a result, we have become even more of an indispensable partner to our customers because we have delivered the products ordered to the greatest possible extent, in the desired quality and at the desired time.

DR. GEORG WEICHSELBAUMER: The negative influencing factors mentioned are all external in nature. We were thus able



Klaus Englmaier (COO)

Klaus Englmaier: Just three examples of how our team performed successfully in a challenging environment: Firstly, despite the high stresses, we were once again able to bring out innovations in 2021 that have the potential to open up a global market of the future. With DYHARD®, we are entering the market for hydrogen-based mobility solutions, and with Eminex®, we are offering a convincing solution for significantly reducing climate-damaging methane and CO₂ emissions in livestock farming. Secondly, despite the pandemic-related restrictions, we succeeded in establishing our own global distribution network for our top-selling product Creamino®, opening up new regional markets and generating stable sales. We have thus created the best conditions for continuing our growth trajectory. And thirdly, we successfully commissioned

our expanded nitrile production in 2021. Although the expansion was planned and projected before Corona, we succeeded in keeping to all budget and time schedules for this twelve-million-euro investment, even under changed conditions.

NIEDERMAIER: Our highly motivated and extremely flexible team of employees also made a major contribution to the successful fiscal year 2021. On behalf of the Management Board, I would therefore like to thank all of our 1,636 employees for their tireless commitment and outstanding performance. This willingness and ability to perform is something very special in this challenging environment. Together, we can be rightfully proud of what we have achieved.

Sustainability and corporate social responsibility are becoming increasingly important. What is the situation here at Alzchem?

NIEDERMAIER: Our production processes are already based on electricity and not on petroleum. That's why we can focus our investments entirely on new products and processes. Electricity is the energy of the future, and it is becoming greener all the time – so our products will automatically become greener too. In addition, we have already done the groundwork to further improve our carbon footprint in parallel with electricity becoming greener. At the same time, we are continuously investing in our own environmental projects, for example in optimizing water cycles and in waste prevention. Further measures are currently being developed and are expected to be presented in the form of a detailed roadmap in the first half of 2022. The fact that we have invested around EUR 20 million in environmental protection in 2021 underscores the importance of environmental compatibility and sustainability at Alzchem.

ENGLMAIER: Further potential for improving our carbon footprint comes from the environmentally positive effects of our products. The two most striking examples are the significant methane and CO₂ reduction achieved by Eminex® and the increase in feed efficiency in livestock farming achieved by Creamino®. We are therefore benefiting on the market side from increasing climate protection and the trend toward sustainability.

DR. WEICHSELBAUMER: A high level of transparency in all environmental matters is very important to us. For this reason, we have been EMAS-certified (Eco-Management and Audit Scheme, also known as the EU Eco-Audit) since 1997 and have been a founding member of the first Environmental Pact of Bavaria and its successor, the Environmental and Climate Pact of Bavaria, since 1995. Alzchem has also made a commitment in 2021 to comply with the guidelines of the Responsible Care initiative and thus to continuously improve the protection of health and the environment as well as the safety of employees and fellow citizens on the basis of its own responsibility. In addition, we regularly undergo CSR performance monitoring by the specialists from EcoVadis. The result: Alzchem is among the top 4% of companies assessed by EcoVadis in the field of basic chemical products manufacturing.



Dr. Georg Weichselbaumer (CSO)

What can we expect from the new product Eminex® that you launched in September?

NIEDERMAIER: We are thus addressing a highly attractive market, which we would prospectively estimate at half a billion euros in sales in Germany alone. I do not know of any other product that is anywhere near as powerful in methane and CO₂ reduction and has proven this in scientific studies as Eminex®. We have already won our first customers. These include dairies and their associated farmers who want to implement a high environmental level in livestock farming and document this to the outside world.

What does the broad market breakthrough for Eminex® depend on?

DR. WEICHSELBAUMER: Agriculture is one of the largest emitters of greenhouse gases – above all, livestock farming due to its high CO₂ and methane emissions. Methane is 28 times more harmful to the climate than CO₂. So far, however, this uncontrolled methane emission has not had any negative financial effects for farmers. There are clear tendencies on the part of various governments, though, to put a price on methane emissions. Once this happens, there will be an extremely high economic incentive to use Eminex® in livestock farming. This is because Eminex® reliably inhibits 90% to 100% of methane and CO₂ emissions from animal manure and also has additional positive effects for farmers. The Responsible Care Award of the VCI Bavaria, which we won with Eminex® in 2021, shows that we are hitting the nerve here.

Let's take a leap from animal-based agriculture to vegan and vegetarian diets. Do you also want to profit more from this trend?

NIEDERMAIER: Yes, and we are ideally placed to reach much larger and broader target groups than ever before with our Creapure® dietary supplement, the world's purest creatine monohydrate. So far, athletes in particular have appreciated our product as a natural way to boost their performance. Creatine, in combination with sports and exercise, can help everyone improve their physical performance. This is especially true, however, for people who follow a vegan or vegetarian diet and therefore consume little or no creatine in their diet, because it is found primarily in meat and fish.

DR. WEICHSELBAUMER: To avoid a deficit in the body and to ensure that performance – including mental performance – is not impaired, creatine should be supplied to the body in a targeted manner via dietary supplements. Awareness of these connections is currently growing very strongly. We are already in contact with some food manufacturers who are interested in adding creatine to their products and thus creating a real additional benefit. From our point of view, it is only a matter of time before this wave starts rolling. As the only Western creatine manufacturer, we should benefit quite clearly thanks to our promise of quality.

ENGLMAIER: Until then, however, we will continue to operate at very high capacity. This is because international demand from the sports nutrition supplements sector is so strong that in 2021, we have decided to significantly increase our production capacities for creatine monohydrate and sodium sarcosinate, the precursor of creatine monohydrate. We will invest a total of approximately EUR 11 million in both measures. Commissioning is planned in stages from the second quarter of 2022.

Strong future fields that you describe there. And what about the other product areas?

NIEDERMAIER: Creamino[®], our animal feed additive, is a product with unbroken great potential. During the pandemic, restaurant closures and canceled festivals weighed on meat consumption and thus also indirectly on demand for Creamino[®]. However, we have passed this low point and are now back on the growth path we had planned before the pandemic.

ENGLMAIER: Our nitrile business also developed extremely well in 2021, especially with applications in the pharmaceutical and agrochemical markets. With an investment volume of around EUR 12 million and after a construction period of around 15 months, we were able to commission the significantly increased production capacities in mid-2021. And we are already operating at very high capacity. Depending on the product mix, we expect the capacity expansion to generate additional annual sales of at least EUR 10 million to a maximum of EUR 20 million.

DR. WEICHSELBAUMER: The nitrile business also gives us so much pleasure because it is emblematic of Alzchem's special strengths: We enjoy a unique position here as the only manufacturer outside China, and we also have highly efficient, environmentally friendly gas phase technology that our team has meticulously perfected and which also gives us a considerable technological edge.

As the only Western manufacturer, are you even profiting from the current disruptions in global supply chains?

DR. WEICHSELBAUMER: We are indeed the only manufacturer outside China or Asia in several product areas. We also combine this uniqueness with a special quality promise. We see the trend towards a re-regionalization of supply chains to at least the European region in many industries. It is particularly noticeable in the pharmaceutical industry, for example, and thus for our specialty nitriles.

NIEDERMAIER: No one wants disruptions in global trade, because in the end, these always hamper the overall economy. However, thanks to our integrated production, our extremely high value added, the high availability of our coal, lime and electricity feedstocks, and our special market position as often the only Western manufacturer, we are in fact to a certain extent also a beneficiary of the crisis, because we have so far been quite successful in coping with all the disruptions on both the procurement and the sales side.

Where is the journey heading in 2022?

NIEDERMAIER: We want to continue to grow strongly in 2022. Our target is a strong to particularly strong increase in sales (up to EUR 480 million). On the earnings side, we expect a significant decline to a particularly strong increase in EBITDA (up to EUR 68 million) due to the continuing uncertain environment (COVID-19, raw material supply, logistics). While we have grown primarily through volume growth and the product mix to date, we will also see significant price effects in 2022. Price adjustments will be unavoidable, particularly due to sharp increases in raw material and energy prices. However, there is a great deal of understanding for this on the part of customers and the market, as ultimately, the entire industry is affected.

DR. WEICHSELBAUMER: In 2022, our focus will also be on leveraging the potential of our products even more effectively, further optimizing our product mix, remaining able to deliver at all times, and further securing our margin development, including through price adjustments. Our investment focus will remain on the expansion of creatine capacities already launched in 2021. We will also make further progress in the area of sustainability.

How do you plan to counter the worrying development of electricity prices in 2022?

NIEDERMAIER: The price increases in 2021 were enormous. In our view, they were partly structural and partly due to speculative market exaggerations. We expect the situation to normalize in 2022, with the exaggerations triggered, for example, by the capricious gas price decreasing. The expected legislative stimulus in the expansion of renewable energies should then also have a positive structural effect – although perhaps not yet in 2022. For this year, we have historical fixed-price agreements for certain volumes of electricity, which will allow us to compensate to a certain extent for the effects of current price developments. In addition, for 2022, we are taking account of the unavoidable cost increases on the procurement side in negotiations with our customers and successfully implementing price increases.

Energy prices are also indirectly slowing down your share price. Do the uncertain future prospects of your fertilizer Perlka® also play a role here maybe?

NIEDERMAIER: A final clarification of the pending EU ban proceedings would certainly help us – whatever the decision may be. We have very successfully developed our product family tree in the direction of specialties in recent years. Freed-up volumes of precursors, such as those used in Perlka®, can therefore be used for new specialties with attractive margins. This includes, for example, Eminex®, which could more than compensate for possible sales losses at Perlka® in the event of further growth.

DR. WEICHSELBAUMER: Once again, the EU has not been able to come to a final decision in 2021. We ourselves are convinced that we have very good arguments in favor of continuing the product. Therefore, we do not share the concerns of the European Chemicals Agency ECHA in any way, but together with experts and farmers worldwide are of the opinion that Perlka® is completely safe when used properly and has very, very positive effects for agriculture.

The equity analysts are unanimous in their assessment and see Alzchem shares as a buy across the board.

NIEDERMAIER: That is correct. We have also systematically further developed our capital market positioning in 2021. For example, we significantly increased the free float by 17 percentage points to around 48%. All of our major shareholders now hold less than 25%. We therefore have what we consider to be a very attractive shareholder structure. We also further expanded coverage by equity analysts in 2021 and, despite Corona, held more investor meetings than ever before. Finally, we successfully used a new instrument for us with a first-time share buyback.

Most important for the imagination of our investors, however, is and remains our business: With our existing and new products, we have enormous potential and a market position that is very difficult to copy. In 2022, we will see clear indications of how our young products in particular will perform in the newly emerging markets – such as climate protection in livestock farming or hydrogen technology in mobility solutions. I am sure that the capital markets will find this very exciting.

Final question: Can shareholders continue to expect a dividend?

NIEDERMAIER: Of course. We remain a growth company that combines its ambitious development plans with a reliable dividend strategy that envisages a payout of 30% to 50% of annual profit – in 2022 as well as in the coming years.



From left to right: Klaus Englmaier (COO), Andreas Niedermaier (CEO), Dr. Georg Weichselbaumer (CSO)

Report of the Supervisory Board



Markus Zöllner (Chairman of the Supervisory Board)

Dear Ladies and Gentlemen,
dear Shareholders,

Last year, we assumed that 2020 would go down in history as the “Corona year”. No one expected this to apply in exactly the same way to 2021 - hopes for an end to the pandemic have not been fulfilled. In addition, previously unimagined disruptions to global supply chains and huge capriciousness on the raw material markets have made our business considerably more difficult. It is therefore all the more remarkable that our company has once again performed so excellently in this drastic year for the global economy: historic highs were once again achieved in terms of both sales (EUR 422,293 thousand) and EBITDA (EUR 62,046 thousand) and the EBITDA margin (14.7%). We see this as further proof of how robust Alzchem’s business model with its “Verbund Production” is, how attractive our broadly diversified product portfolio is, and how flexibly our company and its employees can adapt to changing conditions and take advantage of market opportunities as they arise. The Alzchem Group has thus more than lived up to its reputation as a high-growth, high-profit niche supplier with a focus on specialty chemical products in the past fiscal year.

The Supervisory Board assumes that our company’s business environment will remain extraordinarily dynamic for the time being – with all the resulting risks, but also with a large number of unusual opportunities. It is precisely these that we intend to continue to exploit in the new year. “AGILE SCIENCE, PURE RESULTS” – the new corporate claim expresses why we are so optimistic about this. It stands for agility in thought and action, as well as for a solid and at the same time innovative scientific basis, which together result in the reliably high quality of our products. In the view of the Supervisory Board, the Alzchem Group is therefore excellently equipped to meet future challenges.

Focus of the Supervisory Board’s work

The Corona pandemic also had a lasting impact on the reporting year 2021. As in the previous year, the priority was to effectively protect the health of our employees and all those working in the vicinity of our company. The Management Team succeeded outstandingly in this – as can be seen, among other things, from the low number of work stoppages and the virtually uninterrupted operation of our production facilities. The Supervisory Board received detailed reports on the numerous associated measures and their effects at all Supervisory Board meetings. The Supervisory Board also fully supported the “Corona Bonus” granted to our employees for the second time.

Of equal importance, however, was the successful further development of our business operations in line with our corporate goals. Here, too, we actively supported the Management Board throughout the year. In particular, the following issues demanded our attention:

- First and foremost are Alzchem’s major investments for the future. On the one hand, the substantially expanded nitrile production was successfully commissioned in mid-2021 in compliance with all budget and time schedules. On the other hand, the company decided in the year under review to significantly increase production capacity for creatine monohydrate and to commission it in stages starting in the second quarter of 2022. This will make it possible to reach much larger and broader target groups with the highly regarded dietary supplement Creapure® than before. The Supervisory Board received regular reports on all this and gave its approval to the associated projects.

- The Supervisory Board has also observed the numerous ESG initiatives and successes of our company with the utmost attention. Together with the Management Board, we are convinced that even in the energy-intensive chemical industry, only sustainable products geared to social added value, such as those from Alzchem, will enjoy lasting success.
- A great source of hope for Alzchem in this respect is the innovative product Eminex®. This additive can reduce the extremely high CO₂ and methane emissions of manure by 90% to 100%. The Supervisory Board received a thorough report on the development status, market launch and further development opportunities of this game-changer for achieving climate targets in livestock farming. The true growth potential is likely to unfold above all when methane emissions are priced, thus creating an economic incentive for farmers to use Eminex®.
- The permissibility of calcium cyanamide as a fertilizer is still the subject of pending EU proceedings. Should a restriction – of any kind – be imposed, this would also have an impact on demand for Perlka®, one of our oldest and best-established products on the market. We have received regular reports on the proceedings in the Supervisory Board. We are following its outcome with the greatest attention. However, we are hopeful that the concerns of the European Chemicals Agency (ECHA) in view of the undisputedly very positive effects of calcium cyanamide in agriculture can be allayed in the further course of the proceedings.
- Two other external challenges to our business have also been recurring themes in the work of the Supervisory Board: the turbulence on the electricity markets and the increasingly widespread friction in global supply chains. We held intensive discussions with the Management Board on these issues, in particular on alternatives as well as avoidance and exit strategies. We hope the new German government will realize that the current level of electricity prices and the turbulence on the energy markets are counterproductive for the necessary investments in Germany's future as a business location.
- The Supervisory Board also paid particular attention to the already established Creamino® business. Despite the pandemic-related restrictions, the company has succeeded in establishing its own global distribution network, developing new regional markets and generating stable sales. This creates the best conditions for a continuation of our growth story. Nevertheless, there is still a lot to be done to further develop the great potential of this product.
- Finally, the Supervisory Board dealt intensively with a number of issues of importance to the capital market. They range from the broadening of the free float – expressly welcomed by the Supervisory Board – to the first-time implementation of a share buyback program and the appropriate structure of another virtual Annual General Meeting, to the question of the appropriate dividend strategy against the background of a very successful fiscal year despite continuing challenges.



Dr. Caspar Freiherr von Schnurbein



Prof. Dr. Martina Heigl-Murauer



Steve Röper

Consistency on the Management Board

There were no personnel changes within the Management Board in the reporting year.

In accordance with the established cycle, the Supervisory Board dealt in the reporting year with the succession planning for the Management Board developed jointly with the Management Board. The planning, which takes into account the candidates in question and their specific competencies as well as the development horizon to be applied to them, was updated under the leadership of the Supervisory Board Chairman.

The Management Board remuneration system adopted by a large majority at the Annual General Meeting in the reporting year will be applied for the first time to amendments to or new versions of existing Management Board service contracts and to the remuneration of future Management Board members.

Working methods of the Supervisory Board

In the fiscal year 2021, the Supervisory Board of Alzchem Group AG performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure with all due care. It advised the Management Board in detail on the management of Alzchem Group AG and the Alzchem Group and continuously monitored the management of the company. At no time did the Supervisory Board have any doubts as to the legality and regularity of the Management Board's activities.

The Supervisory Board continuously dealt with the current situation of the company and the future development of the Alzchem Group. In addition to the main topics already mentioned, the Supervisory Board meetings dealt with the development of sales and earnings, the net assets and financial position, investment plans and the budget, human resources planning, the situation (including the risk situation) of the Alzchem Group, the risk management system, compliance (on which the Compliance Officer routinely reported in detail to the Supervisory Board), the internal control system, and – with a particular focus – further corporate development and strategy. Also in focus were the unusual dynamics of the sales and procurement markets, as well as securing the long-term competitiveness of the Alzchem Group.

A particular focus was on the positive deviations of business performance from planning that occurred in the course of the year under review. The pleasing development culminated in the increase in the forecast for the fiscal year 2021 communicated by ad hoc announcement on July 15, 2021. In this regard, as well as with regard to all other significant developments of the Alzchem Group, the Management Board fully complied with its duties to provide information at all times and informed the Supervisory Board regularly, promptly and comprehensively in written and verbal form.

The Supervisory Board discussed in detail all reports and documents received from the Management Board. Any deviations from plans, for example due to electricity price developments and supply chain problems, were explained in detail by the Management Board and examined with great care by the Supervisory Board. Transactions requiring approval – such as the expansion of creatine production, the merger of Nigu Chemie GmbH, and the share buyback program – were presented to the Supervisory Board by the Management Board in a proper and timely manner. As a result, the Supervisory Board gave its approval to all transactions requiring its consent after thorough deliberation. Outside the meetings of the Supervisory Board, the Chairman of the Supervisory Board maintained a regular and intensive exchange of information with the Management Board and – with the latter's consent – with the members of the Management Team, in order to keep himself informed on an ongoing basis about the current business situation and all significant business transactions. This exchange took place in an open and constructive working atmosphere at all times.

The Rules of Procedure governing the work of the Management Board and Supervisory Board are available for inspection on the company's website (www.alzchem.com) under "Investors/Corporate Governance".

Meetings and resolutions of the Supervisory Board

The Supervisory Board held a total of five meetings in the fiscal year 2021 on March 4, April 30, July 30, November 4, and December 3. Two meetings, including the balance sheet meeting, were held in person (in one case with the option of a video link); the remaining three meetings were held by video conference due to the pandemic. In addition, two resolutions were adopted by written procedure.

The full Supervisory Board participated in all meetings and resolutions. The Supervisory Board met without the Management Board to discuss issues of relevance to the Management Board and purely Supervisory Board-related matters, as well as agenda items where discussion within the Supervisory Board seemed more expedient, such as issues relating to the annual financial statements.

Audit committee

Following the reconstitution of the Supervisory Board in May 2020, the previously existing Audit Committee was not reappointed in line with the unanimous findings of the Supervisory Board's internal efficiency review; its duties had since been assumed by the full Supervisory Board.

With the entry into force of the Financial Market Integrity Strengthening Act (FISG) in July 2021, Alzchem Group AG, as a capital market-oriented company, is qua lege obliged to (re)establish an Audit Committee. According to the unchanged conviction of the Supervisory Board, such a formation of a committee does not make sense for companies with an already very small (specifically: consisting of four members) Supervisory Board, as in the case of Alzchem. Regardless of this, the company has formed the required committee in accordance with its duties, staffed it and equipped it with the legally required duties. The Audit Committee, consisting of all four members of the Supervisory Board, took office with effect from January 1, 2022.

At its meeting on February 22, 2022, the Audit Committee examined the annual financial statements of Alzchem Group AG, the consolidated financial statements, and the combined management report. In particular, it dealt with the key audit matters. The audit also covered the non-financial disclosures for Alzchem Group AG and the Group.

Related Party Transactions (RPT)

No RPT-related business transactions were required to be submitted to the Supervisory Board in the reporting year.

Onboarding; education and training of the Supervisory Board members

As a matter of principle, Alzchem Group AG provides all new Supervisory Board members with an onboarding package tailored to the company's circumstances.

In addition, the company supports all members of the Supervisory Board – including those already in office – in the training and continuing education measures necessary for their activities within the framework of the statutory provisions. In the reporting year, this included training provided by the company on the requirements of the "Financial Market Integrity Strengthening Act (FISG)" (including those relating to the Supervisory Board) and on the framework conditions for the virtual Annual General Meeting. In addition, the members of the Supervisory Board attended various external training events on their own initiative in the reporting year.

The respective events and their content – in the reporting year including the remuneration report, German Corporate Governance Code (GCGC), CSR/sustainability, EU taxonomy – are documented on an ongoing basis by the Supervisory Board office. The Supervisory Board office also supports the members of the Supervisory Board with working materials that are helpful for their work.

Corporate Governance

With regard to its Corporate Governance, the Supervisory Board – in close consultation with the like-minded Management Board – is primarily guided by the standards of good Corporate Governance formulated in the current version of the German Corporate Governance Code. Accordingly, the Management Board and Supervisory Board were again able to adopt the Declaration of Conformity pursuant to sec. 161 AktG in December 2021 without any deviation from the applicable Code and publish it immediately thereafter.

The current Declaration of Conformity – like the older declarations – can be accessed at any time on the internet at www.alzchem.com in the “Investors” section. In accordance with Principle 22 of the German Corporate Governance Code (GCGC), the Management Board explains the Corporate Governance practiced by the company – both for itself and for the Supervisory Board – in the Corporate Governance Report included in the Annual Report and summarized with the Declaration on Corporate Governance.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. In line with the customary two-year cycle, no such review took place in the reporting year. The next audit is scheduled for 2022; it will cover both the Supervisory Board and the newly established Audit Committee.

In the reporting period, no conflicts of interest arose among the individual Supervisory Board members that would have had to be disclosed to the Supervisory Board (for “Related Party Transactions” see above).

Audit of annual and consolidated financial statements

The annual financial statements of Alzchem Group AG were prepared in accordance with the rules of the German Commercial Code (HGB), and the consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS). As in the previous year, the company has prepared a combined management report for Alzchem Group AG and the Group for the fiscal year 2021. In accordance with the resolution of the Annual General Meeting on May 12, 2021, the Supervisory Board appointed Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Munich branch, to audit the financial statements of Alzchem Group AG and the Group for the fiscal year 2021 and, in this context, also determined the remuneration of the auditor. Furthermore, together with the auditor, the Supervisory Board determined the focal points of the audit to be carried out by the auditor. For the audit of the financial statements, on the part of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Ms. Olga Resnik acted as the auditor responsible for the audit; she is now responsible for this position for the third year in succession.

The auditors audited the annual financial statements prepared by the Management Board and the consolidated financial statements, including the combined management report, and reported in writing on the results of their audit, which did not give rise to any objections. The annual financial statements and the consolidated financial statements for 2021 received an unqualified audit opinion from the auditors. In addition, as part of its assessment of the risk management system, the auditor stated that the Management Board had taken the measures required under sec. 91 (2) AktG to identify at an early stage any risks that could jeopardize the continued existence of the company.

Subsequently, first, the Audit Committee and then the Supervisory Board examined the annual financial statements and the consolidated financial statements for the fiscal year 2021 as well as the combined management report – taking into account the auditor’s report – for completeness and accuracy. All documents and the auditor’s reports were made available to the Audit Committee and Supervisory Board in good time and were discussed and reviewed in detail at the balance sheet meetings of the Audit Committee and Supervisory Board on February 22, 2022 in the presence of all Committee and Supervisory Board members. The auditor reported there on the main findings of its audit and was available to the Audit Committee and Supervisory Board to answer questions and provide additional information. The Audit Committee and Supervisory Board examined in particular whether the assessments made by the Management Board in the combined management report are consistent with the assessments made in the reports to the Supervisory Board during the year and whether the statements in the combined management report correspond to the Audit Committee’s and Supervisory Board’s own assessment.

Following its own thorough examination of the documents submitted to it, the Supervisory Board – in line with the recommendation of the Audit Committee – raised no objections to them, agreed with the audit reports and approved the annual financial statements, the consolidated financial statements and the combined management report. The annual financial statements of Alzchem Group AG prepared by the Management Board were thus adopted.

The Supervisory Board discussed in detail the proposal of the Management Board to distribute a dividend of EUR 1.00 per share and to carry forward the remaining balance sheet profit to new account, against the background of the liquidity of the company and its financial and investment planning. Following a detailed review, the Supervisory Board agreed with the Management Board’s proposal for the appropriation of profits, which provides for a distribution ratio of approximately 37%.

In addition, the Supervisory Board reviewed and approved the non-financial Group report on Corporate Social Responsibility.

Composition of the Management Board, Supervisory Board and Committees

In the fiscal year 2021, the Management Board continued to consist of Mr. Andreas Niedermaier (CEO), who has been appointed until December 31, 2023, as well as Mr. Klaus Dieter Englmaier (COO) and Dr. Georg Weichselbaumer (CSO), whose mandates each run until December 31, 2022.

There were also no personnel changes on the Supervisory Board in the reporting period. The members of the board continue to be Mr. Markus Zöllner (Chairman), Dr. Caspar Freiherr von Schnurbein (Deputy Chairman), Prof. Dr. Martina Heigl-Murauer and Mr. Steve Röper.

The Audit Committee, which was re-established on January 1, 2022, has the same members as the Supervisory Board. The Chairwoman of the Committee is Prof. Dr. Heigl-Murauer.

—

All in all, the Alzchem Group once again delivered an extraordinary performance in the fiscal year 2021. This would not have been possible without the motivation, flexibility and commitment of our employees. They therefore deserve our greatest thanks.

Trostberg, February 22, 2022

MARKUS ZÖLLNER

Chairman of the Supervisory Board
Alzchem Group AG

Alzchem share

PERFORMANCE OF THE ALZCHEM SHARE

The Alzchem share started the fiscal year 2021 with a Xetra closing price of EUR 21.40, which also marked the low for the year. The high for the year was reached on April 19, 2021 at EUR 26.10. The Xetra closing price on December 30, 2021

was EUR 23.40, corresponding to a market capitalization of EUR 237.2 million and a share price performance of 9.3% in the reporting period.

Master data

ISIN/WKN	DE000A2YNT30/A2YNT3
Stock exchange symbol	ACT
Type and number of shares	10,176,335 bearer shares with no par value (par value shares), including 40,581 shares held by Alzchem Group AG
Trading segment	Regulated Market (Prime Standard)
Designated Sponsor	Baader Bank AG, Oddo Seydler Bank AG

Key figures

Xetra closing price basis	01/01 – 12/31/2021
Price on 01/04	EUR 21.40
Highest price	EUR 26.10
Lowest price	EUR 21.40
Price on 12/30	EUR 23.40
Total performance	9.3%
Earnings per share	EUR 2.72
Market capitalization on 12/30	EUR 237.2 million

Shareholder structure

Shareholder	%
LIVIA Corporate Development SE	24.99
HDI Vier CE GmbH	12.03
four two na GmbH	15.05
Free float*	47.53
thereof M&G plc	7.10

* The information on shareholders is given in accordance with the information provided to us by the shareholders themselves, the information on free float in accordance with sec. 2.3 of the "Guide to the DAX Equity Indices", i.e. taking into account, among other things, the 40,581 treasury shares currently held by the company.



alzchem
group

ALL
ABOUT
FUTURE.
IN EVERY
DETAIL.

www.alzchem.com

Combined Management Report

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

1. PRELIMINARY REMARK

Alzchem Group AG is also combining the Group management report and the management report of Alzchem Group AG for the fiscal year 2021, as most of the statements apply equally to the Alzchem Group and Alzchem Group AG. The use of this facilitation option is intended to avoid double enumeration and additional work, as well as to provide an overall picture of the corporate group and its parent company.

The consolidated financial statements of Alzchem Group AG have been prepared in accordance with International Financial Reporting Standards (IFRS), while the annual financial statements of Alzchem Group AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). If the statements in this combined management report refer only to Alzchem Group AG, this is made clear.

The disclosures required by sec. 289a HGB and sec. 315a para. 1 are presented in a separate section 9 and are part of the combined management report audited by the auditors of the consolidated financial statements.

The combined non-financial statement in accordance with sec. 289b para. 1 HGB and sec. 315b para. 1 HGB contained in section 10 of this combined management report as well as the combined Corporate Governance Statement contained in section 11 are components of this combined management report, but their content has not been audited by the Group auditor.

The remuneration report to be prepared in accordance with sec. 162 AktG is no longer part of the combined management report, but is prepared as a separate report, audited by the Group auditor and published as required.

2. EFFECTS OF THE COVID-19 PANDEMIC ON ALZCHEM

The COVID-19 pandemic continued to significantly occupy Alzchem and its environment in 2021, but the uncertainty regarding the economic impact was no longer as great as in the previous year. Particularly in the summer months, there was a slight easing of the situation.

Nevertheless, an important task for Alzchem was to protect employees and partners from infection. Thus, hygiene regulations were and continue to be strictly maintained in the interaction of employees with each other and with partners of the company. Through this consistent implementation, infections have been largely prevented to date. Thus, there has never been an official closure of facilities or even sites.

With increasing incidence figures in the respective regions, further measures were again taken separately for each site to contain the infection incidence and protect our employees. Individual offices or partition walls, the general obligation to wear masks, the provision of test kits or vaccination campaigns by the company doctor or doctors associated with the company are only the most important measures to be mentioned here. In the fiscal year 2021, approximately EUR 260,000 was invested in the provision of masks and test kits for employees. As an appreciation for their commitment under these partly difficult or new and changed working conditions, the employees at the production sites were again paid a Corona bonus in the amount of EUR 500 per full-time employee.

The effects of the COVID-19 pandemic on Alzchem's key economic figures are discussed in detail in the individual notes in this combined management report. The impact of COVID-19 on planning and forecasting is explained as well. The risk report also provides detailed information on the effects of the pandemic.

3. FUNDAMENTALS OF THE GROUP

3.1. BUSINESS MODEL

The companies of the Alzchem Group develop, produce and trade in chemical products of all kinds and provide services, including as chemical park operator. The networked production structure ("Verbund system") of Alzchem creates an efficient value chain that ranges from basic products, such as metallurgical additives (CAD[®] and CalciPro[®]) or fertilizers (Perlka[®]) and NITRALZ[®], to specialty products for a wide variety of markets, such as

- Creamino[®] as a feed additive,
- Creapure[®] as a dietary supplement,
- Dormex[®] as growth regulator for agricultural applications,
- Bioselect[®] for the pharmaceutical and diagnostics market.

The Alzchem Group serves a wide range of industries with its product portfolio:

- **Nutrition:** The nutrition segment comprises the marketing of high-quality products of the Creapure[®], LIVADUR[®] and Encour![™] brands for the food and sports food industries as dietary supplements and as additives in the manufacture of cosmetics. Furthermore, the products are used in the pharmaceutical industry. The animal food supplement Creamino[®] makes a valuable contribution in the field of livestock farming.
- **Pharmaceuticals and fine chemicals:** Based on carbon, lime and nitrogen, the Alzchem Group builds on a widely ramified product family tree ("Verbund system"). In the multi-purpose plants (custom manufacturing), the basic products are refined and a wide range of fine chemicals is produced. At the top of the "Verbund system", for example, is a product such as Bioselect[®], which is increasingly being used in the pharmaceutical industry (production of "large molecules"). Alzchem precursors are used both in tests that detect the Corona virus and in tests that detect antibodies.
- **Agriculture:** In addition to specialty fertilizers, such as Perlka[®], and growth regulators, such as Dormex[®], for viticulture and

fruit growing, the product range of the Alzchem Group also includes plant strengthening agents, such as the latest product Eminex[®] to reduce methane and CO₂ emissions from slurry storage.

- **Renewable energies:** With its DYHARD[®] product range, the Alzchem Group is represented in lightweight construction (aircraft, automotive) with epoxy resin hot curing agents. In addition, the company offers a system for hydrogen cylinders.
- **Metallurgy:** Here, the company serves two important areas in the steel industry: hot metal desulfurization and secondary metallurgy.
- **Service:** As the site operator of two chemical parks, the Alzchem Group is responsible for the production and distribution of various infrastructure services.

The Alzchem Group produces at four sites in the southeast Bavarian Chemical Triangle and in Sundsvall, Sweden. The company has sales companies in the strategically important markets of the USA and China.

The operating business of the Alzchem Group can be divided along the entire value chain and according to the internal reporting structure into the three business segments Specialty Chemicals, Basics & Intermediates, and Other & Holding.

The Specialty Chemicals segment is engaged in the production and sale of high-quality specialty chemicals products such as Creamino[®], Creapure[®], Bioselect[®], DYHARD[®] and Dormex[®].

The Basics & Intermediates segment comprises the production of basic and intermediate products that are either required for the production of specialty chemicals or marketed as stand-alone products. The latter serve a wide range of applications, for example in agriculture, steel production and the automotive industry.

The Other & Holding segment comprises all other activities that cannot be allocated to the other segments. These are essentially services relating to the Trostberg and Hart chemical parks, which Alzchem operates mainly for itself, but also for third parties. In addition, administrative services are allocated to the segment.

3.2. GROUP STRUCTURE

Alzchem Group AG acts as the parent company (without its own business activities) of the Alzchem Group. Effective July 1, 2021, Nigu Chemie GmbH was merged into Alzchem Trostberg GmbH. The Group thus aligned its corporate

structure with the production structure in order to increase operational efficiency. There were no other changes to the Group structure. The following companies belonged to the scope of consolidation of the Alzchem Group as of the reporting date December 31, 2021:

Company	Seat	Consolidation
Alzchem Group AG	Trostberg, Germany	Parent company
Alzchem Trostberg GmbH	Trostberg, Germany	Fully consolidated
Alzchem International GmbH	Trostberg, Germany	Fully consolidated
Alzchem Stahltechnik GmbH	Trostberg, Germany	Fully consolidated
Alzchem Nutrition GmbH	Trostberg, Germany	Fully consolidated
Alzchem Shanghai Co. Ltd.	Shanghai, China	Fully consolidated
Alzchem LLC	Atlanta, USA	Fully consolidated
Nordic Carbide AB	Sundsvall, Sweden	Fully consolidated
Alzchem Netz GmbH	Trostberg, Germany	Fully consolidated
Edelife Distributing LLC	Atlanta, USA	Fully consolidated

The complete list of shareholdings pursuant to sec. 313 para. 2 HGB is presented in the consolidated financial statements.

Since October 5, 2017, the shares of Alzchem Group AG (WKN: A2Y NT3) have been traded on the Frankfurt Stock Exchange in the sub-segment of the Regulated Market with additional post-admission obligations (Prime Standard).

3.3. CONTROL SYSTEM

The Group is managed by regular meetings and reports of the respective boards, bodies and specialist departments. This includes, among other things:

- Management Board meetings in 2-week intervals,
- Regular meetings of the management team,
- Regular coordination of production and technology,

- Regular coordination of sales and marketing including innovation management, supply chain management as well as production,
- Regular meetings for controlling and resource allocation of the innovation management department,
- Regular liquidity management and financing management (daily, monthly).

The control process is accompanied by financial corporate management based on a consistent, value-oriented system of key performance indicators. The reports, some of which are submitted on a daily, weekly and monthly basis, include a detailed analysis of the results of all business transactions with corresponding catalogs of measures in coordination with the respective process managers. The catalog of key performance indicators for financial corporate management is as follows:

Key figure	Calculation
Equity ratio of the Group	Equity/total assets
Inventory intensity (previously inventory ratio)	Inventories/sales
Sales	Absolute value

We have renamed the ratio of absolute inventories to sales, previously referred to as the "inventory ratio", as "inventory intensity" in the fiscal year 2021. This should help to better distinguish the ratio from other balance sheet-related ratios. We have not made any changes to the content.

The calculation is based on monthly, quarterly and annual reports. This ensures that plan/actual deviations can be identified at an early stage and countermeasures can be taken in good time. In addition, the following key profitability indicators are used at the level of the Management Board of the Alzchem Group:

Key figure	Calculation
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA margin	EBITDA/sales

With the exception of the Group-related equity ratio, the other performance indicators are used to assess economic performance on the basis of the reporting units and segments. The central performance indicator is EBITDA, which is also broken down to the operating units and segments to measure target achievement.

EBITDA and the corresponding relative indicator, the EBITDA margin, show the operating profitability independently of the capital structure and investment propensity, and enable internal and external comparisons of the business with regard to cost structure. Since depreciation and amortization (scheduled and non-scheduled) are not taken into account, it is also a cash flow-related indicator and can therefore also be used as a sales-related cash flow return.

The internal control and reporting in the Alzchem Group are generally based on the IFRS accounting principles described in the IFRS consolidated financial statements. The Group measures the success of its segments on the basis of segment earnings figures, which are referred to as EBITDA in internal control and reporting.

The segment earnings indicator EBITDA comprises gross profit, selling, general and administrative, research and non-capitalized development expenses, and other operating income and expenses plus depreciation and amortization.

If there are service relationships between the segments, these are calculated using Group costing rules and in compliance with transfer price specifications and are not presented as sales in the respective segment, but as consoli-

dated figures. In addition, the key figure for inventories is reported and monitored at segment level in absolute terms and also in relation to sales (inventory intensity).

3.4. INNOVATION MANAGEMENT, RESEARCH & DEVELOPMENT

Alzchem sees innovation management as a key growth driver and therefore invests heavily in the area of research & development. The main areas of research & development are product, application and process development. In the area of product and application development, new products are researched and existing products are further developed. In addition, chemical solutions are developed for special customer requirements.

In the area of process development, Alzchem concentrates on transferring new findings to production with the aim of constantly increasing the efficiency of production processes. Major research and development activities relate to the Specialty Chemicals segment at the Trostberg and Waldkraiburg sites, but also support the Basics & Intermediates segment at the Trostberg, Schalchen, Hart and Sundsvall (Sweden) sites.

There are no significant research and development activities in the Other & Holding segment.

The total costs incurred for research and development activities are as follows:

in EUR thousand	2017	2018*	2019	2020	2021
Research (product and application development)	6,744	6,357	6,638	6,825	7,199
Process development	2,271	2,321	2,672	2,537	2,489
Σ Research and development expenses	9,015	8,678	9,310	9,363	9,688
% in relation to Group sale	2.6%	2.3%	2.5%	2.5%	2.3%

* Figures for the full year 2018 are unaudited and are the sum of the two audited short fiscal years 2018/I and 2018/II.

For the Specialty Chemicals segment, expenses as a percentage of sales for the fiscal year 2021 were 2.5% (previous year: 2.7%).

Research & development expenses in the Basics & Intermediates segment were 1.5% of sales in the reporting period (previous year: 1.8%).

In total, 106 people (previous year: 109) were employed in research & development in the Alzchem Group in the fiscal year 2021.

4. BUSINESS REPORT

Unless stated otherwise, all amounts are in EUR thousand. For computational reasons, rounding differences of ± one unit may occur in tables.

4.1. MACROECONOMIC AND INDUSTRY-RELATED FRAMEWORK CONDITIONS

4.1.1. MACROECONOMIC FRAMEWORK CONDITIONS

The global economy did not follow a uniform course in the calendar year 2021. While there was still an economic recovery and growth in the first half of the year, the overall economic situation weakened noticeably after the middle of the year. In the fall, the resurgence of infections from the COVID-19 pandemic and later the new omicron mutation led to renewed uncertainty in the economies. However, the economic impact in countries with high vaccination coverage is not as severe as in the previous year or in Asian countries, where a zero COVID strategy is being pursued in many places. In the second half of the year, global supply bottlenecks and substantial increases in freight rates and raw material costs slowed global trade and industrial production. However, there was no discernible decline in demand. Under the influence of the enormous rise in energy prices, inflation at the end of the calendar year was higher in many countries than it has been for several decades. Nevertheless, the Kiel Institute for the World Economy (IfW) expects gross domestic product to increase in 2021 in the regions that are important for Alzchem as follows:

Region	Development of gross domestic product in 2021
World	5.7%
EU	5.0%
United States	5.6%
Japan	1.8%
China	7.8%
Latin America	6.6%

Source: Kiel Institute Economic Outlook World Economy in Winter 2021 from 12/15/2021 No. 85 (2021/Q4)

The German economy performed similarly to the global economy in the calendar year 2021. The strong recovery in the first half of the year was followed by a slowdown after the summer months, which will have intensified again in the fourth quarter of 2021. The rising incidence of infection is weighing heavily on the service sector, but rather less on the manufacturing sector. Industrial production is inhibited by supply and freight bottlenecks. Together with the increases in raw material and energy prices, these led to an inflation rate of 5% in December 2021. German exports have been declining since the third quarter of 2021, influenced in particular to a large extent by the automotive industry. However, here too, the decline is not demand-related, but is attributed to supply bottlenecks and freight shortages.

For 2021, the IfW expects gross domestic product to grow by 2.6%.

Source: Kiel Institute Economic Outlook German Economy in Winter 2021 from 12/15/2021 No. 86 (2021/Q4)

4.1.2. INDUSTRY-RELATED FRAMEWORK CONDITIONS

DEVELOPMENT OF THE CHEMICAL AND PHARMACEUTICAL INDUSTRY

After the pandemic shock of 2020, the recovery of the economy within the chemical industry has continued since the third quarter of 2020, even into the summer of 2021. With the economic upturn, industrial companies not only had to fill their largely empty inventories with chemical precursors, but also meet the enormous increase in demand. The industry also benefited from a pandemic-related boom – for example in hygiene products, plastic packaging and vaccines. The capacities of European companies were almost fully utilized in mid-2021, meaning that not all demand could be met. This in turn led many customers to place orders in excess of actual requirements and consequently to significant price increases. The rise in raw material prices has weighed on the entire industry since the end of the second quarter of 2021 and became increasingly severe over the course of the year. Rising electricity and gas prices continued to hurt energy-intensive companies. The industry felt the effects of global shortages in materials and logistics more and more. Against this background, some companies cut back production. Capacity utilization also declined. In the industry, this is seen as a harbinger of a slowdown in the chemical business in the coming months.

Source: CHEManager 12/2021 (December 8, 2021 - January 25, 2022)

DEVELOPMENT OF THE STEEL INDUSTRY

The steel volume economy in Germany recovered faster than expected from the pandemic-related recession by fall 2021. Crude steel production increased by around 16% year-on-year from January to September 2021. Order intake showed similar growth in the same period, up 17%. The trend in shipments was slightly weaker.

Recently, however, the headwind on steel volumes in Germany has increased noticeably. Supply bottlenecks in the industrial sector had a braking effect. In the third quarter, crude steel production in Germany slowed to +12% year-on-year. Order intake for the period showed an even more pronounced braking effect, falling by 20%. According to the German Council of Economic Experts, the tensions in the industrial value chain are not expected to be resolved until 2022.

For the EU, the European steel association EUROFER expects a strong recovery in steel demand of +13% in 2021 following last year's slump (-11%). However, at around 146 million tons, EU steel demand would still be below the level of 2018.

Overall, demand for steel on the global market is expected to grow by 4.5% this year and by around 2% next year.

Source: German Steel Federation; Information on the Steel Economy in Germany (November 2021)

FEDERAL ELECTION 2021

Germany elected a new federal government in the fall of 2021, which was able to constitute itself quite quickly, so that the new government began its work towards the end of the fiscal year. The German Chemical Industry Association e.V. (VCI) has assessed the coalition agreement from the perspective of the chemical industry. The first early conclusion sees predominantly positive trends. The agreement contains important fundamental decisions for a climate-neutral industrialized Germany. The new government wants to play a constructive role in the debate on the EU chemicals strategy and sees the need for a risk assessment for the safe use of chemical substances. Taxes are not to be increased, but the hoped-for major tax reform has not yet been included. New impetus is to be given to energy policy. The aim is to ensure that industry can obtain energy at competitive prices in Germany. The expansion of renewable energies and support through long-term electricity supply contracts (PPAs) are to help in this. However, concrete measures are not to be found in the coalition agreement.

Taking into account the existing shortages on the logistics markets, the approach of increasing rail freight transport to 25% by 2030 is very welcome. The new coalition recognizes the importance of foreign trade for German industry and is committed to a German and European trade policy, opposing protectionism and unfair trade practices. Unfortunately, there is no concrete support for German industrial SMEs in the coalition agreement.

Source: Verband der chemischen Industrie e.V.; Analysis and evaluation of the coalition agreement of SPD, Bündnis 90/Die Grünen and FDP dated November 30, 2021.

4.2. BUSINESS DEVELOPMENT

4.2.1. PRELIMINARY REMARK

The omens at the beginning of 2021 allowed for positive expectations for the fiscal year 2021. The Group started the new fiscal year with momentum from the fourth quarter of 2020 and was able to outperform the previous year's sales figures in all four quarters of 2021. The process launched as part of the comprehensive "Alzchem Next Level" strategy project, which focuses on strengthening sales activities, began to have a positive impact.

In connection with the optimization project called AlzFit 2025, which was launched in the previous year, the Group successfully implemented a large number of projects from a wide range of areas. With a significant focus on efficiency and digitization projects, the Group managed to offset at least part of the enormous cost increases (electricity, natural gas, crude oil, freight, raw materials).

The focus on sustainability in products and processes continued to make progress in the fiscal year 2021. With the Emi-nex® and DYHARD® Fluid products, further innovative solutions were placed on the market. At the same time, a large number of projects were launched, e.g. "Zero Waste" at all Alzchem sites, so that in addition to product development, the value chains and product/production cycles can be aligned even more consistently with economic sustainability.

The Annual General Meeting of Alzchem Group AG on May 14, 2019, authorized the company to buy back its own shares until the end of April 30, 2024. On January 29, 2021, the company's Management Board, with the approval of the Supervisory Board, decided to launch a share buyback program with a volume of up to EUR 1,000,000.00. The buyback was carried out for the purpose of acquiring an acquisition currency that is favorable from the company's perspective. However, it is permissible to use it for other purposes. The program was launched on February 8, 2021, and was suc-

cessfully concluded on June 24, 2021, with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90.

At the end of 2021, the Alzchem Group gave itself a new corporate identity with a new logo that simultaneously represents Alzchem's values and goals. With the slogan "Agile Science, Pure Results", the company clearly and confidently conveys the claim it makes on itself.

4.2.2. SALES AND REVENUE

The order and contract situation in the fiscal year 2021 developed very favorably over the year as a whole. The order backlog at the four quarterly reporting dates significantly exceeded the respective prior-year figures.

Operational business development followed the order and contract situation throughout the year, resulting in a significant increase in sales compared to the previous year. Over the first three quarters, record sales were achieved from quarter to quarter. In the course of the fourth quarter, however, the shortages in the logistics sector were felt. Despite order books remaining full, there were increasing problems in delivering products to customers. This mainly affected shipping for chemical products and, to a considerable extent, rail transport, which is used to deliver metallurgical products. These delivery delays resulted in sales being shifted from one month to the next. Nevertheless, the upwardly adjusted forecast sales margin was achieved. Under these circumstances, the Management Board is very satisfied with what has been achieved.

True to the motto "agile", the Group was able to commission two further major projects in 2021 within an ambitious cost and schedule framework. The commissioning of the expanded NITRALZ® production capacities had a positive impact on the development of sales volumes and revenues, while the commissioning of the RTO plant makes an additional contribution to environmental protection.

The values that Alzchem stands for as a business partner have proven to be key success factors: high reliability, quality, delivery reliability, and maximum flexibility to meet customer needs. Based on "Made in Bavaria", the Group was able to consolidate its market position with existing customers and establish itself with a large number of new customers.

Particularly in times of raw material shortages and highly volatile raw material markets, the "Verbund system" once again proved to be a central component of raw material supply and production planning. With annual sales of EUR 422,293 thousand (previous year: EUR 379,257 thousand), Alzchem can look back on the strongest sales year in the company's history.

The Specialty Chemicals segment contributed to the Group's growth with sales increase of 6.3% across a very broad product base. In line with the renewed strength of the automotive sector, Group sales in lightweight construction and airbag applications also increased.

With the decision to once again significantly expand Creapure® production capacities at the Trostberg site, Management is sending clear signals for further segment growth and is clearly committed to the Group's diversified product strategy. With Creapure®, Alzchem offers an innovative nutritional supplement. More and more consumers are giving up meat and dairy products in order to reduce their ecological footprint. At the same time, they are looking for balanced alternatives and forms of nutrition. So there is a need for innovative products that enable a healthy and sustainable lifestyle. The solution is provided by functional foods, i.e. foods enriched with vital substances, vitamins and minerals, based on vegetable protein. Creapure® is one such functional ingredient that provides consumers with an optimal nutrient profile for a balanced and healthy diet. In addition, these products help to reduce environmental impact, as less animal-based food is consumed and therefore produced. This means sustainable action for the benefit of nature, humanity and animals.

Thanks to a consistent realignment of application technology consulting for Silzot® SQ and Silzot® HQ products, the business unit's sales increased by more than 40%. The products are establishing themselves in an attractive sales niche and, thanks to their competitive cost structure, can also hold their own against primarily Asian competition.

Product sales in the plant growth business were once again significantly higher than the pleasing level of the previous year. In healthy and efficient animal nutrition (Creamino®), volumes increased slightly despite the adverse market environment (pandemic-related distortions in the markets and within the value chains). With segment sales of EUR 220,499 thousand, attractive growth was achieved (previous year: EUR 207,431 thousand).

As hard as the Basics & Intermediates segment was hit by the pandemic in 2020, a reactivation was successfully implemented in 2021. Almost every business unit achieved double-digit percentage growth. Three business units in the segment even generated record sales. Whereas in 2020, it was still a question of balancing the NCN chain against the background of declining sales volumes, the focus in 2021 was on allocating volumes as economically as possible between customers along the chain. The segment's metallurgical and agricultural product range was sold out at the end of the third quarter, so no further orders could be accep-

ted. Despite the extreme cost increases (mainly electricity and black liquids), which had an above-average impact on this segment, the segment's EBITDA margin increased to 6.2% (previous year: 6.1%). Significant economies of scale and contractually fixed price escalator clauses successfully compensated for a large part of the cost increases.

In the previous year, we already reported on the extremely pleasing trend towards "Made in Bavaria" for Perlka® and dicyandiamide. This trend continued seamlessly in 2021. In particular, dicyandiamide volumes for the pharmaceutical sector again recorded a noticeable increase compared to the previous year.

With record segment sales of EUR 176,274 thousand (previous year: EUR 146,434 thousand), growth of 20.4% was recorded.

Demand for services at the Trostberg, Schalchen and Hart sites rose slightly across all services compared with the previous year's level, resulting in slightly higher segment sales of EUR 25,520 thousand (previous year: EUR 25,392 thousand) in the Other & Holding segment.

In a very challenging fiscal year 2021, the Management Board's strategic approaches proved to be on target:

- Maintaining a broad business base,
- Ensuring flexible plant structures in production,
- Adhering to strict, forward-looking cost management,
- Driving forward future investments in various business areas, and
- Continuing high investment in a motivated and well-trained workforce.

Alzchem reacted very early to the market upheavals and found successful solutions in very close cooperation with customers, suppliers and logistics partners. Alzchem's employees have adapted excellently to the dynamics and challenges of the markets and were thus once again the basis for a successful business year.

The currency markets had a negative impact on Alzchem's sales development in the fiscal year 2021.

The distribution of volumes by sales region reflects the good sales performance. Significant growth was recorded above all in Europe, Germany and the NAFTA region – as well as in Asia, where sales even increased by more than 30%.

4.2.3. PURCHASING AND PRODUCTION

Purchasing and production were under particular pressure in the second half of the fiscal year 2021 due to the COVID-19-related distortions on the raw material, logistics and energy markets. Concerned about further price increases, industrial companies around the world replenished their inventories and in some cases ordered raw materials and energy in excess of what was needed. This in turn led to shortages of raw materials, freight capacity and energy, which again resulted in price increases for these goods and services. Accordingly, Alzchem is facing a shortage of raw materials and a significant increase in raw material prices, as well as an increasing shortage of freight capacity, which is also leading to a significant increase in freight rates. One of Alzchem's key raw materials is electricity. The current substantial increase in electricity costs and its volatility are having a significant impact on Alzchem's results of operations. On the spot market, there is currently a tenfold increase in some cases compared with the price of the previous year. The raw materials most important to Alzchem have risen in price, in some cases by well over 50% within a year. These price increases picked up again considerably in the second half of 2021.

The availability of raw materials and the rise in energy and raw material prices are currently presenting Alzchem with major challenges. So far, no plant has had to be closed due to a shortage of raw materials, but more could be delivered in individual product areas if the raw materials were available in the desired quantities. Smaller delays can be absorbed

by flexibly adjusting production planning, but in the event of larger delivery delays or bottlenecks, a temporary shut-down of certain parts of production would also be possible at Alzchem. For this reason, inventories are currently being secured for various products in order to remain able to deliver in the future. However, the probability of a temporary production stoppage due to a shortage of raw materials is considered to be relatively low overall.

Alzchem is attempting to counter the challenges described above at an early stage and consistently with suitable measures. Since the company had already assumed significant increases in raw material prices in its planning for 2021 as a whole, for example, it purchased certain raw materials and electricity at an early stage. These measures led to a certain stability and predictability of purchasing prices, although these purchases never cover 100% of the required volume. In addition, the current electricity price also influences the future prices currently observed on the market, so that cost increases can also be expected here. Furthermore, projects to optimize production processes are being carried out on an ongoing basis. The production cost savings achieved as a result were clearly visible, particularly in the second half of 2021. As a third measure, Alzchem is attempting to take cost increases on the purchasing side into account in negotiations with customers and to successfully implement price increases.

Despite the shortages described above, all plants were able to operate at a very high capacity utilization rate over the year.

4.2.4. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

4.2.4.1. RESULTS OF OPERATIONS

in EUR thousand	2019	2020	2021
Sales revenues	376,072	379,257	422,293
Change in finished goods and work in progress	-4,862	-2,514	10,028
Other operating income	17,147	10,671	11,360
Cost of materials	-142,391	-132,507	-170,671
Personnel expenses	-122,088	-127,409	-132,166
Other operating expenses	-73,800	-73,693	-78,798
EBITDA	50,078	53,805	62,046
Depreciation and amortization	-19,492	-23,097	-24,474
EBIT	30,586	30,708	37,572
Other interest and similar income	302	325	643
Interest and similar expenses	-5,396	-3,835	-1,703
thereof non-cash	-4,550	-2,634	-706
Financial result	-5,094	-3,510	-1,060
Result from ordinary business activities	25,492	27,198	36,512
Taxes on income and profit	-7,345	-7,333	-8,748
Consolidated annual result	18,147	19,865	27,764
thereof non-controlling interests	171	171	171
thereof interests of shareholders of Alzchem Group AG	17,976	19,694	27,593
Earnings per share in EUR (undiluted and diluted)*	1.77	1.94	2.72

* In the period 2019 and 2020 calculated with 10,176,335 shares. After share buyback in 2021, calculated with the average number of outstanding shares of 10,146,942.

In the fiscal year 2021, consolidated sales amounted to EUR 422,293 thousand (previous year: EUR 379,257 thousand). Thus, a strong sales growth of 11.3% could be achieved compared to the previous year. The increase in sales

compared to the previous year can be reconciled as follows through the influencing factors of volume, price and currency:

in EUR thousand	2019	2020	2021
Sales of the previous year	375,217	376,072	379,257
Quantity effect in %	-3.57	0.44	9.65
Price effect in %	2.83	0.59	2.38
Currency effect in %	0.97	-0.18	-0.69
Sales for the fiscal year	376,072	379,257	422,293

The two segments Specialty Chemicals (+6.3%) and Basics & Intermediates (+ 20.4%) contributed equally to the sales growth. As expected, the sales contribution of the Other & Holding segment (+0.5%) remained relatively stable at the previous year's level. The metallurgical, dicyandiamide, DY-HARD® and Creapure® businesses in particular, flanked by

high capacity utilization in the multi-purpose plants and the NCN chain, had a positive impact on the Group's sales performance.

The breakdown of sales by region is as follows:

in EUR thousand	2019	2020	2021
Germany	121,258	125,517	131,296
European Union (excluding Germany)	110,254	99,878	121,629
Rest of Europe	30,002	34,218	28,177
NAFTA	49,127	48,711	51,023
Asia	38,486	40,674	54,027
Rest of the world	26,945	30,259	36,141
Total	376,072	379,257	422,293

With the exception of the Rest of Europe region, growth of at least 5% was achieved in all other regions. In Germany, significantly higher volumes of Creapure®, chemical solutions from the multi-purpose plants, dicyandiamide and Perlika® were placed on the market.

Growth within the European Union was mainly due to significantly increased shipments to the steel industry, lightweight construction applications and the pharmaceutical sector. Volumes of the animal nutrition product Creamino® developed in the opposite direction.

Only the region of the Rest of Europe was unable to match the previous year's figures. This deviation was exclusively attributable to lower shipments of a product family of multi-purpose plants. Partly due to capacity bottlenecks and raw material shortages, there were shifts within the production program, so that a catch-up effect is calculated for 2022.

Business in the NAFTA region was slightly above the level of the previous year in the fiscal year 2021. Volume increases for Creapure® and Creamino® were responsible for this. However, increases in dicyandiamide and NITRALZ® also underpin further growth in this region.

The USD/EUR currency relation was unable to positively influence Alzchem's sales and thus also earnings development in 2021. Especially in the first half of the year, the negative effect accumulated to EUR 3.1 million, or EUR 2.7 million in relation to 2021 as a whole. The result of the Specialty Chemicals segment was mainly burdened.

NITRALZ® and dicyandiamide were sold extremely successfully in the Asian region.

In the Rest of the World, further Creamino® customers were won in Australia and Africa. Furthermore, the market expansion of the growth regulator Dormex® was successfully advanced.

Other operating income showed an increase of EUR 689 thousand compared to the previous year. Own work capitalized rose as a result of increased investment activity (mainly for the completion of the new NITRALZ® plant). This was offset by foreign currency gains, which were EUR 295 thousand lower than in the previous year.

The strong growth in sales also led to an absolute increase in the cost of materials. The change compared to the previous year by EUR 38,164 thousand to EUR 170,671 thousand represents an increase of 28.8%. On the one hand, the development was influenced by the increased quantities produced for the sales growth. On the other hand, the enormous increase in raw material prices, particularly in the second half of the year, also contributed to this. The cost of materials ratio ((cost of materials + change in inventories)/ sales) was 38.0% (2020: 35.6%) in the fiscal year 2021.

Raw material and energy costs (mainly electricity) are a key driver of the cost of materials ratio. In this area, Alzchem experienced unprecedented volatility in the fiscal year 2021. The raw materials market saw inflation rates of well over 50% in some cases within a single year. This development was even exceeded by the energy market. Electricity prices

on the spot market are currently ten times higher on average than a year ago. Long-term coverage with electricity bands on the market has partly offset the price increases. However, the volumes not covered in advance are bought in addition on the spot market and this had a significant negative impact on earnings. In addition to the pure cost effects, changes in volumes and product mix, specifically the increase in the Basics & Intermediates segment, also had an impact. With a proportionally higher cost of materials ratio, this also shifts the overall ratio of the Group.

Personnel expenses in the fiscal year 2021 amounted to EUR 132,166 thousand (previous year: EUR 127,409 thousand). This represents an increase of EUR 4,757 (+3.7%) compared to the previous year. The most important effects here

were the annual increase in collective wage agreements, the Corona bonus (again EUR 500 per full-time employee at the production sites), which was also paid out in 2021, and the higher addition to provisions for employee profit sharing as a result of the improved earnings. Furthermore, the increased volume of business also resulted in higher compensated overtime for employees. In addition, the chemical industry's new long-term care insurance scheme for all employees covered by collective agreements (CareFlex) had an increasing effect on personnel expenses from the second half of the year. However, the personnel expense ratio, i.e. the ratio of personnel expenses to sales, fell significantly from 33.6% in the prior-year period to 31.3%.

The number of employees at Alzchem developed as follows:

Employees ¹	2015	2016	2017	2018 ²	2019	2020	2021
Commercial workers	748	749	766	802	821	818	818
Employees	611	595	610	635	677	679	683
Trainees	121	125	115	125	125	134	135
Total employees	1,480	1,469	1,491	1,562	1,623	1,631	1,636
Change	1.6%	-0.8%	1.5%	2.4%	4.0%	0.5%	0.3%

¹ Employees = calculation of the average number of employees at the end of the last four quarters prior to the respective reporting date incl. those abroad

² Figures for the full year 2018 are unaudited and are the sum of the two audited short fiscal years 2018/I and 2018/II.

Other operating expenses developed in line with the increased business volume and rose by 6.9% to EUR 78,798 thousand. Some of the expenses included here are directly related to Alzchem's production volume. This mainly applies to selling expenses (EUR +3,140 thousand), other external services (EUR +1,238 thousand) and marketing expenses (EUR +859 thousand). Here, too, the general increase in costs in the second half of 2021 is reflected outside of raw materials. Foreign currency losses showed an opposi-

te development in the fiscal year 2021, which decreased by EUR 2,132 thousand compared to the previous year.

Despite the significant cost increases, EBITDA for the fiscal year 2021 rose by EUR 8,241 thousand to EUR 62,046 thousand, thus reaching a new record level.

The total depreciation and amortization expense is as follows:

in EUR thousand	2019	2020	2021
Amortization on intangible assets	518	635	669
Depreciation on property, plant and equipment	17,295	20,444	21,775
Depreciation and amortization own assets	17,813	21,079	22,444
Amortization on lease usage rights	1,679	2,018	2,030
Total depreciation and amortization	19,492	23,097	24,474

In total, depreciation and amortization amounting to EUR 24,474 thousand was recorded within Alzchem. This corresponds to an increase of EUR 1,377 thousand compared to the previous year. This reflects Alzchem's extensive investment activities, which significantly support the growth of the Group.

At EUR -1,060 thousand, the financial result improved significantly by EUR 2,450 thousand compared with the previous year's figure of EUR -3,510 thousand. The main driver of this development was the interest rates used to calculate non-current provisions. Alzchem recognizes these mainly for landfill recultivation and anniversary payments to employees. As a result of the increase in the discount rates for these provisions, interest income totaling EUR 525 thousand was recognized in the fiscal year 2021, whereas in the previous year, there was still an interest expense from the change in interest rates of EUR 1,427 thousand. Furthermore, the low interest rates for compounding pension obligations resulted in lower interest expenses than in the previous year. The interest effects on non-current provisions and pension obligations described here are entirely non-cash. Cash interest (paid) amounted to EUR 997 thousand (previous year: EUR 1,196 thousand) – mainly paid for the long-term bank loans and factoring utilization.

Tax expenses in the fiscal year 2021 developed similarly to the strong improvement in earnings before taxes and increased by EUR 1,415 thousand to EUR 8,748 thousand. The effective Group tax rate was 24.0% (previous year: 27.0%).

KEY FIGURES OF THE SEGMENT

in EUR thousand	2019	2020	2021	Change
External sales	200,022	207,431	220,499	6.3%
EBITDA	41,684	44,125	50,664	14.8%
EBITDA margin	20.8%	21.3%	23.0%	1.7% points
Inventories	44,183	38,410	53,971	40.5%
Inventory intensity (previously inventory ratio)	22.1%	18.5%	24.5%	6.0% points

The development of the Specialty Chemicals segment in 2021 was characterized by a huge increase in volumes and sales of DYHARD® products, the very significant growth of our Creapure® products and stable growth in the Dormex® business.

The recovery of the automotive sector had a significant impact not only on the DYHARD® product area but also on air-bag applications. The decline in PCR testing in general was

This includes EUR 9,047 thousand (previous year: EUR 6,985 thousand) current tax expense and EUR 298 thousand deferred tax income (previous year: EUR 348 thousand expense). The deferred tax income for the fiscal year 2021 was influenced by a special effect. Deferred tax liabilities on the difference between intercompany loans were reversed as a result of the intercompany loan netting through an equity transaction with the company in Sweden. The reversal of the true consolidation differences resulted in deferred tax income of EUR 1,792 thousand.

Consolidated annual result for the fiscal year 2021 also reached a new record level at EUR 27,764 thousand (previous year: EUR 19,865 thousand).

The significant improvement in the consolidated annual result led to an increase in earnings per share by 40.2% from EUR 1.94 to EUR 2.72. As a result of the share buyback program completed in June 2021, the number of shares outstanding decreased slightly. In the fiscal year 2021, earnings per share were calculated using a weighted average number of shares outstanding of 10,146,942 shares and in the fiscal year 2020 of 10,176,335 shares.

4.2.4.1.1. DEVELOPMENT IN THE SEGMENTS

4.2.4.1.1.1. SPECIALTY CHEMICALS SEGMENT

reflected accordingly in demand at Alzchem. These changes had already been anticipated in the forecasts for the fiscal year 2021.

Continuing the positive trend of the previous year, the multi-purpose plants (custom manufacturing) were again very well utilized in 2021. New chemical solutions in a wide range of application areas support the robust business structure and also permit a further growth scenario.

Product sales in the area of plant growth (including Dormex®) once again developed significantly better than in the previous year. In healthy and efficient animal nutrition (Creamino®), volumes increased slightly despite the adverse market environment (pandemic-related distortions in the markets and within the value chains).

Due to the disruptions within the global supply chain, the Management Board decided to give top priority to production reliability and delivery capability. Against this background, the Group managed to fulfill almost all orders or to

utilize its plant park at a very high level. Positive economies of scale as well as additional or new customers and products were the economically positive upside potential of this management decision. The measures taken led to a sharp increase in inventories, which was mainly due to volume effects as well as price effects.

4.2.4.1.1.2. BASICS & INTERMEDIATES SEGMENT

KEY FIGURES OF THE SEGMENT

in EUR thousand	2019	2020	2021	Change
External sales	149,408	146,434	176,274	20.4%
EBITDA	5,247	8,981	10,985	22.3%
EBITDA margin	3.5%	6.1%	6.2%	0.1% points
Inventories	30,924	27,639	33,400	20.8%
Inventory intensity (previously inventory ratio)	20.7%	18.9%	18.9%	0.0% points

Sales in the Basics & Intermediates segment totaled EUR 176,274 thousand in the reporting period. With growth of 20%, the development in this segment is one of the highlights of the past fiscal year.

The successful commissioning of the NITRALZ® capacity expansion laid the foundation for further growth. As the only supplier of specialty nitriles outside China, Alzchem supplies important raw materials to the pharmaceutical, agrochemical and basic chemicals sectors and thus also has a broad customer and application spectrum in this product area, which contributes significantly to the success of the business.

With growth rates in the double-digit percentage range, products for agriculture, the dicyandiamide product area and the metallurgy business formed the basis for the renewed sales and earnings record of the entire Group. In view of the enormous fluctuations and changes within global volume flows, the Group was able to play to its strengths very successfully, such as supply capability, reliability, customer relationships based on partnership, comprehensible price structures, integrated production processes and compliance with the quality promise.

The exorbitant cost increases with almost daily peaks, particularly in the area of European electricity purchases, resul-

ted in a significant burden on the segment result. Although cost rollover mechanisms are included in a majority of sales contracts, it is virtually impossible to place chemical products with daily prices on the market in the long term, so cost rollovers generally always take place with a lag of 1 to 3 months.

Alzchem has been investing for many years in its own application technology, in its own Six Sigma department, and in extensive engineering departments. This also enabled a disproportionate improvement in the production cost structure in 2021. A lighthouse project is the process optimization of NCN production with the aid of state-of-the-art AI algorithms. With earnings potential of 2% to 4% of Group earnings, this complex of measures is another highlight for the Group in the fiscal year 2021.

Inventories in the Basics & Intermediates segment were maintained at the optimized volume level of the previous year, although significant cost increases led to a significant increase in value without an increase in volume. The NCN chain was fully utilized, taking into account the primarily energy-related framework conditions, and a switch was made from stock production to just-in-time production or delivery for some products.

4.2.4.1.1.3. OTHER & HOLDING SEGMENT

KEY FIGURES OF THE SEGMENT

in EUR thousand	2019	2020	2021	Change
External sales	26,643	25,392	25,520	0.5%
EBITDA	4,506	989	1,405	42.1%
EBITDA margin	16.9%	3.9%	5.5%	1.6% points
Inventories	3,586	3,555	3,664	3.1%
Inventory intensity (previously inventory ratio)	13.5%	14.0%	14.4%	0.4% points

The purchasing behavior of customers at the chemical parks in Trostberg and Hart was very stable, as mainly non-quantity-related services were purchased. Although there were slight shifts within the individual service areas (for example, increased demand for media and for waste management services), overall the development of sales was stable. In parallel, the segment's EBITDA was also stable.

Segment inventories were maintained at approximately the same level as the previous year with a volume of EUR 3,664 thousand.

4.2.4.2. FINANCIAL POSITION

4.2.4.2.1. CAPITAL STRUCTURE

When selecting the financial instruments, the focus is on financing with matching maturities, which is achieved by controlling the maturities. In the past fiscal year, Alzchem Trostberg GmbH made scheduled repayments of EUR 12,704 thousand for the project financing it had concluded. No additional financing was taken out.

In addition to the project-related financing measures with a term of more than one year and a balance sheet date value of EUR 37,553 thousand (previous year: EUR 48,042 thousand), the Alzchem Group has a stable position through short- to medium-term financing agreements (see Liquidity) in order to be able to support the operating business.

4.2.4.2.2. INVESTMENTS

In the fiscal year 2021, payments were made for investment measures in the amount of EUR 28,535 thousand (previous year: EUR 28,832 thousand). Investments were mainly made in the areas of production and infrastructure. The investment objectives were predominantly the expansion of capacities for further growth of the Group, the improvement

of Alzchem's sustainability, the maintenance, expansion, modernization and rationalization of the existing plant park, and the further development of the electricity infrastructure. The most significant investments in terms of amount in the fiscal year 2021 were:

- Capacity expansion in the NITRALZ® product area (EUR 3.9 million, total project amount: EUR 10.7 million),
- Building of a regenerative thermal exhaust air purification plant (EUR 1.2 million, total project amount: EUR 5.1 million),
- Modernization of the power grid and power infrastructure (EUR 2.9 million for various measures),
- Capacity expansion in the Creapure® product area (EUR 2.4 million, total project amount: EUR 11.0 million).

Due to the "Verbund structure" as well as the resulting interlinking of the infrastructure and investment structure, segment-specific information on capital expenditure is not provided as this is not meaningful and not part of internal reporting.

4.2.4.2.3. LIQUIDITY

Within the Alzchem Group, Alzchem Trostberg GmbH assumes the Group's internal financing function and ensures the short-term liquidity of the subsidiaries through cash pooling.

The long-term project-related financing for measures already implemented with a term of more than 1 year amounted to EUR 37,553 thousand as of the balance sheet date (previous year: EUR 48,042 thousand). Long-term loans were concluded in the fiscal years 2013, 2015, 2017 and 2020 to finance investments. No further long-term financing was agreed in the fiscal year 2021. These obligations were serviced as planned in the reporting year.

In addition, short-term financing lines (money market loans, overdraft facilities and guarantee facilities) totaling EUR 50,000 thousand (previous year: EUR 45,000 thousand) have been agreed with several banks.

As of the reporting date December 31, 2021, EUR 0 thousand (excl. EUR 80 thousand customs guarantee) (previous year: EUR 0) of these lines had been utilized. The value of current loans payable to banks of EUR 10,490 thousand (previous year: EUR 12,704 thousand) reported as of December 31, 2021 corresponds in full to the current portion of the above-mentioned non-current loans.

Furthermore, the company uses factoring as a means of financing. Here, only about 25% (previous year: 31%) of the available financing framework of EUR 30,000 thousand has been utilized on average in the fiscal year 2021. The loan

and credit agreements contain the covenants customary on the capital market. No impairment of these covenants is discernible in the medium-term planning. Liquidity is guaranteed at all times by the existing financing instruments.

Cash and cash equivalents as of the reporting date December 31, 2021 amount to EUR 8,285 thousand (December 31, 2020: EUR 17,117 thousand). The collateral provided to the Government of Upper Bavaria for the operation of the company's own landfills in the amount of EUR 5,902 thousand (December 31, 2020: EUR 5,902 thousand) is recognized as other current assets due to the fixed investment over three months. These are funds that are fully restricted but may be invested for a maximum period of one year in accordance with the rules on restrictions on disposal.

The change in cash and cash equivalents is as follows:

in EUR thousand	2019	2020	2021
Cash and cash equivalents on January 1	12,857	9,061	17,117
Cash inflow from operating activities	43,631	48,710	43,016
Cash outflow from investing activities	-41,327	-28,829	-28,479
- Cash outflow/+ cash inflow from financing activities	-6,173	-11,734	-23,620
Change in cash and cash equivalents	-3,869	8,147	-9,083
Exchange rate-related changes in cash and cash equivalents	73	-91	251
Cash and cash equivalents on December 31	9,061	17,117	8,285

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2021 amount to EUR 8,285 thousand (December 31, 2020: EUR 17,117 thousand) and comprise immediately available bank balances, checks and cash on hand.

In the fiscal year 2021, a positive cash inflow from operating activities was generated in the amount of EUR 43,016 thousand (previous year: EUR 48,710 thousand). The strong operating result of the Alzchem Group again served as the basis for this pleasing cash flow development. However, due to the current shortage of raw materials, there was a targeted build-up of inventories in order to maintain Alzchem's ability to supply, which initially had a negative impact on operating cash flow. In addition to the development of inventories, the increase in trade receivables is also reflected in the operating cash flow as a result of the sharp rise in business activity.

The cash outflow from investing activities in the fiscal year 2021 comprises investments in property, plant and equipment of EUR 28,535 thousand and proceeds in connection

with the disposal of non-current assets of EUR 56 thousand. In the previous year, the cash outflow from investing activities totaled EUR 28,829 thousand. The most significant investments are described in section 4.2.4.2.2. Investments.

The cash outflow for Alzchem's financing activities amounted to EUR 23,620 thousand in the fiscal year 2021 (previous year: EUR 11,734 thousand). Since there were no inflows of loans in the reporting year, there were only cash outflows. These went to the scheduled repayment of long-term loans in the amount of EUR 12,704 thousand (previous year: EUR 11,934 thousand), to the repayment of lease liabilities in the amount of EUR 1,911 thousand (previous year: EUR 1,996 thousand), to the dividend payment to the shareholders of Alzchem Group AG in the amount of EUR 7,821 thousand (previous year: EUR 7,632 thousand), and to the payment of profit entitlements to non-controlling shareholders in the amount of EUR 171 thousand, as in the previous year. Furthermore, EUR 1,013 thousand was paid out for the share buyback program in the fiscal year 2021.

4.2.4.3. NET ASSETS

	12/31/2019		12/31/2020		12/31/2021	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Intangible assets	1,541	< 1%	1,810	1%	2,329	1%
Property, plant and equipment	165,702	48%	175,062	49%	178,806	47%
Lease usage rights	9,770	3%	8,524	2%	7,686	2%
Financial assets	20	< 1%	20	< 1%	20	< 1%
Other receivables and other assets	470	< 1%	630	< 1%	1,320	< 1%
Deferred tax assets	34,477	10%	35,795	10%	34,924	9%
Non-current assets	211,980	62%	221,841	63%	225,085	60%
Inventories	74,607	22%	67,402	19%	86,676	23%
Trade receivables	32,501	9%	33,124	9%	40,841	11%
Other receivables and other assets	14,051	4%	13,501	4%	16,454	4%
Income tax claims	383	< 1%	1,311	< 1%	326	< 1%
Cash and cash equivalents	9,061	3%	17,117	5%	8,285	2%
Total current assets	130,603	38%	132,455	37%	152,582	40%
Total assets	342,583	100%	354,296	100%	377,667	100%
Capital						
Equity	61,350	18%	68,658	19%	89,564	24%
Non-current liabilities	220,748	64%	225,767	64%	211,978	56%
Current liabilities	60,485	18%	59,871	17%	76,125	20%
Balance sheet total	342,583	100%	354,296	100%	377,667	100%

Assets have increased by EUR 377,667 thousand to EUR 23,371 thousand since December 31, 2020. While the rise in non-current assets was mainly due to investing activities, the higher current assets are mainly attributable to the increase in business activities. The main driver of the development within current assets was inventories, which grew by EUR 19,274 thousand. Higher procurement prices, increased business volume and, above all, the rise in inventories to ensure Alzchem's ability to deliver contributed to this development. The high level of sales in the final months of the fiscal year 2021 also led to an increase in trade receivables.

The inventory intensity (previously inventory ratio) as a ratio of inventories to sales is 20.5% (December 31, 2020: 17.8%) and thus also reflects the growth in operating activities.

Trade receivables increased sharply by EUR 7,717 thousand to EUR 40,841 thousand. The receivables sold under factoring, reduced by the agreed retentions, amount to EUR 22,395 thousand (December 31, 2020: EUR 19,443 thousand). Factoring was used to optimize interest rates.

The average payment terms for customers at Group level rose slightly to 59 days (previous year: 54 days). No change in the payment behavior of customers was identified.

For the increase in property, plant and equipment, please refer to Note 4.2.4.2.2. Investments.

The decrease in deferred tax claims by EUR 871 thousand is mainly due to the reduction in pension provisions as a result of changes in actuarial assumptions. A value of EUR 25,992 thousand (December 31, 2020: EUR 27,157 thousand) was recognized in deferred tax claims on pension provisions.

The Group equity ratio improved by 4.3 percentage points to 23.7% as of December 31, 2021. Group equity was impac-

ted by offsetting effects. The main driver of the improvement is the positive business performance with the strong consolidated net result. The decrease in pension provisions due to the change in actuarial parameters also contributed to the increase in 2021. The dividend payment to the shareholders of Alzchem Group AG and the share buyback program had a diminishing effect on equity. Overall, however, the positive consolidated result generated more than compensated for the reduction effects.

Non-current liabilities decreased by EUR 13,789 thousand to EUR 211,978 thousand compared to the previous year. Due to the scheduled repayment of non-current loans, EUR 10,490 thousand was reclassified to current liabilities. Within deferred tax liabilities, there was a decrease as a result of the intercompany loan settlement with the company in Sweden. Deferred tax liabilities on genuine consolidation differences were recognized on the loan amounts, which were reversed by offsetting in the amount of EUR 1,792 thousand. Pension obligations decreased by EUR 1,770 thousand compared to the previous year.

There were opposing effects on the development of pension obligations. The increase in the discount rate from 0.5% to 1.0% reduced the pension obligation. On the other hand, the pension obligations climbed as a result of the rise in the pension trend from 1.5% to 2.0% as well as in the wage and salary trend from 2.5% to 3.0%. Overall, however, the effect of changes in interest rates outweighed this, resulting in a decrease in the obligation. In addition, a funding gap for promised future benefit increases at the pension fund led to a change in actuarial assumptions resulting in a rise in the value of the obligation. The reduction in pension obligations due to changes in these three actuarial parameters was recognized in other comprehensive income in the amount of EUR 2,058 thousand (prior year: EUR -6,112 thousand) and not in the consolidated net result for the year.

in %	2015	2016	2017	2018	2019	2020	2021
Discount rate	2.50	1.75	1.75	1.90	0.90	0.50	1.00
Wage and salary trend	2.75	2.75	2.75	2.75	2.75	2.50	3.00
Pension trend	1.75	1.75	1.75	2.00	1.75	1.50	2.00
Trend contribution limit social security	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Pension provision as of 12/31 in EUR million	86.6	104.9	107.2	110.0	134.6	141.8	140.0

Current liabilities increased by EUR 16,254 thousand to EUR 76,125 thousand. This was mainly due to the growth in business activities and purchasing volumes, as a result of which trade payables increased by EUR 11,900 thousand. Income tax liabilities also rose by EUR 1,669 thousand due to the increase in consolidated net result. Current loan liabilities decreased by EUR 2,214 thousand as planned.

4.2.4.4. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

4.2.4.4.1. FINANCIAL PERFORMANCE INDICATORS

Key figure	Unit	2019	2020	2021	Change
Equity ratio of the Group	%	17.9	19.4	23.7	4.3% points
EBITDA	EUR thousand	50,078	53,805	62,046	15.3%
EBITDA margin	%	13.3	14.2	14.7	0.5% points
Inventories	EUR thousand	74,607	67,402	86,676	28.6%
Inventory intensity (previously inventory ratio)	%	19.8	17.8	20.5	2.7% points
Sales	EUR thousand	376,072	379,257	422,293	11.3%

4.2.4.4.2. NON-FINANCIAL PERFORMANCE INDICATORS

The combined sustainability report or combined corporate social responsibility report (CSR report) contains details of the following issues.

The Alzchem Group's non-financial goals are both short- and long-term in nature and support operational business management as auxiliary indicators. Accordingly, they are not quantified – also in view of their materiality for the addressees of the annual financial statements.

SUSTAINABLE CUSTOMER LOYALTY

Alzchem's business is characterized by a high repurchase rate from regular customers. Alzchem strives to maintain the customer retention rate at the high level and to further expand it in individual business areas.

TRAINING

At Alzchem, personnel development begins, among other things, with in-company training. A considerable proportion of employee requirements is covered by the company's own in-company training. This is reflected in the Alzchem Group's high training ratio of approximately 9% compared to the rest of the industry.

Every year, up to 50 trainees start their training at Alzchem in commercial, metal and electrical engineering as well as chemical and logistics areas.

MANAGEMENT SYSTEMS

The business performance is sustainably geared to meeting the requirements of the management systems and certificates listed below. The management systems and certificates are not non-financial performance indicators in the narrower sense.

The Group obtained ISO 27001 and DIN 27019 certification for the following reason: The German Federal Network Agency required public distribution network operators to implement the requirements pursuant to sec. 11 para. 1a EnWG with regard to IT security by January 31, 2018. For Alzchem Netz GmbH as a network operator, the introduction of ISO 27001 was therefore mandatory.

ENVIRONMENT AND ENERGY

Every year, Alzchem publishes a statement on the environmental impact of its German production sites, including relevant key figures on environmental performance, for example resource consumption and emission levels. The transparency thus created demonstrates the great importance of responsible interaction with the environment within the Alzchem Group.

4.2.5. OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Management Board of Alzchem Group AG is satisfied with the course of business in the fiscal year 2021 and the economic situation overall. The economic environment was once again turbulent and subject to a high degree of uncertainty from many sides. COVID-19, supply shortages, extremely volatile raw material prices, collapsing logistics chains and freight bottlenecks were just some of the key challenges of the fiscal year 2021, in which Alzchem nevertheless maintained its position as a robust company. The stable basis of the NCN "Verbund structure" and basic chemicals business once again proved to be the foundation for targeted strategic further development of the specialty chemicals business.

The external influencing factors mentioned above make Alzchem's economic environment more volatile and require permanent adjustments to the newly given environment. These adjustments were not always planned or expected. Here, Alzchem worked very closely with customers, suppliers and logistics partners at a very early stage and thus found successful solutions. Alzchem's employees have adapted excellently to the dynamics and challenges of the markets and were thus once again the basis for a successful business year.

Investments in capacity expansion, sustainability and infrastructure were also made in 2021. These investments are intended to contribute to further, environmentally sustainable growth.

Sales, EBITDA and net result reached a new high in the fiscal year 2021. However, the development of raw material prices in the second half of the year had a negative impact on earnings. The sales and EBITDA targets for the fiscal year 2021, which were adjusted upward during the year, were nevertheless achieved in full.

Cash and cash equivalents remained largely stable due to the positive consolidated net result, investments at the budgeted level and scheduled loan repayments.

For the fiscal year 2021, the Management Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 1.00 (previous year: EUR 0.77) per no-par value share entitled to dividend be distributed from the balance sheet profit.

The order and contract situation in the fiscal year 2021 developed very favorably over the year as a whole. The order backlog at the four quarterly reporting dates significantly exceeded the respective prior-year figures.

4.2.6. COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The full forecast at Group level for the fiscal year 2021 was as follows at the time the consolidated financial statements for the fiscal year 2020 were prepared:

	Unit	2020	Forecast 2021
Group sales	EUR thousand	379,257	slightly increasing to increasing (up to EUR 400 million)
Adjusted EBITDA*	EUR thousand	53,805	stable to slightly increasing (up to EUR 57 million)
Adjusted EBITDA margin*	%	14.2	slightly declining to stable
Inventory intensity (previously inventory ratio)	%	17.8	very slightly increasing to stable
Equity ratio	%	19.4	stable to slightly increasing

* Adjustments have not been made. The figure corresponds to the key figures from the IFRS consolidated financial statements.

Due to the extremely pleasing business development in the first half of 2021, the company has significantly revised upwards the forecasts for the fiscal year 2021 made in the con-

solidated financial statements as of December 31, 2020, in an ad hoc announcement dated July 15, 2021. The forecasts for the fiscal year 2021 were changed as follows:

	Unit	2020	Original forecast 2021	New forecast 2021
Group sales	EUR thousand	379,257	slightly increasing to increasing (up to EUR 400 million)	significantly to strongly increasing (up to EUR 415 million)
Adjusted EBITDA*	EUR thousand	53,805	stable to slightly increasing (up to EUR 57 million)	significant to particularly strongly increasing (up to EUR 64 million)
Adjusted EBITDA margin*	%	14.2	slightly declining to stable	stable to slightly increasing
Inventory intensity (previously inventory ratio)	%	17.8	very slightly increasing to stable	slightly to noticeably declining
Equity ratio	%	19.4	stable to slightly increasing	moderately to slightly increasing

A review of the adjusted forecast with the actual key figures for the fiscal year 2021 shows the following development:

	Unit	2021	Development 2021
Group sales	EUR thousand	422,293	increased particularly strongly
Adjusted EBITDA*	EUR thousand	62,046	increased particularly strongly
Adjusted EBITDA margin*	%	14.7	increased slightly
Inventory intensity (previously inventory ratio)	%	20.5	increased particularly strongly
Equity ratio	%	23.7	increased particularly strongly

* Adjustments have not been made. The figure corresponds to the key figures from the IFRS consolidated financial statements.

The comparison of the relevant key financial figures shows that the adjusted forecast for the fiscal year 2021 was met or exceeded, with the exception of the inventory intensity key figure (previously inventory ratio), and that the original forecast was therefore exceeded. The forecast for inventory intensity (previously inventory ratio) did not include the strong price-volume effects that occurred in the final quarter, which led to a significant increase in inventories.

5. SITUATION OF ALZCHEM GROUP AG (INDIVIDUAL FINANCIAL STATEMENTS HGB)

Alzchem Group AG is the parent company of the Alzchem Group. As a result, the company's economic situation and development are significantly influenced by the economic situation and development of the entire Alzchem Group.

As the parent company of the Group, Alzchem Group AG assumes the management and/or supervisory functions of the subsidiaries and, in addition to its holding function, also performs Group-wide commercial activities. The earnings situation of Alzchem Group AG is mainly influenced by the receipt of profits via the profit and loss transfer agreement with Alzchem Trostberg GmbH and the charging of holding activities to the Group companies. For this reason, in addition to monitoring the cost structure, the following key figures based on the HGB annual financial statements are also used to manage Alzchem Group AG:

Key figure	Calculation
Sales	Absolute value
EBIT	Earnings before interest, income from investments and income taxes
Annual net profit	Absolute value

5.1. BUSINESS PERFORMANCE

The annual financial statements of Alzchem Group AG were prepared in accordance with the accounting principles of the German Commercial Code and the German Stock Corporation Act.

in EUR thousand	2019	2020	2021	Change
Revenues	4,554	3,678	4,100	11.5%
Other operating income	2,268	2,571	3,621	40.8%
Personnel expenses	-3,335	-2,604	-2,984	14.6%
Other operating expenses	-3,416	-3,585	-4,668	30.2%
EBIT	71	60	69	14.9%
Income from investments	22,478	22,091	29,268	32.5%
Interest and similar income	29	51	158	210%
Interest and similar expenses	-122	-107	-131	22.8%
Taxes on income and earnings	-7,411	-6,984	-8,823	26.3%
Annual net income	15,046	15,111	20,541	35.9%

The year-on-year increase in sales resulted from higher all-ocable personnel costs. Personnel costs rose due to higher performance-related remuneration and consequently led to a higher allocation to the operating companies of the Alzchem Group.

Other operating income mainly includes the recharging of premiums from Group insurance policies to affiliated com-

5.1.1. RESULTS OF OPERATIONS

The annual result of Alzchem Group AG is calculated as follows:

in EUR thousand	2019	2020	2021	Change
Revenues	4,554	3,678	4,100	11.5%
Other operating income	2,268	2,571	3,621	40.8%
Personnel expenses	-3,335	-2,604	-2,984	14.6%
Other operating expenses	-3,416	-3,585	-4,668	30.2%
EBIT	71	60	69	14.9%
Income from investments	22,478	22,091	29,268	32.5%
Interest and similar income	29	51	158	210%
Interest and similar expenses	-122	-107	-131	22.8%
Taxes on income and earnings	-7,411	-6,984	-8,823	26.3%
Annual net income	15,046	15,111	20,541	35.9%

panies. The increase results from higher insurance premiums and their oncharging.

The rise in personnel expenses compared with the previous year is mainly due to the higher performance-related remuneration of the Management Board members as a result of the significant increase in relevant earnings.

Other operating expenses break down as follows:

in EUR thousand	2019	2020	2021
Insurances	2,104	2,424	3,438
Expert opinion and audit expenses	115	96	116
Consulting expenses	473	442	422
Other miscellaneous expenses	724	623	692
Σ Other operating expenses	3,416	3,585	4,668

Other operating expenses mainly include insurance premiums, legal and consulting fees, and expenses for the preparation of expert opinions and the audit of the annual financial statements. Consulting expenses were again incurred in connection with interim and annual financial statements and for capital market and commercial law. The year-on-year

increase compared to 2020 in insurance expense is based on higher insurance premiums.

The income from investments results exclusively from the profit transfer (including tax allocations) of Alzchem Trostberg GmbH. In the fiscal year 2021, this also included the

profit of EUR 8,792 thousand from the merger of NIGU Chemie GmbH into Alzchem Trostberg GmbH as of July 1, 2021.

Interest and similar income mainly includes interest income from the compounding of non-current provisions in the personnel area and from loan receivables from affiliated companies.

Interest and similar expenses mainly comprise non-cash interest expenses from the compounding of non-current provisions for pensions and other personnel-related provisions.

Taxes on income and earnings result from the current income tax expense of EUR 8,921 thousand (previous year: EUR 7,033 thousand) on the company's taxable profit. This includes the results of the subsidiaries included in the income tax group. In addition, deferred tax income of EUR 98 thousand was recognized (previous year: income of EUR 49 thousand). The change in income tax expense is accompanied by the significant improvement in earnings before taxes.

5.1.2. FINANCIAL POSITION

The company is connected to the cash pooling system of Alzchem Trostberg GmbH. Within the Alzchem Group, Alzchem Trostberg GmbH assumes the Group's internal financing function and thus ensures the short-term liquidity of the subsidiaries and also of the Group parent company through cash pooling.

The liquidity of Alzchem Group AG is therefore directly dependent on the liquidity of the cash pool carrier Alzchem Trostberg GmbH. In anticipation of a continued positive business development of the Alzchem Group, the liquidity of Alzchem Group AG is guaranteed at all times by the financing agreement with Alzchem Trostberg GmbH and its currently available financing instruments.

Due to cash pooling, Alzchem Group AG does not report any cash and cash equivalents at either reporting date.

5.1.3. NET ASSETS

	12/31/2019		12/31/2020		12/31/2021	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Financial assets	230,744	88%	230,744	86%	230,744	81%
Non-current assets	230,744	88%	230,744	86%	230,744	81%
Receivables and other assets	31,209	12%	37,088	14%	52,176	18%
Cash and cash equivalents	0	0%	0	0%	0	0%
Current assets	31,209	12%	37,088	14%	52,176	18%
Prepaid expenses and deferred charges	254	< 1%	280	< 1%	258	< 1%
Deferred tax assets	343	< 1%	388	< 1%	485	< 1%
Σ Assets	262,549	100%	268,500	100%	283,663	100%

Receivables and other assets primarily reflect receivables from affiliated companies and income tax assets. The change compared with December 31, 2020 is mainly due to higher financial receivables from Alzchem Trostberg GmbH as a result of the accumulated profit and loss transfer claims.

The allocation of deferred tax assets to the companies in the income tax group according to causation (the basis for this is provided by the so-called tax allocation agreements pursuant to sec. 304 AktG, sec. 16 KStG, DRS 18) means that the differences arising from the different valuations of the pension provisions are essentially recognized in the deferred tax assets in the company.

	12/31/2019		12/31/2020		12/31/2021	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Capital						
Equity	255,194	97%	262,673	98%	274,393	97%
Provisions	4,723	2%	2,704	1%	4,794	2%
Liabilities	1,312	1%	1,832	1%	3,213	1%
Deferred income	498	< 1%	471	< 1%	444	< 1%
Deferred tax liabilities	823	< 1%	820	< 1%	819	< 1%
Σ Capital	262,549	100%	268,500	100%	283,663	100%

The increase in provisions is mainly the result of tax provisions due to the higher taxable income and performance-related personnel provisions due to the improved underlying EBITDA of the Group.

Liabilities mainly relate to affiliated companies and primarily result from VAT liabilities of Alzchem Group AG as the controlling company to the integrated controlled companies.

5.1.4. FINANCIAL PERFORMANCE INDICATORS

Key figure	Calculation	Unit	2019	2020	2021	Change
Sales	Absolute value	EUR thousand	4,554	3,678	4,100	11.5%
EBIT	Earnings before interest, income from investments and income taxes	EUR thousand	71	60	69	14.9%
Annual net profit	Absolute value	EUR thousand	15,046	15,111	20,541	35.9%

The business model of Alzchem Group AG does not require any non-financial performance indicators.

5.2. COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The full forecast at the level of Alzchem Group AG for the fiscal year 2021 was as follows at the time the annual financial statements for the fiscal year 2020 were prepared:

	Unit	2020	Forecast 2021
Sales	EUR thousand	3,678	slightly rising to sharply rising
EBIT	EUR thousand	60	slightly rising to sharply rising
Annual net profit	EUR thousand	15,111	slightly rising to sharply rising

The review of the forecast as of December 31, 2021 shows the following developments in the fiscal year 2021:

	Unit	2021	Development 2021
Sales	EUR thousand	4,100	increased particularly sharply
EBIT	EUR thousand	69	increased particularly sharply
Annual net profit	EUR thousand	20,541	increased particularly sharply

The forecasts for all key figures were exceeded.

Derived from the Group forecast and its material impact on Alzchem Group AG (financial statements prepared in accordance with commercial law), the company issues the following forecast for Alzchem Group AG for the fiscal year 2022:

5.3. FORECAST REPORT OF ALZCHEM GROUP AG (SINGLE COMPANY)

Forecast for 2022	Unit	2021	Forecast 2022
Sales	EUR thousand	4,100	slightly increasing
EBIT	EUR thousand	69	slightly increasing
Annual net profit	EUR thousand	20,541	noticeably decreasing to noticeably increasing

Alzchem Group AG's operating revenues will experience an increasing trend in the fiscal year 2022 due to an expected higher allocation of personnel costs.

The key figure EBIT is positively influenced mainly by the cost-plus allocation of management as well as assistance, financing, personnel and consulting services.

With regard to annual net profit, a noticeably decreasing to noticeably increasing result from profit and loss transfer is expected in line with the above explanations and the Group forecast. This takes into account that the one-off effect from the merger of Nigu Chemie GmbH in 2021 will not again have a positive impact on annual net profit.

6. RISK AND OPPORTUNITY REPORT

To provide for the legally required monitoring of material business risks by the Management Board and the Supervisory Board, an internal control system to ensure proper and effective accounting (secs. 289 para. 4, 315 para. 4 HGB), a compliance management system and an early risk detection system in accordance with sec. 91 para. 2 AktG are in place.

Due to the profit and loss transfer agreement with Alzchem Trostberg GmbH, the risk and opportunity situation of Alzchem Group AG basically corresponds to that of the Alzchem Group. Consequently, the following risk and opportunity report refers to both the Alzchem Group and Alzchem Group AG.

6.1. RISK REPORT

Risk management is carried out through regular meetings and reports by the respective committees, bodies and specialist departments. This includes regular meetings, reporting and related coordination.

In addition, strict debtor and creditor management is carried out with regard to a timely dunning process including internal credit management for all debtors. Here, maximum volumes have been defined per debtor, which must not be exceeded. In addition, there is rolling, short-term and long-term earnings and financial planning with a monthly liquidity forecast. Monthly project plans within the framework of the REACH regulation (regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals; REACH is the European chemicals regulation for the registration, evaluation, authorization and restriction of chemical substances. It has been in force since 2007 and aims to ensure a high level of protection for human health and the environment. At the same time, it aims to ensure the free movement of chemicals in the internal market and to promote competitiveness and innovation) ensure the unimpeded flow of goods to the customer. In the energy sector, Alzchem works closely with external consultants.

The risk management of the Alzchem Group comprises the entirety of all measures for a systematic and transparent handling of risks and is an integral part of corporate ma-

agement due to its interlocking with the controlling processes. Every year, a standardized risk inventory is carried out using the enterprise risk management approach. A catalog with corresponding risk categories serves to identify all relevant risks as completely as possible. In addition, standardized evaluation and reporting tools are available for the recording and assessment of risks. Depending on the type of risk, various instruments such as Monte Carlo simulations, sensitivity or scenario analyses are used for assessment and evaluation. The scaled risk volume is determined taking into account the probability of occurrence and the extent of damage. The aim of this measure is the early identification, assessment and management of those risks that can significantly influence the achievement of the strategic, operational, financial and regulatory objectives of the company.

For the assessment of risks, the expected effects of the extent of risk in their specific manifestations (very low, low, medium and high) are weighted with their individual probability of occurrence (very low, low, medium and high) and then converted into a point value on a three-stage scale. The level of the point value then determines the classification of the risk significance as low, medium and high for the net assets, financial position and results of operations. Measures already taken to limit risk reduce the risk significance rating.

The valuation is based in detail on the following assumptions:

	very low	low	medium	high
Probability of occurrence	< 10%	10% - < 30%	30% - < 50%	from 50%

A period of three years is considered to be the period of observation. If risks lie in the more distant future, these were also recorded, whereby the time horizon was taken into account when estimating the damage.

The extent of risk is based on the following assumptions, which serve as an indicator of the impact on the net assets, financial position and results of operations:

	very low	low	medium	high
Extent of risk from EBITDA	< 2%	2% - < 10%	10% - < 25%	from 25%

The scope of risk consolidation corresponds to the scope of consolidation used for accounting purposes. The risks do not differ significantly between the segments or are not concentrated in just one segment due to the "Verbund structure". Rather, the risks described in the following are present throughout the Group and across all segments.

In the course of this risk management process, the following issues have been identified which could have a significant

or significantly adverse effect on the future development of the company.

The risk management system presented here focuses primarily on business risks, but also takes advantage of opportunities. The opportunity management process is also integrated into the internal controlling processes and is carried out in the operating segments on the basis of the corporate strategy.

6.1.1. COVID-19 RISKS

The COVID-19 situation may be worsening again, as the number of new infections caused by the omicron variant is rising again in many countries. The number of cases and the severity of the disease vary greatly from country to country, depending on the vaccination coverage. The respective impact of the pandemic therefore varies considerably between regions and customer sectors. Governments and local authorities are working to contain the spread of infection by implementing various countermeasures, such as contact restrictions, adherence to minimum hygiene standards, wearing of respirators, mandatory vaccination, as well as vaccination and testing services to avoid widespread curfews and restrictions on the opening of certain sectors of the economy. Depending on epidemiological trends and political pressures, governments are expected to relax economic restrictions to reduce associated harm. The extent and duration of individual impacts on our business are difficult to predict. For example, if containment measures are initiated on short notice or take an unpredictably long time, it may significantly impact the Group's business in ways that exceed current expectations and go beyond mitigation measures already in place. We could face unexpected closures of our suppliers' sites, customers' sites or our own operations, which would impair our ability to produce or deliver our products and services. The most material uncertainty of the COVID-19 crisis is its continued duration. Influencing factors include, for example, further waves of infection, mutations of the virus, the evolution of global vaccination progress, and the economic cost of restrictions. Since the third quarter of the fiscal year 2020, we have felt the impact in our businesses. The longer restrictive measures such as curfews last, the more profound the potential consequences could be, such as an unchecked increase in public and private debt burdens hampering post-crisis recovery, or severe disruptions to the financial system or critical infrastructure, as well as bankruptcies among our customers and suppliers. Analyses have been conducted and measures taken in all functional areas of Alzchem to carefully monitor and mitigate the various impacts of COVID-19. In addition to the economic effects and ensuring smooth operations, the focus of action is on the health of the workforce at all our sites. Management regularly reviews the effectiveness of the measures taken and makes adjustments at short notice if necessary.

With regard to the COVID-19 risks, Management assumes a high probability of occurrence and a low to medium impact on the net assets, financial position and results of operations.

6.1.2. OPERATING RISKS

6.1.2.1. RISK OF RISING PROCUREMENT PRICES

The most important basic materials for Alzchem's carbide/calcium cyanamide-based product portfolio are lime, coke and electrical energy. In addition, a number of chemical raw materials are required for the production process. The market prices for lime, coke and energy, as well as other chemical raw materials, are subject to considerable fluctuations. In addition to these important basic raw materials, the Group mainly sources chemical raw materials from Asia. Supply chain interruptions, unexpected production stoppages and lack of reliability on the part of suppliers are latent risks which Management must always take into account. Despite the strict pursuit of a "multiple sourcing strategy", certain supplier dependencies cannot be completely ruled out, which additionally increases the complexity of the supply chain process.

Alzchem procures energy primarily in the form of electricity, but also in the form of natural gas. Energy costs are influenced by various factors, including the availability of certain energy sources and fluctuations in energy prices. Energy prices, particularly electricity prices, may increase in the future. The energy costs of large energy-intensive companies are particularly dependent on the regulatory environment. This includes taxes and certain regulatory levies on energy consumption or grid usage, which can represent a significant portion of energy costs for large energy-intensive companies. In Germany, these taxes and levies could be increased in the future to offset the higher costs resulting from the phase-out of nuclear energy and the switch from fossil to renewable energy sources. In addition, Alzchem relies on certain exemptions from levies and taxes on energy.

The company has short- and medium-term electricity supply agreements with fixed electricity prices for certain quantities of electricity. On the one hand, this mitigates the risk of rising electricity prices to a certain extent, but on the other hand, these agreements are associated with relative disadvantages for Alzchem compared to competitors in a scenario of falling electricity prices. In addition, Alzchem in Germany is dependent on the respective suppliers fulfilling their contractual obligations to deliver the agreed volumes of electricity at the fixed price.

The prices that Alzchem must pay for certain raw materials are subject to fluctuation. Since Alzchem's primary raw materials are natural raw materials, their price is generally determined on the basis of general mining and production volumes as well as industry demand. It is true that Alzchem has defined procurement strategies for the most important raw materials and, where possible, concludes long-term supply agreements or annual contracts to minimize price and volume risks. Nevertheless, the company is not always in a position to completely eliminate the risks arising from price fluctuations for raw materials. In addition, it cannot be ruled out that Alzchem may be tied to higher prices in times of falling raw material prices due to long-term supply contracts but may not be able to conclude advantageous supply contracts in times of rising prices.

Against the background of the current substantial cost increases on the commodity markets as well as on the energy exchanges, the Group will most likely experience a high impact on its net assets, financial position and results of operations in 2022, unless this can be offset by passing on costs to our customers via product prices.

In addition to the primarily market-driven risk factors, political uncertainties will play a key role this year and very likely in subsequent years. What additional electricity price burdens can be expected from the shutdown of the last German nuclear power plant? What impact could Ukraine conflict have? How does Germany intend to ensure an independent power supply without nuclear and coal-fired power plants? When will the expansion of renewable energies pick up speed in such a way that sustainable amounts of electricity are available? How will a base-load supply be ensured without nuclear or coal-fired power plants? How quickly will necessary gas-fired power plants be approved and built? How quickly is the necessary transmission grid expansion moving forward? How will German industry be protected from cheap (since EUA-free) nuclear power products from other European countries and third countries? How is the gap between electricity demand and electricity production in Germany, which has now also been acknowledged by the Federal Ministry of Economics, to be closed? How is an industrial sector such as the chemical industry supposed to rely more on electricity as a raw material if its price increases by approx. 400% within twelve months?

This list does not claim to be exhaustive, but it shows very clearly that the Group and chemical production in Germany are facing a very unstable future that is difficult to plan.

Against the background of the developments and risks described above, Management has adjusted its assessment of probability and impact compared with the previous year and assesses the risk as having a high probability of occurrence and a high impact on the net assets, financial position and results of operations of the Group.

6.1.2.2. LOGISTICS RISK

Alzchem supplies many countries around the world and sources its raw materials from China, India, Japan, NAFTA, the EU and a large number of other countries. Against this background, the company is dependent on a functioning international and national supply chain.

The problems within logistics are manifold. On the one hand, employees have fallen ill with COVID-19 or are in quarantine. Due to necessary quarantine measures, there is a risk that entire departments will be unavailable and the trained specialists will no longer be available. In addition, closed internal borders within the European Economic Area were or are another problem that endangers or at least complicates the supply. At the borders, trucks are sometimes backed up for kilometers because border controls take a long time and the trucks are often only allowed on after a long delay.

Due to the various stages of shutdowns in Germany as well as other European countries, there is also a lack of suitable infrastructure for the employees of freight forwarding and logistics companies. The German transport industry warns against a hasty introduction of a general vaccination obligation in Germany. In case of doubt, this could lead to thousands of drivers coming from abroad being refused entry to Germany because they have been vaccinated with vaccines such as Sputnik. Due to the acute shortage of drivers, freight space is in short supply anyway. According to the German Road Haulage, Logistics and Waste Disposal Association (BGL), Germany has a shortage of 60,000 to 80,000 truck drivers, with the gap growing by 15,000 a year.

Source: <https://www.abendblatt.de/wirtschaft/artikel234066521/Logistikbranche-warnt-wegen-Fahrermandats-vor-Impfpflicht.html> (12/11/2021, 10:09 am)

In shipping, there is a lack of container availability, a lack of transport capacity, unpunctual ship arrivals, and quality deficits with sharply rising transport costs. These have impacted supply chains and, in some cases, production processes. In addition, there are also indirect consequences for the

shipping companies, as the transport of empty containers is another important task of many freighters. If these empty containers now fail to arrive, German export goods will pile up in the terminals of the ports. In addition, many companies are simply unable to collect their delivered goods. Logisticians are increasingly focusing on securing basic medical and food supplies. Other containers, for example, with clothing, are simply left behind and increasingly jam up in the terminals. This complicates the supply chain for shipping companies. The coronavirus continues to affect the daily work of maritime logistics - more severe effects are conceivable.

The German Council of Economic Experts also sees significant risks to the development of the German economy due to the prolonged supply bottlenecks.

Source: annual report November 10, 2021; <https://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2021.html#einzelkapitel> (12/23/2021, 10:00 am)

With regard to logistics risks, Management assumes a high probability of occurrence and a low to medium impact on the net assets, financial position and results of operations.

6.1.2.3. MARKET RISK

Alzchem offers a large number of different chemical products based on the NCN chain in diversified markets, some of which are cyclical, highly volatile and sensitive to, among other things, consumer spending and preferences, consumer confidence and income, unemployment rates, interest rates and energy prices. As a result, demand for Alzchem's products may be adversely affected by adverse developments in diversified sectors and industries, particularly in the agricultural, feed, pharmaceutical, cosmetics, chemical, metals, renewable energy, automotive and nutrition markets.

In the agricultural sector, demand for Alzchem products depends on the level of production, which is why the company is exposed to seasonal fluctuations as well as meteorological and climatic conditions. Since the company generally sells its products through wholesalers or importers, changes in retailing in this sector, such as a potential shift to other wholesalers or importers or to direct marketing, could have an adverse effect. In addition, Alzchem's products are designed for certain methods of industrialized agriculture, so a shift in consumer preferences toward agricultural products

from non-industrialized agriculture could indirectly lead to a decline in demand. In addition, technological progress, for example in the area of genetic engineering, may lead to increased use of other agricultural methods for which Alzchem's products are no longer needed or are needed only to a limited extent. In the short to medium term, there is a risk that Alzchem products will be suspended from use in the fields for, say, 1 year and will not be used again until the raw material, natural gas and electricity price situation has normalized. Rising raw material prices make it inevitable for Alzchem to raise its sales prices. If the farmer's input prices increase faster or more significantly than his sales prices, the farmer is also forced to put short-term cost optimization and, in case of doubt, even insolvency avoidance before maximizing efficiency.

In the animal feed and agrochemicals industry, a change in consumer habits and preferences, for example an increasing trend to consume only meat from organic livestock, could lead to a decline in demand for Alzchem's products. If consumers decide to consume less meat, it is possible in principle that this could also have a negative impact on demand for Alzchem products.

Cost increases and thus necessary adjustments in our sales prices could result in customers foregoing additives from Alzchem and thus efficiency improvements, animal welfare and animal health in favor of short-term cost optimization.

In the pharmaceutical, cosmetics and chemical industries, the drugs for which Alzchem manufactures chemical building blocks generally go through a product life cycle at the end of which a new generation of the drug is launched on the market. There is a risk that Alzchem's products will no longer be needed in future generations of the drugs concerned, or that customers will purchase them from another supplier. In the area of cosmetics, the company is exposed to the cyclical fluctuations of consumer markets, while in the case of products for the chemical industry there is a risk of a decline in demand as a result of an economic downturn.

In the steel industry, demand for Alzchem's products is also exposed to the risk of an economic downturn. In addition, technological changes in steel production, such as the use of hydrogen or a possible shift towards steel production from scrap, which does not require desulfurization, could lead to a decline in demand for Alzchem products. After the European steel industry lost ground to competitors from

China, India, Russia, as well as Turkey in the past and saw a trend towards consolidation, it cannot be ruled out that these developments will also have a negative impact on Alzchem.

In the renewable energy sector, Alzchem is exposed to developments in the photovoltaic and wind energy industries, both of which are innovative industries with potential for continuous technological change that could lead to a decline in demand for Alzchem's products or even make them obsolete.

In the automotive industry, Alzchem is particularly dependent on demand for passenger cars and commercial vehicles, which is directly linked to the state of the global economy. For example, an economic slowdown in China, which is now the world's largest market for passenger cars and commercial vehicles, would have a negative impact on demand for vehicles. The chip crisis has already had an impact on the Group's business development in 2021 and will continue to accompany car manufacturers and Alzchem's customers beyond 2022. This development is predicted by the Roland Berger consulting agency in view of the growing demand for semiconductors in other industries worldwide. While demand is rising by 17% annually, production is only increasing by 6%. In addition, additional capacity is being built up primarily for the latest generation of chips. However, the auto industry is mainly short of older versions. Experts do not expect the situation to ease until 2023 at the earliest.

Source: Steering through the semiconductor crisis (A sustained structural disruption requires strategic responses by the automotive industry December 2021 Roland Berger) <https://bit.ly/3GGhZnK>

In the nutrition sector, Alzchem's dietary supplements are exposed to the cyclical fluctuations of the consumer markets. In addition, demand depends on the general acceptance of dietary supplements.

In certain segments and industries in which Alzchem operates, customers typically adjust their sourcing activities to reflect expected growth rates in their respective markets. In the event of an actual or expected economic downturn, these customers seek to reduce their working capital and inventories, which may result in a significant decrease in the sales volume of Alzchem's products. In times of recovery,

customers tend to restock their inventories, which can result in higher demand for Alzchem's products. This restocking and destocking affects both actual and forecasted demand for Alzchem's products and may result in unexpected or unexpectedly large fluctuations in demand. This, in turn, may result in unforeseen changes in Alzchem's production volumes and production capacity utilization, which are highly correlated to the company's operating results due to the costs and investments required to operate its production facilities.

A decline in demand in one of Alzchem's markets could have a material adverse effect on Alzchem's business, results of operations, financial condition and cash flows, particularly in this currently very volatile economic environment.

With regard to market risk, Management assumes a medium to high probability of occurrence and a medium impact on the net assets, financial position and results of operations.

6.1.2.4. COMPETITION RISK

Alzchem faces different levels of competition with its various products. The company is a regional leader in some areas because international competitors are less active in these regions due to the geographical distance and the chemical specifications of the products concerned. In other areas, on the other hand, there is intense competition. In some key markets, the main competitors are from China and India, where they benefit from cost advantages in the areas of human resources, energy, waste management and the environment. In other markets, Alzchem competes with well-established and strong competitors from leading industrial regions, which are often global and have global distribution networks.

Some competitors – mainly in emerging markets – may deliver certain products below the normal market prices, forcing Alzchem to lower their sales prices, which could have material adverse effects on margins and profitability. Various factors may affect the price at which a competitor is prepared to deliver its products, including access to cheap commodities and government grants to which Alzchem has no access. In addition, state-owned or state-supported competitors could resort to dumping measures such as capacity increases and/or price reductions.

Alzchem's ability to maintain or increase profitability hinges on the ability to offset falling product prices and margins by improving production efficiency and increasing sales volumes, focusing on individualized, higher-margin products, and improving existing products and applications through innovation – all measures that competitors may be able to implement better and more cost-effectively than Alzchem. For many products, there are also other criteria besides price, such as the performance and quality of the product, pricing strategies, product availability and security of supply. It is possible that competitors will be more successful in meeting customer requirements for product features and cost-effectively producing. In the future, price competition for a larger portion of Alzchem's products could increase, forcing Alzchem to lower its prices.

The competition could also be intensified by new entrants or companies consolidating their business activities and achieving economies of scale. Some competitors have or may have higher production capacities than Alzchem and may have more financial resources. These competitors could also have much greater operational and financial flexibility than Alzchem and therefore may be better able to withstand volatility in their respective market, commodity and energy price changes or unfavorable economic conditions.

In addition, Alzchem may face increasing competition from companies that offer products based on alternative materials, technologies and processes, and that may be more competitive or superior in price or performance, thus gaining current customers of Alzchem, leading to a decline in sales at Alzchem.

The occurrence of one or more of the risks described above could have material adverse effects on Alzchem's net assets, financial position and results of operations.

In terms of the competition risk, Management assumes a medium to high probability of occurrence and a very low to low impact on the net assets, financial position and results of operations.

6.1.2.5. SUBSTITUTION RISKS

In the chemical sector, there is a latent risk that individual compounds will be replaced by other chemical substances or compounds. However, this is expected to be so small that the impact on the net assets, financial position and results of operations will be very low.

In the market environment of agriculture and metallurgy, there is a latent risk of substituting certain substances, e.g. magnesium-based hot metal desulphurization instead of calcium carbide-based hot metal desulphurization or at the use of calcium ammonium nitrate 27% N or ammonium nitrate-urea solution 30% N instead of Perlka®. The Group counteracts these risks by developing customer-specific products, intensive technical support and advice to customers, and joint (new) product development geared specifically to the needs of the customer.

Particularly in agriculture as well as animal nutrition, application consulting and intensive customer contact are required, so that Alzchem is able to reduce the net risks through the established structures, and thus the impact on the net worth, financial and earnings position can also be classified as low to medium.

In addition to the substitution risks of the market, the Group is also exposed to the risk of substitutions based on regulations and laws. Alzchem works very closely with a large number of renowned scientists in order to comply with all current and future legal requirements. Nevertheless, it cannot be ruled out that individual substances may no longer be placed on the market in the short, medium or long term.

With regard to the substitution risks through regulations and laws, Management assumes a low to medium probability of occurrence and a low to medium impact on the net assets, financial position and results of operations.

6.1.2.6. DISTRIBUTION RISKS

Despite the high product diversification of the Group portfolio, there is a certain concentration on the customer side. Alzchem supplies a large number of global players in the worldwide chemical industry and is therefore exposed to a risk inherent in the industry. This is countered by a broad product range and contract-based cooperation. In parallel with customer-specific product developments, substances for a wide range of applications are researched, sampled and manufactured.

The ongoing trend of relocating research and development (R&D) and services is having a lasting impact on the chemical industry in Germany. The impact on Alzchem could be that value chains are created abroad and Alzchem is no longer involved here. R&D is now more market-driven than ever. Many markets outside Germany are developing rapidly and have their own local product needs. As a result, there is an increase in local product development, which subsequently creates local markets that may no longer be able to be served by Alzchem's sales channels.

The conversion of Creamino® sales to own distribution could lead to customers buying less, as Alzchem is less well known and is not perceived as an animal feed expert. In this context, Alzchem is subject to a latent risk purely due to the fact that market approach is now done directly through or by the Alzchem sales organization. Starting in 2019 and completed in 2020 and 2021, respectively, a complete sales organization and application technology could be established. Creamino® is very well positioned and established on the market worldwide, and we have a globally functioning sales organization in agriculture. We are now expanding this range sustainably and substantially with Creamino®. New regions and new animal species are also already on our agenda. We currently expect the growth curve to take a short breather, mainly due to COVID-19, but could continue to rise steadily in the long term.

With regard to distribution risk, Management assumes a low to medium probability of occurrence and a very low to low impact on the net assets, financial position and results of operations.

6.1.3. FINANCIAL MARKET RISKS

6.1.3.1. CURRENCY RISK

The reporting currency of Alzchem is the euro (EUR). However, Alzchem owns subsidiaries in the US, Sweden and China, which are accounted for in the local currency, i.e. in US dollars, Swedish krona or Chinese renminbi. In addition, Alzchem operates in a large number of countries around the world. Consequently, the company is exposed to risks due to exchange rate fluctuations, in particular with regard to the exchange rate between the euro and the US dollar (USD), the Chinese renminbi (CNY), the Japanese yen (JPY) and the Swedish krona (SEK).

Assets and liabilities of foreign subsidiaries are translated into euros at the exchange rate prevailing at the end of the reporting period. Income statements of foreign subsidiaries are translated into euros at the average exchange rate during the period. Accordingly, if other currencies fluctuate against the euro, the other result and thus the equity of Alzchem will increase or decrease.

Alzchem Group companies enter into transactions in currencies other than their functional currencies. These transactions are booked in the applicable functional currency of the relevant company using the exchange rate on the day of initial booking. Subsequent changes in this exchange rate will result in gains or losses on currency translation reported in the consolidated income statement under other operating income or other operating expenses. Thus, Alzchem is exposed to the risk that currency translation will result in losses and that any income from currency translation will be lower than in previous periods.

Additional currency risks arise from exchange rate changes in recorded financial and operating positions (including receivables and payables) and expected operating positions. These items include commodities and/or the sale of products whose prices are denominated in currencies other than the functional currency of the operating unit. Unfavorable exchange rate changes could result in higher costs or lower sales than expected at the time of the contract, as well as lower margins. The transactions concluded by Alzchem Group companies in foreign currencies relate to the procurement of raw materials and the sale of goods. In particular, the purchase of raw materials is to a large extent in USD and CNY. In addition, a significant portion of sales is in USD, CNY and JPY. Although Alzchem's US dollar-denominated purchases and sales are to a certain extent a "natural hedge", the cost of US dollar-denominated purchases during the reporting period was less than half of the value of US dollar-denominated sales in those periods. As a result, changes in the USD, CNY and/or JPY exchange rates against the EUR may have a significant impact on Alzchem's financial position and results of operations.

In addition to the direct impact on Alzchem's consolidated income statement and therefore the company's consolidated equity base, foreign exchange movements may also affect the operating business. Changes in foreign exchange rates (such as an appreciation of the EUR against the JPY and a depreciation of the EUR against the USD/CNY) would

negatively affect Alzchem's competitiveness in certain markets.

Risks arising from exchange rate fluctuations and insufficient hedging against them could have a material adverse effect on Alzchem's net assets, financial position and results of operations as well as business situation.

Although the probability of occurrence is regarded as low to medium, the effects on the net assets, financial position and results of operations are classified as very low to low.

In addition to the risks described above, Alzchem is also subject to possible negative influences from currency losses in so-called high-inflation countries due to its global market presence. The company considers these risks to be very low for the Alzchem Group and counters them by, among other things, avoiding delivery in the affected currencies.

6.1.3.2. INTEREST RATE DEVELOPMENT AS A RISK FOR PENSION OBLIGATIONS

The Alzchem Group has obligations to current and former employees from pensions and other post-employment benefits. Changes in relevant valuation parameters, such as the discount rate, mortality rates, wage and salary increase rates, and pension growth rates, may result in an increase in the present value of pension obligations. The provision for pensions determined in accordance with IAS 19 was recognized in the amount of EUR 140,005 thousand (previous year: EUR 141,775 thousand) in the Alzchem Group.

Changes in the discount rate develop significant effects within the balance sheet (equity) and income statement (personnel expenses, financial result). The Group takes this fact into account by regularly reassessing the obligations and thus ensuring a high timeliness of the recognized values.

Based on the high volatility of the last twelve months and the continuing high level of uncertainty in the interest rate and monetary policy environment, Management assumes that the probability of occurrence of interest rate risk is high and that it will have a very low impact on the net assets, financial position and results of operations. The Management Board regularly carries out scenario analyses with regard to compliance with the financial covenants, thus ensuring that changes are identified at an early stage and that countermeasures can be initiated on this basis.

6.1.3.3. LIQUIDITY RISKS

A central financing department is in place to manage the Group's liquidity risks, which among other things ensures the liquidity of the Group companies via a cash pooling structure. In addition, a broadly diversified financing structure ensures the financial independence of Alzchem. The company is of the opinion that the available financing instruments can ensure an adequate supply of liquidity at all times. Existing credit risks arising from financial contracts are systematically reviewed upon conclusion of the contract and monitored on an ongoing basis thereafter.

With regard to the liquidity risk, Management assumes a very low probability of occurrence and a very low to low impact on the net assets, financial position and results of operations.

Alzchem had not entered into any hedging transactions (sec. 315 para. 2 no. 1 HGB) as of the reporting date of December 31, 2021, so that no risks to or effects on the net assets, financial position and results of operations are expected as a result.

Alzchem addresses market opportunities and risks as well as liquidity and default risks from financing instruments through an active risk management approach. By actively monitoring cash flows, Alzchem can minimize latent risks and initiate appropriate countermeasures at an early stage.

6.1.3.4. INFLATION RISKS

Like all other economic players, Alzchem is currently in an environment of steadily rising inflation. For a healthy, growing economy, it is important that the value of money remains as stable as possible. Even a supposedly slight increase in inflation rates could cause enormous damage: An annual price increase of 4% – just 2 percentage points above the Eurosystem's target value – halves the value of money after 18 years and thus halves savings.

Moreover, inflation stands in the way of growth and prosperity in many ways:

- Inflation prevents the efficient use of resources: Prices give signals about scarcity and surplus in markets. In this way, they ensure that resources, such as labor and capital, are used where they are most needed. Inflation impairs this signaling function. This is because only when prices are generally stable can companies and consumers clearly conclude that there is a shortage of the good in question when prices rise.

- Tax systems are generally not inflation-proof. A higher price level therefore leads to higher burdens without an increase in economic performance. This tends to weaken the forces of growth.
- Higher inflation rates often also mean more fluctuating inflation rates. These fluctuations pose a risk for investors and entrepreneurs, making long-term investments more difficult.
- Unexpected and fluctuating inflation leads to an arbitrary redistribution of income and wealth. This can lead to an undermining of confidence in property rights.
- In most cases, inflation also results in social dislocation. Socially weaker employees have little bargaining power with regard to the remuneration of their work. Socially weaker households can hardly protect their savings against inflation.

The possible consequences of inflation show how important it is for the value of money to remain stable.

Source: speech text Deutsche Bundesbank "Alles fließt? Zur künftigen Rolle der Geldpolitik", ZEW Wirtschaftsforum 2021 06/14/2021 Jens Weidmann (<https://www.bundesbank.de/de/aufgaben/themen/welche-risiken-birgt-inflation--663278>)

If we consider the consequences of inflation for economic variables, the following can be stated.

- Wage gap: also referred to as "wage lag". This means that wage increases generally follow price increases only with a time lag. This means that, at least temporarily, employees' wages lose purchasing power. A subsequent inflationary adjustment can thus easily trigger the so-called "wage-price spiral". It expresses the fact that a higher wage leads to a price increase again. At Alzchem, higher wages result in increasing costs and could force the company to make further price increases. After the current price increases due to higher raw material and energy prices, it is at least questionable how the market would receive the new inflation rates.

- Interest rate gap: As in the case of wages, interest rates also adjust to higher prices only with a time lag. As a result, creditors lose and debtors gain. In other words, it always depends on who is borrowing or lending. In new lending, Alzchem could face higher interest rates, which may make it more difficult to extend credit.
- Pension gap: Pensions also only adjust to the increased price level with a time lag. As a result, the purchasing power of this group falls and they are among the inflation losers. In principle, this "gap" can also be formulated in more general terms: Every group that receives transfer income from the state, etc., loses out as a result of the delayed adjustment due to inflation. The downstream attempts to close the pension gap could lead to higher pension obligations and thus higher later pension payments by adjusting the actuarial parameter "pension trend".
- Flight into tangible assets: Inflation means that money loses purchasing power. Consequently, it is no longer attractive as a form of investment. Instead of saving their money and investing it in the capital markets, economic agents try to convert their financial assets into tangible assets. For example, they are now increasingly acquiring real estate or other items regarded as stable in value. Since not all investments are made entirely with the company's own cash, this effect could in turn lead to a tightening and tightening of lending by banks, as a result of which Alzchem might have to meet higher requirements when granting new loans.

Ultimately, inflation unsettles the economy through the loss of price functions (measuring instrument, economic lever, distribution instrument). In the medium term, it thus discourages further investment.

Source: "Inflationsfolgen: Gewinner und Verlierer der Inflation" 11/08/2017 Think About Nadine Behncke (<https://thinkaboutgeny.com/inflationsfolgen#tab-con-18>)

With regard to inflation risk, Management assumes a high probability of occurrence and a low impact on the net assets, financial position and results of operations.

6.1.4. REGULATORY RISKS

6.1.4.1. ENERGY LAW

In Germany, Alzchem is currently benefiting from cost and tax reductions and exemption regulations for electricity costs under the Renewable Energy Act (EEG), the Combined Heat and Power Act (KWKG), the Electricity Fee Ordinance (StromNEV), the electricity price compensation and certain exemption regulations with regard to electricity tax. All of these regulations allow energy-intensive industries to operate at a lower cost of electricity to enable their overall competitiveness. Taken together, these regulations result in significant reductions in Alzchem's energy costs.

Without these discounts, Alzchem would not be able to operate competitively and would have reported negative operating results in all reporting periods. In this respect, a negative development for the Group could have an adverse effect.

The EEG regulates the financial support of energy from renewable sources. Moreover, as a basic principle, utilities have to pay the so-called EEG levy to finance the promotion of renewable energy for every kWh of electricity they supply to end users. Utilities pay the end users the EEG surcharge. However, under certain conditions, the EEG provides for reductions in the EEG surcharge for energy-intensive companies in selected sectors (the special compensation scheme was approved by the EU Commission in July 2014 for ten years under state aid law). This reduction can be granted annually at the request of the Federal Office of Economics and Export Control (BAFA). In the past, Alzchem has benefited from reductions in the EEG surcharge at three points of sale and also used this reduction scheme in 2021. With the resolution of the so-called Energy Collective Act in December 2018, new requirements were imposed on the application concerning the special compensation schemes. Alzchem still considers itself in a position to meet the application requirements for the year 2023 and will submit the required documents on time by June 30, 2022.

The previously valid European guideline for state aid for climate, environmental protection and energy expired at the end of 2021. The EU Commission presented a new guideline in 2021. This guideline can be seen as an "umbrella guideline" for further regulations of the member states in this context. In Germany, the EEG Act, among other things, is incorporated into this framework. This directive is thus a framework,

but not a law in the individual member states. Each member state must now transfer these directives into its national laws.

We assume the following schedule for the transfer to the German EEG:

- Start EU Guideline on 01/01/2022
- Adoption into German law by 01/01/2023 or 2024
- Application in the EEG as of the application year 2024 or 2025

Source: https://ec.europa.eu/competition-policy/public-consultations/2021-ceeag_de (12/27/2021, 1:00 PM)

Anticipated impact on Alzchem:

- Alzchem is assigned to industry sector 20.14 and can therefore make use of the special compensation scheme sec. 63 ff. EEG even beyond 2021.
- With the change of the so-called supercap regulation, a significant increase of the EEG cost burden of up to 300% additional costs is assumed.

The StromNEV contains regulations on network charges. According to sec. 19 para. 2 StromNEV, energy-intensive companies that consume at least 10 GWh at a collection point and reach a number of hours of use of at least 7,000 hours (calculated as the quotient of the electrical work extracted or fed in per year and the highest load extracted or fed in that year – sec. 2 no. 3 StromNEV) per year are entitled to an individual network fee for the respective collection points. On this basis, Alzchem is currently benefiting from reduced network charges for the points of sale in Hart and Trostberg.

Under the KWKG, a moderate financing for combined heat and power (CHP) is provided. This financing is based on a surcharge on the network charges (KWKG surcharge) and thus leads to an increase in the general energy prices. This surcharge is always charged in full with an annual consumption of up to 1 GWh. However, energy-intensive companies such as Alzchem benefit from a limitation of the KWKG surcharge. Following discussions between the German Government and the European Commission, the KWKG, and in particular the regime for energy-intensive companies, has

been amended to bring it into line with EU state aid rules. Under the regulations, which came into force on January 1, 2017, companies meeting the requirements for reducing the EEG surcharge are also entitled to a reduction in the CHP levy. In its press release of May 23, 2017 (European Commission – press release, Brussels, May 23, 2017 “State aid: Commission approves reductions in CHP levies for energy-intensive companies in Germany and Italy” IP/17/1440), the EU Commission approved under the EU State aid rules the rebate for levies for energy-intensive businesses (the Commission’s approval is limited to 10 years according to recital 39 of Decision C (2017) 3400 final of May 23, 2017).

Under the energy price compensation scheme, eligible companies can apply for state aid to be financially compensated for the rising electricity prices due to emissions trading. The state aid is limited to companies from certain economic sectors with particularly high-flow production processes – such as Alzchem. The grant will be granted at the discretion of the competent authority, upon application by the beneficiary; there is no legal entitlement to the grant of the aid. Alzchem has been granted electricity price compensation in the past. The company also expects to receive such electricity price compensation for the future.

The EU ETS (Emissions Trading System) state aid guidelines expired as planned at the end of 2020 and were therefore amended by the European Commission for the 4th trading period (2021 - 2030). The new guidelines define the framework within which the Commission evaluates and approves the electricity price compensation mechanisms introduced by the member states.

The new rules that have now been adopted result in the following fundamental changes, among others:

- The aid intensity decreases from the current 85% to 75%.
 - The list of sectors and subsectors eligible for aid is changed or adjusted from 13 sectors and 7 subsectors to 10 sectors and 20 subsectors.
 - A “cap” on costs for companies particularly vulnerable to carbon leakage will be newly introduced. It amounts to 1.5% of gross value added.
- In order to benefit from electricity price compensation, companies subject to energy audits must meet one of the following conditions:
 - Implement the recommendations in the audit report, provided that the payback period does not exceed three years.
 - Cover at least 30% of their electricity needs from CO₂-free sources.
 - Invest at least 50% of the aid amount in projects that lead to a significant reduction in greenhouse gas emissions (below the EU ETS benchmarks).
- It cannot be ruled out that the amended regulations will have an impact on the granting of electricity price compensation. However, Alzchem currently assumes that the application requirements can also be met in the future and that the electricity price compensation can continue to be claimed.
- Furthermore, Alzchem, as a distribution network operator, is currently benefiting from an agreement with a neighboring distribution network operator that requires both parties to pool two network connections and to calculate a common network charge. In the case of a pooled calculation of network user charges, the network charges generally fall because the cost intensive peak loads are straightened out.
- Pooling is thus beneficial for Alzchem because it reduces network usage fees. However, according to a recent court decision, it is currently unclear whether the legal basis for this pooling, sec. 17 para. 2a StromNEV, is valid. Although the Federal Court of Justice recognized the pooling regulations in two decisions in 2018 (EnVR 22/17 and EnVR 32/17), we believe that a latent residual risk cannot be completely ruled out.
- Furthermore, there is the possibility that the conditions or the scope of the aforementioned cost and tax reductions and exemption regulations –
- the reductions in the EEG surcharge, the network charges and the KWKG surcharge,
 - the electricity price remuneration,
 - the exemptions from the electricity tax, as well as
 - the pooling of network connections and
 - the collection of a common network user charge

– will be amended by new statutory provisions, that these rights are abolished, that regulators exercise their discretionary powers with respect to these privileges to the detriment of Alzchem, or that jurisprudence substantiates legal requirements to the detriment of Alzchem.

While it is likely that some of the cost and tax reductions and exemption regimes for energy-intensive industries will be largely maintained in the future in order to enhance their international competitiveness, there is also a general legislative tendency – often triggered by EU state aid controls – to dismantle corresponding regulations. Cost and tax reductions and exemption regulations for energy-intensive companies have been or are being criticized in the political debate on a regular basis and representatives of certain political parties have repeatedly called for the abolition of existing rights. Therefore, it cannot be ruled out that in future, politically driven, the abolition of rights for energy-intensive industries will be demanded. In addition, legislative measures in other areas of energy regulation, such as restrictions on nuclear power generation in Germany and state support for renewable energy, have led to and could continue to increase energy costs in general.

The grand coalition's agreed climate protection program 2030 is a burden on the manufacturing industry and thus also on Alzchem with additional costs in the future. The Europe-wide, comprehensive certificate trading for all sectors, including the so-called non-ETS plants, will trigger this cost burden for Alzchem. Even though the company has been investing in energy recovery, waste heat utilization and process efficiency for years, annual costs of more than EUR 1 million are conceivable.

All these aspects carry a high risk that Alzchem will have to pay significantly higher energy prices, which would have material adverse effects on the business, net assets, financial position and results of operations.

In terms of risk assessment related to changes in this complex area of law, Management assumes a low to medium probability of occurrence but with a very high impact on its net assets, financial position and results of operations.

Against this background, there is no material uncertainty at the time the financial statements are prepared that could cast significant doubt, individually or collectively, on the company's ability to continue as a going concern.

6.1.4.2. APPROVALS

In 2019, the European Chemicals Agency ("ECHA") published a preliminary opinion prepared on behalf of the EU Commission, which proposes to ban the use of calcium cyanamide as a fertilizer following a three-year transition period. In two consultation processes on this restriction proposal, a total of 122 comments were submitted by stakeholders from numerous EU member states as well as some non-EU countries. All submissions rejected a ban on calcium cyanamide. In April 2021, ECHA submitted the final restriction proposal together with the opinions of two involved technical committees to the EU Commission. The SEAC Committee – responsible for the socio-economic evaluation of restriction proposals – strongly doubts the benefits and proportionality of a ban.

The EU Commission could react to the ECHA proposal in 2022. Based on the doubts expressed by the SEAC Committee, Alzchem assumes that the proposal will not be adopted in this form. Nevertheless, it cannot be ruled out that a ban will be imposed after all.

In the latter case, Alzchem would have to adjust to lower demand for Perlka® and possibly also for other products to which the ECHA argument could be applied. It is not certain whether the three-year transitional period envisaged for a ban on use would be sufficient to fully compensate, in particular for the loss of sales that this would threaten, for example through growth in other markets, areas of application or with other products.

With regard to this risk, Management assumes a medium probability of occurrence and a medium impact on the net assets, financial position and results of operations.

As a globally active company, Alzchem is dependent on a large number of approvals, registrations and permits. It cannot be ruled out that, among other things, approvals will be limited or revoked as a result of political movements. Alzchem employs its own approval experts and works together with local experts for each market and application, so that the company assumes that it will be able to continue to use all key substances without restriction in the future.

With regard to this regulatory risk, Management assumes a medium to high probability of occurrence and a medium to high impact on the net assets, financial position and results of operations.

6.1.4.3. GREEN DEAL

With the Green Deal, the European Commission wants to provide a Europe-wide response to growing climate and environmental challenges. It has set itself the goal of making the EU greenhouse gas neutral by 2050. The Green Deal is intended to describe the path to a resource-efficient and at the same time competitive economy. The EU Commission sees the Green Deal as a growth strategy. For the chemical-pharmaceutical industry, its implementation represents a major challenge, as almost all measures also have an impact on the industry.

Alzchem supports the Green Deal because the company sees itself as part of a solutions industry. Therefore, Alzchem also wants to make its contribution to greenhouse gas neutrality by 2050. The company sees the Green Deal as an opportunity to strengthen Europe's competitiveness through new business models and innovations, and to arrive at a smart, sustainable industrial policy. The Green Deal must become a Sustainable Deal. However, it is important to implement it with a sense of proportion: excessive bureaucracy, European isolated solutions, one-sided ecological and above all ideological considerations could jeopardize the Green Deal.

Alzchem sees the following risks, among others:

- Consistency and feasibility of goals are missed.
- Further financial and bureaucratic burdens (which the new ESG reporting system confirms) for companies.
- Ideological discussions override discussions that are open to technology and thus do not lead to the most economically and ecologically sensible solution, but rather to the solution that is currently most favored politically.
- Decisions on product approvals and restrictions are not made on the basis of balanced scientific studies.
- Carbon leakage (shifting of carbon dioxide emissions to third countries) leads to the achievement of climate targets in Europe, but to an exodus of industry from Europe.
- The importance of animal health, resulting food quality, and environmental impacts are not considered cohesively in the Green Deal.

- The development of a negative list for energy-intensive processes would mean exclusion from the capital market for quite a few companies and reduce investment incentives for the development of innovative technologies.

With regard to this risk, Management assumes a high probability of occurrence and a low to medium impact on the net assets, financial position and results of operations.

Abandoning fossil energy sources means that much more inexpensive energy from alternative sources is needed. We are talking about three to five times the energy required for the electrification of chemical processes. For the production of raw materials from green hydrogen, even eight to eleven times as much renewable energy is required. The high energy demand in the course of decarbonization will not be significantly improved by technological innovations either. This is because carbon dioxide, water and air have a lower energy content than natural gas, crude oil or coal and are therefore inferior feedstocks for energy production. Processes based on these raw materials are therefore much more energy-intensive than those relying on crude oil and natural gas.

The countries of the EU, and thus to a small extent the German chemical industry, contribute only about 10% of global greenhouse gas emissions. The trend is already downward – mainly due to voluntary advance contributions by individual countries, industries or sectors. In the global context, therefore, the EU going it alone on climate policy will not do much to make our world a better place to live in again. The three largest polluters alone, China, the USA and India, are now responsible for slightly more than half of global CO₂ emissions. China in particular is putting a massive brake on the EU in terms of climate policy. According to the Global Energy Monitor, new coal-fired power plants with a capacity of 38.4 gigawatts went into operation in 2020 – three times as much as the entire rest of the world combined. More than 600 additional coal-fired power plants are planned in China, India, Indonesia, Japan and Vietnam. In total, they are expected to generate 300 gigawatts of energy – equivalent to the entire generation capacity of Japan. Under these conditions, the energy transition in Europe will place a heavy burden on entire industries, but will not noticeably reduce global CO₂ emissions. To become climate-neutral by 2050, the chemical industry would have to invest around EUR 580 million annually. At the same time, higher production and network infrastructure costs are to be expected, which

would massively impair the competitiveness of Germany's internationally oriented chemical companies.

So while the energy turnaround in the EU has just begun and other countries are massively expanding their fossil energy production, Europe is in the midst of an unprecedented energy crisis. In the meantime, the price increases have not only driven some energy suppliers into bankruptcy, but have also led to significant production cutbacks in the chemical industry as well as other energy-intensive sectors. Europe has apparently failed to secure energy supplies through renewable energy before natural gas production fields, nuclear power plants and coal factories were closed. The phase-out of fossil fuels through the forced shutdown of all nuclear power plants (in Germany) is counteracting the increasing demand for electricity due to the energy transition (electric cars, heat pumps, etc.).

From the current perspective, the energy supply situation in Europe will come to a head and cause electricity prices to skyrocket. If the EU does not take countermeasures, acceptance of new climate protection measures will continue to wane – which in turn will jeopardize the Green Deal.

Sources: The Chemical Industry on the Road to Climate Neutrality, Institute for Industrial Ecology (2020), Global Energy Monitor, Global Coal Plant Tracker.

6.1.4.4. EXPORT RESTRICTIONS

In the future, the European Commission could ensure that hazardous chemicals, such as pesticides, which are banned in the European Union are also not produced for export. This could involve amending the relevant legislation. Currently, the EU's so-called Prior Informed Consent (PIC) regulation allows the production and export of hazardous chemicals to third countries, including pesticides deemed too dangerous to human health or the environment – and thus too dangerous for use on European soil. However, this could soon change.

Source: Info-mail of the VCI; with the attachment: communication of the EU Commission of 10/14/2021; "Chemicals strategy for sustainability for the pollution-free environment."

Alzchem emphasizes that some pesticides that are banned in the EU have important applications in other regions. A one-size-fits-all solution does not always fit all – for example, agriculture, pests and plant diseases vary from region to region and country to country. For Alzchem's solutions,

for example, no approvals have been sought in Europe because the climatic conditions for application are not met. Furthermore, certain pesticides are not automatically more dangerous or less necessary just because they are not approved in Europe.

Alzchem's Management expects this ban to be gradually drawn up from 2023 onwards. It can be assumed that the legislative process will take at least four years, so that from today's perspective, the earliest it can be expected to come into force is 2027. Depending on how the export ban is structured, the impact on Alzchem will also vary. While PIC specifies the chemicals with which an export ban could be directly and unrestrictedly associated, REACH Annexes XIV and XVII only contain conditions for each substance or group of substances under which use is prohibited and which could thus be avoided.

With regard to this regulatory risk, Management assumes a medium to high probability of occurrence and a low to medium impact on the net assets, financial position and results of operations.

6.1.5. COMPLIANCE RISKS

The Alzchem Group operates production facilities in Germany and Sweden, as well as sales companies in the USA and China, so that there is already a latent risk of a breach of regulations due to the complex international and national legal situation. For this reason, the Group has appointed a compliance manager and established a compliance organization. The aim of the compliance management system is to ensure that our employees act lawfully, responsibly and sustainably. Potential infringements are to be identified in advance and systematically prevented.

The compliance management system consequently makes a significant contribution to integrating compliance in our operating business units and their processes. Regular training measures for employees in Germany, Sweden, the USA and China are designed to increase understanding of and sensitivity to the complex of issues. With regard to the risk of fundamental compliance violations, management assumes a high impact of the organization set up, so that a very low probability of occurrence and a very low negative impact on the net assets, financial position and results of operations are seen.

6.1.6. LEGAL, LITIGATION AND LEGISLATIVE CHANGE RISKS

The Alzchem Group is exposed to numerous risks from legal disputes or proceedings. These include in particular risks from the areas of product liability, antitrust law, competition law, patent law, tax law and environmental protection. At present, the Group is not involved in any significant legal or arbitration proceedings that could have a material impact on the Group's economic situation.

Alzchem's business activities, particularly its sites, facilities, products and operations, must comply with and are affected by a variety of different regulatory requirements in the countries in which it operates. The regulatory framework for Alzchem's operations is subject to ongoing legislative changes and developments that may require costly compliance measures. In particular, the regulatory framework for environmental, health and safety matters in general, as well as for the manufacture and marketing of products, is subject to frequent change, which in most cases results in the imposition of more stringent requirements. These stricter requirements usually result from scientific progress or from a change in the social acceptance of risks, which is relevant, among other things, for Alzchem's product portfolio consisting of health- and safety-sensitive products.

Ongoing legislative changes and developments are of great importance to Alzchem because it operates in regulated areas where permits, authorizations, certificates and other approvals, such as product approvals and water permits, are generally granted for a limited period of time and are renewed only if – possibly amended – requirements are met. There is generally no certainty that Alzchem will be able to renew all of the permits, approvals, certificates and authorizations required for its business activities.

In addition, existing approvals, authorizations, certificates and permits may at a later date be subject to restrictions or obligations imposed by the competent authority in order to impose more stringent legal requirements. In particular, existing authorizations, permits, approvals, registrations, and listings or other forms of approvals by Alzchem to place products on the market may be limited in time or revoked based on evolving scientific knowledge that forms the basis for certain risk assessments.

Moreover, numerous legal – especially environmental – regulations refer to undefined legal terms, such as “state of

the art” or “state of science and technology”. For this reason, in view of technical progress and scientific development, it may become necessary to adapt plants, systems and other equipment as well as processes and products without an explicit legal amendment.

With regard to legal risk, Management assumes a very low probability of occurrence and a very low impact on the net assets, financial position and results of operations.

6.1.7. IT RISKS

The global increase in threats to information security and greater professionalism in cybercrime are creating risks to the security of products, systems, and networks, as well as risks to the confidentiality, availability, and reliability of data.

Cyberattacks are becoming increasingly sophisticated. At the same time, the IT dependency of companies, the state and citizens is becoming ever greater, increasing the potential for damage. The Corona pandemic has once again clearly shown us the importance of functioning and secure IT infrastructures. IT security must therefore be a focal point of all digitization projects and must be considered and implemented from the outset. During the reporting period, the Emotet malware posed a major threat to the state, the economy and society. The clever combination of a digital toolbox with social engineering allows infections even among professional users. Everyone is digitally vulnerable. Once a system is infected, the perpetrators analyze it and blackmail their victims by encrypting the data or threatening to publish it. Depending on the extent of the infection, commercial enterprises such as Alzchem may experience short-term work and production restrictions or even a complete outage for several weeks or months.

Source: Federal Office for Information Security; The State of IT Security in Germany 2021.

A threat to critical IT systems and applications can have a direct impact on production or supply chain operations. If data is not available or is manipulated, this can, for example, jeopardize plant safety and the accuracy of financial reporting. Unauthorized access to sensitive data, such as information relevant to competition law or research results, can jeopardize our competitive position. There is also the associated loss of reputation.

To minimize such risks, information security is an integral part of Alzchem's business processes. The newly introduced information security management system (ISMS), which was certified in an initial certification audit in July 2017, was re-certified by TÜV Süd in September 2021. All measures from the previous audits were immediately recorded for processing and are documented in a consistently traceable manner. The current ISO 27001 and 27019 certificates are valid until July 24, 2024.

The Alzchem Group's safety policy is set out in the IMS manual (Chapter 7) and made clear to employees throughout the company.

Alzchem believes it is reasonably positioned with a wealth of measures to actively counter the multitude of threats:

- Virus scanning stations for USB devices
- Encrypted/PIN-secured USB sticks (photo from USB stick)
- Multi-level backup concept
- Distribution of roles
- Admin accounts
- Network segmentation
- Internal and external email encryption
- Update and lifecycle management (for hardware and software)
- Business Continuity Management
- Awareness training for end users
- Citrix portal

With regard to risk assessment, Management assumes a medium to high probability of occurrence and a low impact on the net assets, financial position and results of operations.

6.1.8. SUMMARY PRESENTATION OF THE RISK SITUATION

Compared to the previous year's risk inventory, the risk profile has not changed significantly in terms of content. Alzchem continues to be subject to the risks of the market environment, chemical regulation, and national and international legislation. However, as stated for each risk, the extent of the risks varies. In 2021, the risks on the input side (electricity, green deal, legislation, raw materials) were more pronounced than on the output side of the Group.

Alzchem encountered a turbulent and extremely volatile market environment in 2021. COVID-19 continues to accompany mankind and thus also the global economy. Commodity prices soared to unprecedented heights, while electricity prices exploded and price increases of > 300% are no longer unusual. The global movement of goods has stuttered, freight prices are multiplying and raw material shortages are the order of the day. Lack of reliability as well as the half-life of political decisions complicate the entrepreneurial planning and thus growth process. The Green Deal demands a lot, but offers little infrastructure framework and starts with even more bureaucracy, reporting and administrative effort. Electricity shall become green, but Bavaria reaffirms "10 H" rule. Offshore wind farms are supposed to transport electricity from the north to the south of the republic, but grid expansion is slow.

The current risk inventory shows that none of the previously reported risks threaten the existence of the company today. Furthermore, Alzchem has not been able to identify any interdependencies that could build up to jeopardize the company's continued existence. Due to its broad product portfolio, specialist knowledge and market expertise, as well as its sustainable innovative strength, the company is convinced that it will be able to realize the opportunities resulting from its entrepreneurial activities and successfully meet the challenges arising from the aforementioned risks.

6.2. OPPORTUNITY REPORT

As part of its risk management, Alzchem also regularly identifies and evaluates opportunities that arise in its business areas. However, these represent only a small, but the most significant section of the opportunities available to the company. In addition, the evaluation of opportunities is subject to continuous change. The most significant opportunities listed here are actively pursued by Alzchem on an equal basis and transferred to the internal control parameters. For this purpose, reference is made to the above-mentioned performance indicators.

The scope of opportunity consolidation corresponds to the scope of consolidation used for accounting purposes. The opportunities do not differ significantly between the segments or are not concentrated in just one segment. Rather, the opportunities described below are Group-wide and cross-segment.

6.2.1. DIVERSIFICATION

The Alzchem Group operates a stable NCN pedigree with the key products calcium carbide, fertilizer Perlka[®], cyanamide, dicyandiamide, nitroguanidine and other high-value derivatives, such as DYHARD[®], Creapure[®] and Creamino[®]. The company strives to consistently capitalize on opportunities for growth through a combination of diversification, market penetration and market development. In addition to traditional products, the company continuously invests in new products, such as Creamino[®], NITRALZ[®], CalciPro[®], Eminex[®] as well as a variety of so-called building blocks from our multi-purpose plants.

The entire product range is sold predominantly in the nutrition, animal nutrition, fine and specialty chemicals, pharmaceuticals, agriculture and metallurgy markets. Due to the broad product range and the large number of end markets, the company has so far developed with stable sales and earnings growth. This high level of diversification supports a very balanced growth in sales and earnings on a sustained basis, with footholds in many different market segments and sectors. To date, the Group has always succeeded in offsetting or even overcompensating for cyclical or regional fluctuations in sales in one sector through growth in another segment or country.

In view of the current COVID-19 pandemic, the high degree of diversification has proved to be an anchor of stability, confirming precisely what has been described above. Distortions within the individual business units were successfully offset at Group level.

6.2.2. GLOBAL PRESENCE

Thanks to our global presence in more than 70 countries, we are able to identify comprehensive market potential and consistently work on it using project tools developed in-house, as well as implementing them in the short, medium and long term.

6.2.3. MARKET ENTRY BARRIERS

Alzchem benefits from the barriers to entry to the markets in which it operates. For potential new competitors, it can be time-consuming and cost-intensive to introduce an integrated production network similar to the one operated by Alzchem, to obtain certifications, registrations and approvals for plants and products in a highly regulated market environment, and to match Alzchem's level of expertise and industrial property rights.

INTEGRATED "PRODUCTION VERBUND"

Alzchem is a vertically integrated producer of specialty chemicals in the NCN network. Competitors focus on different sectors of the NCN network, while Alzchem's integrated "production Verbund" enables it to cover the entire NCN chain. The integrated "production Verbund" gives the company particular flexibility to better deal with changes in demand for individual products.

In addition, Alzchem is less dependent on specific industries due to its broad product range and its focus on different markets. With the diversified business model combined with the integrated "production Verbund", it is more likely that negative developments in one industry can be offset by positive developments in other industries, particularly also due to synergy effects that Alzchem can achieve in the production process and in research and development, as many of the company's products are based on the "NCN Verbund".

Moreover, the Specialty Chemicals segment is not dependent on external suppliers for calcium carbide-based intermediates. Alzchem is therefore less exposed to adverse market trends. In the company's view, all of these factors necessitate an efficient and resilient business model that has proven to be stable and – because of its cost competitiveness – financially successful. Alzchem is able to use its production facilities for a wide range of products despite the highly specialized nature of the Specialty Chemicals segment's products, which it believes gives it a competitive advantage in resource efficiency as a result of vertical integration.

REGULATORY ENTRY BARRIERS IN THE MARKETS

Some of the sectors in which Alzchem operates are highly regulated. This is particularly true of the market for chemical products in general, the market for biocidal products and plant protection products, the market for food supple-

ments and animal feed additives, and the pharmaceutical and cosmetics sectors. Alzchem has the necessary approvals, registrations and certifications to produce and distribute its products in these highly regulated markets. The company holds certain certifications, registrations and approvals that may be difficult, costly or time-consuming for potential competitors to obtain. For example, Alzchem operates facilities that are in compliance with good manufacturing practice (GMP) principles and guidelines. Compliance with this GMP is a regulatory requirement for the production of medical and cosmetic products in the EU, among other things. Alzchem has also obtained two health claims for its product Creapure® and is thus allowed to make certain statements when advertising the product.

KNOW-HOW, BRANDS AND INDUSTRIAL PROPERTY RIGHTS

High product quality, delivery reliability, process know-how and industrial property rights are the result of Alzchem's research and development activities, making it difficult for competitors to enter markets where Alzchem's brands predominate. In the Specialty Chemicals segment in particular, innovations, know-how and their adequate protection are of fundamental importance.

Accordingly, several Alzchem products are protected by patents or trademarks that prevent competitors from imitating Alzchem's products. As of the current reporting date, the company holds 489 granted patents and another 80 patent applications. In addition, Alzchem holds 911 registered trademarks and 63 trademark applications.

6.2.4. GROWTH POTENTIAL IN LINE WITH GLOBAL DEVELOPMENTS

Alzchem sells its products in diversified markets that follow global trends, have the potential for stable growth, and should thus benefit Alzchem's business development.

POPULATION GROWTH

In 1900, the world's population was around 1.7 billion. By the year 2000, this figure had risen to more than 6.1 billion. Just 17 years later, the world's population was around 7.6 billion. The United Nations assumes that an increase to over 8.6 billion people is realistic by 2030.

Source: UN forecast on world population development

At the same time, the arable land available for agriculture is limited worldwide. Against this background, efficient processes are necessary to ensure the best possible supply of food for the growing population in the future. The Alzchem Group's products meet these requirements and can be used in agricultural production that is increasingly oriented toward optimized yields.

Alzchem believes it is well positioned to benefit from this global development. The fertilizers and other products for agriculture of its Specialty Chemicals and Basics & Intermediates segments are driving growth in industrial agricultural production. Creamino®, for example, is a patented feed additive from Alzchem's Specialty Chemicals segment that is used worldwide. It leads to a better supply of the important biomolecule creatine. This improves energy supply and ultimately promotes healthy growth and efficient feed consumption. In addition to its use for poultry, Creamino® could be increasingly used in the diet for pigs in Europe, but also worldwide, resulting in better feed conversion, higher slaughter weight, shorter fattening time and, in the case of poultry, a higher percentage of breast meat. Alzchem is therefore convinced that it can benefit from the increasing industrialization and standardization of meat production, which is being exacerbated by the limited availability of arable land and population growth.

HEALTHY AGING

Alzchem expects the pharmaceutical industry, particularly the active pharmaceutical ingredients (API) segment, to benefit from an aging population, increasing health awareness among consumers (especially in emerging markets), the emergence of new excipients in the pharmaceutical industry, and the increased incidence of lifestyle- and age-related diseases.

Alzchem believes that the nutrition industry is being influenced by increasing consumer health awareness and innovations in health technologies. The products Creapure® and Alipure®, dietary supplements previously marketed by Alzchem mainly to the sports nutrition industry and promoting muscle building and physical performance, as well as Bioselect®, which consists of high-purity guanidine hydrochloride and is applied in biotechnology, diagnostics and the pharmaceutical industry (for example COVID-19 test kits), are likely to benefit from these megatrends – especially because some of these products may also be used in niche areas of cosmetics and healthcare.

CLIMATE PROTECTION

On December 12, 2015, 195 countries concluded the Paris Agreement to reduce greenhouse gas emissions. Alzchem expects that these and other related political developments will contribute to the global trend towards replacing fossil energy sources with renewable energies in the medium to long term. Against the background of continued high greenhouse gas emissions, extremely high temperatures and a sharp increase in ice melt in the Arctic, the company believes that there will or must be a global increase in photovoltaic and wind power plants as sources of renewable energy.

The Specialty Chemicals segment includes the DYHARD® product group, which reduces the weight of cars and aircraft in wind turbines, as well as in the automotive and aerospace industries, thereby improving their energy efficiency. In full-year 2021, more than half of the Specialty Chemicals segment's sales were attributable to global developments in population growth, healthy aging and climate protection through energy efficiency.

SUSTAINABILITY

The topic of sustainability is gaining in importance worldwide and also enjoys a very high priority at Alzchem. In harmony with people and the environment, we want to be a regional company that takes people's interests and concerns seriously, especially when it comes to climate protection. As part of our corporate strategy, sustainability serves as a guidepost for a successful future. Environmental protection and especially our CO₂ footprint are an ongoing issue for Alzchem – not just since today, because we have been active in this area for many years and very emphatically. Our medium-term goal is to make our company CO₂-neutral. In product development, we focus specifically on sustainable issues. As a result, for example, we have new applications for our calcium cyanamide in agriculture that succeed in significantly reducing CO₂ and methane emissions from manure. The launch of our new product Eminex® took place in September 2021.

6.2.5. STRONG BRANDS

Alzchem has registered 911 trademarks and 63 trademark applications worldwide. This broad, established range of brands offers the company special market opportunities.

6.2.6. LOCAL DISTRIBUTION

Alzchem continued to successively expand its direct sales channels for various products in the past fiscal year. This will be maintained in 2022, so that Alzchem can offer a more attractive range of prices and services on the basis of greater customer proximity. The successive expansion of our own brands and the intensification of our Creamino® own distribution create a wide range of opportunities and possibilities. For Alzchem, there is the opportunity to extend the integration that is in any case deeply anchored in the corporate DNA of "Verbund production" to the full value creation for what is currently the most promising product. By being close to its customers, Alzchem can respond more specifically to the requirements and wishes of users and thus constantly adapt its chemical solutions to customer or market demands.

6.2.7. SUMMARY PRESENTATION OF OPPORTUNITIES

Although the sheer number of risks described may appear higher than the number of specific opportunities identified, Alzchem considers the distribution of risks and opportunities to be balanced. A balanced overall picture is also reinforced by the fact that sales revenues and economic success are based on a stable mix of new, high-growth products or brands established in the market in various sectors. As markets differ in structure and economic cycles, this diversification helps to mitigate risk. Alzchem made targeted investments in the growth product Creamino® in 2018 and 2019. In 2020, investments focused on the expansion of NITRALZ® capacities, which were successfully commissioned in 2021. In 2021, Alzchem invested in further Creapure® capacities, optimized its production processes by using intelligent AI approaches, among other things, drove forward digitalization, streamlined cost structures and once again intensified its sales activities. In addition, Alzchem continues to rely on its high innovative strength and therefore continues to invest in its own research & development department with over 100 employees.

The activities listed above offer significant opportunities for us in the medium to long term beyond the underlying forecast period. Alzchem pursues the opportunities that present themselves and substantiates the expected effects in the forecast development to sales, EBITDA, or consolidated net profit. Furthermore, Alzchem will actively seek out new opportunities, examine their implementation and, if necessary, drive them forward. If opportunities arise in addition to the forecast developments, or if they occur more quickly than expected, this could have a positive impact on the net assets, financial position and results of operations.

- Global growth of 4.5% to 6.0%
- EUR/US dollar exchange rate of USD 1.15
- Costs of raw materials and electricity at previous year's high level; initially further increases, but no further sharp rises
- Existing approvals are retained, requested approvals are granted
- Raw materials and logistics are available in principle
- COVID-19 pandemic ends medically in mid-2022.

7. FORECAST REPORT

The forecasts of the Alzchem Group for the fiscal year 2022 are based on the following assumptions:

The following table provides an overview of the forecast ranges and values of the Group's financial performance indicators for the fiscal year 2022:

	Unit	2021	Forecast 2022
Group sales	EUR thousand	422,293	strongly to particularly strongly increasing (up to EUR 480 million)
Adjusted EBITDA*	EUR thousand	62,046	noticeably declining to especially strongly increasing (up to EUR 68 million)
Adjusted EBITDA margin*	%	14.7	stable to slightly declining
Inventories	EUR thousand	86,676	stable to noticeably increasing
Inventory intensity (previously inventory ratio)	%	20.5	stable to slightly declining
Equity ratio	%	23.7	stable to slightly increasing

* Adjustments were not made.

The planned sales growth is to continue to be achieved organically. The basic growth drivers are price and volume effects. However, price effects will play a greater role, as the situation on the raw material and energy markets will require it. The aim will continue to be to develop the product mix even further toward complex molecules as well as value chain-intensive specialty chemical products, thus generating additional momentum for sales and earnings.

Business development in the Specialty Chemicals and Basics & Intermediates segments is similar. The Specialty Chemicals segment is an expected growth driver. In addition to growth in the Creamino® and Creapure® businesses, Alzchem also expects volume growth in the multi-purpose plants.

Further growth is also forecast for the Basics & Intermediates segment. The growth driver here will again be the NITRALZ® product area. We also see slight growth rates in the agriculture sector. In the automotive sector, we expect

stable to slightly declining sales due to low capacity utilization in the automotive industry (chip crisis). Nevertheless, we expect sales in the steel sector to increase compared to the already high level of the fiscal year 2021 because of rising prices (among other things due to raw material costs).

In the Other & Holding segment, stable sales are to be generated at the chemical parks in Trostberg and Hart.

On the earnings side, Alzchem expects raw material prices to remain high, so that significant cost increases are to be expected here. In the energy sector, prices are forecast to remain high and even rise further initially. However, the sharp rise in energy prices seen in the fiscal year 2021 is not expected to recur to the same extent in 2022. Alzchem has some planning certainty thanks to the forwards already concluded in the electricity sector, but remains dependent on the development of electricity prices for the remaining electricity volumes.

The Alzchem Group expects personnel expenses to increase by approximately 3.0%. This takes into account a slight increase in the number of employees (due to capacity utilization) and the regular collective bargaining adjustments.

The relatively wide range in the EBITDA forecast results from the current uncertainties regarding the timely passing on of raw material and energy costs to customers. If the cost increases can be passed on to the market quickly, EBITDA may reach the upper end of the forecast. If the market is unable to absorb the price increases in full, a significant decline in EBITDA cannot be ruled out.

In summary, Alzchem intends to build on a stable or, in some cases, growing Basics & Intermediates business to develop the products of the Specialty Chemicals segment and establish them more firmly and more broadly in the market. Alzchem continues to plan to serve niche and volume markets with a highly diversified product and customer portfolio and to score points with special customer solutions.

Alzchem expects inventory intensity to remain stable to decrease slightly. The volume of business will initially lead to higher inventories. Nevertheless, the goal is to reduce the inventory level significantly and sustainably. Consequently, inventories are expected to remain at a stable to noticeably increasing level. Since inventory intensity as a ratio also depends on Group sales, Alzchem expects a stable to slightly decreasing development despite an increase in inventories. One of the Group's maxims is an extremely high and extremely flexible supply capability. This goal competes to a certain extent with the inventory target, but is given higher priority by Management in the long term.

Alzchem will continue to press ahead with its growth projects during the period under review. These include:

- Commissioning of the expanded Creapure® production capacities,
- the continuous renewal of the distribution network structure of Alzchem Netz GmbH,
- the modernization of guanidine salt capacities.

In the positive case, the development of EBITDA may also lead to an increase in equity. Taking into account the dividend payment of approximately EUR 10.1 million planned for May 2022 (previous year: EUR 7.821 million), the Management Board expects the equity ratio to remain stable or increase slightly as a result of the consolidated net profit for

the year. For the planning of pension provisions, a very conservative assumption is made that the actuarial interest rate will be below the current level. A reduction in the discount rate below this relatively low level would have a negative impact on the forecast equity ratio on a one-to-one basis.

For the non-financial performance indicators (see 4.2.4.4.2.)

- sustainable customer loyalty,
- training,
- management systems as well as
- environment and energy,

Alzchem is also optimistic that it will achieve its forecasts.

The company is striving to maintain customer loyalty at the level of previous years, and even to intensify it in selected business areas where possible. Proximity to customers has proven to be a key success factor of the Alzchem business model, particularly in view of the upheavals caused by the COVID-19 pandemic and the resulting volatility on the raw materials markets. This gives us the opportunity to respond quickly to customer inquiries and problems.

In the area of training, the number of trainees is maintained. However, purely as a result of the increase in the workforce, there may be a slight decrease in the percentage figure.

All management systems and certificates will continue to be maintained. With regard to the key figures for the environment and energy, Alzchem strives to bring about optimization, which generally means a reduction, for five main reasons:

- reduction of the impact on the environment,
- reduction of expenses for waste disposal,
- conservation of resources,
- alignment of production sites to future-proof and sustainable processes,
- compliance with national and international regulations.

In this context, a large number of individual measures are being implemented, so Alzchem continues to assume that the targets set will be achieved.

The major variable in planning remains the evolution of COVID-19. New variants could emerge before widespread vaccination coverage is achieved worldwide, or immunization could prove ineffective as vaccine efficacy declines faster than expected. The forecast for the fiscal year 2022 assumes that the COVID-19 pandemic will no longer be medically disabling, at least by the middle of the fiscal year 2022, due to continued vaccination progress in the world's industrialized nations, and thus that no further restrictions will be necessary to ensure medical care. It is therefore expected that no further lockdowns will be decided that could again negatively impact the economic situation of Alzchem's customers and suppliers.

Furthermore, it is assumed that the shortages on the logistics and raw materials markets will also ease in the second half of 2022 and normal availability levels will be restored.

In summary, it can be stated that the Alzchem Group, with its broad positioning and solid financial basis, is well equipped for challenging phases. Alzchem will continue to attach great importance to this in the future.

The actual development of the Alzchem Group and its segments may deviate both positively and negatively from the forecasts made due to the opportunities and risks described or in the event that the expectations and assumptions made do not materialize.

The forecasts are based on unchanged regulatory assumptions, such as the continuation of the German Renewable Energy Act (EEG), sec. 19 para. 2 StromNEV, electricity price compensation or product approvals. It also contains forward-looking statements based on Management's current estimates and currently available information. Such statements are subject to risks and uncertainties that are beyond Alzchem's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the successful integration of potential acquisitions and the realization of anticipated synergies, and actions by government regulators. If any of these or other uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements.

In this forecast, forward-looking statements are made about Alzchem's business activities. In this context, terms such as "may", "will", "assume", "expect", "anticipate", "see", "assume", "take into account", "plan" are used. These terms

and variations of these terms or similar expressions identify these forward-looking statements. Such forward-looking statements represent the current estimates, judgments, expectations and assumptions of Alzchem's Management Board, some of which are beyond Alzchem's control and are based on the best information available at the date of this forecast. These apply subject to existing risks and uncertainties. If these estimates, assessments, expectations and assumptions of the Alzchem Management Board do not materialize in the future or deviate from the original assessment, the actual key figures of Alzchem may deviate from the given forecast.

8. INTERNAL CONTROL SYSTEM RELATED TO THE ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SEC. 315 PARA. 4 HGB)

The Management of Alzchem Group AG and its consolidated subsidiaries is responsible for the establishment, application and further development of an appropriate internal control system related to the accounting process. Alzchem's accounting-related internal control system is the responsibility of the Chief Executive Officer. It is designed to provide reasonable assurance that the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and that the annual financial statements of Alzchem Group AG are prepared in accordance with the German Commercial Code, so that external financial reporting is reliable. Furthermore, it must be ensured that the combined management report as a whole provides a suitable view of the position of the company and the Group, complies with German legal requirements, and suitably presents the opportunities and risks of future development. In addition, precautions and measures must be taken to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The aim of the accounting-related internal control system is to ensure that accounting is carried out uniformly and in accordance with legal requirements, generally accepted accounting principles and internal guidelines. The accounting process itself includes those operational processes that

provide the value flows for financial reporting, the process of preparing the annual financial statements and consolidated financial statements, and the information sources and processes from which the material disclosures on the consolidated financial statements are derived.

To ensure proper and uniform accounting, the basic principles of segregation of duties, dual control, and IT access restrictions apply to prevent unauthorized data access to accounting-relevant content. Reporting to the central finance department is carried out using a uniform reporting tool implemented throughout the Group. Further control measures covering risks in the main processes and thus ensuring reliable accounting and reporting are generally designed on a decentralized basis in the specialist departments.

The accounting systems of all production companies included in the consolidated financial statements are located in an IT-based SAP environment with a uniform system configuration and are therefore subject to uniform charts of accounts, account assignment specifications, processes and process controls. The sales companies work with ERP solutions adapted to the size of the companies. Alzchem LLC has also been connected to SAP for some time.

The (Group) accounting process is managed within the Controlling/Accounting department of Alzchem Trostberg GmbH. An essential element of the internal control system in relation to the (Group) accounting process is a practiced Group-wide accounting procedure, which is continuously scrutinized for plausibility by employees in the Financial Controlling and General Ledger Accounting departments in the course of monthly reporting. Group reporting is based on a monthly Excel consolidation tool, which contains extensive checking and validation routines. External experts are used for special areas of accounting, such as pension appraisals to determine the corresponding pension provisions (IAS 19), valuation of financial instruments and the corresponding disclosures in the notes (IFRS 9, IFRS 7, IFRS 13, IFRS 15, IFRS 16), and accounting for share-based payments (IFRS 2).

In addition, there are binding procedural instructions in the German companies which have a concrete impact on accounting, for example, procedures in purchasing, disposal of fixed assets and processing of advance payments. In particular, the dual control principle is ensured by a standardized SAP workflow (XFlow) and a signature guideline ancho-

red in the system. With the help of an SAP access concept, accounting and controlling data are only accessible to a limited or defined group of people.

Information relevant to accounting is continuously exchanged with the Head of Controlling, Accounting and the Head of Compliance and communicated to the Chief Executive Officer in regular meetings.

In addition to the annual and consolidated financial statements, the Chairman of the Supervisory Board deals with the Group's key financial figures on a regular basis together with the members of the Management Board. With regard to the foreign companies, reports are submitted to the responsible management on a monthly basis and board meetings are held.

9. REPORT PURSUANT TO SEC. 289A AND SEC. 315A HGB

Unless otherwise stated, the following disclosures apply to the entire reporting year (fiscal year 2021) and in particular also to the balance sheet date.

9.1. COMPOSITION OF THE SUBSCRIBED CAPITAL

Subscribed capital represents the nominal capital of the parent company. Additional paid-in capital represents all amounts of equity contributed to the company from outside sources that are not subscribed capital. Minority interests in the equity of the company are shown as non-controlling interests. At the balance sheet date, the subscribed capital of Alzchem Group AG of EUR 101,763,350 consists of 10,176,335 no-par value bearer shares. The arithmetical proportion of the share capital per share is EUR 10.00. There are no different classes of shares. The company has not issued any shares with special rights. All shares carry the same rights and obligations.

As of the balance sheet date, the company held 40,581 (previous year: 0) treasury shares out of the total number of issued shares stated above. Treasury shares held by the company on the day of the Annual General Meeting do not carry voting or dividend rights.

Company	Subscribed capital 12/31/2021
Alzchem Group AG, Trostberg, Germany	EUR 101,763 thousand
Alzchem Trostberg GmbH, Trostberg, Germany	EUR 11,000 thousand
Alzchem International GmbH, Trostberg, Germany	EUR 1,000 thousand
Alzchem Stahltechnik GmbH, Trostberg, Germany	EUR 25 thousand
Alzchem Nutrition GmbH, Trostberg, Germany	EUR 25 thousand
Alzchem Netz GmbH, Trostberg, Germany	EUR 300 thousand
Alzchem LLC, Atlanta, USA	USD 0 thousand
Alzchem Shanghai Co. Ltd., Shanghai, China	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	USD 25 thousand

9.2. RESTRICTIONS ON VOTING RIGHTS OR ON THE TRANSFER OF SHARES

Each share grants one vote at the Annual General Meeting. Restrictions on the voting rights of shares may arise in particular from the provisions of the German Stock Corporation Act (AktG). For example, shareholders are subject to a voting ban under certain conditions in accordance with sec. 136 AktG. Furthermore, the company has no voting rights from treasury shares in accordance with sec. 71b AktG (see section 9.1). Violations of the notification requirements pursuant to sec. 33 of the German Securities Trading Act (WpHG) may also result in the rights attached to shares – including voting rights – not being available, at least temporarily, pursuant to sec. 44 WpHG.

The Articles of Association of Alzchem Group AG do not contain any restrictions regarding the transfer of shares.

The Management Board is not aware of any contractual restrictions affecting voting rights from the shares or the transfer of shares.

9.3. DIRECT OR INDIRECT SHAREHOLDINGS IN CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS

The following direct and indirect shareholdings in the capital of Alzchem Group AG exceeding 10% of the voting rights have been notified to the company by the shareholders pursuant to secs. 33 and 34 WpHG:

Prof. Dr. Dr. Peter Löw, Starnberg, notified the company on November 16, 2021, that the share of voting rights held by LIVIA Corporate Development SE in Alzchem Group AG fell below the threshold of 25% of the voting rights on November 16, 2021, and now amounted, directly or indirectly held, to 2,543,639 voting rights (= 24.99% of the total voting rights of the company).

Dr. Martin Vorderwülbecke, Munich, notified the company on May 25, 2021, that the share of voting rights held by HDI Vier CE GmbH in Alzchem Group AG fell below the threshold of 20% of the voting rights on May 21, 2021, and now amounted, directly or indirectly held, to 1,223,728 voting rights (= 12.03% of the total voting rights of the company).

Mr. Markus Zöllner, Bichl, notified the company on October 4, 2017, that the share of voting rights held by Edelweiß Holding GmbH in Alzchem Group AG exceeded the threshold of 15% of the voting rights on October 2, 2017, and now amounted, directly or indirectly held, to 20,139,007 voting rights (= 19.79% of the total voting rights of the company). However, based on a voluntary notification by Mr. Zöllner

and various managers' transactions notifications from the fiscal years 2020 and 2021, the company is aware that four two na GmbH (as universal successor to Edelweiß Holding GmbH) most recently held only 1,531,538 voting rights (= 15.05% of the total voting rights of the company).

9.4. HOLDERS OF SHARES WITH SPECIAL RIGHTS

There are no shares in the company that grant their holders special rights, in particular powers of control over the company, compared with the other shareholders.

9.5. TYPE OF VOTING RIGHTS CONTROL IN THE CASE OF EMPLOYEE SHAREHOLDINGS IN THE CAPITAL

The Management Board is not aware of any employee shareholdings in the capital of the company. Employees who have nevertheless acquired shares in the company, i.e. without the knowledge of the company, exercise their control rights directly in the same way as other shareholders in accordance with the statutory provisions and the Articles of Association.

9.6. LEGAL PROVISIONS AND REGULATIONS OF THE ARTICLES OF ASSOCIATION ON APPOINTMENT AND DISMISSAL OF THE MEMBERS OF THE MANAGEMENT BOARD AND ON THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

The requirements for appointing and dismissing members of the Management Board and for amending the Articles of Association are governed by the provisions of the Articles of Association and the German Stock Corporation Act. Pursuant to sec. 6.1 of the Articles of Association of Alzchem Group AG, the Management Board consists of one or more persons. The Supervisory Board appoints the members of the Management Board and determines their number. Pursuant to sec. 84 para. 1 AktG, the members of the Management Board are appointed for a maximum of five years. Reappointments are permissible. The Supervisory Board appoints the members of the Management Board by resolution with a simple majority of the votes cast. Pursuant to sec. 6.1 of the Articles of Association and sec. 84 AktG, the Supervisory Board may appoint a Chairman of the Manage-

ment Board and a Deputy Chairman of the Management Board. If a required member of the Management Board is missing, the court shall appoint the member in urgent cases in accordance with sec. 85 AktG at the request of an interested party.

In accordance with sec. 84 para. 3 AktG, the Supervisory Board may revoke the appointment of a member of the Management Board and the appointment of the Chairman of the Management Board for good cause. Such revocation shall be made by resolution of the Supervisory Board, likewise by a simple majority of the votes cast.

Amendments to the Articles of Association require a resolution of the Annual General Meeting. Unless the Articles of Association provide for a different majority, resolutions of the Annual General Meeting on amendments to the Articles of Association require a majority of at least three quarters of the share capital represented when the resolution is adopted, in accordance with sec. 179 para. 2 AktG. Sec. 21 para. 1 of the company's Articles of Association provides that resolutions are generally adopted by a simple majority of the votes cast and, where a capital majority is required, by a simple majority of the share capital represented when the resolution is adopted. This provision also applies to amendments to the Articles of Association.

Pursuant to sec. 16 of the Articles of Association of Alzchem Group AG, the Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect their wording. Pursuant to sec. 11 para. 4 of the Articles of Association, resolutions of the Supervisory Board are passed by a majority of the votes cast, unless the law mandatorily provides otherwise. If a vote results in a tie, the Chairman of the Supervisory Board is entitled to a second vote in the event of a further vote, which may be ordered by the Chairman of the Supervisory Board.

9.7. AUTHORIZATIONS OF THE MANAGEMENT BOARD TO ISSUE AND BUY BACK SHARES IN ACCORDANCE WITH SEC. 315A PARA. 1 NO. 7 HGB

9.7.1. AUTHORIZED CAPITAL

Pursuant to sec. 5 para. 5 of the Articles of Association of the company, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Alzchem Group AG on one or more occasions until July 31, 2022 by a total of up to EUR 10,063,333.00 (in words: ten million sixty-three thousand three hundred thirty-three

euros) by issuing up to 10,063,333 new no-par value bearer shares in exchange for cash and/or contributions in kind (Authorized Capital 2017). In principle, shareholders are to be granted subscription rights. The statutory subscription right may also be granted in such a way that the new shares are underwritten by a bank or syndicate of banks determined by the Management Board with the obligation to offer them for subscription to the shareholders of the company.

The Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases:

- in the event of a capital increase against contributions in kind, in particular for the acquisition of companies, parts of companies or equity interests in companies;
- in the case of capital increases against cash contributions, if the issue price of the new shares issued with exclusion of subscription rights in accordance with sec. 186 para. 3 sentence 4 AktG is not significantly lower than the stock market price of the shares of the same class and rights already listed and the total pro rata amount of share capital represented by the new shares issued with exclusion of subscription rights in accordance with sec. 186 para. 3 sentence 4 AktG does not exceed 10% of the share capital existing at the time this authorization takes effect and at the time this authorization is exercised. This limit of 10% of the share capital shall include shares issued or sold by direct or corresponding application of sec. 186 para. 3 sentence 4 AktG during the term of this authorization up to the time it is exercised;
- to avoid fractional amounts;
- to issue shares under share participation or other share-based programs against cash and/or non-cash contributions to members of the Management Board of the company, members of the representative body of a company affiliated with the company or to employees of the company or a company affiliated with the company, whereby the employment relationship or board relationship with the company or a company affiliated with the company must exist at the time of the commitment to issue shares. Insofar as shares are to be granted to members of the Management Board of the company, the Supervisory Board of the company alone shall decide on this.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the terms and conditions of the share issue, including a profit participation that deviates from sec. 60 para. 2 AktG. The Supervisory Board is autho-

ri- rized to amend the Articles of Association of the Company accordingly after the authorized capital has been utilized in full or in part or has expired, in particular with regard to the amount of the share capital and the number of existing no-par value shares.

The above presentation reflects the content adopted by the Annual General Meeting 2017 and incorporated into the company's Articles of Association. However, with regard to the number of shares available for a capital increase from Authorized Capital 2017, the following should be noted: The Authorized Capital 2017 has not been formally adjusted in the context of the consolidation of shares at a ratio of 10 to 1 (reverse split) resolved by the Annual General Meeting 2019. However, the number of shares to be issued under this capital has also been reduced at a ratio of 10 to 1 due to the fact that the previous shares, each representing EUR 1 of the share capital, no longer exist and therefore – with an unchanged maximum increase amount of EUR 10,063,333.00 – now actually amounts to only 1,006,333 shares.

9.7.2. CONTINGENT CAPITAL

The Management Board has not been granted any rights by the Annual General Meeting by way of a contingent capital increase. The company also does not maintain any stock option programs or similar securities-based incentive systems that would require such contingent capital.

9.7.3. AUTHORIZATION TO PURCHASE AND USE TREASURY SHARES

In order to provide Alzchem Group AG with the opportunity to acquire and resell treasury shares, if necessary, the Annual General Meeting 2019 authorized Alzchem Group AG pursuant to sec. 71 para. 1 no. 8 AktG to acquire treasury shares in a volume of up to 10% of the share capital existing at the time of the resolution until the end of April 30, 2024. The shares acquired on the basis of this authorization, together with other shares of the company held by Alzchem Group AG at the time of acquisition or which are attributable to it in accordance with secs. 71d or 71e AktG, may at no time account for more than 10% of the share capital. The authorization may not be used by Alzchem Group AG for the purpose of trading in its own shares.

The authorization may be exercised in whole or in partial amounts, once or several times, by Alzchem Group AG or by dependent companies or companies majority-owned by Alzchem Group AG or by third parties acting for the account of Alzchem Group AG or of dependent companies or companies majority-owned by Alzchem Group AG. At the discretion of the Management Board, the acquisition may be made via the stock exchange or by means of a public

purchase offer addressed to all shareholders. In the case of acquisition via the stock exchange, the acquisition price (excluding incidental acquisition costs) may not be more than 10% higher or lower than the price of the share determined on the trading day by the opening auction in Xetra trading (or in a comparable successor system).

In the case of acquisition via a public purchase offer, the purchase price offered or the limits of the purchase price range per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the closing price in Xetra trading (or a comparable successor system) on the third trading day prior to the date of the public announcement of the offer. If there are significant deviations in the relevant price after publication of the public purchase offer, the offer may be adjusted. In this case, the price will be based on the price on the third trading day prior to the public announcement of any adjustment. The volume of the offer may be limited. If the subscription of the offer exceeds the fixed volume, the acceptance must be made according to quota(s). Preferential acceptance of small lots of up to 100 tendered shares per shareholder may be provided for.

The Management Board is authorized to use shares in the company acquired on the basis of this authorization for all lawful purposes. In particular, the Management Board is authorized to do the following:

1. The Management Board is authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization via the stock exchange or by offers to all shareholders. In the event of a sale via the stock exchange, shareholders shall have no subscription rights. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts.
2. The Management Board is further authorized, with the approval of the Supervisory Board, to sell treasury shares acquired by virtue of this authorization by means other than on the stock exchange or by way of offers to all shareholders, provided that the treasury shares acquired are sold at a price that is not significantly lower than the stock exchange price of shares of the company carrying the same rights at the time of disposal. Shareholders' subscription rights are excluded. This authorization is limited to a total of 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or, if lower, of the share capital of the company existing at the time this authorization is exercised. Shares issued or sold by direct or analogous application of sec. 186 para. 3 sentence 4 AktG during the term of this

authorization up to the time of its exercise shall be counted towards this limit of 10% of the share capital.

3. The Management Board is further authorized, with the approval of the Supervisory Board, to use treasury shares of the company acquired on the basis of this authorization as (partial) consideration in connection with business combinations or for the acquisition of companies, interests in companies, parts of companies or other assets.
4. The Management Board is further authorized, with the approval of the Supervisory Board, to offer for purchase or transfer treasury shares in the company acquired on the basis of this authorization to employees of the company or its Group companies. The Supervisory Board is authorized to offer for purchase or transfer treasury shares of the company acquired on the basis of this authorization or an authorization granted previously to members of the Management Board of the company.
5. The Management Board is further authorized, with the approval of the Supervisory Board, to redeem treasury shares of the company acquired on the basis of this authorization without such redemption or its implementation requiring a further resolution of the Annual General Meeting. The authorization to redeem shares may be exercised in whole or in part. The redemption shall result in a capital reduction. In derogation thereof, the Management Board may determine that the share capital shall not be reduced but that the remaining shareholders' share in the share capital shall be increased in accordance with sec. 8 para. 3 AktG. In this case, the Supervisory Board is authorized to adjust the number of shares stated in the Articles of Association.

Shareholders' subscription rights shall be excluded upon implementation of the measures under (2) to (5).

All of the aforementioned authorizations may be exercised once or several times, in whole or in partial amounts, individually or jointly.

On January 29, 2021, the Management Board, with the approval of the Supervisory Board of the company, resolved to make use of this authorization and to launch a share buy-back program with a volume of up to EUR 1,000,000.00. The buyback was primarily carried out for the purpose of acquiring an acquisition currency that is favorable from the company's point of view, without, however, excluding other legally permissible purposes covered by the authorization of the Annual General Meeting. The program was launched on February 8, 2021, and was successfully completed on June 24, 2021, with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90.

9.8. SIGNIFICANT AGREEMENTS UNDER THE CONDITION OF A CHANGE OF CONTROL

There are standard market provisions in individual loan agreements that link legal consequences, such as the right to extraordinary termination, to a majority takeover or control of the company. Comparable change-of-control clauses can also be found in individual other agreements.

9.9. COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

No special arrangements have been made with Management Board members or other employees in the event of a takeover bid, i.e., for the situation where a third party acquires control of the company within the meaning of sec. 29 para. 2 WpÜG.

10. NON-FINANCIAL (GROUP) STATEMENT (SUSTAINABILITY REPORT), SECS. 315B PARA. 1, 315C IN CONNECTION WITH SEC. 289C HGB

With this combined non-financial statement (NFS), we are fulfilling our reporting obligation under the CSR Directive Implementation Act. The contents of the combined NFS have been reviewed by the Supervisory Board of Alzchem Group AG. All disclosures in the combined NFS apply to all companies of the Alzchem Group, unless indicated otherwise. The aim of the combined NFS is to inform the company's stakeholders, such as customers, employees, business partners, local residents and the capital market, about the company's sustainability performance, as required by secs. 315b, 315c in connection with sec. 289c HGB.

To avoid duplication within the combined management report, we refer at the relevant points to further information in other sections. References to information outside the combined management report are supplementary explanations. They are not part of the combined NFS.

For the preparation of the combined NFS, the company did not refer to any specific national, European or internatio-

nal framework, but was guided by the content requirements pursuant to the CSR Directive Implementation Act (CSR-RLUG) and the industry-specific Chemie3 Sustainability Reporting Guidelines.

The company considers and assesses the material risks associated with its business activities and business relationships as part of the existing risk management system. This also includes the possible negative effects of these risks, which are not discussed in detail in this combined NFS. Where corresponding risks exist, these are presented in the opportunities and risks report.

ALZCHEM – MORE THAN AN EMPLOYER

Our principles of reliability, trust, fairness, open communication, responsibility and quality are the benchmarks for cooperation within the company, but also for contact with customers, suppliers and the public. Working for the Alzchem Group means contributing to the success of a medium-sized company with potential. Working at the Alzchem Group also means being part of a highly motivated workforce that looks back with pride on the company's tradition and is happy to help shape future-oriented steps.

We are a responsible and profitable chemical company in the Bavarian region. The well-being of our employees, the further development of our products and the strengthening of the Upper Bavarian region are the focus of our actions – goals that we also pursue in the areas of environment, safety, health and quality. We are rising to this important challenge.

As a founding member of the first and second Environmental Pact of Bavaria and a participant in the current Environmental and Climate Pact of Bavaria, we feel committed to the motto "sustainable business in the 21st century". The Bavarian Environmental and Climate Pact is an agreement between the Bavarian state government and Bavarian industry. The core idea of the Environmental and Climate Pact of Bavaria is to bundle the efforts of the state and the economy in order to achieve joint progress on the way to a permanently environmentally compatible development.

The Bavarian Environmental and Climate Pact is an agreement between the Bavarian state government and Bavarian industry. Behind it is the shared conviction of the state and business that the natural foundations of life can be better protected with the help of voluntary and reliable cooperation between the state and business than with laws and regulations.

Major Alzchem Group companies have been EMAS-certified since 1997 and prepare an annual Environmental Statement. In this Environmental Statement 2021, the Alzchem Group and its Integrated Management System are presented, the key figures of the Trostberg, Schalchen, Hart and Waldkraiburg sites are published and the current environmental, safety and quality program is presented.

COVID-19

Even if, as vaccination progresses, social interaction gives the impression that the COVID-19 pandemic is weakening, we are not slackening our efforts to protect our employees. The hygiene measures already established remain in place. Further investment will be made in individual or physically separate offices.

The employees have implemented the processes changed by the safety measures and the challenges of mobile working very well and established them as "normal". All the measures taken by Alzchem in this respect help to maintain economic activities and thus social cohesion – and not least to protect everyone's health. A coordinated testing and vaccination strategy is still urgently needed to combat the COVID-19 pandemic. To this end, we support the relevant initiatives of the German government. We will also continue to offer our employees and their families free testing and vaccination through our company medical service.

In order to continue to be perceived as an attractive employer, Alzchem also invited interested school students to its Training Day 2021. This time it was three days during which Alzchem warmly welcomed the students – but unfortunately only online again due to the COVID-19 pandemic. The event was as personal as possible under the circumstances. In addition to live chats with trainees and trainers, all questions about our training professions, the application process and the benefits of training at Alzchem were answered.

As a supplier of essential raw materials for the pharmaceutical industry, Alzchem also contributes to the production of "corona tests". Alzchem precursors are used both in tests that detect SARS-CoV-2 ("PCR test") and in tests that detect antibodies. Within the scope of our possibilities, we want to contribute to improving the health situation of as many people as possible.

REGENERATIVE THERMAL OXIDATION PLANT (RTO PLANT)

A new type of waste gas treatment plant based on regenerative thermal oxidation (RTO) was commissioned at the Trostberg site in July 2021. In the RTO plant, which was realized with an investment volume of around EUR 6 million after a planning and construction period of around one year, waste gas streams from various production plants can be bundled and cleaned in a very energy-efficient and environmentally friendly manner. The commissioning of the RTO plant means that not inconsiderable quantities of acetylene, ammonia and carbon monoxide are no longer emitted. It thus contributes to maintaining or improving our environmental balance sheet. With the new RTO plant, Alzchem is now going one step further and raising the already very good standard of exhaust gas treatment to an even higher level.

ELECTROMOBILITY

Electromobility is a key to climate-friendly mobility worldwide. The operation of electric vehicles generates significantly less CO₂, especially when combined with renewably generated electricity. It is an important element for climate-friendly industrial, transport and energy policies. It offers the opportunity to reduce dependence on petroleum-based fuels. In addition, electric vehicles with their energy storage systems can compensate for fluctuations in wind and solar power in the future, thus supporting the expansion and market integration of these energy sources.

In this context, the Management has already decided to convert Alzchem's company car fleet to electric and hybrid vehicles in 2020. In the medium term, the company would like to convert its company car fleet almost entirely to electric and hybrid vehicles in the interests of the environment.

Since the expansion of the charging infrastructure is a basic prerequisite for the breakthrough of electromobility, the necessary charging infrastructure for "refueling" the vehicles on the Alzchem premises has already been provided. Further charging points are planned for the coming years. In order to encourage as many employees as possible to rethink this area, our charging stations are also available to employees outside the company car scheme.

EU TAXONOMY REGULATION

With the announcement of the Green Deal, the EU Commission has set a clear goal: Europe is to become the first climate-neutral continent by 2050. This is a central building block with regard to the implementation of the Paris climate protection agreement. Achieving climate neutrality and the path to get there are one of the most important economic policy issues.

As a significant instrument, the EU Action Plan on Financing Sustainable Growth called for the creation of a classification system for sustainable economic activities – EU Taxonomy. This has been done with the introduction of the EU Taxonomy Regulation and the numerous supplementary regulations.

For the successful implementation of the taxonomy, it would have been crucial that, when defining the concrete criteria and thresholds, attention had been paid to what is technically possible and, above all, economically feasible today. Maximum requirements, as they were discussed and defined, are not helpful for the transformation process in this respect.

However, it is also important to remember that economic activities that are not considered taxonomy-eligible under the EU taxonomy may nevertheless be sustainable. In addition, it should also be noted that the EU taxonomy is neither an investment recommendation for nor an obligation to invest in “taxonomy-eligible” economic activities.

Although most of Alzchem’s business activities are not yet covered by the EU taxonomy at the time of reporting and consequently their sustainability contribution cannot yet be determined and quantified, Alzchem has clearly positioned itself. The company will pay attention to sustainability in new projects, but also in existing business and production processes, and stands by all 17 of the UN’s sustainability goals. In the first half of 2022, Alzchem will develop and communicate a roadmap to CO₂ neutrality. In addition to constantly reducing or avoiding waste, Alzchem is also working on avoiding fossil fuels in the long term.

“Taxonomy-eligible” sales, opex and capex of the Alzchem Group to date:

	Sales share	Capex share	Opex share
Economic activities eligible for taxonomy	4.8%	14.1%	21.7%

In the above presentation, it should be noted that the current EU taxonomy is not yet complete and comprehensive and so far covers only a small part of the economic activities of the European area.

The definitions of capex, opex and sales used are based on Annex 1 of the Delegated Regulation to the EU Commission supplementing Regulation (EU) 2020/852 of the EU Parliament and of the Council by specifying the content and presentation of the information to be disclosed by companies falling under Article 19a or Article 29a of Directive 2013/34/EU in relation to environmentally sustainable economic activities and by specifying the method to be used to ensure compliance with this disclosure requirement.

SALES WITHIN THE MEANING OF THE EU TAXONOMY

The above share of sales is presented as part of net sales of goods or services, including intangible goods, related to taxonomy-eligible economic activities divided by net sales within the meaning of Article 2 number 5 of Directive 2013/34/EU (total sales of the Alzchem Group). In the fiscal year 2021, the share of sales essentially comprises economic activities in the field of transmission and distribution of electricity.

CAPEX IN THE SENSE OF THE EU TAXONOMY

In calculating the capex share of taxonomy-compliant economic activities, the denominator comprises additions to property, plant and equipment and intangible assets during the fiscal year 2021 under review before depreciation, amortization and revaluations, including those resulting from revaluations and impairments for the fiscal year in question and excluding changes in fair value. Additions from business combinations are also taken into account, as are certain IFRS standards referred to in the above-mentioned Delegated Regulation (e.g. IFRS 16). The numerator corresponds to the part of the capital expenditure included in the denominator that relates to assets or processes associated with taxonomy-eligible economic activities.

OPEX IN THE SENSE OF THE EU TAXONOMY

In accordance with the above-mentioned regulation, the denominator in the calculation of the opex share includes direct, non-capitalized costs relating to research and development, building refurbishment, short-term leasing, maintenance and repair, and all other direct costs associated with the day-to-day maintenance of property, plant and equipment assets by the company or third parties to whom activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets. Operating expenses other than those mentioned here have not been included in the above KPI. Direct personnel expenses as well as material expenses can serve as examples of operating expenses not included. The numerator corresponds to the part of the operating expenses included in the denominator that relates to assets or processes associated with taxonomy-compliant economic activities.

While the EU taxonomy only shows whether or not companies have taxonomy-compliant or taxable economic activities, the upcoming Corporate Sustainability Reporting Directive (CSRD) will require more detailed reporting on a company's sustainability activities. This information will enable financial market participants to better identify and self-assess a company's various sustainability and environmental activities.

10.1. BUSINESS MODEL OF THE ALZCHEM GROUP, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 1 HGB

For a detailed overview of the Alzchem Group's business model, please refer to the further information in the combined management report.

10.2. KEY FIGURES OF THE GROUP

Area	Key figure	2019	2020	2021
Strategy and growth	Sales in EUR million	376.1	379.3	422.3
	EBITDA in EUR million	50.1	53.8	62.0
	EBITDA margin	13.3%	14.2%	14.7%
Governance and compliance	Share of women on the Supervisory Board	25%	25%	25%
	Share of women on the Management Board	0%	0%	0%
Employees	Fluctuation rate ¹	3.5%	3.5%	3.5%
	Average length of service in years	18.4	18.3	17.8
	Number of training days per employee	1.42	0.49	1.4
	Share of women in Management positions ²	11%	11%	11%
	Training ratio ³	9.6%	10.0%	9.1%
Value chain and products	R&D expenses in EUR million	9.3	9.4	9.7
	R&D ratio ⁴	2.5%	2.5%	2.3%
Environment ⁵	Production volume/production output in 1,000 t ⁶	561	539	637
	Consumption of electrical energy in MWh/a ⁷	676,379	639,842	716,883
	Fuel consumption in MWh/a	183,907	194,761	200,057
	Heat recovery in MWh/a ⁸	17,072	17,387	19,185
	CO ₂ emissions in t/a	111,676	100,426	107,325
	Non-emitted CO ₂ in t/a ⁹	49,167	50,385	55,448
	Dust emissions in t/a	29	29	16
	Wastewater volume (COD) in kg/a	77,391	80,420	77,651
	Waste volume in t/a	35,082	38,158	29,860
	thereof hazardous t/a	25,307	27,382	22,297
	Environmental protection expenses in EUR million	18.2	19.2	20.0
Safety	1,000-man ratio ¹⁰	7.1	7.1	11.6
	KSUND key figure ¹¹	15.0	14.7	21.2
	PSIR (Process Safety Incident Rate) ¹²	3.6	2.4	1.5
	LTIR (Lost Time Injury Rate) ¹³	5.6	8.1	15

1 Calculation of fluctuation rate: departures in the reporting period / average number of employees in the reporting period * 100

2 Only above-tariff range

3 Calculation of training ratio: number of trainees / number of employees at reporting date * 100

4 Ratio of R&D expenses to sales

5 Alzchem can respond flexibly to changes in market demand thanks to its highly diversified product range. Due to the resulting changes in production, the key figures stated in the environmental area can vary considerably from year to year.

6 The information in the Sustainability Report may vary from the key figures in subsequent reports (e.g. Environmental Statement) under certain conditions, as these are prepared later and in some cases with more up-to-date figures.

7 Relates to all production sites incl. Sundsvall (Sweden).

8 Relates only to the Trostberg site.

9 Relates only to the German sites.

10 1,000-man ratio: number of reportable occupational accidents per 1,000 full-time employees

11 Key figure for safety and accidents with external medical treatments (own employees, employees according to AÜG and contractor employees are taken into account). Calculation: number of external medical treatments * 1 million working hours / total working hours in the period under review.

12 PSIR (Process Safety Incident Rate): PSI events are the unintentional leakage of chemical substances or energies above defined threshold values from their initial enclosure, such as pipelines, pumps, tanks or drums. The only incidents considered in these potentially safety- and environmentally-relevant incidents are those that occur during a process engineering operation. The PSI rate (PSIR) represents the number of PSI events during one year in relation to 1,000,000 working hours (relates only to the German sites).

13 LTIR (Lost Time Injury Rate): number of accidents with more than 24 hours lost time related to 1,000,000 working hours (relates only to the German sites).

10.3. SUSTAINABILITY IN THE COMPANY

With our products, we want to participate in sustainable future development. As part of our corporate strategy, sustainability serves us as a guide for a successful future. In this context, Alzchem benefits in a special way from the three very different global developments of climate change, population growth and higher life expectancy. To achieve the resulting social goals, Alzchem products can offer attractive solutions with a variety of different applications and thus make a contribution.

HEALTHY AGING

The world population, especially in the western industrialized nations, is aging steadily. In 2000, for example, average global life expectancy was around 66.8 years. In 2019, global life expectancy was already around 73.4 years on average. Scientists expect life expectancy to increase significantly again in the coming years. Medical progress in both the prevention and treatment of diseases is largely responsible. Nevertheless, so-called diseases of civilization and old age are on the increase. At the same time, awareness of health and nutrition is gaining in importance, so that older people in particular are becoming more active in sports and consciously paying attention to a healthy diet (source: WHO homepage (December 27, 2021)). With its products, the Alzchem Group aims to support these developments in the dietary supplements, pharmaceuticals, cosmetics and healthcare sectors.

CLIMATE PROTECTION

Energy efficiency and renewable energy are essential for the future of our planet and are therefore becoming increasingly important worldwide. Examples are the Green Deal in the EU and corresponding passages in the latest 5-year plan in China. This has resulted in legal and regulatory requirements. In addition, many technologies are now at a stage where commercial use is attractive. This is illustrated very clearly by the global efforts to rapidly replace combustion engines and to completely free the energy supply from fossil raw materials.

Alzchem sees itself well positioned to participate extensively in this development with products for hydrogen-powered vehicles, for lightweight construction and wind energy. At the same time, as a major consumer, we are benefiting directly from the change in the electricity mix and we are developing sustainable products with a negative CO₂ balance.

POPULATION GROWTH

In 1900, there were approximately 1.7 billion people worldwide. By 2000, this figure had risen to more than 6.1 billion. Just 17 years later, in 2017, the world's population was around 7.6 billion. The United Nations assumes that an increase to around 8.6 billion people is realistic by 2030. At the same time, the arable land that can be used for agriculture is limited worldwide. Against this background, efficient processes are necessary in order to continue to supply the growing population with food in the best possible way in the future (source: UN forecast on world population development (December 27, 2021)). The Alzchem Group's products meet these requirements and can be used in agricultural production that is increasingly oriented toward optimized yields.

By expanding production capacity for Creamino[®], it will be possible to take advantage of growing demand and fully exploit the product's growth potential. The main growth driver in this market is the rapidly increasing world population coupled with limited agricultural land, so greater efficiency in agriculture is becoming increasingly important for security of supply. With its considerable potential for reducing greenhouse gas emissions, Creamino[®] also meets the growing desire for greater sustainability in food production.

At full utilization of the annual Creamino[®] production capacities, the use of Creamino[®] enables savings of approx. 39,750 t CO₂ as well as approx. 150,000 ha of cultivation area. The annual land consumption in Germany, which amounts to approx. 19,000 ha, should serve as a comparative figure here.

Source: German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (December 27, 2021)

GREENHOUSE GAS EMISSIONS

More than 112 years after the start of calcium cyanamide production on the Alz, Alzchem was able to develop a new field of application for calcium cyanamide. During storage, manure emits the climate-damaging gases methane and CO₂. Even the addition of small amounts of calcium cyanamide to manure blocks almost all gas formation from the manure. Eminex[®] inhibits bacteria in the manure – depending on the amount used – for a certain period of time and can thus make a significant contribution to reducing climate-damaging gases. This effect has been officially confirmed by the Leibniz Institute for Agricultural Engineering and Bioeconomics (ATB Potsdam), by the University of Bonn, and by the Raumberg-Gumpenstein Higher Federal Teaching and Research Institute (HBLFA).

With Eminex[®], Alzchem is completely in tune with the times. The German government has set a target of reducing greenhouse gas emissions by at least 55% by 2030. On the one hand, agricultural fertilizers such as manure are to be used for energy, and on the other hand, emissions from livestock farming are to be reduced. However, manure storage and spreading account for around 19% of methane emissions in Germany. This is precisely where Eminex[®] can help to significantly reduce these emissions and thus make a considerable contribution to the reduction of greenhouse gases.

In addition to reducing emissions, it is particularly important for farmers that the manure retains its fertilizing effect and has a positive impact on plants. Analyses of the contents of the manure showed that it is even qualitatively upgraded. A higher proportion of ammonium nitrogen increases the plant availability of the manure. Thus, in addition to the reduction of climate-damaging gases, the use of Eminex[®] can also result in additional increased yields.

Based on officially confirmed efficacy, we are confident that by treating manure with Eminex[®], we have found a solution for reducing greenhouse gases from livestock farming that also provides farmers with higher yields.

RESPONSIBLE CARE COMPETITION 2021

Alzchem was named the winner of the Responsible Care competition 2021 in Bavaria for its innovative additive Eminex[®]. The official jury statement was correspondingly positive: "An outstanding development that has climate protection firmly in focus. The process, which can be implemented quickly and efficiently, has very great potential for significantly reducing methane emissions in agriculture."

Responsible Care is a contribution to the joint sustainability initiative Chemie3 of the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industrial Union (IG Bergbau, Chemie, Energie) and the German Chemical Employers' Association (Bundesarbeitgeberverband Chemie e.V.). By participating, each company simultaneously makes a contribution to the sustainability initiative Chemie³.

SUSTAINABILITY MANAGEMENT

In order to be able to act effectively in a sustainable manner, a fixed organizational structure with clear responsibilities for the topic of sustainability is required. For this reason, a so-called "Sustainability Core Team" was established at the end of 2020. The core team is supported by the COO, Klaus Englmaier, as a mentor.

This cross-functional team is to monitor Alzchem's activities with regard to sustainability issues and drive permanent improvements in Alzchem's sustainable behavior. The key tasks of this core team include the development of a new sustainability strategy and the development and follow-up of overarching sustainability projects.

Alzchem's sustainability activities are intended to combine the economic, ecological and social aspects of management trading. In the course of this, scenarios for achieving CO₂ neutrality are to be developed as well as the effects of the topic of sustainability on our product portfolio quantified.

10.4. SUPPLY CHAIN

"VERBUND PRODUCTION"

A key feature of the Alzchem Group is its vertical integration along the calcium carbide/calcium cyanamide (NCN) chain. This means that most of the company's products are based on the same starting materials, namely lime, coal and electricity. Many steps in the processing and refining of these starting materials are handled by Alzchem itself. The integrated manufacturing system allows us to collect the carbon monoxide produced during "Verbund production", purify it and use it as a raw material for further chemical reactions. This greatly reduces climate-damaging emissions during "Verbund production".

REGENERATIVE WASTE STREAMS

The Alzchem Group constantly strives to improve the recycling rate as well as the proportion of recycled materials. Wherever possible, production-specific waste is returned to the production process, recycled internally or reprocessed into a new valuable material. The following examples provide an insight into our efforts:

- The first example is carbide production at the Hart site. The production process produces carbide furnace gas and KOKA granules as a by-product. The gas is elaborately purified in several stages, then compressed and transported via a long-distance gas pipeline to the Trostberg and Schalchen sites, where it is used almost entirely as heating and synthesis gas. The KOKA granulate is marketed.
- Flue gases from energy generation are largely not emitted, but reused in production processes. This approach enabled Alzchem to reduce the amount of CO₂ emitted annually by approximately 50,000 tons.

- The use of process water in the various manufacturing processes necessarily leads to contaminated process wastewater. On the one hand, contaminated process wastewater is recycled internally instead of fresh water (if this is possible in terms of quality and environmental compatibility). On the other hand, the wastewater is treated in the company's own central wastewater treatment plant (ZABA). As a result, only a small residual amount of process water has to be disposed of as waste.

AUDITING

Corporate social responsibility (CSR) is increasingly required in the global supply chain. For this reason, Alzchem underwent the independent CSR rating by the global assessment platform EcoVadis in 2020. This assessment put the company's activities in the areas of environmental protection, working conditions and human rights, fair business practices and sustainable procurement to the test. With 68 out of 100 points achievable in the evaluation, Alzchem is well above the industry average and is among the top 4% of companies in this industry worldwide that have been audited by EcoVadis to date.

PURCHASING/SUPPLIER APPROVAL

In the area of purchasing/supplier approval, we ensure that company-wide standards are met in the procurement of our raw materials. The processes for purchasing and for raw material qualification are defined in a procedural instruction with clear responsibilities. Suppliers are audited based on clearly defined criteria; the frequency of audits depends on the importance of the raw material for the supply chain.

As a globally active chemical group, Alzchem recognizes its responsibility in the business environment. Therefore, a new Code of Conduct for Business Partners was created in 2021. This code of conduct defines requirements with regard to general business principles and fair competition, labor and social standards, environmental protection and product safety, which Alzchem also requires suppliers and service providers to comply with.

PRODUCTION

Alzchem's German production sites are located in Trostberg, Schalchen, Hart and Waldkraiburg. They are regulated by a very detailed set of laws, the implementation of which we regularly review together with the local monitoring authorities. An analogous procedure is also followed for our Swedish production site in Sundsvall.

Safety is one of the company's top priorities. A detailed safety assessment during the commissioning of plants or new processes is just as much a matter of course for us as safe plant operation, which is ensured, among other things, by a preventive maintenance program and the continuous training of personnel.

PRODUCT SAFETY

Alzchem complies with all relevant chemical legislation of the EU and the Federal Republic of Germany, so that our products are manufactured and tested in accordance with the provisions of the EU Chemicals Regulation, or REACH for short.

Safety specifications for the use of our products are constantly kept up to date and made available to users in our safety data sheets. We thus take our responsibility seriously and likewise not only presuppose an equivalent approach on the part of all our suppliers and contractors, but also ensure this through inspections.

QUALITY CONTROL

Alzchem has its own testing laboratories. The division is independent of production. The release of our products is carried out by laboratory managers authorized for this purpose in the Analytics division. The laboratories in Trostberg are also accredited to DIN EN ISO 17025 and GLP-certified. We take reserve samples from all production batches and store them under suitable conditions. The ISO 9001 certified quality management system ensures that customer requirements are systematically identified, evaluated and implemented with the aim of meeting them in full.

Our German sites are certified according to the ISO 9001, ISO 14001, EMAS, ISO 50001, ISO 27001 and OHRIS standards. The latter meets the requirements of OHSAS 18001/ISO 45001. The aforementioned certificates can be viewed on the Alzchem Group AG homepage.

10.5. ENVIRONMENTAL MATTERS, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NO. 1 HGB

It is an important concern of the Alzchem Group to constantly improve environmental protection. In March and April 2021, the external audits according to the standards ISO 9001 (quality), ISO 14001 (environment), ISO 50001 (energy) and EMAS (environment) were therefore again carried out by TÜV SÜD Management Service GmbH. As in previous years, the environmental and quality management systems were again successfully recertified, meaning that the validity of our certificates was extended by a further three years. In the area of energy management and EMAS, a monitoring audit was carried out at all German Alzchem sites and also successfully passed. In addition, re-certification audits on occupational health and safety management were carried out by the Trade Supervisory Office at all of the above-mentioned Alzchem sites. The effectiveness of the prevention tools for avoiding occupational accidents, fires, explosions and substance leaks was examined. Alzchem was again certified as having a functioning OHRIS safety management system.

The current environmental program with the defined goals and associated measures can be found site-specific in the Environmental Statement to be published annually (Alzchem Group AG homepage). The main goals of environmental protection are the reduction of energy consumption, the reduction and avoidance of waste, the protection of water, as well as immission and noise protection. In order to achieve these goals, the German production companies of the Alzchem Group have introduced various management systems relating to environmental, quality and energy management. These management systems are part of the Integrated Management System (IMS) described above, the advantage of which is to enable leaner, more efficient management by exploiting synergies compared with several isolated management systems. The Alzchem Group's integrated management system is described, among other things, in the so-called IMS manual. It contains relevant processes and regulations as well as responsibilities and tasks.

We regularly monitor, document, and evaluate the impact of our activities on the environment by determining environment-related key figures. The presentation of environmental performance in the context of sustainability key figures is intended to provide a quantitative overview of the most important trends for Alzchem. The use of flue gas (CO₂) in the production process enabled us to reduce the amount of CO₂ emitted annually by approximately 50,000 tons. Where we can, production-specific waste is recycled back into the production process or otherwise utilized internally.

In principle, we use the requirements of EMAS and ISO 14001 as a basis for evaluating environmental performance. For further information, please refer to the published Environmental Statements.

Alzchem can react flexibly to changes in market demand thanks to its highly diversified product range. Due to the resulting changes in production, the key figures stated in the Environmental Statement as well as in the Sustainability Report can vary considerably from year to year.

In addition to numerous internal audits, external surveillance audits also play an important role as part of the recertification or revalidation process by an external surveillance company. The Alzchem Group companies also conduct supplier and customer audits. Here, environmental aspects are considered in addition to quality issues.

Authorities also regularly check compliance with the requirements of approval notices and environmental law in the operation of our plants. In order to be able to carry out these checks as efficiently as possible for both the monitoring authority and the Alzchem Group, a project was developed in cooperation with the authorities and with other companies in the chemical triangle, the "cooperative plant monitoring" model.

In the previous fiscal year 2021, Alzchem for the first time laid the foundation for making its contribution to the German government's environmental goals by calculating the CO₂ footprint for the main activities within its manufacturing companies ("cradle-to-grave"). The specifications of the "Greenhouse Gas Protocol" were used and the calculation is certified by an external service provider. Alzchem produces its own basic materials, which is why its vertical range of manufacture is higher than that of other chemical companies and therefore the ecological footprint of its activities is comparatively larger. Nevertheless, the declared goal of Alzchem's activities is to steadily reduce its CO₂ footprint. In the continuous improvement process, existing facilities are modernized to produce more environmentally friendly and efficiently. In the case of new buildings, Alzchem pays attention to the use of state-of-the-art process and production methods in order to reduce or keep as low as possible the consumption of resources (energy, water) as well as the amount of waste per ton produced. This is accompanied by particulate measures at individual sites to increase the utilization rate of renewable energy sources and thus reduce CO₂ emissions. In the fiscal year 2021, the first individual project ideas for the in-house production of renewable energies were discussed, which will be the subject of further considerations in the fiscal year 2022.

Our subsidiary Nordic Carbide AB, based in Sundsvall, Sweden, is subject to Swedish environmental legislation. The company prepares an annual Environmental Statement which is submitted to the local authorities.

WATER/WASTEWATER

We are committed to the responsible use of water, to using water as sparingly as possible and to further reducing our water consumption. A good water supply is one of the most important prerequisites for smooth production processes, as water is one of the most important auxiliary materials for the chemical industry.

The soil conditions at our Trostberg, Hart, Schalchen and Waldkraiburg sites are characterized by thick, very porous gravel layers which contain substantial groundwater reserves. This geological feature allows us to pump all the cooling, service and drinking water we need from our own groundwater wells.

The water management implemented at Alzchem's German sites enables monitoring of the wastewater, which consists mainly of cooling water and rainwater. Only a small fraction of the wastewater (approx. 0.5%) has to be treated in a wastewater treatment plant.

Nordic Carbide AB's cooling water supply is ensured by the local site operator at the mouth of the Ljungan River with an average water flow of 200 m³/s. The water flow in the Ljungan River is about 0.5 m/s. This means that the environmental impact is very low. A maximum of 0.5 m³/s is required for carbide production, so that the environmental impact can be described as very low.

WASTE/EXHAUST GAS

The total volume of waste from our sites varied compared with previous years. In 2021, this mainly resulted from waste generated during construction and demolition activities and from the product range of the multi-purpose plants. Production-specific waste represents the largest share, while non-production-specific waste relates to all other waste. As far as possible, production-specific waste is recycled in internal production processes. Environmental goals in the area of waste help to avoid waste or reduce the amount of waste.

The annual emissions report of the exhaust gas incineration plant (EGIP) for the Trostberg Chemical Park was published in April 2021. Alzchem thus informs the public about the proper operation of the EGIP. As in previous years, compliance with the prescribed limits was continuously monitored. There were no exceedances of the daily mean values. By operating the EGIP, Alzchem ensures the reliable disposal of

waste gases and chemical waters at the Trostberg Chemical Park and thus avoids unnecessary transports of hazardous waste.

ENERGY MANAGEMENT SYSTEM

As an energy-intensive company, Alzchem strives to further optimize its use of energy as a resource. Energy management involves systematic implementation of energy assessment of the operating areas, energy performance indicators, energy targets and action plans for continuous improvement of energy-related performance.

For more detailed and site-specific information as well as the corresponding goals of our environmental program, we refer here to the Environmental Statement to be published annually.

10.6. EMPLOYEE MATTERS, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NO. 2 HGB

We rely on our colleagues and, in addition to an attractive remuneration system, we also offer job security, collegial action and the opportunity to help shape professional developments. Our principles of conduct – reliability, fairness, trust, responsibility and quality – are the benchmarks for cooperation within the company, as well as in contact with customers and suppliers.

By signing an Equality Charter, Alzchem ensures, among other things, a living wage work, life-phase-oriented working hours, equal career development opportunities and equal pay for women and men.

We pursue the goal of attracting, retaining and motivating suitable employees. We want to create a sustainably stable environment for our employees – without the need for restructuring or compulsory redundancies. We pay particular attention to the satisfaction and commitment of our employees. The level of fluctuation and average length of service give us an indication of how satisfied our employees actually are. These metrics were 3.5% in 2021 (2020: 3.5%) and 17.8 years (2020: 18.3 years). With these two metrics, Alzchem clearly stands out from the prevailing average values in Germany for length of service (11.5 years) and fluctuation (16%).

Sources: IDW – Institut der deutschen Wirtschaft and Benchmarking Center Europe (December 27, 2021)

We have taken numerous measures to achieve our goals, which we will briefly discuss below.

FLEXIBLE WORKING HOURS

Within a defined framework time, our employees can largely determine the start and end of work themselves and flexibly organize their working hours. By increasing personal responsibility, working time flexibility is intended to contribute to greater employee motivation and higher company loyalty and thus ultimately make a contribution to the company's success.

ATTRACTIVE REMUNERATION

In addition to the collectively agreed conditions, we offer remuneration that is commensurate with personal performance and the respective position or responsibility. Moreover, our employees receive a profit-sharing bonus based on the success of the company. Additional company and social benefits are an integral part of our remuneration system. A function evaluation, which combines operational functions with equivalent and comparable work tasks (jobs), is designed to ensure a uniform and fair evaluation policy in a cross-comparison across all sites and employees (male/female). Every employee at our German sites is included in the Group accident insurance, which covers both the company and private areas in the event of a claim.

HEALTH MANAGEMENT

The well-being of our employees is crucial to our joint success and the resulting improved competitiveness of our company. Alongside professional, intellectual and social skills, health is the most valuable asset our employees bring to the company. For this reason, the company offers a wide range of programs, from nutrition and exercise to preventive health care, which give employees the opportunity to put together their own individual health program.

MEDICAL SERVICE (COMPANY DOCTOR AND PARAMEDICS)

We offer our employees comprehensive medical care at all our German sites. Occupational and emergency medicine covers all measures to prevent work-related illnesses or occupational diseases, to maintain health in the workplace, and to diagnose and treat accidents and acute illnesses.

OPERATIONAL INTEGRATION MANAGEMENT

Often, returning to work after illness does not cause any difficulties. In some cases, however, continued employment in the previous sense is not immediately possible. In this case, measures are developed in cooperation with the integration team to enable employment that is appropriate to the impairment. The measures are varied and can include, for example, changes to the content of the activity, personnel support or technical changes to the workplace.

IDEAS MANAGEMENT

We expressly welcome ideas generated by employees. We want to motivate our employees to actively participate in continuous improvement with their ideas. They promote cooperation and help to prevent accidents, improve environmental protection, implement technical progress and ultimately increase the profitability of the company.

COMPANY PENSION PLAN

Our company pension plan is implemented by means of a modular system. Both the employer and the employee pay monthly amounts into the various modules, which are available to the employee after retirement. In addition, we offer our employees a long-term account into which both pay and vacation or retirement time can be paid.

SUPPLEMENTARY COMPANY NURSING CARE INSURANCE

In the collective bargaining round 2019, an industry-wide supplementary nursing care insurance was created throughout Germany. This is the first collectively agreed supplementary nursing care insurance in Germany as part of a social partnership between BAVC and IG BCE, which covers all collectively agreed employees in the chemical and pharmaceutical industry without a health check via the employer. As the employer, Alzchem takes care of registering the employees and processing the contributions.

The background to this supplementary nursing care insurance is that a high share of care costs increasingly have to be borne by those in need of care themselves, as the statutory benefits are not sufficient to cover the actual costs.

DEMOGRAPHIC FUND

The demographic fund is not a monetary fund in the classic sense, but a pot created by the company which collects the demographic contributions paid by the employer for the collective bargaining employees in order to address the challenges of demographic change. The funds from this pot are used to finance instruments for shaping demographic change. An agreement was reached between employee representatives and Alzchem to enable partial retirement and subsidies on long-term accounts. Unlike collective wage increases, there is no individual entitlement on the part of the employee, but only a collective scope for the company parties.

FURTHER EDUCATION

In order to be able to hold our own in our field of activity in the future, we need a future-oriented, qualified workforce. We offer our employees specialist training and further education at the workplace or in specialist institutions in every professional area. Our human resources development is geared to identifying and developing potential and talent in the company at an early stage. A wide range of modules in the areas of management development, qualification, knowledge management, health management and corporate culture round off our personnel development concept. We address the needs of our employees on an individual basis. In this way, we lay the foundation for filling key positions from within our own ranks.

TRAINING

Alzchem is one of the largest trainers in the region. As part of practical training in the relevant specialist departments, we offer our trainees a state-of-the-art training laboratory and ideal training workshops, as well as varied commercial training. The high quality of our training is also recognized by international corporations – so much that they have their young employees trained by us.

In order to continue to be perceived as an attractive employer, Alzchem again invited interested students to this year's Apprenticeship Day, which was again held as an online meeting due to the COVID-19 pandemic. The effort paid off. On September 1, 2021, 45 young people started their training at the Trostberg Chemical Park in commercial, metalworking, electrical engineering and chemical fields. In the

training year 2021, Trostberg Chemical Park will once again maintain the high training rate of previous years at around 9%. We are pleased that we were able to provide an almost normal start to working life in the past turbulent year.

10.7. SOCIAL MATTERS, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NO. 3 HGB

A political and civic commitment by companies and their employees in a democratic environment is indispensable for the functioning of the economy and society. Alzchem Group AG welcomes the social commitment of its employees in youth work, adult education, sports, charitable and cultural activities. It has set itself the goal of actively helping to improve social life at its sites.

The Alzchem Group is involved in, sponsors children's and youth projects, supports school projects and is a member of the non-profit association for the promotion of education and entrepreneurship in Germany, the Wissensfabrik.

As a company with regional roots, we assume responsibility, especially in the regional environment of our sites. In 2021, the Alzchem Group was again involved in numerous donation and sponsoring projects. The funds provided were used to support numerous projects and measures focusing on social issues, sports, culture and education.

Alzchem is a member of the Trostberger Förderkreis der Wirtschaft, which has set itself the task of promoting education, art, local history, music and other cultural purposes as well as sports and social institutions in Trostberg.

ALZCHEM PROMOTES EDUCATION

It is important to us to convey the fascination of chemistry/science to young people at an early age and in this way also to show them the diverse career prospects offered by the Alzchem Group. The Alzchem education initiative not only includes financial donations to schools in the catchment area of our sites, but also cooperation in the area of scientific learning content.

With projects such as "NaWi – Naturwissenschaft, wie geht das?" (NaWi – Science, how does it work?), we arouse the curiosity of even the very youngest children. As sponso-

ring partners, Alzchem and BASF have signed educational partnership agreements with kindergartens and elementary schools in the region. These receive experiment kits and teacher's scripts with instructions and technical background information. Our NaWi team members pass on their knowledge to the teachers of the participating schools. They get to know the experiments and gain confidence in using the materials. The event is recognized as teacher training. The teachers take over the implementation. The NaWi experiments become an integral part of the science lessons at the elementary schools. After about six months, the NaWi team members and the teachers meet to exchange results and experiences from the project. In addition, a scientific evaluation is carried out.

The projects are a successful and already proven action and cooperation of Alzchem Group AG, BASF in Trostberg and Wissensfabrik. "Wissensfabrik – Unternehmen für Deutschland" is an open platform for all companies, educational institutions and initiatives that promote and share knowledge as the key to more economic growth. Wissensfabrik and we have one important goal: to make the next generation, and thus Germany as a business location, fit for the future. We see it as our responsibility to provide impetus and support schools, universities and politicians in their educational mission.

Taking time for young people has a long tradition at Alzchem and is a high priority. With NaWi, Alzchem's support for young people starts as early as kindergarten. Schoolchildren can complete internships, trial apprenticeships or workshops in the training laboratory at Alzchem. As a chemical company with a passion, we are happy to pass on our enthusiasm. Alzchem Group AG sees its commitment to young talent as an investment in both its own and the regional future. We feel a strong connection to the region and, in the spirit of good neighborliness, we want to offer children and young people career prospects.

10.8. COMPLIANCE, RESPECT FOR HUMAN RIGHTS AND FIGHTING CORRUPTION AND BRIBERY, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NOS. 4, 5 HGB

The term compliance refers to the totality of all measures that must be observed to ensure that a company and its employees act in accordance with the rules and regulations with regard to legal requirements and prohibitions. In addition, it is also intended to ensure that the company's actions comply with all social guidelines and core values. These include, in particular, compliance with human rights and the fight against corruption and bribery.

The Alzchem Group is also committed to these goals. No employee, job applicant or business partner may be discriminated against or given preferential treatment on the grounds of race or ethnic origin, gender, religion or ideology, disability, age or sexual identity. Any kind of harassment is prohibited.

To achieve these goals, the Alzchem Group has established a compliance system that serves to prevent or limit damage, to detect and terminate violations, and to fulfill legal obligations.

In addition, Alzchem Group AG has implemented its own guidelines that summarize Alzchem's corporate policy principles and standards with which all employees must be familiar. They provide guidance on basic legal and ethical obligations of Alzchem employees and give them the security to behave properly on the job.

To strengthen the compliance function, Alzchem has long since set up a whistleblower system with an external reporting office ("Whistleblower Hotline", e-mail: alzchem@heussen-law.de, telephone: 089/29097-498). Heussen Rechtsanwaltsgesellschaft mbH, an independent law firm based in Munich, is available to Alzchem Group employees, but also to business partners and customers, for example. In addition, anyone with a compliance issue can contact the company's Compliance Officer. The attorneys of Heussen Rechtsanwaltsgesellschaft mbH are subject to a duty of confidentiality in accordance with the professional regulations applicable to attorneys and will treat the identity of the employee and the information provided confidentially, to the extent desired by the employee and legally possible, also in relation to companies of the Alzchem Group.

Contacting the “Whistleblower Hotline” or the Compliance Officer will not result in any disadvantages for the employees concerned, provided they have not themselves violated any laws or the corporate guidelines.

The company firmly believes that the integrity of all actions is an essential prerequisite for sustainable successful business. As a globally active group, Alzchem is subject to numerous national and supranational legal regulations (for example, EU regulations), as well as legal regulations in other countries. All business matters and processes must therefore be conducted in such a way that they comply with all applicable laws and other binding regulations in whose area of application Alzchem conducts its business activities. Our employees are prohibited from issuing instructions in the course of their business that deviate from this or from our corporate guidelines.

Consequently, any active or passive bribery or acceptance of benefits, as well as any attempt to do so, is strictly prohibited. Alzchem’s actions are intended to avoid even the appearance that employees are seeking to influence their business partners and interlocutors through extraneous means. In the Alzchem Group, gifts, favors, hospitality or other benefits may only be granted or accepted if they do not exceed the scope of business customs in the region concerned, do not have an inappropriately high value and are within the scope of what is permitted by law or employment law.

The Alzchem Group is committed to fair competition for the benefit of its own customers and its other stakeholders. In addition, Alzchem respects the independence of public officials. Therefore, any form of corruption, including so-called acceleration payments, is prohibited at the Alzchem Group. Here, too, the relevant laws as well as our corporate guidelines form the basis of the anti-corruption regulations.

Alzchem treats all business partners in a legally impeccable and fair manner. Suppliers and service providers are selected by the purchasing organization in an orderly process according to objective and comprehensible criteria. Contracts are awarded on the basis of competitive bids wherever possible and reasonable. When selecting suppliers, Alzchem ensures that they act in accordance with the principles of the corporate guidelines. Incentives such as performance-related commissions, discounts, price reductions or free deliveries of goods must ensure compliance with the various legal regulations at all times. For this

reason, business incentives in the Alzchem Group must be documented comprehensively and correctly. To prevent prohibited acts, payment for goods and services is made directly to the respective contractual partner. Payment in cash is prohibited, except in minor cases.

For further information, please refer to the Corporate Governance Report.

10.9. SAFETY

For Alzchem, the protection of people against impairment of their safety and health by products, business and production processes, as well as the responsible use of the environment and natural resources, are elementary components of responsible corporate action. Starting from compliance with laws and agreements as a basis, we work to continuously improve performance and the management system in this area.

As a company in the Trostberg Chemical Park, we not only want to be economically successful, but also a good partner, employer, trainer and neighbor. Based on this self-image, we also assume responsibility for the safety and protection of our environment and our residents. For over 100 years, we have been operating plants at the Trostberg and Hart sites that are subject to the so-called Major Accidents Ordinance. This ordinance regulates the protection of people and the environment from the consequences of possible incidents at technical plants where hazardous substances could escape. A wide range of our own safety initiatives, a highly trained plant fire department and extensive safety precautions optimized in cooperation with the authorities at our plants and facilities help minimize risks to our employees and the people in our neighborhood. As a company belonging to the “ChemDelta Bavaria” (joint initiative of companies in the Bavarian chemical triangle), we have published a current brochure to provide information on safety measures and correct behavior in the event of incidents. The information contained in the brochure can be viewed at any time on the Alzchem Group AG website.

The carbide plant in Sweden falls within the scope of the European SEVESO III Directive and is therefore subject to the relevant Swedish legislation, which is comparable to the German Hazardous Incident Ordinance.

OCCUPATIONAL AND PLANT SAFETY/OCCUPATIONAL HEALTH AND SAFETY MEASURES

Alzchem has introduced occupational health and safety management in accordance with OHRIS (Occupational Health and Risk Management System). The certification, which has been in place for many years, was extended again by the government of Upper Bavaria for three years in 2021.

All companies located at sites operated by Alzchem participate in joint safety work in seven occupational safety committees and working groups. The Safety Steering Committee is the authoritative body in safety and health work at the German sites of Alzchem Group AG. The Safety Steering Committee, which meets at least once a quarter, manages and coordinates the activities of the safety and health program. The Safety Steering Committee is chaired by the Management Board member responsible for Production/Technology.

Safety audits are an important tool in our safety management system for preventing unsafe acts. They aim to motivate all employees to act safely on a regular basis and to identify and remedy misconduct and safety deficiencies. We also encourage our employees to report near misses. The technical term for a near miss is "near miss". There is great potential in near-miss cases, as a lot can be learned from them before anything happens. Near misses therefore give us the opportunity to actively deal with errors and hazards.

Another important pillar of occupational safety is the various types of risk assessments. This effort has paid off and is reflected in corresponding key figures on occupational safety: The 1,000-man rate – i.e., the number of reportable occupational accidents in relation to 1,000 full-time employees – was 11.6 at the German sites in the full year 2021, far below the average value of 17.43 from 2020 for BG Rohstoffe und chemische Industrie quoted by the German Social Accident Insurance (DGUV) (source: DGUV homepage (December 27, 2021)).

Alzchem collects a key figure on plant safety throughout the company: the so-called "PSIR – Process Safety Incident Rate" according to the standard of the German Chemical Industry Association (VCI). PSI events are understood to be the unintentional leakage of chemical substances or energies above defined threshold values from their initial enclosure, such as pipelines, pumps, tanks or drums. The only incidents considered in these potentially safety- and environmentally-relevant incidents are those that occur

during a process engineering operation. The PSI rate (PSIR) represents the number of PSI events multiplied by 1 million, divided by the total man-hours in the period under consideration. With a PSI rate of 1.5, the target set for 2021 of less than or equal to 1.5 was achieved exactly and the previous year's value of 2.4 was thus significantly undercut.

In 2021, regular inspections were carried out by the supervisory authorities, such as the incident inspection at the Trostberg plant. Furthermore, new processes and process and plant modifications are examined for their hazard potential. In emergency and incident management, a systematic procedure has been developed in the event of an alarm. Despite restrictions due to the Corona pandemic, a large-scale exercise of Alzchem's emergency and incident management was again carried out in 2021 together with external forces (rescue service, external fire departments, disaster control).

INFORMATION SECURITY

Our asset-based information security risk management not only considers the technical infrastructure, but also effectively incorporates the entire organization, including human behavior and intangible classes of loss.

In order to achieve the optimum level of security for the Alzchem Group, protection zones were defined for physical security, for example, information was classified on the basis of a so-called "confidentiality matrix" and a common understanding of the security process in practice was achieved with procedural instructions.

Regular, event-related information and mandatory training ensure that the topic of information security remains present in the minds of employees.

IT COMPLIANCE

The responsible department monitors the implementation of the compliance requirements of the legislator and the Alzchem Group. During the reporting period, the internal control system was expanded and corresponding processes were automated.

Operational security – especially of critical IT systems – is continuously improved through optimized system management. In view of a continuously growing threat situation, we regularly review our protective measures, implement necessary countermeasures on a risk basis, and continuously check them for up-to-dateness.

LEGAL COMPLIANCE IN THE FIELD OF ENVIRONMENTAL PROTECTION

Alzchem complies with the legal regulations in the area of environmental protection. In addition to the approval notices, the Federal Immission Control Act (BImSchG) with its ordinances (for example, the Hazardous Incident Ordinance, 12th BImSchV), the Federal Water Act (WHG), the Wastewater Ordinance (AbwV), the Ordinance on Facilities for Handling Substances Hazardous to Water (AwSV), and various laws and ordinances on waste law and nature conservation law are essential. To implement compliance with legal regulations and to track regulations, Alzchem uses the so-called dialog system "Recht im Betrieb" (law in operation), which is updated regularly. In this system, all regulations are checked for relevance and assigned to the respective departments. In monthly updates, changes are entered into the database and made available to the affected areas for information.

11. (GROUP) CORPORATE GOVERNANCE STATEMENT PURSUANT TO SEC. 315D HGB IN CONNECTION WITH SEC. 289F HGB

11.1. CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY PURSUANT TO SEC. 161 AKTG

11.1.1. CORPORATE GOVERNANCE AND THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

Corporate governance comprises the principles for managing and monitoring a company. In this sense, corporate governance as an expression of good and responsible corporate management is an essential part of the Alzchem Group's philosophy.

The principles of corporate governance relate above all to cooperation within the Management Board and the Supervisory Board and between the two bodies, as well as to the relationship with our shareholders, both in and outside the

Annual General Meeting. Finally, the principles of corporate governance also concern our company's relationship with persons and entities that have an economic relationship with us.

For Alzchem, the starting point for ensuring responsible management and control of the company with a focus on sustainable value enhancement is therefore – in addition to compliance with the relevant legal standards – the German Corporate Governance Code (GCGC).

11.1.2. GOVERNANCE TOPICS INTENDED FOR DISCLOSURE BY THE GCGC

In accordance with the recommendations of the GCGC, the following governance topics are to be reported separately in the Corporate Governance Statement:

- At its meeting on August 4, 2020, the Supervisory Board resolved on long-term succession planning for the Management Board. For this purpose, the Management Board presented to the Supervisory Board, among other things, the Alzchem employees suitable for a future function on the Management Board and the time horizons envisaged in this regard. The Supervisory Board will review and, if necessary, update the succession planning following the annual update of the group of persons in question and the development measures planned for its members (B.2 GCGC). The last such review and update took place at the Supervisory Board meeting on November 4, 2021.
- At the same meeting, the Supervisory Board set the age limit for Management Board members as their respective (possibly fictitious) standard retirement age under the statutory pension scheme. Accordingly, the Supervisory Board shall appoint Management Board members only for a period ending no later than the end of the month in which their individual standard age limit is reached (B.5 GCGC).

For recommendations C.1 sentence 1 GCGC (catalog of objectives and competence profile for the Supervisory Board), C.1 sentence 5 GCGC (appropriate number of independent Supervisory Board members), C.2 GCGC (age limit for Supervisory Board members), C.3 GCGC (length of service on the Supervisory Board), C.6 GCGC (independence of Supervisory Board members), D.2 sentence 2 GCGC (existence and composition of Supervisory Board committees) and D.13 sentence 1 GCGC (efficiency review of the Supervisory Board), see the information in sec. 11.3.

11.1.3. DECLARATION OF CONFORMITY 2021

DECLARATION OF CONFORMITY PURSUANT TO SEC. 161 AKTG

The Management Board and Supervisory Board of Alzchem Group AG ("company") declare pursuant to sec. 161 AktG:

The company's last Declaration of Conformity was issued in December 2020. Since that date, the company has complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019, and intends to continue to comply with them in the future.

Trostberg, December 2021

Alzchem Group AG

For the Supervisory Board



Markus Zöllner
(Chairman of the Supervisory Board)

For the Management Board



Andreas Niedermaier



Klaus Englmaier



Dr. Georg Weichselbaumer

The current and previous years' Declarations of Conformity are available on our website at www.alzchem.com.

11.2. PUBLIC DISCLOSURE OF REMUNERATION-RELATED DOCUMENTS

The remuneration report for the fiscal year 2021 and the auditor's report thereon pursuant to sec. 162 AktG, the applicable remuneration system pursuant to sec. 87a paras. 1 and 2 sentence 1 AktG and the last remuneration resolution pursuant to sec. 113 para. 3 AktG are or will be made publicly available on the company's website at www.alzchem.com/de/investor-relations/corporate-governance/.

11.3. RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The company complies with all legal provisions applicable to it and complies with all recommendations of the German Corporate Governance Code.

In addition, the Articles of Association of Alzchem Group AG, the Rules of Procedure for the Management Board and the Supervisory Board, and the internal corporate guidelines for the entrepreneurial activities of the company and its employees, which are available to everyone on our website at www.alzchem.com, are authoritative for the management of the company.

11.3.1. WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

11.3.1.1. MANAGEMENT BOARD

The members of the Management Board conduct the business of the company on their own responsibility in the interests of the company in accordance with the law, the Articles of Association, the Rules of Procedure for the Management Board and the associated schedule of responsibilities. The Management Board observes the recommendations of the German Corporate Governance Code and reports and justifies any deviations in the Declaration of Conformity. The Management Board shall define the entrepreneurial objectives, the fundamental strategic direction, the business policy and

the Group organization of the company, coordinate these with the Supervisory Board and ensure their implementation. It is responsible for ensuring compliance with statutory provisions and internal guidelines and works towards their observance by the Group companies (compliance). It is also responsible for ensuring appropriate risk management and risk controlling within the company.

In the fiscal year 2021, the Management Board again comprised three members: Mr. Niedermaier, Mr. Englmaier and Dr. Weichselbaumer. Mr. Niedermaier, a member of the Management Board, has been appointed Chairman of the Management Board. The Management Board operates on the basis of the Rules of Procedure for the Management Board adopted by the Supervisory Board by resolution of March 12, 2020. The current Rules of Procedure for the Management Board are published on the company's website at www.alzchem.com.

The Chairman of the Management Board coordinates cooperation within the Management Board and the provision of information to the Supervisory Board, and maintains regular contact with the Chairman of the Supervisory Board. He shall work to ensure that the management of the Management Board's areas of responsibility is uniformly aligned to the goals set by the resolutions of the Management Board. He may at any time request information from the members of the Management Board on individual matters relating to their areas of responsibility and may stipulate that he be informed in advance of certain types of transactions. The Chairman of the Management Board represents the Management Board and the company to the public in matters affecting the entire company. He may delegate these duties to another member of the Management Board for certain types of matters or in individual cases.

The responsibilities of the individual members of the Management Board are based on the schedule of responsibilities for the company last adopted in March 2020, which is proposed by the members of the Management Board – also in the event of future changes – and requires the approval of the Supervisory Board. The current schedule of responsibilities provides for the following distribution of responsibilities.

Andreas Niedermaier CEO	Klaus Englmaier COO	Dr. Georg Weichselbaumer CSO
Strategy	Production	Marketing
Investor Relations	Technology	Sales
Communication	Environment, Safety, Health, Quality	Innovation Management
Law	Nordic Carbide AB, Sweden	Product approval
Risk Management		Alzchem LLC, USA
Human Resources		Alzchem Shanghai Co. Ltd, China
IT		
Supply Chain Management		
Controlling, Accounting & Finance, Taxes		
Insurance		

Within his or her area of responsibility, each Management Board member shall make decisions independently, taking into account the overall responsibility and collegiality of the Management Board as a whole. If a matter affects the areas of responsibility of several Management Board members, they shall decide jointly. If no agreement can be reached, each member of the Management Board involved is obliged to bring about a resolution by the full Management Board. In this case, the measure must be refrained from until the Management Board has reached a decision, unless immediate implementation is necessary at its due discretion to avoid imminent serious disadvantages for the company. The Management Board must then be informed immediately of any such action by the Management Board member concerned.

The Management Board fulfills its reporting obligations to the Supervisory Board as set out in sec. 90 AktG and other statutory provisions, the Articles of Association and the Rules of Procedure, whereby the Management Board generally reports to the full Supervisory Board and, on important occasions, to the Chairman of the Supervisory Board. Reports by the Management Board to the Supervisory Board are generally to be made in text form, unless the law provides for a different form. Where necessary in individual cases due to particular urgency, the Supervisory Board shall receive oral reports.

As part of its reporting, the Management Board shall inform the Supervisory Board, particularly in the course of its meetings, regularly, promptly and comprehensively, in particular on fundamental issues of corporate planning, the net assets, financial position and results of operations and profitability, as well as on the business development of the company and its subsidiaries. The Management Board shall address any deviations from the plans and targets previously drawn up, stating the reasons for such deviations. The reporting of the Management Board shall also contain information on the risk situation, risk management and compliance.

Unless otherwise determined by the Supervisory Board, the Management Board shall report to the Supervisory Board at the last meeting of the Supervisory Board of a fiscal year on the intended business policy and on other fundamental issues of corporate planning and shall submit to the Supervisory Board the budget for the following fiscal year (including financial, investment and personnel planning).

In particular, it shall address any deviations in the actual course of business from the plans and targets previously presented, stating the reasons. Unless otherwise determined by the Supervisory Board, the Management Board shall inform and brief the Supervisory Board at the meeting of the Supervisory Board at which the annual financial statements are discussed on the profitability of the company, in particular the return on equity.

Unless otherwise determined by the Supervisory Board, the Executive Board reports regularly to the Supervisory Board at the regular Supervisory Board meetings on the course of business, in particular on sales and earnings, the situation of the Company, in particular the risk situation and risk management, and on all issues of business policy and profitability relevant to the Company.

In addition, the Chairman of the Management Board reports to the Chairman of the Supervisory Board in good time on transactions which may be of significant importance for the profitability or liquidity of the company. Without prejudice to existing reservations of approval by the Supervisory Board for significant transactions and the reporting obligations set out in particular in sec. 90 AktG, the Management Board shall inform the Chairman of the Supervisory Board promptly and comprehensively about all business matters which are of particular importance due to their financial impact and/or their significance for general corporate policy, in particular also about the risk situation and risk management.

11.3.1.2. SUPERVISORY BOARD

TASKS

The Supervisory Board advises the Management Board on the management of the company and monitors its conduct of business (see also the Supervisory Board Report in this Annual Report on the activities of the Supervisory Board). As a prerequisite for this, the Supervisory Board ensures that the Management Board fulfills its reporting obligations to the Supervisory Board or its Chairman.

The Supervisory Board performs its duties in accordance with the statutory provisions, the Articles of Association and the Rules of Procedure, which were last updated in November 2021. The recommendations of the German Corporate Governance Code relating to the Supervisory Board are observed unless otherwise stated in the Declaration of Conformity to be published on the company's website pursuant to sec. 161 AktG. The members of the Supervisory Board have equal rights and duties and are not bound by instructions. In performing its duties, the Supervisory Board cooperates closely and in a spirit of trust with the Management Board for the benefit of the company.

The Supervisory Board regularly reviews the efficiency of its activities. The last efficiency review for the Supervisory Board took place in the fiscal year 2020. To carry out the review, the members of the Supervisory Board each completed a comprehensive written questionnaire, the (ano-

nymous) results of which were evaluated by the Chairman of the Supervisory Board and presented at the Supervisory Board meeting on May 19, 2020. The results showed that the Supervisory Board members are generally very satisfied with the organization, process and efficiency of the Supervisory Board's work. The suggestions made by the Supervisory Board members (including the abolition of committees, the holding of training courses on Supervisory Board-related topics and the increased use of video conferences in Supervisory Board work) were taken up by the Supervisory Board Chairman and implemented in the short term (for the legally mandatory reintroduction of the Audit Committee, see the section "Supervisory Board committees"). The next regular efficiency review will take place in 2022; the relevant review format will be determined autonomously by the Supervisory Board (recommendation D.13 sentence 2 GCGC).

COMPOSITION/GOALS/COMPETENCE PROFILE

Pursuant to sec. 8 para. 1 of the Articles of Association, the Supervisory Board of Alzchem Group AG (Group parent company) consists of four members, most recently elected by the Annual General Meeting in May 2020. The Supervisory Board is to be composed in such a way that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties.

The Supervisory Board specifies concrete objectives for its composition, taking into account the recommendations of the German Corporate Governance Code (C.1 GCGC). For the Supervisory Board of the company, these objectives, which were last resolved by the Supervisory Board in March 2020, essentially consist of ensuring the full range of professional and company-specific expertise on the Supervisory Board as a whole, providing for the internationality and a sufficient degree of independence of the Supervisory Board members, as well as ensuring gender diversity and a balanced age structure on the Supervisory Board.

Furthermore, C.1 GCGC recommends that the Supervisory Board establish a competence profile. The Supervisory Board also complied with this recommendation in its resolution of March 12, 2020. According to this, the members of the Supervisory Board as a whole should have the professional skills required to perform their duties in the best possible way (professional diversity). In particular, they must be familiar with the chemical industry from a commercial perspective. It would also be desirable for the Supervisory Board to have appropriate representation of chemical and technological expertise based on training, professional activity or special personal interest. Finally, the Supervisory Board should have expertise in the following areas

- Manufacturing and production, marketing and sales
- Corporate planning
- (Internal and external) corporate finance and capital market
- Accounting and auditing
- Strategy development and implementation; M&A
- Corporate governance; corporate compliance
- Supervisory and committee work

The Supervisory Board is convinced that, despite its small size, the existing body completely fulfills the specified competence profile; it also meets the goals it has set itself (including diversity goals).

Proposals by the Supervisory Board to the Annual General Meeting for the election of new Supervisory Board members will – in addition to taking into account the objectives set by the Supervisory Board itself – also focus at all times on filling out the competence profile.

REQUIREMENTS FOR THE INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD

In accordance with the defined catalog of objectives and competence profile, each member of the Supervisory Board shall ensure that he or she has sufficient time to perform his or her mandate. At the time of election or re-election, a Supervisory Board member should not be older than 65 and should not have been a member of the Supervisory Board for more than 12 years, starting with the company's stock market listing in 2017.

The Supervisory Board shall also include what it considers to be a sufficient number of independent members; in the opinion of the Supervisory Board of the company, this should be at least 75% of the Supervisory Board members (C.6 GCGC). A Supervisory Board member is considered independent in particular if he or she is independent of the company, its Management Board and its shareholders. Otherwise, the standards of the GCGC are to be used as a basis for determining (in)dependence. Notwithstanding this, the ownership structure of the company must also be taken into account with regard to the composition of the Supervisory Board. Based on these standards, the Supervisory Board is of the opinion that all its members are independent.

In the fiscal year 2021, at least one member of the Supervisory Board had to have expertise in the fields of accounting or auditing (sec. 100 para. 5 sentence 1 AktG). On the Supervisory Board of the company, the role of this so-called financial expert was taken by Prof. Dr. Heigl-Murauer. From the fiscal year 2022, the number of financial experts represented on the Supervisory Board will increase to two, one of whom must be qualified at least in the area of accounting, the other at least in the area of auditing. Even though these requirements need not be met until a new member joins the Supervisory Board, Mr. Zöllner already meets this requirement in the existing body.

In addition, the members of the Supervisory Board as a whole must be familiar with the sector in which the company operates (sec. 100 para. 5 sentence 2 AktG). This requirement is ensured by compliance with the competence profile that the Supervisory Board has given itself.

In accordance with sec. 100 para. 2 no. 4 AktG, the Supervisory Board shall also include no more than two former members of the Management Board. Members of the Management Board may not become members of the Supervisory Board before the expiry of two years after the end of their appointment, unless they are elected at the proposal of shareholders holding more than 25% of the voting rights in the company. The members of the Supervisory Board shall not exercise any executive or advisory functions at major competitors of the company and shall not have a personal relationship with a major competitor.

According to recommendation C.5 GCGC, members of the Supervisory Board who are also members of the Management Board of a listed company should not hold more than two other Supervisory Board mandates (none of which are Chair mandates) in non-Group listed companies or companies with comparable requirements in addition to their Supervisory Board mandate for the company. For a Supervisory Board member who is not a member of the Management Board of a listed company, this number is increased to five in accordance with recommendation C.4 GCGC, with one Supervisory Board chairmanship counting double.

The above rules must be taken into account when proposing candidates for election to the Supervisory Board.

CHAIRMAN AND DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

At the beginning of its term of office, the Supervisory Board shall elect a Chairman and a Deputy Chairman from among its members at a meeting held without special notice. If necessary, further deputy Chairpersons may be elected. Unless a shorter term of office is specified at the time of election, the election of the Chairperson and his or her Deputy(s) by the Supervisory Board shall in each case be for the term of office of the elected Supervisory Board member. If the Chairman or a Deputy Chairman retires from the Supervisory Board during his term of office, a new election shall be held immediately to replace the retiring member. The election shall be chaired by the oldest Supervisory Board member present in terms of age.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. He regularly informs the other members of the Supervisory Board, in particular in the case of measures relating to urgent transactions requiring approval. Declarations of intent by the Supervisory Board shall be made on behalf of the Supervisory Board by the Chairman or, if he is prevented from doing so, by his Deputy.

The Chairman – or, if he is prevented from doing so, his Deputy – is authorized to accept declarations on behalf of the Supervisory Board. The Deputy Chairman only has the rights and duties of the Chairman if mandatory law or the Articles of Association expressly confer these rights and duties on him. In accordance with sec. 11 para. 4 of the Articles of Association, the Deputy is not entitled to the second vote of the Chairman.

RULES OF PROCEDURE OF THE SUPERVISORY BOARD

The Supervisory Board has adopted Rules of Procedure – most recently amended by resolution of November 4, 2021 – which form the basis for its activities, in particular for cooperation within the Board. The current Rules of Procedure of the Supervisory Board – as well as the Rules of Procedure of the Management Board – are published on the company's website at www.alzchem.com.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of the company was composed as follows in the reporting period:

Member	Since	Last selected
Markus Zöllner	08/04/2017	05/19/2020
Prof. Dr. Martina Heigl-Murauer	08/04/2017	05/19/2020
Dr. Caspar Freiherr von Schnurbein	08/04/2017	05/19/2020
Steve Röper	10/02/2017	05/19/2020

In accordance with recommendation C.6 sentence 1 GCGC, the composition of the Supervisory Board takes into account the ownership structure of the company. In the opinion of the Supervisory Board, all members of the Supervisory Board are to be regarded as independent – also in relation to the major shareholders of the company; this applies all the more so now that the shareholdings in the company of the two largest shareholders represented on the Supervisory Board with their respective owners have been significantly reduced. In the opinion of the Supervisory Board, the Supervisory Board therefore has an “appropriate” number of independent members within the meaning of recommendations C.1 sentence 5, C.6 GCGC.

The Supervisory Board is chaired by Mr. Markus Zöllner; his Deputy is Dr. Caspar Freiherr von Schnurbein.

COMMITTEES OF THE SUPERVISORY BOARD

Following its reconstitution after the Annual General Meeting in May 2020, the Supervisory Board deliberately refrained from forming committees. In doing so, it followed the unanimous findings of the Supervisory Board's internal efficiency review, which saw no advantage in forming committees in view of the already small overall body of only four members. The issues otherwise assigned to the committees were instead dealt with by the full Supervisory Board (D.2 sentence 2 GCGC).

This autonomous decision by the Supervisory Board was removed by the Financial Market Integrity Strengthening Act (FISG) in 2021. According to the new legal regulation, Supervisory Boards of capital market-oriented companies must mandatorily form an Audit Committee. Alzchem Group AG complied with this order by way of a resolution dated November 4, 2021, with effect from January 1, 2022.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of the Supervisory Board formed in the reporting year is composed as follows:

Member	Last selected	Inauguration
Prof. Dr. Martina Heigl-Murauer	11/04/2021	01/01/2022
Markus Zöllner	11/04/2021	01/01/2022
Dr. Caspar Freiherr von Schnurbein	11/04/2021	01/01/2022
Steve Röper	11/04/2021	01/01/2022

The Audit Committee is chaired by Prof. Dr. Heigl-Murauer. She also acts as financial expert within the meaning of sec. 107 para. 4 sentence 3 AktG. The other financial expert on the Audit Committee is Mr. Zöllner.

With regard to the working procedures for, among others, the Audit Committee, the Rules of Procedure of the Supervisory Board (publicly available on the company's website at www.alzchem.com) declare that their main procedural rules also apply to the committees.

MEETING FREQUENCY; INDIVIDUAL MEETING PARTICIPATION

The Supervisory Board met five times in the reporting period. In addition, two resolutions were adopted by written procedure. All members of the Supervisory Board participated in all meetings and resolutions of the Supervisory Board.

Otherwise, in order to avoid repetition, reference is made to the report of the Supervisory Board for the activities of the Supervisory Board of Alzchem Group AG and its committees.

SUPERVISORY BOARD OF ALZCHEM TROSTBERG GMBH

The Supervisory Board of Alzchem Trostberg GmbH, a wholly owned subsidiary of Alzchem Group AG, consists of six members, four of whom are to be elected by the shareholders and two by the employees in accordance with the provisions of the One-Third Participation Act. Following the new elections held in the year under review, it was composed of

- for the shareholders, the four members of the Supervisory Board who are also members of the Supervisory Board of Alzchem Group AG (Prof. Dr. Heigl-Murauer, Mr. Röper, Dr. Freiherr von Schnurbein and Mr. Zöllner), and
- the employee representatives Karl Held and Otto Wolf.

The Chairman of the Supervisory Board is Mr. Markus Zöllner, his Deputy Mr. Karl Held.

The Supervisory Board has not set up any committees. Instead, the tasks that arise are performed by the full Supervisory Board of Alzchem Trostberg GmbH.

MANDATES OF THE MEMBERS OF THE SUPERVISORY BOARD

members of the Supervisory Board of Alzchem Group AG also hold the following mandates:

In addition to the above-described activity as a member of the Supervisory Board of Alzchem Trostberg GmbH, the

Member	Mandates
Markus Zöllner	Chairman of the Management Board of Anttila Oy
Dr. Caspar Freiherr von Schnurbein	Chairman of the Supervisory Board of LIVIA Emerging Markets AG Chairman of the Supervisory Board of LIVIA Organic Industries AG Member of the Supervisory Board of Blitz 21-824 AG (since January 17, 2022)
Steve Röper	Member of the Management Board of Anttila Oy

11.3.1.3. AVOIDANCE OF CONFLICTS OF INTEREST

The members of the Management Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board or the Supervisory Board in the reporting period.

11.4. DIVERSITY CONCEPT

The composition of the Management Board of Alzchem Group AG is to be balanced and appropriate for the company, so that its members as a whole possess the knowledge, skills and experience required for the management of an internationally active chemical group. Basic suitability criteria for a position on the Management Board are, in particular, personality, integrity, convincing leadership qualities, professional qualifications for the area of responsibility to be taken on, past performance, and the ability to adapt business models and processes in a changing world.

The composition of the Management Board is determined by the interests of the company and the complementary profiles of its members. In particular, the following diversity aspects are also taken into account:

- Board members should have many years of management experience.
- Board members should have diverse professional experience and extensive skills and knowledge.
- The Management Board as a whole should have many years of experience in the chemical industry.
- There shall be a sufficient mix of ages on the Management Board.

The decision as to which person, if any, is to be appointed to a specific position on the Management Board must be taken in the light of all the circumstances of the individual case.

We pursue a balanced diversity principle not only on the Management Board, but also among our managers and employees. The cultural and personal diversity of our employees makes us stronger and more innovative. For this reason, it is important to us to prevent discrimination against minorities, recognize and promote valuable potential, and improve equal opportunities in the company, among other things.

For information on the diversity concept of the Supervisory Board, please refer to section 11.3.1.2 (there "Composition/goals/competence profile").

11.5. INFORMATION ON STATUTORY MINIMUM QUOTAS IN MANAGEMENT POSITIONS

Alzchem Group AG as a listed parent company and its wholly owned subsidiary Alzchem Trostberg GmbH, which is subject to the One-Third Participation Act, have to meet targets for the share of women on their respective Supervisory Boards and Management Boards, as well as for the two Management levels below Executive Management, in accordance with sec. 76 para. 4 and sec. 111 para. 5 of the German Stock Corporation Act. The companies concerned have complied with this as follows:

- On November 22, 2018, the Supervisory Board of Alzchem Group AG set the target figures for the share of women to be achieved on the Supervisory Board and the Management Board by June 30, 2022 at 25% (for the Supervisory Board) and 0% (for the Management Board). As of December 31, 2021, the share of women on the Supervisory Board was 25% and on the Management Board 0%. In addition, the Management Board of Alzchem Group AG has set the target value for the proportion of women for the first and second Management levels below the Management Board at 0% by June 30, 2022. It should be taken into account here that only very few employees are employed by Alzchem Group AG, which essentially functions as a holding company. Under the given circumstances, the determination of an (interim) target achievement for the first and second Management levels below the Management Board at the end of the reporting year is obsolete.
- On September 29, 2017, the Supervisory Board of Alzchem Trostberg GmbH set the targets for the share of women on the Supervisory Board and on the Board of Directors to be achieved by June 30, 2022 as follows: Supervisory Board 16.66% and Board of Directors 0%. In addition, by resolution of June 29, 2017, the Board of Directors reaffirmed the previous year's targets and set the target for the period up to June 30, 2022 for the share of women at 0% for the first Management level below the Board of Directors and 8% for the second Management level below the Board of Directors. As of December 31, 2021, the target for the second Management level below the Board of Directors has already been achieved at 17% (previous year: 21.6%); for the first Management level below the Board of Directors, (interim) target achievement at the end of the reporting year is obsolete. Due to the specific conditions in the chemical industry, the company does not currently believe that it will be possible to achieve targets that correspond to the statutory target of 30%.

12. SUPPLEMENTARY REPORT

No events with a significant impact on the net assets, financial position and results of operations occurred between the end of the fiscal year 2021 and the preparation date of the consolidated financial statements.

Declaration on the Remuneration Transparency Act

The Act to Promote Remuneration Transparency between Women and Men came into force on July 6, 2017. At the heart of the law is an individual employee's right to information on the remuneration of the respective other gender in companies with more than 200 employees. In addition, the law contains a request to the employer to carry out audit procedures with regard to compliance with the equal pay requirement, as well as a reporting obligation on the part of the employer with more than 500 employees regarding statistical information and the equality measures implemented in the company. The right to information could be asserted for the first time as of February 2018. The Equality Report is to be prepared for the first time in 2018 for the year 2016. The report must be attached to the management report as an appendix and disclosed in the Federal Gazette, sec. 22 para. 4 of the German Remuneration Transparency Act (Entgelttransparenzgesetz). It is not part of the annual financial statements or the management report.

Alzchem ensures that its employees receive fair remuneration and remuneration transparency. This is achieved in detail as follows:

- Alzchem regularly carries out function evaluations in summary form with its operating partner for employees covered by collective bargaining agreements in accordance with the provisions of the collective bargaining agreement. Equivalent functions are combined into job families, which ensures fair and gender-neutral grouping and remuneration.
- Alzchem has also agreed with its operating partner on a binding set of rules for gender-neutral, competitive salary determination and development for the areas of non-tariff employees and senior executives. In addition, there is an evaluation commission with equal representation, which ensures a gender-neutral and uniform evaluation and classification of positions.
- Alzchem promotes a working environment that is friendly to women and families. This is achieved above all through flexible working hours agreed with the company partner and a variety of part-time models.

As of the reporting date December 31, 2021, the Alzchem Group employed 1,314 men (including the 3 members of the Management Board) (previous year: 1,299) and 167 women (previous year: 165) on a full-time basis as well as 58 men (previous year: 57) and 119 women (previous year: 123) on a part-time basis.

- Alzchem Trostberg GmbH as well as Nordic Carbide AB are members of the employers' association VBCI and IKEM respectively and apply the collective agreements of the chemical industry. The collective agreements and pay scales are available for all employees to view.

alzchem
group



ACT NOW.
ACT
TOGETHER.



www.alzchem.com

Consolidated Financial Statements

AS OF DECEMBER 31, 2021

CONSOLIDATED INCOME STATEMENT

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

in EUR thousand	Notes no.	01/01 – 12/31/2020	01/01 – 12/31/2021
Revenues	1	379,257	422,293
Change in inventories of finished and unfinished products		-2,514	10,028
Other operating income	2	10,671	11,360
Cost of materials	3	-132,507	-170,671
Personnel expenses	4	-127,409	-132,166
Other operating expenses	5	-73,693	-78,798
EBITDA		53,805	62,046
Depreciation and amortization	6/10/11/12	-23,097	-24,474
EBIT		30,708	37,572
Other interest and similar income	7	325	643
Interest and similar expenses	7	-3,835	-1,703
Financial result	7	-3,510	-1,060
Result from ordinary business activities		27,198	36,512
Taxes on income and earnings	8	-7,333	-8,748
Consolidated annual result		19,865	27,764
Non-controlling interests in consolidated annual result	10	171	171
Shares of the shareholders of Alzchem Group AG in consolidated annual result		19,694	27,593
Earnings per share in € (undiluted and diluted)	9 / IV	1.94	2.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

in EUR thousand	Notes no.	01/01 – 12/31/2020	01/01 – 12/31/2021
Consolidated annual result	21	19,865	27,764
Other income			
Items that are not reclassified to the income statement			
Result from the revaluation of defined benefit plans		-6,112	2,058
Deferred taxes		1,711	-578
Total items that are not reclassified to the income statement		-4,401	1,480
Items that will later be reclassified to the income statement			
Result from the market valuation of financial assets		-7	36
Currency translation difference		-519	468
Deferred taxes		2	-10
Total items that will later be reclassified to the income statement		-524	494
Other income	21	-4,925	1,974
Non-controlling interests in other income		0	0
Shares of the shareholders of Alzchem Group AG in other income		-4,925	1,974
Consolidated comprehensive income	21	14,940	29,738
Non-controlling interests in other consolidated comprehensive income		171	171
Shares of the shareholders of Alzchem Group AG in consolidated comprehensive income		14,769	29,567

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2021 OF ALZCHEM GROUP AG, TROSTBERG

ASSETS in EUR thousand	Notes no.	12/31/2020	12/31/2021
Non-current assets			
Intangible assets	11	1,810	2,329
Property, plant and equipment	12	175,062	178,806
Lease usage rights	13	8,524	7,686
Financial assets	14	20	20
Other receivables and other assets	15	630	1,320
Deferred tax assets	16	35,795	34,924
Total non-current assets		221,841	225,085
Current assets			
Inventories	17	67,402	86,676
Trade receivables	18	33,124	40,841
Other receivables and other assets	15	13,501	16,454
Deferred tax assets	19	1,311	326
Cash and cash equivalents	20	17,117	8,285
Total current assets		132,455	152,582
Total ASSETS		354,296	377,667

EQUITY AND LIABILITIES in EUR thousand	Notes no.	12/31/2020	12/31/2021
EQUITY			
Capital and reserves			
Subscribed capital	21	101,763	101,763
Capital reserve adjustment item reverse acquisition	21	-88,128	-88,128
Capital reserve	21	24,981	24,981
Other accumulated equity	21	-53,077	-51,104
Balance sheet profit	21	81,356	101,127
Treasury shares	21	0	-1,009
		66,895	87,630
Non-controlling interests	21	1,763	1,934
Total equity		68,658	89,564
LIABILITIES			
Non-current liabilities			
Provisions for pensions and similar obligations	22	141,775	140,005
Other provisions	23	24,233	24,372
Loan liabilities to banks	24	48,042	37,553
Lease liabilities	13	6,680	5,793
Other liabilities	26	342	171
Deferred tax liabilities	16	4,695	4,084
Total non-current liabilities		225,767	211,978
Current liabilities			
Other provisions	23	2,877	2,968
Loan liabilities to banks	24	12,704	10,490
Lease liabilities	13	1,634	1,805
Trade payables	25	20,880	32,780
Other liabilities	26	21,583	26,220
Income tax liabilities	27	193	1,862
Total current liabilities		59,871	76,125
Total liabilities		285,638	288,103
Total EQUITY and LIABILITIES		354,296	377,667

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31 2021

EUR thousand	Notes no.	Subscribed capital	Capital reserve adjustment item reverse acquisition	Capital reserve
As of 01/01/2020		101,763	-88,128	24,981
Dividend	IV	0	0	0
Total transactions with shareholders		0	0	0
Consolidated annual result	21	0	0	0
Other income	21	0	0	0
Consolidated comprehensive income		0	0	0
As of 12/31/2020		101,763	-88,128	24,981
As of 01/01/2021		101,763	-88,128	24,981
Dividend	IV	0	0	0
Acquisition of treasury shares	21	0	0	0
Total transactions with shareholders		0	0	0
Consolidated annual result	21	0	0	0
Other income	21	0	0	0
Consolidated comprehensive income		0	0	0
As of 12/31/2021		101,763	-88,128	24,981

Other accumulated equity	Balance sheet profit	Treasury shares	Shares of Alzchem Group AG shareholders	Non-controlling interests	Total equity
-48,152	69,294	0	59,758	1,592	61,350
0	-7,632	0	-7,632	0	-7,632
0	-7,632	0	-7,632	0	-7,632
0	19,694	0	19,694	171	19,865
-4,925	0	0	-4,925	0	-4,925
-4,925	19,694	0	14,769	171	14,940
-53,077	81,356	0	66,895	1,763	68,658
-53,077	81,356	0	66,895	1,763	68,658
0	-7,821	0	-7,821	0	-7,821
0	0	-1,009	-1,009	0	-1,009
0	-7,821	-1,009	-8,830	0	-8,830
0	27,593	0	27,593	171	27,764
1,974	0	0	1,974	0	1,974
1,974	27,593	0	29,567	171	29,738
-51,104	101,127	-1,009	87,630	1,934	89,564

CONSOLIDATED CASH FLOW STATEMENT

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

EUR thousand	Notes no.	01/01 – 12/31/2020	01/01 – 12/31/2021
	28		
Consolidated annual result before taxes		27,198	36,512
Depreciation and amortization on property, plant and equipment and intangible assets		23,097	24,474
Decrease in pension provisions		-1,182	-1,419
Profit from the sale of non-current assets		-3	-50
Other non-cash expenses (+) and income (-)		7,857	4,178
Financial result		3,510	1,060
Interest received		180	10
Interest paid		-1,196	-997
Income taxes paid		-10,484	-6,354
Decrease (+)/increase (-) in inventories		5,323	-16,457
Decrease (+)/increase (-) in trade receivables and other receivables		-830	-12,681
Decrease (-)/increase (+) in trade payables, other liabilities and other provisions		-5,008	14,431
Change in other balance sheet items		248	309
Cash inflow from operating activities (net cash flow)		48,710	43,016
Payments for investments in non-current assets		-28,832	-28,535
Proceeds from the sale of non-current assets		3	56
Cash outflow from investing activities		-28,829	-28,479

EUR thousand	Notes no.	01/01 – 12/31/2020	01/01 – 12/31/2021
Free cash flow		19,881	14,537
Proceeds from loans		10,000	0
Payments from short-term financing lines		-1	0
Payments for the repayment of loan liabilities		-11,934	-12,704
Dividend payments		-7,632	-7,821
Dividend payments to non-controlling interests		-171	-171
Repayment of lease liabilities		-1,996	-1,911
Payments for the acquisition of treasury shares		0	-1,013
Cash outflow from financing activities		-11,734	-23,620
Net decrease (-)/increase (+) in cash and cash equivalents		8,147	-9,083
Cash and cash equivalents at the beginning of the period (at the closing rate of the previous year)		9,061	17,117
Changes due to exchange rate changes		-91	251
Cash and cash equivalents at the end of the period		17,117	8,285
Net decrease (-)/increase (+) in cash and cash equivalents		8,147	-9,083



alzchem
group

PUREST
RESULTS.
EVERY-
TIME.

www.alzchem.com

Notes to the consolidated financial statements

AS OF DECEMBER 31, 2021

I. SEGMENT REPORTING

Segment reporting by operating segments for the period from January 1 to December 31, 2021:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Consolidation	Group
External sales	220,499	176,274	25,520	0	422,293
EBITDA	50,664	10,985	1,405	-1,008	62,046
EBITDA margin	23.0%	6.2%	5.5%		14.7%
Depreciation and amortization					-24,474
EBIT					37,572
Other interest and similar income					643
Interest and similar expenses					-1,703
Financial result					-1,060
Result from ordinary business activities					36,512
Inventories as of 12/31/2021:	53,971	33,400	3,664	-4,359	86,676

Segment reporting by operating segments for the period from January 1 to December 31, 2020:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Consolidation	Group
External sales	207,431	146,434	25,392		379,257
EBITDA	44,125	8,981	989	-290	53,805
EBITDA margin	21.3%	6.1%	3.9%		14.2%
Depreciation and amortization					-23,097
EBIT					30,708
Other interest and similar income					325
Interest and similar expenses					-3,835
Financial result					-3,510
Result from ordinary business activities					27,198
Inventories as of 12/31/2020:	38,410	27,639	3,555	-2,201	67,402

Segment reporting by regions:

in EUR thousand	Domestic	Abroad	Group
External sales 01/01 – 12/31/2021:	131,296	290,997	422,293
External sales 01/01 – 12/31/2020:	125,517	253,740	379,257
Non-current assets as of 12/31/2021:	182,787	6,034	188,821
Non-current assets as of 12/31/2020:	179,558	5,898	185,456

In the fiscal year 2021, no customer contributed to at least 10% of total Group sales. In the prior-year period, one customer contributed to at least 10% of total Group sales in the reporting period. Sales to the customer amounted to EUR 39,660 thousand in the fiscal year 2020 and are included in the Specialty Chemicals, Basics & Intermediates and Other & Holding segments.

IFRS 8 requires segmentation into operating segments in accordance with the internal organizational and reporting structure. An operating segment is defined as a “component of an entity” that generates income and expenses from its business activities, whose results of operations are regularly analyzed by the Chief Operating Decision Maker for the purpose of allocating resources and assessing performance, and for which discrete financial information is available. The responsible corporate body is the Management Board of Alzchem Group AG.

The reportable segments within the Alzchem Group are the segments

- Specialty Chemicals
- Basics & Intermediates
- Other & Holding

The Specialty Chemicals segment generates sales mainly from the sale of specialty chemical products. The segment is characterized by innovative products that are used in the chemical industry, the food and feeding industry and in the field of renewable energies. The products for customers in the nutrition industry are mainly based on compounds of NCN chemistry (nitrogen-carbon nitrogen). The product Creapure® as an endogenous food supplement is used as a dietary supplement in the sports sector, as a muscle-strengthening agent for the elderly, and in pharmaceuticals and cosmetics. For customer applications in the “large mo-

lecular” production and diagnostics, especially for COVID-19 test kits, the Bioselect® product range is used, which grew very strongly last year. In the feeding industry, guanidine acetic acid is mainly produced as a feed additive under the product name Creamino®. The products that Alzchem sells to customers in the renewable energies sector are used in the production of composite materials and adhesives (DY-HARD®), as well as silicon nitride for advanced ceramics and for the manufacture of photovoltaic modules in the solar industry. This segment also includes the production of nitroguanidine for use in agricultural and pharmaceutical active ingredients and as a gas generator in propellants.

The Basics & Intermediates segment essentially combines the activities of the compound chemicals business based on the primary nitrogen-carbon-nitrogen bond (NCN chain). This segment produces lime-, carbon- and electricity-based raw materials for specialty chemicals, products for customers in the agricultural and metallurgical sectors, and intermediates for further use in the chemical industry. Customers in the agricultural sector use calcium cyanamide products, for example, as fertilizers. For customers in the metallurgy sector, this segment produces lime- and carbide-based auxiliaries for hot metal desulfurization, as well as products for deoxidation, desulfurization and the spiking of steel in the secondary metallurgy sector. This segment also includes the production and sale of guanidine salts as a raw material for agrochemicals and pharmaceutical active ingredients, as well as the manufacture of nitriles as intermediate products for the chemical processing industry.

The Other & Holding segment includes all other activities of the Group. The sales generated here mainly comprise service sales.

In preparing segment reporting using the internal management approach, the same accounting policies are applied as in the preparation of the IFRS consolidated financial statements.

External sales represent segment sales to external customers. The sales presented by region relate to the customer's billing address. EBITDA is the key performance indicator regularly used by Management to assess the profitability of the segments. Intersegment sales are not recognized. Instead, the expenses to be taken into account when calculating EBITDA are determined and charged to the individual segments on a source-related basis using internal cost allocation. Consequently, the performing segment is relieved of expenses and the receiving segment is charged with expenses. The cost rates applied are reviewed regularly, adjusted if necessary and do not include any profit markup rates. In general, the aim of internal cost allocation is to ensure that all costs are allocated to the relevant segment according to their origin and that no non-allocable expenses remain.

Inventories are the main asset item reported to Management on a regular basis. Non-current assets, which are to be reported by specific regions in accordance with IFRS 8, comprise intangible assets and property, plant and equipment.

The consolidation column shows Group eliminations and Group postings made solely for the purpose of preparing the consolidated financial statements. The sales reported in this column include currency effects that could not be allocated to the other segments.

II. PRELIMINARY REMARK

The consolidated financial statements relate to Alzchem Group AG, a stock corporation (corporation) under German law with its registered office in Trostberg, Germany, and its subsidiaries. The head office of Alzchem Group AG is located at Dr.-Albert-Frank-Str. 32, Trostberg, Germany. The responsible registration court is located in Traunstein (HRB 26592). Alzchem Group AG is the parent company of the Alzchem Group and prepares these IFRS consolidated financial statements.

The consolidated financial statements were prepared by the Management Board on February 17, 2022.

The companies of the Alzchem Group develop, produce and trade in chemical products of all kinds and provide services as chemical park operators, among other things. From the basic raw materials lime, carbon and electricity, versatile products with a typical nitrogen-carbon-nitrogen compound of very high quality are produced in further production steps at the sites in Trostberg (headquarters),

Schalchen, Hart, Waldkraiburg and Sundsvall (Sweden). Furthermore, smaller sales units are located in Atlanta (USA) and Shanghai (China).

The shares of the company are traded in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange in Germany (WKN A2YNT3). Due to the shareholder structure, there is no parent company within the meaning of IAS 1.138. The current shareholder structure as of the reporting date can be found in the combined management report of the company and is continuously updated on Alzchem's website.

By shareholders' resolutions of December 23, 2021 and February 3, 2022, Alzchem Nutrition GmbH and Alzchem International GmbH were exempted from the obligation to prepare and disclose the annual financial statements and management report for the fiscal year 2021 pursuant to sec. 264 para. 3 HGB. Alzchem Trostberg GmbH also makes use of the exemption provisions of sec. 264 para. 3 HGB and was exempted from preparing and disclosing the management report by shareholders' resolution of October 18, 2021. The exemption resolutions were submitted to the Federal Gazette by the subsidiaries Alzchem Nutrition GmbH, Alzchem International GmbH and Alzchem Trostberg GmbH and will be published accordingly.

III. NOTES TO THE PRINCIPLES AND METHODS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The consolidated financial statements of Alzchem Group AG have been prepared in accordance with the regulations of the International Accounting Standards Board (IASB), London, in compliance with the International Financial Reporting Standards (IFRS) as applicable in the EU. The interpretations of the IFRS Interpretations Committee (formerly IFRIC and SIC) have been applied. The consolidated financial statements comply with the European Union's directives on consolidated accounting (Directive 83/349/EEC). In order to achieve equivalence with consolidated financial statements prepared in accordance with the German Commercial Code, all disclosures and explanations going beyond the requirements of the IASB have been made in accordance with sec. 315e of the German Commercial Code (HGB). The consolidated financial statements in the present version comply with the provisions of sec. 315e HGB; this provision forms the legal basis for consolidated financial reporting in accordance

ce with international standards in Germany together with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, concerning the application of international accounting standards.

The provisions of the International Financial Reporting Standards (IFRS), as adopted by the EU, that were mandatory at the balance sheet date of December 31, 2021, have been applied. Early application of standards not yet mandatory as of December 31, 2021, has been waived. This approach results in the presentation of a true and fair view of the Alzchem Group's net assets, financial position and results of operations.

The consolidated financial statements are presented in euro (EUR), the functional currency of the parent company Alzchem Group AG. For reasons of clarity, the figures in the consolidated financial statements are presented in thousands of euros (EUR thousand) unless otherwise stated. All figures have been rounded up or down to the nearest thousand euros in accordance with commercial rounding principles, so that individual figures do not add up exactly to the totals given.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT WERE APPLIED FOR THE FIRST TIME IN THE FISCAL YEAR 2021

The following standards and interpretations revised or newly issued by the IASB were mandatory as of the beginning of the fiscal year 2021:

IFRS 4

IFRS 4 is not applied within Alzchem.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 (IBOR REFORM PHASE 2)

The amendments are intended to support the preparers of financial statements in providing useful information in

the upcoming changes in connection with the IBOR reform. They supplement the specifications of the first phase of the project and basically start with the replacement of a reference interest rate by another reference interest rate.

The first-time application of these amendments had no material impact on the net assets, financial position and results of operations of Alzchem.

AMENDMENTS TO IFRS 16

As a result of the emergence of the COVID-19 pandemic, on May 28, 2020, the IASB issued amendments to IFRS 16 Leases to facilitate lessees' accounting for concessions, such as deferral of lease payments or rent discounts, granted in direct connection with the COVID-19 pandemic outbreak. The amendments became effective for reporting periods beginning on or after June 1, 2020. At the current time, no such circumstances exist at Alzchem.

Consequently, the first-time application had no impact on the net assets, financial position and results of operations of Alzchem.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE APPLICATION IS NOT YET MANDATORY

The following standards, amendments to standards and interpretations have already been adopted but are not mandatory until reporting periods beginning on or after January 1, 2021 (or April 1, 2021 for amendments to IFRS 16). The Alzchem Group will apply these from January 1, 2022, or a date that may be prescribed later and has estimated the expected impact on the net assets, financial position and results of operations of the individual standards, amendments to standards and interpretations, insofar as this estimate was already possible.

Standards	Amendment relates to	Mandatory application as of	Adoption by EU Commission
IFRS 16	Extension of COVID-19 relief beyond June 30, 2021	04/01/2021	Yes
Diverse	Annual improvement project 2018 – 2020	01/01/2022	Yes
IFRS 17	Insurance contracts	01/01/2023	No
IAS 1	Classification of debt into current and non-current	01/01/2023	No
IAS 1	Disclosures on accounting policies	01/01/2023	No
IAS 8	Definition of accounting estimates	01/01/2023	No
IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	01/01/2023	No
IFRS 10/IAS 28	Sale of assets of an investor to or contribution to its associate or joint venture	Undetermined	No

In response to the ongoing impact of the COVID-19 pandemic, the IASB amended IFRS 16 Leases in March 2021 to provide a one-year extension of practical expedients to assist lessees in accounting for COVID-19-related lease concessions. The relief was originally only applicable until June 30, 2021.

At the current time, such a situation does not exist at Alzchem. Consequently, the relief has not been claimed.

On May 14, 2020, the IASB issued Annual Improvements to IFRSs 2018–2020 and amended the following standards:

- IFRS 1 First-time adoption of International Financial Reporting Standards with special accounting requirements for subsidiaries.
- IFRS 9 Financial Instruments with amendments to the “10% test” relating to the derecognition of financial liabilities. An entity only considers fees paid or received between the entity (the borrower) and the lender in the “10% test”, including fees paid or received by either the entity or the lender on behalf of the other.
- IFRS 16 with clarifications on accounting for lease incentives.
- IAS 41 Agriculture.

Alzchem does not expect the first-time application of these amendments to have a material impact on the consolidated financial statements.

IFRS 17 Insurance Contracts is not relevant for the Alzchem Group.

The further amendments to IAS 1 clarify that the classification of liabilities as current or non-current must be based on the rights that exist at the balance sheet date and that the classification does not depend on expectations regarding whether the entity will exercise its right to defer settlement of an obligation. The clarification will have no impact on the classification of the maturities of liabilities of the Alzchem Group.

In February 2021, the IASB issued further amendments to IAS 1 and IAS 8. The amendments to IAS 1 clarify that only the “significant” and company-specific accounting policies should be presented in the notes and that standardized explanations do not have to be provided. The amendment to IAS 8 relates to the definition of accounting estimates and clarifies how entities can better distinguish changes in accounting policies from changes in accounting estimates. Both amendments are effective for annual periods beginning on or after January 1, 2023. The amendments could reduce the scope of accounting-related disclosures in Alzchem’s notes to the consolidated financial statements. Alzchem will address these amendments in a timely manner.

The amendments to IAS 12 Income Taxes eliminate the “initial recognition exemption” for transactions in which both deductible and taxable temporary differences arise in the same amount on initial recognition, even if the other previously applicable conditions are met. This is therefore a re-exception from the “initial recognition exemption” for narrowly defined cases. Alzchem has not yet investigated whether this amendment will have an impact on current accounting and will address this in due time.

Due to an ongoing research project, the mandatory first-time adoption of the amendments to IFRS 10 and IAS 28 regarding the disposal of an investor’s assets to, or contribution to, an associate or joint venture has been postponed

indefinitely by the standard setter. Therefore, the adoption into European law has also been postponed indefinitely.

The accounting policies set out below have been applied in the preparation of the consolidated financial statements.

SCOPE OF CONSOLIDATION/ SHAREHOLDINGS

In addition to Alzchem Group AG, the consolidated financial statements include the following five domestic and four foreign subsidiaries in which Alzchem Group AG directly or indirectly holds the majority of voting rights:

Name, seat	Share in capital in %	Currency	Subscribed capital in local currency
Alzchem Trostberg GmbH, Trostberg, Germany	100	EUR	EUR 11,000 thousand
Alzchem International GmbH, Trostberg, Germany	94	EUR	EUR 1,000 thousand
Alzchem Stahltechnik GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
Alzchem Nutrition GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
Alzchem Netz GmbH, Trostberg, Germany	100	EUR	EUR 300 thousand
Alzchem LLC, Atlanta, USA	100	USD	USD 0 thousand
Alzchem Shanghai Co. Ltd, Shanghai, China	100	CNY	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	100	SEK	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	100	USD	USD 25 thousand

Nigu Chemie GmbH was merged with Alzchem Trostberg GmbH with effect from July 1, 2021. The transaction was carried out at carrying amounts and therefore had no impact on the net assets, financial position and results of operations of the Alzchem Group.

CONSOLIDATION PRINCIPLES

Subsidiaries are all entities that Alzchem Group AG controls directly or indirectly. Alzchem Group AG controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group (full

consolidation). They are deconsolidated from the date on which control ceases.

The financial statements of the domestic and foreign subsidiaries included in the consolidation are prepared using uniform accounting policies in accordance with IFRS 10.

Intercompany profits and losses, sales, expenses and income, as well as receivables and payables between consolidated subsidiaries, are eliminated. Where the conditions for the consolidation of third-party liabilities are met, this option is used. Intercompany profits are eliminated. The tax deferrals required by IAS 12 (Income Taxes) are made on temporary differences arising from consolidation adjustments.

CAPITAL CONSOLIDATION

Capital consolidation of subsidiaries is performed in accordance with IFRS 10 (Consolidated Financial Statements) in conjunction with IFRS 3 (Business Combinations) by offsetting the carrying amount of the investment against the revalued equity of the subsidiary at the date of acquisition (purchase method) or against the statutory equity in the case of newly established companies.

COMPANY ACQUISITIONS/REVERSE COMPANY ACQUISITIONS

The Alzchem Group applies the purchase method of accounting for business combinations. The consideration transferred corresponds to the fair value of the assets transferred, the liabilities assumed, and the equity interests issued at the acquisition date. Acquisition-related costs are expensed as incurred. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the net fair value of the assets acquired at the acquisition date is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement after reassessment.

The historical contribution of Alzchem Trostberg GmbH including its subsidiaries to Alzchem Group AG was identified in accordance with IFRIC Agenda Decision March 2013 as an equity transaction of Alzchem Trostberg GmbH, which had to be accounted for as a share-based payment in accordance with the provisions of IFRS 2. This transaction was subsequently accounted for in accordance with the accounting requirements for a reverse business combination set out in IFRS 3 B19 - B27, with the sole exception that the transaction was not permitted to give rise to goodwill, but such difference was required to be recognized immediately as an

expense in accordance with IFRS 2.8. Consequently, the IFRS consolidated financial statements of Alzchem Group AG have been a continuation of the IFRS consolidated financial statements of Alzchem Trostberg GmbH since the date of the contribution in October 2017.

CURRENCY TRANSLATION

The preparation currency and at the same time the functional currency of the Alzchem Group is the euro (EUR).

In the individual financial statements of subsidiaries denominated in euros, transactions in foreign currencies are translated at the exchange rate prevailing at the date of initial recognition. Exchange rate gains and losses arising from the translation of monetary assets or liabilities up to the balance sheet date are taken into account. Gains and losses arising from changes in exchange rates are recognized in profit or loss under other operating income or expenses.

The financial statements of the foreign Group companies are translated into the reporting currency of the Alzchem Group. Their functional currency is the respective local currency. The functional and reporting currency of the parent company and thus of the consolidated financial statements is the euro. Assets and liabilities of foreign Group companies whose functional currency is not the euro are translated by Alzchem at the closing rate (average spot exchange rate) at the end of the period. Expenses, income and earnings, on the other hand, are translated at average rates. All resulting translation differences have been recognized as a separate item in equity. The items in the consolidated statement of cash flows are translated at average exchange rates, while cash and cash equivalents are translated at the closing rate (average spot exchange rate) at the end of the period.

The exchange rates of major currencies used for currency translation are shown in the following table:

		Closing rate*		Average rate*	
		12/31/2020	12/31/2021	01/01 -12/31/2020	01/01 -12/31/2021
USA	USD	1.2271	1.1326	1.1413	1.1835
China	CNY	8.0225	7.1947	7.8708	7.6340
Sweden	SEK	10.0343	10.2503	10.4881	10.1449

* Equivalent for EUR 1

IV. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods have been applied consistently.

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTIZATION

INTANGIBLE ASSETS

Acquired intangible assets are recognized at cost.

All acquired intangible assets with a definite useful life are amortized on a straight-line basis. Amortization is based on the following useful lives, which apply throughout the Group:

Concessions, rights, licenses:	3 to 5 years or shorter contract term if applicable
Software:	3 to 5 years

Costs associated with the operation or maintenance of software are expensed as incurred. However, there were no internally generated intangible assets in the reporting period. Financing costs are capitalized as part of the cost of acquisition or production if the requirements for capitalization are met.

If an impairment loss in excess of regular depreciation is recognized, the asset is written down to its recoverable amount.

There were no intangible assets with indefinite useful lives in the reporting period.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment used in operations for more than one year are measured at cost less scheduled depreciation. Major components of an item of property, plant and equipment are recognized and depreciated individually. Subsequent costs are included in the asset's cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the year in which they are incurred. Financing costs are capitalized as part of the cost of acquisition or production if the conditions for capitalization are met.

Land is not depreciated. All other assets are depreciated using the straight-line method, with the acquisition costs being amortized over the expected useful lives of the assets as follows:

Buildings:	25 to 40 years
Operating facilities, technical equipment and machinery:	5 to 25 years
Operating and office equipment:	3 to 10 years
Vehicles:	4 to 6 years.

The residual carrying amounts and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to the latter. Gains and losses on the disposal of property, plant and equipment are determined as the difference between the proceeds on disposal and the residual carrying amount and are recognized in profit or loss.

JOINTLY MANAGED ASSETS

In the case of assets that are jointly managed with a company outside the Group, the Alzchem Group recognizes its share of these assets within property, plant and equipment, even if the Alzchem Group is not the legal owner of the jointly managed asset.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. In determining the borrowing costs to be capitalized, any investment income from the temporary investment of these funds is deducted. Other borrowing costs are recognized as an expense in the period in which they are incurred.

RESEARCH AND DEVELOPMENT EXPENSES

The Alzchem Group is involved in various research and development activities with the primary aim of developing new products or processes or improving existing products or processes. Expenditure on research activities is recognized as an expense in the period in which it is incurred. A review of the six criteria set out in IAS 38 for development costs to be capitalized showed that not all criteria were met at the balance sheet date. Consequently, development costs are also recognized as an expense in the income statement in the period in which they are incurred. However, the Alzchem Group reviews the existence of the criteria for new projects on an ongoing basis. If it is determined that the criteria for capitalizing development costs are met for individual projects, the costs incurred are capitalized.

LEASING

A lease exists if the lessee is contractually granted the right to control an identified asset by the lessor for a fixed period of time and the lessor receives consideration from the lessee in return.

As a general rule, assets must be capitalized in the lessee's balance sheet for all leases for the rights of use obtained and liabilities must be recognized for the payment obligations incurred. The Alzchem Group does not apply this general rule to short-term leases (up to twelve months term), leases of assets with a lower value and leases of intangible assets. Exercising an option, these continue to be recognized as an expense on a systematic basis over the lease term. Smaller, primarily workplace-based IT equipment, such as printers and copiers, are classified as low-value assets.

As the lessee, Alzchem recognizes the lease liabilities at the present value of the lease payments still to be made. The following lease payments are included in the calculation of the present value:

- Fixed payments (including de facto fixed payments, less any lease incentives to be received).
- Variable lease payments linked to an index or (interest) rate.

- Probable payments to be made under residual value guarantees.
- Payments likely to be made from the exercise of a call option.
- Payments likely to be made in the event of early termination.

In determining the term of leases, all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options are taken into account. Changes in the lease term resulting from the exercise of renewal or termination options are included in the lease term only if renewal or non-exercise of a termination option is reasonably certain.

The right-of-use asset to be capitalized at initial recognition corresponds to the present value of the lease payments still to be made plus initial direct costs, prepayments and dismantling costs, and less any incentive payments received.

The lease liability is subsequently compounded using the effective interest method and reduced by the lease payments. The actual lease payments are divided into an interest portion and a principal portion. The right-of-use asset is amortized on a straight-line basis over the shorter of its useful life and the lease term.

In the statement of financial position, lease usage rights are reported as a separate item from property, plant and equipment.

In determining lease payments, non-lease components are not included in the determination of lease liabilities if a separation results directly from the contract. If the contract does not contain a separation of these components, the non-lease components are treated in the same way as the lease components.

The interest rate used to measure the right-of-use assets and lease liabilities is the incremental borrowing rate, unless an interest rate is implicitly specified in the lease. To determine the incremental borrowing rate, reference interest rates are derived from risk-free interest rates with matching maturities, increased by credit risk premiums and adjusted by a country risk premium.

As the lessor, Alzchem distinguishes each lease into a finance lease or a rental lease. Leases in which Alzchem, as lessor, has transferred substantially all the risks and rewards incidental to the use of the leased asset to the lessee are treated as finance leases within the meaning of IFRS 16. In these cases, the leased asset is recognized in the balance sheet of the lessee, i.e. not in the consolidated balance sheet. The assets under a finance lease are presented as receivables in the amount of the net investment in the lease. Leases in which Alzchem as the lessor has not transferred substantially all the risks and rewards are treated as operating leases within the meaning of IFRS 16. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease within sales (as part of site services) and as other operating income in the income statement.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (cash-generating units).

If an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to its revised estimate of its recoverable amount. The increase in the carrying amount is limited to the amortized cost that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of the impairment loss is recognized immediately in profit or loss.

PUBLIC GRANTS

Government grants are recognized at their fair value if it can be assumed with a high degree of certainty that the grant will be received and the Alzchem Group fulfills the necessary conditions for receiving the grant. Government grants for costs are recognized over the period in which the related costs for which they were granted are incurred. Du-

ring the fiscal year 2021, Alzchem did not claim any government grants by way of Corona aid.

CURRENT INCOME TAXES/INCOME TAX LIABILITIES

The applicable income tax rate is calculated on the basis of the tax laws in force at the balance sheet date for the countries in which the company's subsidiaries operate.

Current taxes in Germany are calculated on the basis of a uniform corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% on distributed and retained earnings. In addition to corporate income tax, trade tax is levied on profits generated in Germany. The trade tax rate is between 12.0% and 13.0%.

The profit generated by foreign subsidiaries is determined on the basis of the respective national tax law and taxed at the applicable regional tax rate. The applicable country-specific income tax rate is between 2.5% and 25.4%.

Based on these tax regulations, expected tax payments are accounted for by recognizing appropriate and adequate income tax liabilities. The Management of the Alzchem Group regularly reviews tax declarations, particularly with regard to matters that are open to interpretation, and, if appropriate, recognizes income tax liabilities based on the amounts that are expected to be paid to the respective tax authorities.

DEFERRED TAXES

Deferred taxes are recognized in accordance with IAS 12 for all temporary differences between the tax base of assets/liabilities and their carrying amounts in the IFRS consolidated financial statements (so-called liability method). Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized. If the future tax benefit from loss carryforwards can be utilized with sufficient certainty in future periods, a deferred tax asset is recognized for this.

According to IAS 12.39, deferred taxes on temporary differences associated with investments in subsidiaries ("outside basis differences") should only be recognized in the consolidated financial statements if the following criteria are not met:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is likely that the temporary difference will not reverse in the foreseeable future.

As a rule, the temporary difference is not reversed until the company is sold. At the current time, the Alzchem Group is not planning to sell any companies, but would also be in a position to control the timing of the sale. In the consolidated financial statements of the Alzchem Group, no deferred taxes are recognized on temporary differences in connection with shares in subsidiaries.

Deferred taxes relating to items recognized directly in equity are also recognized in equity. Changes in all other deferred tax assets and liabilities are recognized in profit or loss. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

INVENTORIES

Inventories comprise raw materials, consumables and supplies, unfinished goods and merchandise, finished goods and merchandise, and advance payments on inventories. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less necessary variable costs to sell. In addition to direct material and production costs, cost of conversion also includes all directly attributable costs and an appropriate share of the necessary overheads and depreciation. Cost is determined on the basis of the average cost method. Where necessary, write-downs are made for over-reach, obsolescence and reduced marketability. Borrowing costs were not included in the cost of acquisition or production, as there were no qualifying assets.

FINANCIAL INSTRUMENTS

Within the Alzchem Group, the following categories of financial assets have been recognized:

- Measured at amortized cost (AC),
- Mandatorily measured at fair value through other comprehensive income (FVOCI),
- Measured at fair value through profit or loss (FVTPL).

The following categories are included within financial liabilities:

- Valued at amortized cost. There are no liabilities held for trading at Alzchem.

FINANCIAL ASSETS

The shares in other investments reported under non-current financial assets belong without exception to the measurement category "measured at fair value through profit or loss", as the investment does not meet the cash flow criterion. No use has been made of the option to recognize investments at fair value through profit or loss without subsequent recycling. In the case of publicly listed financial assets, the respective market price is used to determine the fair value. If there is no active market, the fair value is determined by using the most recent market transactions or a valuation method (such as the discounted cash flow method). If the input parameters for such a valuation cannot be reliably determined with an effort that is appropriate for the materiality of the investment, the Alzchem Group assumes that the acquisition costs represent the best possible estimate of the current fair value.

DERIVATIVE FINANCIAL INSTRUMENTS

There were no derivative financial instruments at either reporting date.

RECEIVABLES AND OTHER ASSETS

TRADE RECEIVABLES

Trade receivables are initially recognized at fair value. Subsequent measurement depends on the measurement category. At the Alzchem Group, some of the receivables are attributable to a mixed business model due to regular sales of receivables as part of factoring. As these receivables also meet the cash flow criterion, they are therefore to be classified as “measured at fair value through other comprehensive income”. Trade receivables of companies without factoring activities are classified as “measured at amortized cost”.

In both cases, valuation allowances are recognized in profit or loss on the basis of the expected loss within the total term of the receivable. If there are no objective indications of an actual default by the debtor, this value adjustment is corrected again via other comprehensive income for the receivables “measured at fair value through other comprehensive income”, as it is assumed that these expected losses have no additional impact on the fair value of the receivables and were already priced in when the receivables were entered into.

The determination of expected losses is based on historical data of the Alzchem Group, where expected default rates and recovery rates are determined depending on the age of the receivables. If justified by the current economic outlook or other macroeconomic parameters, the historically determined default rates are adjusted accordingly. As of the reporting date, the Alzchem Group has not identified any factors that justify an adjustment of the historical ratios. The corresponding ratios are then applied to the receivables portfolio not covered by trade credit insurance and without individually identified defaults. In accordance with the contractual regulations within the framework of factoring, the Group classifies receivables as defaulted insofar as they have not been serviced 120 days after their due date.

OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method – in the case of non-current receivables – and deducting impairment losses.

Where risks exist, these are accounted for by appropriate allowances. The same processes and guidelines are applied as for the calculation of allowances for trade accounts receivable.

Other receivables and other assets are classified as financial assets at amortized cost because they are in the “hold” business model and the cash flow criterion is met.

For other receivables and other assets, an allowance for losses on loans and advances is recognized upon initial recognition in the amount of the expected loss within one year (risk provision level 1). If there has been a significant deterioration in the debtor’s credit rating since the receivables were added, the calculation horizon is extended to the entire term of the receivable (risk provision level 2). If an actual default of the debtor is determined, the receivable is reclassified to risk provision level 3. Here, too, the risk provisioning is determined on the basis of expected losses over the lifetime of the receivable. In contrast to the previous levels, however, any interest income is no longer calculated on the gross carrying amount, but on the basis of the net carrying amount after impairment using the effective interest rate.

A significant increase in credit risk exists at the latest when payments are 30 days in arrears. An earlier reclassification based on findings from the credit management process is possible in principle, but of little practical relevance at the Alzchem Group. Default in the area of other receivables and other assets is assumed in the event of a payment delay of 90 days or more, or if payment is no longer considered probable due to other events (for example, the opening of insolvency proceedings). Due to the low volume and lack of historical data for defaults on other financial receivables at the Alzchem Group, the determination of actual expected losses is based on individual judgments by Alzchem. If the materiality of the positions changed, additional external data would be used.

Financial assets are generally recognized on the trade date. No financial assets were offset against financial liabilities in the reporting period, and there are no net settlement agreements that cannot be offset.

FACTORING

One company in the Alzchem Group partially assigns its customer receivables to financing companies (purchasers of receivables). In accordance with IFRS 9, receivables sold are derecognized in full when substantially all the risks and rewards incidental thereto have been transferred from the selling company to the buyer of the receivables or, if the risks and rewards have neither substantially been transferred nor retained, control over the receivables has passed. If the risks and rewards have essentially neither been transferred nor retained, but control of the receivables remains with the selling company, the latter recognizes a continuing involvement. Contractual agreements transfer the risk of insolvency of the customer (del credere) to the buyer of the receivables.

At the balance sheet date, an analysis is performed in each case to determine whether the receivables sold are expected to be fully or only partially derecognized and thus whether the opportunities and risks arising from the receivables sold are transferred. If the analysis shows that Alzchem still bears part of the late payment risk from these receivables, only a partial derecognition of the sold receivables is performed as of the balance sheet date in accordance with the requirements of IFRS 9, whereby the portion remaining as "continuing involvement" is small compared to the total amount of the sold receivables. In these cases, the remaining late payment exposure is accounted for under trade receivables as continuing involvement. This remaining exposure is offset by a corresponding liability, which is recognized under other current liabilities. As of December 31, 2021, the analysis of the sold receivables showed that no complete disposal but a continuing involvement had to be recognized. At the reporting date of the previous year, however, a complete disposal had to be recognized.

The purchase price retentions from factoring initially retained by the financing company as collateral are recognized separately under other assets. They become due as soon as payment is received from the customer.

In addition, retention rights for the risk of sales deductions are agreed with the buyer of the receivable and are also reported under other assets. The retention amounts become due in full after a retention period, provided that there is no friction in the cash flows.

Payment of the remaining purchase price by the purchaser of the receivable is made either upon receipt of payment by

the purchaser of the receivable or against interest at the request of the assigning company. The outstanding portion of the purchase price receivable is reported under current other assets.

Interest expenses resulting from the sale of receivables are recognized in the financial result. Management fees are reported under other operating expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid financial assets with an original maturity of three months or less, as well as current account balances. Utilized current account balances are shown as liabilities to banks under current financial liabilities.

For cash and cash equivalents, the same principles for determining valuation allowances apply as described above for other financial receivables. As cash and cash equivalents by definition only include short-term investments with banks with an insignificant risk of default, the low-credit-risk exception is also applied, which makes the review of a transfer from risk provision level 1 to risk provision level 2 obsolete. Due to the short original maturity of less than three months, this could only lead to a change in recognition, but not to a change in the amount of the allowance. Due to the short maturities and the high credit ratings of the credit institutions concerned, the calculated need for a valuation allowance is negligible and of minor importance for the Alzchem Group.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments recognized in the balance sheet at their fair value were determined on the basis of the data or input parameters used for measurement using a three-level hierarchy in accordance with the requirements of IFRS 13:

- Level 1: Exchange or market price on an active market for similar financial instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are directly or indirectly available for the financial instruments.
- Level 3: Input parameters for the financial instruments are not available on the market.

EQUITY

Equity consists of subscribed capital, capital reserve, the capital reserve adjustment item reverse acquisition, other accumulated equity and the balance sheet profit.

Subscribed capital represents the nominal capital of the parent company.

Capital reserve includes all amounts of equity transferred to the company from outside sources that are not subscribed capital.

For an explanation of the item capital reserve adjustment item reverse acquisition, please refer to Note 21.

Treasury shares include the company's own shares acquired as part of the share buyback program. In accordance with IAS 32, the purchase price for treasury shares must be deducted from equity. The nominal amount of treasury shares acquired must be openly deducted from equity. Alzchem has opted for presentation in a single item "treasury shares". They are recognized at acquisition cost including transaction costs and less any tax benefits.

Minority interests in the equity of the company are presented as non-controlling interests.

OTHER PROVISIONS

Provisions are recognized when the Alzchem Group has a present legal or constructive obligation as a result of a past event, it is probable that settlement of the obligation will result in a charge against assets, and the amount of the provision can be measured reliably. If a number of similar obligations exist, the probability of an outflow of resources is determined on the basis of the group of such obligations. Provisions are recognized at the present value of the expected expense, taking into account all identifiable risks, and are not offset against recourse claims.

Non-current provisions are recognized at their discounted expected cost at the balance sheet date to the extent that the interest portion is material. The interest rate used is a

pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability that have not already been reflected in the estimated future cash outflows.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

There are various pension plans in the Alzchem Group. This includes both defined benefit and defined contribution plans. Defined contribution plans are post-employment benefit plans under which the company pays fixed contributions to a separate entity (such as a fund or an insurance company) and has no legal or constructive obligation to pay contributions in excess of this amount, even if the fund or the claims arising from the insurance contract concluded do not have sufficient assets to pay all benefits relating to employee service in the reporting period and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

The agreements underlying the defined benefit plans provide for different benefits in the Group, depending on the subsidiary. These mainly comprise

- pension commitments from the date on which the respective retirement age is reached,
- one-time payments upon termination of employment.

The provision recognized in the consolidated balance sheet for defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of any plan assets. The actuarial valuation of pension provisions for company pensions is carried out in accordance with the projected unit credit method prescribed by IAS 19 (Employee Benefits), with an actuarial valuation being carried out by independent actuaries at each balance sheet date. This projected unit credit method takes into account the pensions and accrued benefits known at the balance sheet date and the expected future increases in salaries and pensions. The valuations are based on the legal, economic and tax circumstances of the respective country. The

obligations existing exclusively in Germany are determined using the following parameters:

	12/31/2020	12/31/2021
Discount rate in %	0.50	1.00
Wage and salary trend in %	2.50	3.00
Pension trend in %	1.50	2.00

Changes in the discount rate are reflected in rounded 0.10 percentage points in the event of a change from the discount rate at the previous reporting date.

Employee fluctuation is determined on a company-specific basis and taken into account depending on age and length of service. The actuarial valuations as of December 31 are based on the biometric principles of the "Richttafeln 2018 G" mortality tables by Klaus Heubeck. The provision comprises the present value of the defined benefit obligation less the fair value of plan assets.

Actuarial gains and losses arising on defined benefit plans from unanticipated changes in pension obligations and from changes in actuarial assumptions are recognized in other comprehensive income and in the consolidated statement of comprehensive income in the periods in which they are incurred. Past service costs and gains or losses on plan settlements are recognized in profit or loss immediately when the plan is amended, curtailed or settled. The interest portion of the addition to provisions (interest cost for pension obligations and expected return on plan assets) included in the pension expense is shown as interest expense within the financial result. The service cost is reported under operating personnel expenses.

Payments under a defined contribution plan are recognized in the income statement and presented within operating personnel expenses.

TERMINATION BENEFITS

Termination benefits are provided when an employee is dismissed before the normal retirement date or when an employee voluntarily leaves employment in return for a severance payment. The Group recognizes termination benefits immediately when it has a demonstrable and unavoidable obligation to terminate the employment of current employees in accordance with a detailed formal plan that cannot

be reversed, or when it has a demonstrable obligation to provide termination benefits upon an employee's voluntary redundancy. Benefits that fall due more than twelve months after the balance sheet date are discounted to their present value. Claims to termination benefits are reported under personnel provisions.

PROFIT SHARING AND BONUS PLANS

In the Alzchem Group, a provision is recognized as a liability in cases where there is a contractual obligation for profit sharing or other performance-related employee bonuses, or where a constructive obligation arises for the Group as a result of past business practice.

SHARE-BASED PAYMENTS

The members of the Management Board of Alzchem Group AG were granted stock appreciation rights (SARs) in various tranches as a long-term incentive (LTI). The SARs granted were classified and measured as cash-settled share-based payments in accordance with IFRS 2.30 ff. The fair value of the work performed by the members of the Management Board as consideration for the granting of the options is recognized as an expense over the vesting period in accordance with IFRS 2 and is recalculated at each balance sheet date using a Monte Carlo simulation. Further explanations are provided in Note 34. The provision is reported under other non-current provisions and the expense under operating personnel expenses.

LIABILITIES

LOAN LIABILITIES TO BANKS

Loan liabilities are initially recognized at fair value less transaction costs and subsequently at amortized cost using the effective interest method.

Loan liabilities are classified as current if repayment is due within the next twelve months.

The loan liabilities are allocated to the category "financial liabilities measured at amortized cost".

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Trade payables and other current financial liabilities are classified as "financial liabilities measured at amortized cost". Trade payables and other liabilities are classified as current if the contractual payment is due within the next twelve months.

CONTINGENT LIABILITIES

Contingent liabilities are possible or existing obligations that arise from past events but for which an outflow of resources is not considered probable. According to IAS 37, such obligations are not to be recognized in the balance sheet but disclosed in the notes.

REVENUE RECOGNITION

Alzchem generates revenues from the sale of chemical products to customers and from the provision of services as part of site services. The determination of the amount of revenue and the timing of revenue recognition is different for these revenue categories.

PRODUCT DELIVERY

In the product area, Alzchem's performance obligation consists of the delivery of chemical products to the place of delivery to be determined by the customer. As a rule, only one performance obligation arises from the contracts with customers. If Alzchem also assumes and organizes the transport service to the customer, this is generally part of the costs for fulfilling the performance obligation to the customer (so-called "fulfillment costs"). However, the transport service is a separate performance obligation if the performance obligation to deliver the chemical products has been fulfilled before completion of the transport service.

The transaction price is fixed per unit of the delivered product. Amounts collected on behalf of third parties (sales tax only) are not part of the transaction price. Variable consideration exists in the context of bonus agreements with customers based on contractually defined volumes and in part from cash discounts granted in compliance with certain shortened payment terms. In these cases, Alzchem determines the transaction price taking into account the most probable amount and includes the variable price components already in the recognition of revenue if it is probable that the customer will achieve the agreed targets or, based on the customer's payment history, it can be assumed that the customer will deduct the cash discount amount granted. If the final settlement with customers results in subsequent changes in the transaction price, this change is recognized as a reduction or increase in revenue in the period in which the final settlement with the customer is made. This period may differ from the period in which the performance obligation was settled. No judgment other than this assessment of variable price components is required. Based on many years of experience with customers with variable pricing, Alzchem considers this approach to be the best estimate of the variable price component and does not assume that there will be any material changes in revenue upon final settlement with customers. This assumption is reviewed annually by looking at the ratio of subsequently recognized revenue to revenue recognized in the previous year. In the reporting period 2021, this related to 0.04% (previous year: 0.05%) of the revenues recognized in the previous year. Financing components do not have to be taken into account due to the contractually agreed short-term payment terms. Alzchem does not receive any non-cash consideration from its customers in the product area.

The allocation of the transaction price to several performance obligations is generally not necessary. If the transport service has been identified as a separate performance obligation, the stand-alone selling price is determined on the basis of the expected costs plus an appropriate margin.

In the case of product deliveries, the service is rendered and therefore revenue is recognized at a specific point in time. Revenue is not recognized over a period of time. The following indicators are used to determine when the service is rendered:

- There is an unconditional claim for payment by Alzchem.
- The customer has legally acquired ownership over the delivered products.
- The delivered product has passed into the physical possession of the customer.
- The risks and rewards associated with the delivered product have passed to the customer.
- The customer has accepted the goods or services.

The overall assessment of these indicators leads, in the case of product deliveries by Alzchem, to revenue recognition at the time of the transfer of risk on the basis of the Incoterms agreed with the customer.

Alzchem sells its products to customers with the assurance that the product meets the exact specifications of the chemical composition. No further guarantees are given beyond this. In the very rare cases in which the product specification has not been achieved, a provision for a warranty obligation is recognized on a case-by-case basis in accordance with the requirements of IAS 37 and reported under other provisions. Based on past experience and the quality control of the products prior to delivery, the transaction price is not taken into account when determining the amount of revenue.

PROVISION OF SERVICES

The services as site operator can be permanent services or variable services, which the customer must always call up individually first. The performance obligation to be fulfilled by Alzchem is precisely defined for each service via a term sheet. One performance obligation has been identified for each term sheet.

The transaction price is determined as the price per unit. There are no other price components in the services business. Financing components do not have to be taken into account due to the contractually agreed short-term payment targets. Alzchem does not receive any non-cash consideration from its customers in the services business.

Since there is only one performance obligation per contract, it is not necessary to allocate the transaction price to more than one performance obligation.

The benefit accrues to the customer during the provision of the service by Alzchem and the customer also consumes this accruing benefit immediately. Thus, the performance obligation from the individual site services is fulfilled over a period of time. For variable services, the method that best represents the transfer of benefits and thus the fulfillment of the performance obligation to the customer is the output-oriented method, which is based on the provision of the services. These variable services are always billed to the customer when the service has been provided, i.e., when the customer has used the service and the payment claim has arisen.

Revenue is recognized at the same time. In the case of permanent site services, the performance obligation is recognized over a period of twelve months in each calendar year. The service is billed monthly in the amount of 1/12 of the annual amount. It is irrelevant here whether the customer has actually used the service. In this case, Alzchem only has to provide the service for twelve months (such as the fire department and company doctor) and after one month, 1/12 of the service obligation has been provided in each case. In these cases, there is a so-called "stand-ready service obligation", as Alzchem only has to provide the permanent site service and the customer already derives a benefit from the provision. Revenue for these site services is recognized on a straight-line basis over the twelve-month period of the contract, as this approach represents the best estimate for an "output-oriented" determination of the progress of performance for these performance obligations.

No significant judgments were made in determining the amount and timing of revenue from services.

Revenue from contracts with customers results in receivables that are included in full in trade receivables. Trade receivables and the related sales revenue are generally recognized immediately upon fulfillment of the performance obligation.

OTHER INCOME AND EXPENSE RECOGNITION

Expenses are recognized as an expense when the service is utilized or when the expense is incurred.

Rental income and expenses are recognized as expenses or income on an accrual basis.

FINANCIAL RESULT

Interest income and interest expense are accrued on an accrual basis, taking into account the outstanding principal and the applicable interest rate using the effective interest method. The applicable interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

In the case of a finance lease, the payments are divided into an interest and a repayment portion using actuarial methods.

Borrowing costs are recognized in profit or loss in the period in which they are incurred, unless they are borrowing costs for qualifying assets that must be capitalized.

COSTS OF CAPITAL INCREASES

In accordance with IAS 32, the directly attributable costs of issuing equity instruments, taking into account tax benefits, are to be recognized as a deduction from equity at the time of issue. At the time of the capital increase, the amount is reclassified to equity. If the transaction is not carried out, the deferred costs are expensed.

The costs directly attributable to historical capital increases of Alzchem Group AG were presented as a deduction from equity at the time the capital increases were implemented. The deduction amount was recognized within the equity item "capital reserve adjustment item reverse acquisition".

DIVIDEND DISTRIBUTION

Shareholders' claims to dividend distributions are recognized in the period in which the corresponding resolution is passed.

EARNINGS PER SHARE

The share buyback in the fiscal year 2021 had an impact on earnings per share. The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the period. Shares repurchased during the period are only considered to be outstanding on a pro rata basis until their repurchase and are weighted accor-

dingly. Thereafter, treasury shares are not included in the calculation of shares outstanding. In accordance with IFRS, the previous year's figures have not been adjusted.

There are no dilutive effects at the current time. The calculation is made by dividing the consolidated annual result attributable to the shareholders of Alzchem Group AG by the number of shares outstanding.

LITIGATION AND CLAIMS FOR DAMAGES

The companies of the Alzchem Group are involved in various lawsuits and official proceedings in the course of their general business operations, or such proceedings could be initiated or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty in view of the imponderables inherent in legal disputes, according to current estimates there will be no material adverse effect on the Group's results of operations beyond the risks recognized as liabilities or provisions in the financial statements.

USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions and estimates have been made which have affected the recognition and amount of the assets, liabilities, income, expenses and contingent liabilities reported. These assumptions and estimates mainly relate to the uniform determination of economic useful lives throughout the Group, the assessment of the recoverability of inventories, the measurement of provisions, pensions or location-related risks, and the realizability of future tax relief from loss carryforwards. The performance of impairment tests in accordance with IAS 36 requires estimates to be made regarding the forecast and discounting of future cash flows expected to arise from the asset under review. In individual cases, the actual values may differ from the assumptions and estimates made. Changes are taken into account at the time better knowledge becomes available.

Our estimates are based on experience and other assumptions that are believed to be reasonable under the circumstances. The actual values may differ from the estimates. The estimates and assumptions are reviewed on an ongoing basis.

INCOME TAXES

The Alzchem Group is required to pay income taxes in various countries according to different assessment bases in each case. The global tax provision is formed on the basis of a determination of profit made in accordance with local tax regulations and the applicable local tax rates.

The amount of tax provisions and liabilities is based on estimates of whether and in what amount income taxes will be due. Where necessary, appropriate provisions are made for any risks arising from different tax treatment.

In addition, estimates must be made in order to assess the recoverability of deferred tax assets. The key factor in assessing the recoverability of deferred tax assets is the probability that future taxable profits (taxable income) will be available.

Furthermore, uncertainties exist with regard to the interpretation of complex tax regulations and the amount and timing of future taxable income. Particularly against the background of international interrelationships, differences between actual results and our assumptions or future changes in these assumptions may result in changes in the tax result in future periods.

PROVISIONS

In determining the recognition of provisions, assumptions must be made regarding the probability of the outflow of resources. These assumptions represent the best possible estimate of the underlying situation, but are subject to a certain degree of uncertainty due to the necessary use of assumptions. When measuring provisions, assumptions must also be made about the amount of the possible outflow of resources. This relates in particular to the long-term landfill provisions of Alzchem. For accounting purposes, assumptions have to be made about the estimated costs and also the period of storage after closure of the landfills. A change in the assumptions can therefore lead to a different amount of the provision. Accordingly, the use of assumptions also gives rise to certain uncertainties here.

The calculation of the present value of pension obligations is largely dependent on the selection of the discount rate and other actuarial assumptions, which are recalculated at the end of each fiscal year. The underlying discount rate is the interest rate of corporate bonds with a high credit rating, which are denominated in the currency in which the benefits are paid and which have matching maturities to the pen-

sion obligations. Changes in these interest rates may lead to material changes in the amount of the pension obligation. The same applies to the long-term deposit provisions, which may change significantly as a result of changes in the discount rate.

At the time the consolidated financial statements were prepared, all discernible risks were taken into account within the framework of the underlying assumptions and estimates.

EFFECTS OF THE COVID-19 PANDEMIC ON ALZCHEM'S ACCOUNTING

The uncertainties regarding accounting effects that arose with the outbreak of the COVID-19 pandemic have now diminished. They depend on the development of further virus variants and their occurrence, the progress of global vaccinations, the effectiveness of vaccines, and the possible effects of increasingly expiring financial and non-financial measures taken by governments and organizations worldwide. Corresponding impacts may affect fair values and carrying amounts of assets and liabilities, as well as the amount and timing of earnings recognition and cash flows. The impact varies significantly by region and customer industry. In preparing the consolidated financial statements, all currently available information and knowledge was included and taken into account in the estimates and assumptions made. Based on these assumptions, Alzchem assumes that the impact on the consolidated financial statements of the Alzchem Group will not be material. In particular, the following aspects were again considered in more detail:

As a result of changes in the payment behavior of customers, the need for valuation allowances on trade receivables could increase. Currently, no adjustments to the payment terms for individual customers were necessary and no change in payment behavior could be identified. In addition, many receivables are insured. The valuation allowances recognized resulted from individual case-related assessments which could not be attributed to the COVID-19 pandemic. The calculation of expected losses is based on historical data of the Alzchem Group, where expected default rates and recovery rates are determined depending on the age of the receivables. If the current economic outlook or other macroeconomic parameters justify it, the historically determined default rates are adjusted accordingly. As of the reporting date, the Alzchem Group has not identified any factors that justify an adjustment of the historical ratios. If the expectations do not materialize, there could be a need for additional valuation allowances on trade receivables.

In the fiscal year 2021, no indicators were identified to perform an impairment test on property, plant and equipment and therefore no calculations were performed.

Alzchem has again not drawn on any subsidies from country-specific government aid programs and assumes that this will continue to be unnecessary if economic conditions remain more or less the same.

V. NOTES TO THE INCOME STATEMENT

1. SALES REVENUES

Alzchem generates sales revenues by selling chemical products to customers and by providing site services.

The Group's sales, divided into these two categories, are as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Sales from product sales	356,548	400,387
Sales from services	22,709	21,906
	379,257	422,293

Sales are distributed among the segments presented in the segment reporting as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Product sales in the Specialty Chemicals segment	207,431	220,499
Product sales in the Basics & Intermediates segment	146,434	176,274
Product sales in the Other & Holding segment	2,683	3,614
Service sales in the Other & Holding segment	22,709	21,906
	379,257	422,293

The geographical breakdown of total sales is as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Germany	125,517	131,296
European Union	99,878	121,629
Rest of Europe	34,218	28,177
NAFTA	48,711	51,023
Asia	40,674	54,027
Rest of the World	30,259	36,141
	379,257	422,293

Sales from contracts with customers result in receivables that are included in full in trade receivables. The opening and closing balances of these receivables can be found in the balance sheet item trade receivables as of the respective reporting date. Trade receivables have a heterogeneous maturity structure at initial recognition, ranging on average from 30 to 60 days. The impairment losses recognized on trade receivables in the reporting period can be found in Note 18. At both reporting dates, there were neither contract assets nor contract liabilities.

In the reporting period, revenues of EUR 152 thousand (prior year: EUR 193 thousand) were recognized for which the per-

formance obligation had already been met in the previous period. These result from the final settlement of volume-based pricing arrangements with individual customers in the fiscal year 2021. There were no accruals due to transport services in the entire reporting period.

No information is provided on the total amount of the remaining benefit obligations, as there are no contracts with customers that run for more than one year.

2. OTHER OPERATING INCOME

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Own work capitalized	6,345	6,688
Income from currency translation	2,154	1,859
Income from the reversal of provisions and liabilities	513	602
Income from services to third parties	470	425
Income from energy tax refunds	164	306
Miscellaneous other income	1,025	1,480
	10,671	11,360

Own work capitalized results from the capitalization of internally generated items of property, plant and equipment.

Income from services to third parties includes expense allowances in connection with the European Chemicals Regu-

lation (REACH). Income from the valuation of derivatives was not recognized in the periods presented, as none had been concluded.

3. COST OF MATERIALS

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Cost of raw materials, consumables and supplies, production-related electricity and purchased goods	130,630	168,498
Cost of purchased services	1,877	2,173
	132,507	170,671

4. PERSONNEL EXPENSES

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Wages and salaries	104,816	108,457
Social security contributions and pensions	22,593	23,709
	127,409	132,166

The item social security contributions and pensions includes current payments for employer contributions to the statutory pension insurance scheme in the amount of EUR 7,622 thousand (previous year: EUR 7,399 thousand).

The following table shows the average number of employees in the Alzchem Group during the reporting period:

	2020	2021
Commercial employees	818	818
Employees	679	683
Trainee	134	135
	1,631	1,636

5. OTHER OPERATING EXPENSES

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Distribution costs	14,887	18,027
Maintenance	10,665	10,461
Environmental/disposal costs	9,456	8,734
Other third-party services	8,246	9,484
Consulting, research and development costs	5,669	7,090
Insurances	3,169	4,079
IT costs	2,352	2,772
Expenses from currency translation	3,961	1,829
Other miscellaneous expenses	15,288	16,322
	73,693	78,798

The research and development costs presented above only include external research and development costs. In total, including personnel and other attributable expenses, re-

search and development costs of EUR 9,688 thousand (previous year: EUR 9,363 thousand) were recognized as an expense in the reporting period.

6. DEPRECIATION AND AMORTIZATION AND IMPAIRMENTS

Details of depreciation and amortization can be found in the consolidated statement of changes in non-current assets. As in the previous year, no impairment losses were recognized on property, plant and equipment or intangible assets in the reporting period.

7. FINANCIAL RESULT

The financial result is composed of the following items, broken down by origin, as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Interest income		
Receivables from banks	7	4
Other	318	639
	325	643
Interest expense		
Interest expense from additions to pension provisions	1,206	706
Loan liabilities to banks	936	785
Interest expense from sale of receivables	110	94
Interest expense from additions to other non-current provisions	1,427	0
Interest expense from lease liabilities	131	113
Other	25	5
	3,835	1,703
Financial result	-3,510	-1,060

Interest income from banks results from current account balances and short-term cash investments. Other interest income includes EUR 5 thousand interest income from taxes (previous year: EUR 150 thousand from the waiver of interest on tax back payments). In the fiscal year 2021, interest income from the change in interest rates for the measurement of non-current other provisions amounted to EUR 602 thousand (previous year: EUR 1,345 thousand interest expense). Interest expenses from tax back payments amounted to EUR 5 thousand in the fiscal year (previous year: EUR 16 thousand).

Total interest income for financial assets measured at amortized cost or financial liabilities not measured at fair value

through profit or loss amounted to EUR 8 thousand in the fiscal year 2021 (previous year: EUR 7 thousand). The total interest expense for financial assets measured at amortized cost or financial liabilities not measured at fair value through profit or loss amounted to EUR 785 thousand in the fiscal year 2021 (previous year: EUR 936 thousand). No interest income or expense was recognized in any reporting period for financial assets measured at fair value through other comprehensive income.

All interest income and interest expenses resulting from financial assets and financial liabilities have been calculated using the effective interest method.

8. TAXES ON INCOME AND EARNINGS

Income tax expense is composed as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Actual tax expense	-6,985	-9,047
thereof relating to other periods	2	-21
Deferred tax expense (-)/income (+)	-348	298
thereof relating to other periods	354	-18
thereof from temporary differences	-778	105
	-7,333	-8,748

Income taxes paid or owed in the individual countries and deferred taxes are reported as income taxes.

Deferred taxes are calculated on the basis of the tax rates expected to apply in the individual countries at the time of realization; these rates are generally based on the legal regulations in force or enacted at the balance sheet date.

The following reconciliation shows the differences between the income tax expense actually recognized and the expected

income tax expense. The expected income tax expense is calculated by multiplying earnings before income taxes by the applicable income tax rate. In accordance with IAS 12.85, the applicable income tax rate is that which is most appropriate for the presentation of information. Although the tax rate of Alzchem Group AG is 29%, the tax rate of Alzchem Trostberg GmbH was used for the tax reconciliation, as this has the most significant influence on the Group tax rate.

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Consolidated net income before income taxes	27,198	36,512
Applicable income tax rate	28.00%	28.00%
Expected income tax expense	7,615	10,223
Effects from deviating foreign tax rates	56	-69
Effects from deviating domestic tax rates	95	98
Tax effects		
Tax additions	140	434
Tax-free income	-239	-232
Tax income relating to other periods	-380	-1
Tax expense relating to other periods	24	40
Reversal of deferred tax liabilities on equity transactions	0	-1,792
Other deviations	22	47
Total tax effects	-433	-1,504
Total tax expense	7,333	8,748
Effective tax rate	26.96%	23.96%

9. EARNINGS PER SHARE

The share buyback in the fiscal year 2021 has an impact on earnings per share. The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the period. Shares repurchased during the period are only considered to be outstanding on a pro rata basis until their repurchase and are weighted accor-

dingly. Thereafter, treasury shares are not included in the calculation of shares outstanding. In accordance with IFRS, the previous year's figures have not been adjusted.

The following overview shows the weighted average number of shares outstanding considered for the respective reporting periods:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Weighted average number of shares outstanding	10,176,335	10,146,942
Earnings per share in EUR	1.94	2.72
Number of shares outstanding at the reporting date 12/31	10,176,335	10,135,754

VI. NOTES TO THE BALANCE SHEET

10. NON-CONTROLLING INTERESTS IN CONSOLIDATED ANNUAL RESULT

The non-controlling interests in the consolidated annual result for the year relate to the 6% minority interests in

Alzchem International GmbH held by the four former main shareholders of Alzchem Group AG. The development of non-controlling interests can be seen in the consolidated statement of changes in equity.

The following financial information relates to the non-controlling interests (in percentage terms) in the subsidiaries:

in EUR thousand	12/31/2020	12/31/2021
Non-current assets	4,093	3,415
Current assets	84	69
Non-current liabilities	0	1
Current liabilities	2,071	1,376
Cash flow	0	0
Distributions paid	0	0
Annual result	160	122
Other result	0	0
Overall result	160	122

A profit and loss transfer agreement was concluded between Alzchem Trostberg GmbH and Alzchem International GmbH with effect from January 1, 2018. Accordingly, Alzchem International GmbH transfers its future profits in full to Alzchem Trostberg GmbH, which also assumes any losses of Alzchem International GmbH in full. The agreement was concluded for a period of five years and cannot be terminated during this period.

As a result of the agreement, the Group has received the entire annual result and the comprehensive income of Alzchem International GmbH since January 1, 2018. Consequently, the non-controlling interests will not receive any further annual results for the period of the profit and loss transfer agreement. The minority shareholders of Alzchem International GmbH were granted a compensation payment of EUR 2.85 (gross) per share and year for the loss of their variable profit entitlement for the duration of the profit and loss transfer agreement.

In the consolidated balance sheet, the present value of the future compensation payments to be made has already been recognized in full (EUR 342 thousand; December 31, 2020: EUR 513 thousand) in current and non-current other liabilities. The non-controlling interest was reduced by the

same amount in consolidated equity. The annual compensation payments to be made to the non-controlling interests are allocated in each case (pro rata) to the consolidated annual result of the non-controlling interests and therefore do not correspond to the actual annual result of the non-controlling interests, as this is zero in the years of the profit and loss transfer agreement. The figure reported in the overview above corresponds to 6% of the actual annual result of Alzchem International GmbH. However, in balance sheet terms, EUR 171 thousand (December 31, 2020: EUR 171 thousand) from Alzchem International GmbH was allocated to the consolidated annual result of the non-controlling interests. The cash settlement takes place in January of each fiscal year in the same amount.

11. INTANGIBLE ASSETS

Intangible assets include acquired software, rights and licenses. There were no internally generated intangible assets in the Alzchem Group at the reporting dates shown.

The development of intangible assets in the period from January 1 to December 31, 2020 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition costs 01/01/2020	4,429	2,564	6,993
Additions	839	0	839
Disposals	-44	-742	-786
Reclassification	342	-283	59
Currency translation	9	0	9
Status on 12/31/2020	5,575	1,539	7,114
Amortization 01/01/2020	3,612	1,840	5,452
Additions	417	218	635
Disposals	-44	-742	-786
Reclassification	87	-87	0
Currency translation	3	0	3
Status on 12/31/2020	4,075	1,229	5,304
Net carrying amount 12/31/2019	817	724	1,541
Net carrying amount 12/31/2020	1,500	310	1,810

The development of intangible assets in the fiscal year 2021 was as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition costs 01/01/2021	5,575	1,539	7,114
Additions	1,074	3	1,077
Disposals	-38	-21	-59
Reclassification	120	0	120
Currency translation	-3	0	-3
Status on 12/31/2021	6,728	1,521	8,249
Amortization 01/01/2021	4,075	1,229	5,304
Additions	617	53	670
Disposals	-32	-21	-53
Reclassification	0	0	0
Currency translation	-1	0	-1
Status on 12/31/2021	4,659	1,261	5,920
Net carrying amount 12/31/2020	1,500	310	1,810
Net carrying amount 12/31/2021	2,069	260	2,329

Impairment losses on intangible assets were not recognized in any of the reporting periods. In the reporting periods presented, there were no intangible assets with indefinite

useful lives and no intangible assets that were not yet ready for use at the reporting date.

12. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in the period from January 1 to December 31, 2020 is as follows:

in EUR thousand	Land, land rights and buildings	Plants and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Acquisition costs 01/01/2020	67,365	238,252	21,275	9,047	335,939
Additions	486	7,791	2,354	19,365	29,996
Disposals	-8	-1,194	-1,252	-294	-2,748
Reclassification	806	6,446	285	-7,596	-59
Currency translation	48	172	-9	53	264
Status on 12/31/2020	68,697	251,467	22,653	20,575	363,392
Depreciation 01/01/2020	23,105	131,544	15,588	0	170,237
Additions	2,111	15,809	2,523	0	20,444
Disposals	-8	-1,177	-1,238	0	-2,423
Reclassification	0	0	0	0	0
Currency translation	4	74	-5	0	73
Status on 12/31/2020	25,212	146,250	16,868	0	188,330
Net carrying amount 12/31/2019	44,260	106,708	5,686	9,047	165,702
Net carrying amount 12/31/2020	43,485	105,217	5,785	20,575	175,062

The development of property, plant and equipment in the fiscal year 2021 was as follows:

in EUR thousand	Land, land rights and buildings	Plants and machines	Operating and office equipment	Advance payments and assets under construction	Total
Acquisition costs 01/01/2021	68,697	251,467	22,653	20,575	363,392
Additions	1,305	12,493	2,690	9,479	25,967
Disposals	0	-880	-837	-144	-1,861
Reclassification	1,294	16,288	788	-18,489	-120
Currency translation	-22	-112	13	-25	-146
Status on 12/31/2021	71,274	279,256	25,307	11,396	387,232
Depreciation 01/01/2021	25,212	146,250	16,868	0	188,330
Additions	2,176	17,033	2,566	0	21,775
Disposals	0	-843	-804	0	-1,647
Reclassification	0	0	0	0	0
Currency translation	1	-43	10	0	-32
Status on 12/31/2021	27,389	162,397	18,640	0	208,426
Net carrying amount 12/31/2020	43,485	105,217	5,785	20,575	175,062
Net carrying amount 12/31/2021	43,885	116,859	6,667	11,396	178,806

Impairment losses on property, plant and equipment were not recognized in any reporting period presented.

As the site operator, Alzchem rents or leases individual office premises, storage areas and company apartments. Separate disclosure of the carrying amounts of these individual leased properties in accordance with IFRS 16.58 is not possible in most cases, as individual carrying amounts either do not exist or are not material when taking into account the total carrying amount of the land and buildings.

As of the balance sheet date, plant and machinery includes jointly controlled assets in the amount of EUR 0 thousand (December 31, 2020: EUR 103 thousand). This relates to a steam boiler that is operated at the Waldkraiburg site together with a neighboring company on its property. The Alzchem Group's share in this joint arrangement is 50%. The two companies each use 50% of the volume produced by

the steam boiler for their own production processes. The share of expenses from this jointly controlled asset amounted to EUR 1,696 thousand in the fiscal year 2021 (previous year: EUR 1,074 thousand). As in the previous year, no income was generated from this jointly controlled asset.

Borrowing costs of EUR 83 thousand (previous year: EUR 0 thousand) were capitalized in the fiscal year 2021 as part of the cost of technical equipment and machinery and buildings. The underlying financing cost rate corresponds to the loan interest rate of the directly attributable loans.

Property, plant and equipment in the amount of EUR 13,772 thousand (December 31, 2020: EUR 14,568 thousand) serves as collateral for loan liabilities to banks.

13. LEASING

The Alzchem Group has concluded leases mainly for vehicles, forklifts, rail cars, office space and software. Leases for smaller, mainly workplace-related IT equipment, such as printers and copiers, are classified as low-value leases and are not recognized in the balance sheet. Similarly, leases

with a term of up to twelve months and leases for intangible assets are not recognized.

The following table shows the development of lease usage rights in the reporting periods broken down by the classes of property, plant and equipment relevant for Alzchem:

in EUR thousand	Land, land rights and buildings	Plants and machinery	Operating and office equipment	Total
Carrying amount 01/01/2020	131	9,435	204	9,770
Additions	259	553	0	812
Depreciation	-116	-1,813	-89	-2,018
Disposals	0	-29	-2	-31
Currency translation	-13	-4	8	-9
Carrying amount 12/31/2020	261	8,142	121	8,524
Additions	299	752	108	1,159
Depreciation	-123	-1,832	-75	-2,030
Disposals	0	0	0	0
Currency translation	34	-1	0	33
Carrying amount 12/31/2021	471	7,061	154	7,686

The carrying amounts of the lease liabilities and the future payments under these lease liabilities are as follows according to their maturities:

12/31/2020 in EUR thousand	Until 1 year	1 to 5 years	Over 5 years	Total
Present value of lease liabilities	1,634	4,960	1,720	8,314
Payments from lease liabilities	1,739	5,181	1,737	8,657

12/31/2021 in EUR thousand	Until 1 year	1 to 5 years	Over 5 years	Total
Present value of lease liabilities	1,805	5,219	574	7,598
Payments from lease liabilities	1,901	5,388	576	7,865

In addition to depreciation and amortization, the following income and expenses relating to leases were recognized in the income statement:

Income statement items in EUR thousand		01/01 – 12/31/2020	01/01 – 12/31/2021
Other operating expenses	Lease expenses for short-term leases	184	69
Other operating expenses	Lease expenses for low-value leases	58	55
Other operating expenses	Variable lease expenses outside lease liabilities	30	29
Interest and similar expenses	Interest expense for lease liabilities	131	113
Sales revenues	Income from operating leases	1,273	1,141
Other operating income	Income from operating leases	476	515

The Alzchem Group has not generated any income or losses from subleases of lease usage rights or from sale and lease-back transactions.

There are no material renewal or termination options for the lease usage rights currently recognized in the balance sheet that are not taken into account in the calculation of lease liabilities, nor have any residual value guarantees been provided. There are also no obligations arising from leases already concluded but not yet commenced at the balance sheet date. We expect future payments from variable lease payments to be approximately at the level of the past fiscal year 2021.

Lease terms are negotiated individually and include a variety of different conditions. The leases do not contain any credit terms, but leased assets may not be used as collateral for borrowings.

The Alzchem Group has not identified any finance leases as a lessor. As a site operator, Alzchem rents or leases individual office premises, storage areas and plant apartments. The Alzchem Group expects the following inflows from these contracts in the coming periods:

Expected in the fiscal year						
as of 12/31/2020 in EUR thousand	2021	2022	2023	2024	2025	After 2025
Proceeds from operating lease agreements	1,410	717	717	563	562	4,348

Expected in the fiscal year						
as of 12/31/2021 in EUR thousand	2022	2023	2024	2025	2026	After 2026
Proceeds from operating lease agreements	1,397	1,059	896	895	891	4,128

14. FINANCIAL ASSETS

Non-current financial assets comprise shares in other investments in their entirety and are allocated to the measurement category "at fair value through profit or loss". Since there are no observable market values for these investments and, taking into account their overall minor significance for the Alzchem Group, no reliable parameters for a model valuation can be determined with reasonable effort, the acquisition costs are used as the best available indicati-

on of the fair value. At the current time, the Alzchem Group does not plan to sell any of its investments.

15. OTHER RECEIVABLES AND OTHER ASSETS

Non-current and current other receivables and other assets comprise the following financial and non-financial assets:

in EUR thousand	12/31/2020	12/31/2021
Non-current receivables and other assets		
therein financial assets		
Total non-current financial assets	0	0
therein non-financial assets		
Prepaid expenses and deferred charges	565	1,250
Other	65	70
Total non-current non-financial assets	630	1,320
Total non-current receivables and other assets	630	1,320
Current receivables and other assets		
therein financial assets		
Receivables from purchase price retention, special blocked account and settlement account	4,104	5,378
Short-term restricted cash investments	5,902	5,902
Other	355	446
Total current financial assets	10,361	11,726
therein non-financial assets		
Tax receivables	1,617	3,211
Prepaid expenses and deferred charges	1,486	1,415
Other	37	102
Total current non-financial assets	3,140	4,728
Total current receivables and other assets	13,501	16,454

The receivables from purchase price retention, special blocked account and settlement account result from factoring transactions and represent receivables from the factor. The short-term cash investments relate to cash and cash equivalents invested with banks with a fixed-interest period of no more than twelve months. This cash investment of EUR 5,902 thousand (December 31, 2020: EUR 5,902 thousand) serves in full as collateral in accordance with the statutory requirements for the aftercare and recultivation of landfill sites.

Prepaid expenses were mainly recognized for advance payments of insurance policies and maintenance contracts. Insurance policies in connection with the current stock ex-

change listing amounting to EUR 169 thousand (December 31, 2020: EUR 194 thousand) are also reported under non-current assets.

No valuation allowances have been recognized on the non-current and current financial assets listed above, nor are there any overdue amounts included here. As of the balance sheet date, there are no indications that payments will not be made when these items fall due.

The current and non-current financial assets shown here include the following receivables denominated in foreign currencies:

in EUR thousand	12/31/2020	12/31/2021
Total	130	138
USD	10	7
SEK	66	11
CNY	54	120

16. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to the same tax authority. Deferred tax assets and deferred tax liabilities relate to the following items:

in EUR thousand	12/31/2020	12/31/2020
Deferred tax assets		
Intangible assets	100	0
Property, plant and equipment	370	228
Financial assets	44	42
Inventories	705	1,015
Other receivables and other assets	1,770	1,902
Provisions	30,251	29,170
thereof for pension obligations	27,157	25,992
Liabilities	2,296	2,067
Tax loss carryforwards	259	500
Total deferred tax assets	35,795	34,924
thereof current	4,815	5,026
thereof non-current	30,980	29,898
Deferred tax liabilities		
Intangible assets	0	297
Property, plant and equipment and lease usage rights	2,849	3,754
Other receivables and other assets	1,841	26
Provisions	5	7
Total deferred tax liabilities	4,695	4,084
thereof current	1,841	26
thereof non-current	2,854	4,058
Netting of deferred tax assets and liabilities	0	0
Balance sheet recognition of deferred tax assets	35,795	34,924
Balance sheet recognition of deferred tax liabilities	4,695	4,084

The changes in deferred taxes compared with the previous year were recognized in the income statement in the amount of EUR 298 thousand (previous year: EUR 348 thousand expense). The change in deferred taxes is included in other comprehensive income in the amount of EUR 588 thousand (previous year: EUR 1,713 thousand).

The deferred tax assets on income tax loss carryforwards listed here are attributable to domestic companies in the amount of EUR 14 thousand (December 31, 2020: EUR 11 thousand). Of this amount, EUR 6 thousand is attributable to trade tax (December 31, 2020: EUR 5 thousand) and EUR 8 thousand to corporate income tax (December 31, 2020: EUR 6 thousand). In the reporting year, deferred tax assets were recognized for all income tax loss carryforwards. The existing tax loss carryforwards in Germany and abroad are non-forfeitable.

The calculation of deferred taxes resulted in an excess of deferred tax assets. Based on the approved corporate planning, it can be assumed that sufficient taxable results will be available in the future to make the realization of the deferred tax assets probable.

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries amounting to EUR 69,714 thousand (December 31, 2020: EUR 68,565 thousand).

For further information, please refer to the comments on accounting policies and the explanations in Section IV.

17. INVENTORIES

In EUR thousand	12/31/2020	12/31/2021
Raw materials, consumables and supplies	21,591	30,479
Unfinished products	14,142	15,669
Unfinished services	106	98
Finished products	31,024	39,532
Trade goods	62	30
Advance payments made	477	868
	67,402	86,676

In the fiscal year 2021, changes in inventory write-downs amounting to EUR 389 thousand (previous year: EUR 2,108 thousand) were recognized as income and EUR 3,206 thousand (previous year: EUR 225 thousand) as expenses within cost of materials and changes in inventories, respectively. Impairment losses were mainly recognized for over-reach, lack of marketability and write-downs to net realizable value. The total amount of inventories recognized as an ex-

pense in the fiscal year was EUR 170,671 thousand (previous year: EUR 132,507 thousand).

18. TRADE RECEIVABLES

The development of valuation allowances in the reporting period is as follows:

in EUR thousand	01/01/2020	Additions	Consumption	Reversal	Currency translation	12/31/2020
Impairment on trade receivables (AC)	7	105	0	0	0	112
Impairment on trade receivables (FVOCI)	582	0	-249	0	0	333
Total	589	105	-249	0	0	445

in EUR thousand	01/01/2021	Additions	Consumption	Reversal	Currency translation	12/31/2021
Impairment on trade receivables (AC)	112	0	0	-95	0	17
Impairment on trade receivables (FVOCI)	333	42	-61	0	-2	312
Total	445	42	-61	-95	-2	329

The valuation allowances at the reporting date relate to a gross volume of receivables before collateral and valuation allowances of EUR 33,356 thousand (FVOCI) (December 31, 2020: EUR 25,910 thousand) and EUR 7,813 thousand (AC) (December 31, 2020: EUR 7,659 thousand).

The expected loss rate, measured against the total receivables portfolio, is 0.90% as of the reporting date, with the individual rates based on historical values fluctuating between 0.04% and 1.13% depending on the overdue status of the receivables. For receivables that have reached the status "defaulted", historically around 52% of the outstanding amount could be realized through collateral liquidation or other recovery measures.

As of the reporting date December 31, 2021, the Alzchem Group had received collateral from trade credit insurances for the collateralization of trade receivables in the amount of EUR 18,642 thousand (December 31, 2020: EUR 13,878 thousand). Of this amount, collateral of EUR 1,217 thousand (December 31, 2020: EUR 1,028 thousand) relates to overdue receivables.

In the case of receivables that are neither impaired nor past due, there are no indications as of the balance sheet date that payments will not be made when due.

Due to the international nature of the Group's operations, trade receivables at the reporting dates include the following foreign currency receivables translated into the Group currency, the euro:

in EUR thousand	12/31/2020	12/31/2021
Total	15,317	18,934
USD	7,660	9,687
SEK	3,533	5,161
JPY	2,710	2,436
CNY	1,142	1,543
Other	272	107

The receivables sold under factoring, less the agreed retentions, amount to EUR 22,395 thousand (December 31, 2020: EUR 19,443 thousand). As of the reporting date December 31, 2021, the analysis of the sold receivables showed that no complete disposal but a "continuing involvement" had to be recognized. The remaining involvement was recognized in the amount of EUR 110 thousand within trade receivables. At the reporting date of the previous year, however, a complete disposal had to be recognized. In the past year as well as in the previous period, there were no cash returns from the

purchase price retentions to the factoring company in the context of factoring.

19. INCOME TAX ASSETS

Tax receivables comprise income tax receivables of domestic companies in the amount of EUR 257 thousand (December 31, 2020: EUR 1,311 thousand) and of foreign companies in the amount of EUR 69 thousand (December 31, 2020: EUR 0 thousand). These result from overpayments in the past and previous fiscal year.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

in EUR thousand	12/31/2020	12/31/2021
Bank balances	17,108	8,277
Cash on hand	9	8
	17,117	8,285

Cash and cash equivalents are denominated in the Group currency, the euro, and are translated into the following currencies:

in EUR thousand	12/31/2020	12/31/2021
Total	6,136	2,751
USD	4,492	1,500
CNY	964	887
SEK	599	353
Other	81	11

21. EQUITY

SUBSCRIBED CAPITAL

The subscribed capital corresponds to that of Alzchem Group AG. The subscribed capital of Alzchem Group AG, Trostberg, amounts to EUR 101,763,350.00 as of the reporting date (December 31, 2020: EUR 101,763,350.00) and is divided into 10,176,335 no-par value shares with a notional interest in the share capital of EUR 10.00 per share.

As of December 31, 2021, the company holds a total of 40,581 treasury shares (December 31, 2020: 0 shares). Shares with special rights have not been issued. All shares carry the same rights and obligations.

AUTHORIZED CAPITAL 2017

Pursuant to sec. 5 para. 5 of the Articles of Association of the company, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Alzchem Group AG on one or more occasions until July 31, 2022 by a total of up to EUR 10,063,333.00 (in words: ten million sixty-three thousand three hundred and thirty-

three euros) by issuing up to 10,063,333 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2017). In principle, shareholders are to be granted subscription rights. The statutory subscription right may also be granted in such a way that the new shares are underwritten by a bank or syndicate of banks determined by the Management Board with the obligation to offer them for subscription to the shareholders of the company.

The Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases:

- in the event of a capital increase against contributions in kind, in particular for the acquisition of companies, parts of companies or equity interests in companies;
- in the case of capital increases against cash contributions, if the issue price of the new shares issued with exclusion of subscription rights in accordance with sec. 186 para. 3 sentence 4 AktG is not significantly lower than the stock market price of the shares of the same class and rights already listed and the total pro rata amount of share capital represented by the new shares issued with exclusion of

subscription rights in accordance with sec. 186 para. 3 sentence 4 AktG does not exceed 10% of the share capital existing at the time this authorization takes effect and at the time this authorization is exercised. Shares issued or sold by direct or corresponding application of sec. 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise shall be counted towards this limit of 10% of the share capital;

- to avoid fractional amounts;
- to issue shares under share participation or other share-based programs against cash and/or non-cash contributions to members of the Management Board of the company, members of the representative body of a company affiliated with the company or to employees of the company or a company affiliated with the company, whereby the employment relationship or board relationship with the company or a company affiliated with the company must exist at the time of the commitment to issue shares. Insofar as shares are to be granted to members of the Management Board of the company, the Supervisory Board of the company alone shall decide on this.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the terms and conditions of the share issue, including a profit participation that deviates from sec. 60 para. 2 AktG. The Supervisory Board is authorized to amend the Articles of Association of the company accordingly after full or partial utilization or the timing of the authorized capital, in particular with regard to the amount of share capital and the number of existing no-par value shares.

The above presentation reflects the content adopted by the Annual General Meeting 2017 and incorporated into the company's Articles of Association. However, with regard to the number of shares available for a capital increase from Authorized Capital 2017, the following should be noted: The Authorized Capital 2017 has not been formally adjusted in the context of the consolidation of shares at a ratio of 10 to 1 (reverse split) resolved by the Annual General Meeting 2019. However, the number of shares to be issued under this capital has also been reduced at a ratio of 10 to 1 due to the fact that the previous shares, each representing EUR 1 of the share capital, no longer exist and therefore – with an unchanged maximum increase amount of EUR 10,063,333.00 – now actually amounts to only 1,006,333 shares.

AUTHORIZATION TO PURCHASE TREASURY SHARES

In order to give Alzchem Group AG the opportunity to purchase and resell treasury shares, if necessary, the Annual General Meeting of May 14, 2019, authorized Alzchem Group AG pursuant to sec. 71 para. 1 no. 8 AktG to purchase treasury shares in a volume of up to 10% of the share capital existing at the time of the resolution until the end of April 30, 2024. The shares acquired on the basis of this authorization, together with other shares of the company which Alzchem Group AG purchased at the time of the acquisition and still holds or which are attributable to it in accordance with secs. 71d or 71e AktG, may at no time exceed 10% of the share capital. The authorization may not be used by Alzchem Group AG for the purpose of trading in its own shares.

The authorization may be exercised in whole or in partial amounts, once or several times, by Alzchem Group AG or by dependent companies or companies majority-owned by Alzchem Group AG or by third parties acting for the account of Alzchem Group AG or of dependent companies or companies majority-owned by Alzchem Group AG. The acquisition may, at the discretion of the Management Board, be effected on the stock exchange or by means of a public purchase offer addressed to all shareholders.

If the shares are purchased on the stock exchange, the purchase price (excluding incidental costs) may not be more than 10% higher or lower than the price of the shares in Xetra trading (or a comparable successor system) on the trading day as determined by the opening auction.

In the event of acquisition by means of a public purchase offer, the purchase price offered or the limits of the purchase price range per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the closing price in Xetra trading (or a comparable successor system) on the third trading day prior to the date of the public announcement of the offer. If there are significant deviations in the relevant price after publication of the public purchase offer, the offer may be adjusted. In this case, the price will be based on the price on the third trading day prior to the public announcement of any adjustment. The volume of the offer may be limited. If the total subscription to the offer exceeds the fixed volume, acceptance must be made on a quota basis. Preferential acceptance of small lots of up to 100 tendered shares per shareholder may be provided for.

The Management Board is authorized to use shares in the company acquired on the basis of this authorization for all lawful purposes. In particular, the Management Board is authorized to do the following:

1. The Management Board is authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization via the stock exchange or by means of offers to all shareholders. In the event of a sale via the stock exchange, shareholders shall have no subscription rights. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts.
2. The Management Board is further authorized, with the approval of the Supervisory Board, to dispose of treasury shares acquired by virtue of this authorization by means other than on the stock exchange or by way of offers to all shareholders, provided that the treasury shares acquired are sold at a price that is not significantly lower than the stock exchange price of shares of the company carrying the same rights at the time of disposal. Shareholders' subscription rights are excluded. This authorization is limited to a total of 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or, if lower, of the share capital of the company existing at the time this authorization is exercised. Shares issued or sold by direct or correspondent application of sec. 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise shall be counted towards this limit of 10% of the share capital.
3. The Management Board is further authorized, with the approval of the Supervisory Board, to use treasury shares of the company acquired on the basis of this authorization as (partial) consideration in connection with business combinations or for the acquisition of companies, interests in companies, parts of companies or other assets.
4. The Management Board is further authorized, with the approval of the Supervisory Board, to offer for purchase or transfer treasury shares in the company acquired on the basis of this authorization to employees of the company or its Group companies. The Supervisory Board is authorized to offer for purchase or transfer treasury shares of the company acquired on the basis of this authorization or an authorization granted previously to members of the Management Board of the company.
5. The Management Board is further authorized, with the approval of the Supervisory Board, to redeem treasury

shares of the company acquired on the basis of this authorization without such redemption or its implementation requiring a further resolution of the Annual General Meeting. The authorization to redeem shares may be exercised in whole or in part. The redemption shall result in a capital reduction. In derogation thereof, the Management Board may determine that the share capital shall not be reduced but that the remaining shareholders' share in the share capital shall be increased in accordance with sec. 8 para. 3 AktG. In this case, the Supervisory Board is authorized to adjust the number of shares stated in the Articles of Association.

Shareholders' subscription rights shall be excluded upon implementation of the measures under (2) to (5).

All of the aforementioned authorizations may be exercised once or several times, in whole or in partial amounts, individually or jointly. On January 29, 2021, the Management Board, with the approval of the Supervisory Board of the company, decided to make use of this authorization and to launch a share buyback program with a volume of up to EUR 1,000,000.00. The buyback was primarily carried out for the purpose of acquiring an acquisition currency that is favorable from the company's point of view, without, however, excluding other legally permissible purposes covered by the authorization of the Annual General Meeting. The program was launched on February 8, 2021, and was successfully completed on June 24, 2021, with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90.

CAPITAL RESERVE ADJUSTMENT ITEM REVERSE ACQUISITION

The adjustment of the subscribed capital of Alzchem Trostberg GmbH to the subscribed capital of Alzchem Group AG and the transactions from the capital increases in the fiscal year 2017 that did not affect the subscribed capital of Alzchem Group AG are presented in the capital reserve adjustment item reverse acquisition. These adjustments were necessary in order to present the requirements for accounting for and reporting a reverse business combination in the fiscal year 2017 (see the explanations in II. Business model change and resulting presentation in the IFRS consolidated financial statements as of December 31, 2017). The item has not changed compared to the previous year.

The subscribed capital of Alzchem Trostberg GmbH amounted to EUR 11,000 thousand as of the reporting date (December 31, 2020: EUR 11,000 thousand).

CAPITAL RESERVE

The capital reserve represents that of Alzchem Trostberg GmbH and remained unchanged throughout the reporting period at EUR 24,981 thousand.

TREASURY SHARES

The Annual General Meeting of Alzchem Group AG on May 14, 2019, authorized the company to buy back its own shares until the end of April 30, 2024. On January 29, 2021, the company's Management Board decided to launch a share buyback program with a volume of up to EUR 1,000,000.00. The buyback was primarily carried out for the purpose of acquiring an acquisition currency that is favorable from the company's perspective. However, this does not preclude the use of the shares for other legally permissible purposes covered by the authorization of the Annual General Meeting.

The program was launched on February 8, 2021, and was successfully completed on June 24, 2021 with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90. The Company did not receive any notifications regarding the sale of shares by related parties under the share buyback program.

OTHER ACCUMULATED EQUITY

Other comprehensive income includes gains and losses that are not recognized in the income statement but in other comprehensive income. In the Alzchem Group, in the period under review, this includes the difference from translation differences from foreign financial statements into the reporting currency, effects from the remeasurement of defined benefit obligations, changes from the fair value measurement of financial assets in other comprehensive income, and deferred taxes thereon. The development of the individual items in the period under review is as follows:

in EUR thousand	Measurement of financial assets measured at fair value through other comprehensive income	Difference from the currency translation	Valuation of pension provisions	Total
Status on 01/01/2020	8	975	-49,135	-48,152
Gains (+) or losses (-) recognized in other comprehensive income	-7	0	-6,112	-6,119
Currency translation difference	0	-519	0	-519
Deferred taxes	2	0	1,711	1,713
Status on 12/31/2020	3	456	-53,536	-53,077
Status on 01/01/2021	3	456	-53,536	-53,077
Gains (+) or losses (-) recognized in other comprehensive income	36	0	2,058	2,094
Currency translation difference	0	468	0	468
Deferred taxes	-10	0	-578	-588
Status on 12/31/2021	29	924	-52,057	-51,104

All other accumulated equity is attributable to the shareholders of Alzchem Group AG. There are no non-controlling interests in other accumulated equity.

BALANCE SHEET PROFIT

The balance sheet profit includes the results accumulated in the reporting year and in previous fiscal years, less dividend payments to shareholders. In accordance with the requirements for accounting for and reporting a reverse business combination, the balance sheet profit is a continuation of the IFRS consolidated retained earnings of Alzchem Trostberg GmbH at the time of the business combination in the fiscal year 2017.

In the reporting period, Alzchem Group AG distributed a dividend of EUR 7,821 thousand (previous year: EUR 7,632 thousand) to shareholders. Based on the 10,135,754 shares of Alzchem Group AG outstanding as of the balance sheet date December 31, 2021, this resulted in a dividend per share of EUR 0, 77 (previous year: EUR 0,75). The dividend in the reporting periods was distributed as a cash dividend.

For the fiscal year 2021, a proposal will be made to the Annual General Meeting to distribute a dividend of EUR 1,00 per no-par value share entitled to dividend from the balance sheet profit. According to the number of shares entitled to dividends as of December 31, 2021, this corresponds to EUR 10,135,754.

NON-CONTROLLING INTERESTS

The shares in the capital of Alzchem International GmbH that are not attributable to the shareholders of Alzchem Trostberg GmbH are reported under non-controlling interests in the amount of EUR 1,934 thousand (December 31, 2020: EUR 1,763 thousand). The changes are presented in the consolidated statement of changes in equity.

A profit and loss transfer agreement was concluded between Alzchem Trostberg GmbH and Alzchem International GmbH with effect from January 1, 2018. Accordingly, Alzchem International GmbH transfers its future profits in full to Alzchem Trostberg GmbH, which also assumes any losses of Alzchem International GmbH in full. The agreement was concluded for a period of five years and cannot be terminated during this period.

As a result of the agreement, the Group has received the entire annual result and comprehensive income of Alzchem

International GmbH since January 1, 2018. Consequently, the non-controlling interests do not receive any further annual results for the period of the profit and loss transfer agreement. The minority shareholders of Alzchem International GmbH (6% of the company's capital) were granted a compensation payment for the loss of their variable earnings entitlement. The compensation payment is made via Alzchem Trostberg GmbH in January of each fiscal year.

Further financial information on non-controlling interests can be found in Note 10.

CAPITAL MANAGEMENT

The Alzchem Group's objectives with regard to capital management are, on the one hand, to ensure the long-term continuation of the company as a going concern and to generate appropriate returns for the shareholders, and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital.

The capital structure is managed to reflect changes in the macroeconomic environment as well as risks from the underlying assets. Thanks to its strong operating cash flow, the company is in a position to make optimum use of its own financial resources. In the case of investments that are generally only made after careful consideration of the cost/benefit potential, a regular review is carried out to determine whether the company's own financial resources can be replaced by long-term financing in favor of improved raw material procurement prices. As a matter of principle, the Alzchem Group is in permanent contact with banks and other financing companies in order to examine the use of bank loans and other financing options to optimize the return on equity.

As part of this, the procurement of debt capital is managed on the basis of a target debt capital structure that is oriented towards companies in the same industry and with similar size characteristics of the Alzchem Group. When selecting financial instruments, the focus is on financing with matching maturities, which is achieved by managing the terms to maturity. In monitoring the capital structure and other resulting key figures, the focus is on taking into account and complying with contractually regulated agreements in financing contracts (covenants).

The focus of capital monitoring and capital management is primarily on the Group's equity ratio. Compliance with contractual agreements in financing contracts is also linked to this ratio. Alzchem therefore defines the Group equity ratio as a capital management parameter.

The Group equity ratio developed as follows in the reporting period:

in EUR thousand	12/31/2020	12/31/2021
Total capital	354,296	377,667
Equity	68,658	89,564
Equity ratio in %	19.4	23.7

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions relate to benefit commitments for former and current employees of the Alzchem Group. The provisions are recognized on the basis of pension plans for commitments to retirement, invalidity and surviving dependents' benefits. The amount of the individual pension benefits from the commitments is based on the wage or salary level and/or the position in the company hierarchy, as well as the length of service. The duration of the performance

bonus is not limited during the lifetime of the beneficiary. Consequently, the Alzchem Group is exposed to the risks arising from future salary increases and longevity. The Company regularly counters the risk of salary increases during collective bargaining negotiations and attempts to keep the risk low here. However, due to the relatively low proportion of plan assets, the risks are not significantly limited.

The amount of the provision recognized exclusively in Germany as of the balance sheet dates is as follows:

in EUR thousand	12/31/2020	12/31/2021
Provisions for pensions	141,775	140,005

The present value of the defined benefit obligations of the Alzchem Group companies developed as follows:

in EUR thousand	DBO	Plan assets	Provision
Status as of 01/01/2020	134,802	174	134,629
Effects from the revaluation	6,112	-	6,112
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	6,481	-	6,481
thereof experience-based adjustments	-369	-	-369
Interest expense	1,212	-	1,212
Current service cost	1,009	-	1,009
Pensions paid	-1,181	-	-1,181
Expected income from plan assets	-	5	-5
Payment from plan assets	-	0	0
Status as of 12/31/2020	141,954	179	141,775
Status as of 01/01/2021	141,954	179	141,775
Effects from the revaluation	-2,058	-	-2,058
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	-4,067	-	-4,067
thereof experience-based adjustments	2,009	-	2,009
Interest expense	710	-	710
Current service cost	1,008	-	1,008
Pensions paid	-1,516	-	-1,516
Expected income from plan assets	-	11	-11
Payment from plan assets	-	-98	98
Status as of 12/31/2021	140,097	92	140,005

Reconciliation of obligations at the provision value:

in EUR thousand	12/31/2020	12/31/2021
Defined benefit obligation not fund-financed	141,769	139,998
Defined benefit obligation fund-financed	185	99
Subtotal	141,954	140,097
Less fair value of plan assets	-179	-92
Provisions for pensions and similar obligations	141,775	140,005

The effects of the remeasurement of defined benefit obligations recognized in other comprehensive income in the past fiscal year 2021 are as follows:

in EUR thousand	12/31/2020	12/31/2021
Change in demographic assumptions	0	0
Change in financial assumptions	6,481	-4,067
Experience-based adjustments	-369	2,009
	6,112	-2,058

The amounts recognized in the income statement in the reporting period break down as follows:

in EUR thousand	01/01 - 12/31/2020	01/01 - 12/31/2021
Interest expense	1,212	710
Service cost	1,009	1,008
Expected income from plan assets	-5	-11
	2,216	1,707

The expected cash outflows from pension obligations in the next year total EUR 2,004 thousand (prior year: EUR 1,699 thousand).

expense in the respective year in the operating result and totaled EUR 7,622 thousand in the Group in the fiscal year 2021 (previous year: EUR 7,399 thousand).

Current contributions for employer contributions to the statutory pension insurance scheme are recognized as an

The plan assets developed as follows:

in EUR thousand	12/31/2020	12/31/2021
Status on 01/01	174	179
Expected income from plan assets	5	11
Payments from plan assets	0	-98
Balance on 12/31	179	92

The plan assets consist entirely of a reinsurance policy for which there is no quoted market price in an active market.

remaining unchanged, would have the following effect on the present value of the pension obligation at the balance sheet date:

A change in the three main factors influencing the present value of the pension obligation, with all other assumptions

Present value of pension obligation in EUR thousand

Discount rate	
As of 12/31/2021: 1.00%	140,005
Increase to 1.10%	137,057
Decrease to 0.90%	142,977
Wage and salary trend	
As of 12/31/2021: 3.00%	140,005
Increase to 4.00%	145,828
Decrease to 2.00%	134,435
Pension trend	
As of 12/31/2021: 2.00%	140,005
Increase to 3.00%	158,265
Decrease to 1.00%	123,050

If the mortality rate for pensioners were to fall by 20%, the present value of the pension obligation would be EUR 150,858 thousand.

cognized in the consolidated balance sheet. In determining the sensitivities, only the one parameter was changed and all other assumptions were retained.

In calculating the sensitivity of the DBO to the relevant actuarial assumptions, the same method was used (determination of the present value using the projected unit credit method) as for the calculation of provisions for pensions re-

The weighted average duration of the defined benefit obligation in relation to the present value of the pension obligation at the reporting date is as follows:

Present value of pension obligation in EUR thousand	Average term in years	Obligated company
140,097	21	Alzchem Trostberg GmbH/Alzchem Group AG

Deferred tax assets of EUR 25,992 thousand (December 31, 2020: EUR 27,157 thousand) were recognized on the pension provisions recognized in the Group.

23. OTHER PROVISIONS (NON-CURRENT AND CURRENT)

in EUR thousand	Provisions for landfills	Provisions for personnel	Provisions for warranties from product sales	Provisions for subsequent customer fees/commissions	Other provisions	Total
Status 01/01/2020	10,394	11,650	247	848	999	24,136
Utilization	0	-1,964	0	-8	-257	-2,229
Additions	173	3,148	0	40	1,518	4,879
Reversal	0	0	-14	0	-71	-85
Reclassification	0	-1,021	0	0	0	-1,021
Accrued interest/change in interest rate	1,133	294	0	0	0	1,427
Currency translation	0	3	0	-2	0	1
Status 12/31/2020	11,700	12,110	233	878	2,189	27,110
Non-current	11,700	11,782	0	0	751	24,233
Current	0	328	233	878	1,437	2,877
Status 12/31/2020	11,700	12,110	233	878	2,188	27,110

in EUR thousand	Provisions for landfills	Provisions for personnel	Provisions for warranties from product sales	Provisions for subsequent customer fees/commissions	Other provisions	Total
Status 01/01/2021	11,700	12,110	233	878	2,188	27,110
Utilization	0	-2,409	0	-63	-1,205	-3,677
Additions	154	4,264	14	44	1,923	6,399
Reversal	-36	0	-2	0	-506	-544
Reclassification	0	-1,421	0	0	0	-1,421
Accrued interest/change in interest rate	-407	-118	0	0	0	-525
Currency translation	0	-1	0	0	0	0
Status 12/31/2021	11,411	12,425	245	859	2,400	27,340
Non-current	11,411	12,170	0	0	791	24,372
Current	0	255	245	859	1,609	2,968
Status 12/31/2021	11,411	12,425	245	859	2,400	27,340

The provisions for landfills relate to legal requirements for the aftercare and recultivation of landfill sites. The provisions were recognized on the basis of internal and, in some cases, external cost estimates (prepared by experts) and taking into account discounting appropriate to the term. The changes in the fiscal year 2021 resulted from parameter changes and compounding or interest rate change effects. We expect cash outflows from these non-current provisions over a substantial period of time as part of the post-closure obligations.

Accruals for personnel relate to accruals for long-service bonuses, accruals for annual leave in the event of retirement, and other employee benefits. They are recognized on the basis of actuarial assumptions and discounted at a rate appropriate to their term.

Provisions for warranties from product sales are recognized based on past experience. The amount is reviewed annually and adjusted to current developments.

The provisions for subsequent customer rebates and commissions relate to supply contracts with customers running beyond the balance sheet date, to whom subsequent price discounts are granted if certain minimum purchase volumes are exceeded.

Other accrued liabilities mainly relate to accruals for other fees and premiums that have not yet been billed and whose amount is still uncertain.

24. LOAN LIABILITIES TO BANKS

in EUR thousand	12/31/2020	12/31/2021
Residual term as of the balance sheet date of less than one year	12,704	10,490
thereof current portion of loan liabilities	12,704	10,490
Residual term as of the balance sheet date of more than one year	48,042	37,553
	60,746	48,043

The long-term loan liabilities to banks bear fixed interest rates of between 1.15% and 2.55% and were granted in the fiscal years 2013, 2015, 2017 and 2020. The loans are repaid quarterly with a final repayment on September 30, 2027. Apart from the long-term loans, no other short-term financing lines were drawn down at either reporting date.

Based on the customary payment agreements with the banks, the maturities and thus the cash outflow from current liabilities to banks are as follows:

in EUR thousand	12/31/2020	12/31/2021
Carrying amount	12,704	10,490
due in the following time bands:		
< 30 days	0	0
30 - 90 days	2,984	2,949
90 - 180 days	2,824	2,514
180 days - 1 year	6,896	5,027

The loan liabilities to banks are secured by property, plant and equipment with a carrying amount of EUR 13,772 thousand (December 31, 2020: EUR 14,568 thousand) as of the

reporting date. All liabilities to banks are denominated in euros.

Loan liabilities developed as follows in the reporting period:

in EUR thousand	Current loan liabilities	Non-current loan liabilities
Status 01/01/2020	11,935	50,747
Cash-effective change		
Repayment	-11,935	0
Borrowing	0	10,000
Non-cash change		
Accrued interest	0	0
Reclassification	12,704	-12,704
Status 12/31/2020	12,704	48,042
Status 01/01/2021	12,704	48,042
Cash-effective change		
Repayment	-12,704	0
Borrowing	0	0
Non-cash change		
Accrued interest	0	0
Reclassification	10,490	-10,490
Status 12/31/2021	10,490	37,553

25. TRADE PAYABLES

Based on the usual payment agreements with suppliers and other business partners, the maturities and thus the cash outflow of current trade payables are as follows:

in EUR thousand	12/31/2020	12/31/2021
Carrying amount	20,880	32,780
thereof due in the following periods:		
< 30 days	18,800	30,220
30 - 90 days	1,957	1,368
90 - 180 days	0	1
180 days - 1 year	123	1,191

Due to the international activities of the Group, the following foreign currency liabilities translated into the Group

currency EUR are included in trade payables as of the reporting dates:

in EUR thousand	12/31/2020	12/31/2021
Total	2,016	4,178
USD	299	2,192
SEK	1,402	1,255
CNY	301	697
JPY	0	0
Other	14	34

Apart from the customary country-specific retention of title, no collateral has been pledged for the trade payables reported. No trade payables are overdue at the balance sheet dates.

26. OTHER LIABILITIES

The details of other current liabilities are as follows:

in EUR thousand	12/31/2020	12/31/2021
Personnel liabilities	13,011	14,430
Liabilities from energy taxes	3,884	3,790
Other tax liabilities	2,230	3,210
Liabilities from bonus settlements to customers	962	1,765
Liability towards employers' liability insurance association	200	161
Other	1,296	2,864
	21,583	26,220

Other current liabilities include other financial liabilities in the amount of EUR 5,876 thousand (December 31, 2020:

EUR 5,214 thousand). This includes the following amounts in foreign currency translated into euros:

in EUR thousand	12/31/2020	12/31/2021
Total	67	265
USD	21	251
CNY	1	0
JPY	0	14
Other	45	0

The maturities and thus the cash outflow of current financial liabilities are as follows:

in EUR thousand	12/31/2020	12/31/2021
Carrying amount	5,214	5,876
thereof due in the following periods:		
< 30 days	97	122
30 - 90 days	361	1,607
90 - 180 days	291	3,826
180 days - 1 year	4,465	321

As of the balance sheet date, non-current other liabilities amounted to EUR 171 thousand (December 31, 2020: EUR 342 thousand). These comprise financial liabilities denominated in EUR in full.

The presentation of a continuing involvement for the receivables sold under factoring resulted in the recognition of a liability of EUR 106 thousand (previous year: EUR 0 thousand) within other liabilities.

27. INCOME TAX LIABILITIES

Income tax liabilities include EUR 1,789 thousand (December 31, 2020: EUR 163 thousand) in domestic and EUR 73 thou-

sand (December 31, 2020: EUR 30 thousand) in foreign income tax liabilities.

28. CASH FLOW STATEMENT

The cash flow statement shows how the cash and cash equivalents of the Alzchem Group have changed in the reporting periods. Cash and cash equivalents are defined as cash and cash equivalents less restricted cash.

In accordance with IAS 7, cash flows are classified into cash inflows/outflows from operating activities, investing activities and financing activities.

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Cash inflow from operating activities (net cash flow)	48,710	43,016
Cash outflow from investing activities	-28,829	-28,479
Free cash flow	19,881	14,537
Cash outflow from financing activities	-11,734	-23,620
Net decrease (-)/increase (+) in cash and cash equivalents	8,147	-9,083

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2021 amount to EUR 8,285 thousand (December 31, 2020: EUR 17,117 thousand) and comprise immediately available bank balances, checks and cash on hand.

Other non-cash income and expenses of EUR 4,178 thousand (previous year: EUR 7,857 thousand) mainly include write-downs on inventories and additions to and reversals of pension provisions, other provisions and liabilities. There were no other significant non-cash transactions.

There were no acquisitions in the reporting periods presented.

29. RISK MANAGEMENT AND USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The finance department of Alzchem Trostberg GmbH monitors and manages the financial risks of the entire Alzchem Group. These are specifically:

- Liquidity risks
- Market risks (interest rate and currency risks)
- Credit risks

Due to its activities, the Alzchem Group is exposed to a variety of financial risks. By risk we mean unexpected events and possible developments that have a negative impact on the achievement of set targets and expectations. Risks with a significant influence on the net assets, financial position and results of operations are relevant. The Alzchem Group's risk management system analyzes various risks and attempts to minimize negative effects on the company's financial position. Risk management is carried out in the Finance division, taking into account existing guidelines.

For the measurement and management of significant individual risks, the Group distinguishes between liquidity, credit and market risks.

LIQUIDITY RISKS

Liquidity risk in the narrower sense is the risk of not being able to meet current or future payment obligations, or only being able to do so on unfavorable terms. The company

generates financial resources mainly through its operating business.

Alzchem Trostberg GmbH acts as the financial coordinator for the companies of the Alzchem Group in order to ensure that the financial requirements for the operating business and for investments are covered as cost-effectively as possible and always in sufficient amounts. The necessary information is provided and continuously analyzed by means of Group financial planning with additional weekly rolling 14-day liquidity planning.

The long-term corporate financing of the Alzchem Group is ensured by the ongoing cash flow from operating activities and sufficient available short- and long-term debt financing.

Through intra-Group financial clearing, short-term liquidity surpluses of individual Group companies are used to finance the cash requirements of other Group companies internally. This helps to reduce the volume of external borrowing and optimize cash and capital investments, thus having a positive impact on the Group's net interest income.

At the level of the Alzchem Group, consolidated and integrated liquidity planning is prepared on the basis of the latest status of corporate planning/forecasting in each case, including additional special effects that can be identified at short notice.

The Alzchem Group is financed mainly by the cash and cash equivalents generated by the Group's operating activities. In addition, there are credit lines with the principal banks, which existed and were utilized as follows on the reporting dates:

in EUR thousand	Maximum line	Utilization	Free availability
As of 12/31/2020	45,000	0	45,000
As of 12/31/2021	50,000	0	50,000

The sale of customer receivables to a factor is used as a further short-term financing instrument. The maximum factoring volume in the entire period under review was EUR 30 million. The receivables sold under factoring as of the balance sheet date, reduced by the agreed retentions, amount to EUR 22,395 thousand (December 31, 2020: EUR 19,443 thousand).

Long-term loans were taken out in the fiscal years 2013, 2015, 2017 and 2020 to finance investments. No new loans

were taken out in the fiscal year 2021. In the previous year, new loans were disbursed in the amount of EUR 10,000 thousand.

As of the balance sheet date, the outstanding loan balance in relation to these long-term financing arrangements amounts to EUR 48,043 thousand (December 31, 2020: EUR 60,746 thousand). The current portion of these loan liabilities amounts to EUR 10,490 thousand as of the balance sheet date (December 31, 2020: EUR 12,704 thousand).

Other current financial liabilities from non-derivative financial instruments amounted to EUR 38,656 thousand as of the balance sheet date (December 31, 2020: EUR 26,094 thousand).

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows the maturity structure of the contractual, undiscounted cash flows from interest and principal payments of the non-derivative financial liabilities:

12/31/2020 in EUR thousand	Until 1 year	1 - 5 years	Over 5 years	Total
Loan liabilities to banks	13,504	38,529	11,221	63,254
Trade payables	20,880	0	0	20,880
Other financial liabilities	5,214	342	0	5,556
Total	39,598	38,871	11,221	89,690

12/31/2021 in EUR thousand	Until 1 year	1 - 5 years	Over 5 years	Total
Loan liabilities to banks	11,096	33,875	4,779	49,750
Trade payables	32,780	0	0	32,780
Other financial liabilities	5,876	171	0	6,047
Total	49,752	34,046	4,779	88,577

The Alzchem Group has not breached any payment agreements or contractually regulated agreements in financing contracts (covenants) with regard to its financial liabilities.

The undiscounted cash outflows are subject to the condition that the repayment of liabilities is related to the earliest due date.

A more detailed presentation of the maturity band "up to 1 year" is provided for loan liabilities to banks in Note 24, for

trade payables in Note 25 and for other financial liabilities in Note 26.

Of the total primary financial liabilities reported in the Group as of December 31, 2021 amounting to EUR 86,870 thousand (December 31, 2020: EUR 87,182 thousand), EUR 13,772 thousand (December 31, 2020: EUR 14,568 thousand) or 16% (December 31, 2020: 17%) are collateralized.

The collateral is composed as follows:

12/31/2020 in EUR thousand	Land charge over land and buildings	Technical equipment and machinery	Total
Loan liabilities to banks	11,000	3,568	14,568

12/31/2021 in EUR thousand	Land charge over land and buildings	Technical equipment and machinery	Total
Loan liabilities to banks	11,000	2,772	13,772

In addition, the majority of the companies are supplied under country-specific reservation of title.

If the original financial liabilities are broken down by region, the following risk concentrations arise, which Alzchem regularly monitors:

	12/31/2020		12/31/2021	
	EUR thousand	%	EUR thousand	%
Total	87,182	100	86,870	100
Germany	81,607	94	77,368	89
Europe - EU (without Germany)	4,184	5	6,785	8
Europe - Other	391	< 1	96	< 1
Rest of the world	1,000	1	2,621	3

CREDIT RISKS

Credit risks arise from the complete or partial default of a customer, for example due to insolvency, and in the context of financial investments. The default risk amounts to a maximum of the carrying amounts of all financial assets. Allowances for trade accounts receivable and other receivables and assets are recognized in accordance with uniform Group rules and cover all identifiable credit risks.

In the course of risk management, minimum creditworthiness requirements and also individual maximum exposure limits are set for all business partners of the Alzchem Group. The amount of the credit limit reflects the creditworthiness of a contractual party and the typical size of the transaction

volume with this contractual party. The basis for this is a limit system laid down in the treasury guidelines, which is based on the one hand on the classifications of international rating agencies and on internal creditworthiness checks, and on the other hand on internally gained empirical values with the respective contracting parties. In addition, the special limits of trade credit insurance are taken into account for each customer. The Alzchem Group is thus exposed to credit risks only to a very limited extent.

The following table shows the maximum default risk and the collateral held by the Alzchem Group, broken down by balance sheet item and measurement category as of the reporting dates December 31, 2020 and December 31, 2021:

12/31/2020	Maximum default risk	Collateral held		Calculated risk
Balance sheet items/valuation category	EUR thousand	EUR thousand	%	EUR thousand
Financial assets				
At fair value through profit or loss	20	0	0	20
Other receivables and other assets				
At amortized cost	10,361	0	0	10,361
Trade receivables				
At amortized cost	7,537	130	2	7,407
At fair value through other comprehensive income	25,587	13,748	54	11,839
Cash and cash equivalents				
At amortized cost	17,117	0	0	17,117
Total financial assets	60,622	13,878	23	46,744
12/31/2021	Maximum default risk	Collateral held		Calculated risk
Balance sheet items/valuation category	EUR thousand	EUR thousand	%	EUR thousand
Financial assets				
At fair value through profit or loss	20	0	0	20
Other receivables and other assets				
At amortized cost	11,726	0	0	11,726
Trade receivables				
At amortized cost	7,785	1,852	24	5,933
At fair value through other comprehensive income	33,056	16,790	51	16,266
Cash and cash equivalents				
At amortized cost	8,285	0	0	8,285
Total financial assets	60,872	18,642	31	42,230

The entire collateralization is in the form of trade credit insurance.

As described under IV. Accounting and Valuation Methods, identifiable default risks in the receivables portfolio are generally taken into account by recognizing adequate valuation allowances. The development of allowances for trade

receivables is presented in the notes 18 to the consolidated financial statements.

The following table shows the default risk concentration in the default risk classes of financial assets monitored by Alzchem, broken down by balance sheet item and measurement category:

12/31/2020	Gross carrying amount	Not due	Overdue in the following periods		
Balance sheet items/valuation category in EUR thousand			1 - 30	31 - 120	> 120
Financial assets					
At fair value through profit or loss	20	20	0	0	0
Other receivables and other assets					
At amortized cost	10,361	10,361	0	0	0
Trade receivables					
At amortized cost	7,659	6,913	434	137	175
At fair value through other comprehensive income	25,910	24,191	1,325	36	358
Cash and cash equivalents					
At amortized cost	17,117	17,117	0	0	0
Total financial assets	61,067	58,602	1,759	173	533

12/31/2021	Gross carrying amount	Not due	Overdue in the following periods		
Balance sheet items/valuation category in EUR thousand			1 - 30	31 - 120	> 120
Financial assets					
At fair value through profit or loss	20	20	0	0	0
Other receivables and other assets					
At amortized cost	11,726	11,726	0	0	0
Trade receivables					
At amortized cost	7,813	7,194	174	56	389
At fair value through other comprehensive income	33,356	32,050	957	40	309
Cash and cash equivalents					
At amortized cost	8,285	8,285	0	0	0
Total financial assets	61,200	59,275	1,131	96	698

If the total financial assets of the Group are allocated to regions, the following risk concentrations arise:

	12/31/2020		12/31/2021	
	EUR thousand	%	EUR thousand	%
Total	60,622	100	60,872	100
Germany	33,996	56	29,338	48
Europe - EU (without Germany)	5,794	10	8,282	14
Europe - Other	3,603	6	1,776	3
Rest of the world	17,229	28	21,476	35

MARKET RISKS (INTEREST RATE AND CURRENCY RISKS)

We define market risk as the risk of a loss that may arise as a result of a change in valuation-relevant market parameters (currency, interest rate, price).

CURRENCY RISKS

The Group operates internationally and as a result is exposed to foreign currency risk arising from changes in the exchange rates of various foreign currencies. Foreign currency risks may arise from expected future transactions, recognized assets and liabilities and net investments in foreign operations.

The Alzchem Group uses hedging transactions in some cases to hedge currency risks from future transactions. However, no hedging transactions were used in the periods currently presented.

Of the non-derivative financial instruments reported in the Group, EUR 21,837 thousand (December 31, 2020: EUR 21,598 thousand) relate to financial assets denominated in foreign currency and EUR 4,443 thousand (December 31, 2020: EUR 2,083 thousand) to financial liabilities denominated in foreign currency. The risk concentration related to foreign currency is as follows:

Financial assets	12/31/2020		12/31/2021	
	EUR thousand	%	EUR thousand	%
Total	21,598	100	21,837	100
USD	12,177	56	11,208	51
SEK	4,198	19	5,525	25
CNY	2,160	10	2,550	12
JPY	2,712	13	2,441	11
Other	351	2	113	1

Financial liabilities	12/31/2020		12/31/2021	
	EUR thousand	%	EUR thousand	%
Total	2,083	100	4,443	100
USD	321	15	2,443	55
SEK	1,402	67	1,255	28
CNY	302	14	697	16
JPY	0	0	13	< 1
Other	58	3	35	1

For the presentation of currency risks, sensitivity analyses were performed at the reporting dates showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments at the reporting date. It is assumed that the portfolio at the reporting date is representative for the year as a whole. For the analysis of currency sensitivities, only the currencies USD, JPY, CNY and SEK that are significant for the Alzchem Group were used.

As of the balance sheet date, the Alzchem Group is exposed to currency risks, which are mainly reflected in the balance sheet items trade receivables, trade payables, and cash and cash equivalents.

If the euro had been revalued or devalued by 10% against the major foreign currencies in which the Alzchem Group operates as of December 31, 2021, the reported equity in functional currency would have changed by EUR -1,574 thousand (December 31, 2020: EUR -1,748 thousand) or EUR 1,924 thousand (December 31, 2020: EUR 2,136 thousand).

The hypothetical impact on earnings (before taxes) of EUR -1,574 thousand (December 31, 2020: EUR -1,748 thousand) and EUR 1,924 thousand (December 31, 2020: EUR 2,136 thousand) results in detail from the following currency sensitivities:

in EUR thousand	12/31/2020		12/31/2021	
	+10%	-10%	+10%	-10%
Total income statement	-1,748	2,136	-1,574	1,924
EUR/USD	-1,078	1,318	-797	974
EUR/SEK	-254	311	-388	474
EUR/JPY	-247	301	-221	270
EUR/CNY	-169	206	-168	206
Total other income	0	0	0	0
Total effect on equity	-1,748	2,136	-1,574	1,924

INTEREST RATE RISKS

Interest rate risks can arise primarily from changes in market interest rates that lead to changes in expected cash flows. In order to minimize interest rate risks, loans are only taken out or concluded on a long-term basis and at fixed interest rates, if necessary. The non-current and current loans payable to banks bear fixed interest rates and are therefore not subject to interest rate risks.

PRICE RISKS

Price risks mainly arise in the purchasing area from changes in the market prices of raw materials, electricity and gas. Price volatility is countered in particular by forward

contracts and price escalator clauses. The forward contracts relate to the purchase of electricity exclusively for the Group's own requirements.

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following table shows the carrying amounts and fair values of financial assets by measurement category in accordance with IFRS 9:

12/31/2020 in EUR thousand	At amortized cost		At fair value			
	Financial assets measured at amortized cost		Financial assets measured at fair value through other comprehensive income with subsequent reclassification to the income statement	Financial assets at fair value through profit or loss	Total amount	
Balance sheet item	Carrying amount		Carrying amount	Carrying amount	Carrying amount	Fair value
Financial assets	-		-	20	20	20
Other receivables and other assets	10,361		-	-	10,361	10,361
Trade receivables	7,537		25,587	-	33,124	33,124
Cash and cash equivalents	17,117		-	-	17,117	17,117
Total financial assets	35,015		25,587	20	60,622	60,622

12/31/2021 in EUR thousand	At amortized cost		At fair value			
	Financial assets measured at amortized cost		Financial assets measured at fair value through other comprehensive income with subsequent reclassification to the income statement	Financial assets at fair value through profit or loss	Total amount	
Balance sheet item	Carrying amount		Carrying amount	Carrying amount	Carrying amount	Fair value
Financial assets	-		-	20	20	20
Other receivables and other assets	11,726		-	-	11,726	11,726
Trade receivables	7,785		33,056	-	40,841	40,841
Cash and cash equivalents	8,285		-	-	8,285	8,285
Total financial assets	27,796		33,056	20	60,872	60,872

The following table shows the carrying amounts and fair values of financial liabilities by measurement category in accordance with IFRS 9:

At amortized costs			
12/31/2020 in EUR thousand	Financial liabilities measured at amortized cost		Total amount
Balance sheet item	Carrying amount	Carrying amount	Fair value
Loan liabilities to banks	60,746	60,746	64,195
Trade payables	20,880	20,880	20,880
Other liabilities	5,556	5,556	5,556
Total financial liabilities	87,182	87,182	90,631

At amortized costs			
12/31/2021 in EUR thousand	Financial liabilities measured at amortized cost		Total amount
Balance sheet item	Carrying amount	Carrying amount	Fair value
Loan liabilities to banks	48,043	48,043	50,060
Trade payables	32,780	32,780	32,780
Other liabilities	6,047	6,047	6,047
Total financial liabilities	86,870	86,870	88,887

The fair values of the financial instruments were determined on the basis of the market information available at the balance sheet date and using the methods and assumptions described below.

Due to the short-term maturities of the financial assets, it is assumed that the fair values approximate the carrying amounts.

The balance sheet items trade payables and other liabilities generally include liabilities with regularly short remaining terms, so that the fair values are assumed to approximate the carrying amounts reported.

Loan liabilities to banks comprise current and non-current financial liabilities. The fair values of liabilities with remaining terms to maturity of more than one year are determined by discounting the cash flows associated with the liabilities, taking into account the current interest rate parameters observable on the market. The individual credit ratings of the Group are taken into account in the present value calculation in the form of standard market creditworthiness and liquidity spreads. This approach corresponds to level 2 in the IFRS 13 hierarchy.

Certain financial assets are measured at fair value on a recurring basis and assigned to the appropriate IFRS 9 cate-

gories. The following table shows these financial assets and their measurement levels under IFRS 13:

12/31/2020 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
- Measured at fair value through other comprehensive income	25,587	-	25,587
Financial assets			
- Measured at fair value through profit or loss	-	20	20
Total assets	25,587	20	25,607

12/31/2021 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
- Measured at fair value through other comprehensive income	33,056	-	33,056
Financial assets			
- Measured at fair value through profit or loss	-	20	20
Total assets	33,056	20	33,076

Financial liabilities were not recognized at fair value in the reporting period.

In the reporting period, there were no reclassifications between the individual hierarchies for the determination of fair values.

The fair value of trade receivables measured at fair value through other comprehensive income is assigned to level 2. The fair values of trade receivables measured at fair value are derived by reference to transactions in comparable instruments. In particular, the transaction prices in the context of the sale of receivables, where the purchaser regularly refers to the nominal value, are used. In the event of a default event, these values are adjusted for the need for valuation allowances.

The Alzchem Group holds an investment in the category "measured at fair value through profit or loss" whose fair value is attributable to level 3. There were no changes due to additions or disposals in the reporting period. Due to the lack of reliable input parameters for a more complex model and the minor significance of these investments for the Alzchem Group, the fair value was estimated on the basis of acquisition costs. A deviation of the actual market value from this estimated value within a realistic range would not have a material impact on the significance of the item for the Alzchem Group or on the net assets, financial position and results of operations of the Alzchem Group. In the reporting period, income of EUR 17 thousand (previous year: EUR 134 thousand) was recognized from these financial assets, which was reported within the financial result.

NET RESULT FROM FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following overviews present the net gains or losses on financial instruments recognized in the income statement and in other comprehensive income by measurement category:

01/01 – 12/31/2020 in EUR thousand	Interest	Currency translations	Impairments/reversals of impairment losses	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	7	-785	105	0	-673	0
Financial assets measured at fair value through profit or loss	0	0	0	134	134	0
Financial assets measured at fair value through other comprehensive income	0	-1,497	0	0	-1,497	-7
Financial liabilities measured at amortized cost	-936	475	0	0	-461	0
	-929	-1,807	105	134	-2,497	-7

01/01 – 12/31/2021 in EUR thousand	Interest	Currency translations	Impairments/reversals of impairment losses	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	8	216	95	0	319	0
Financial assets measured at fair value through profit or loss	0	0	0	17	17	0
Financial assets measured at fair value through other comprehensive income	0	1,202	-42	0	1,160	36
Financial liabilities measured at amortized cost	-785	-1,388	0	0	-2,173	0
	-777	30	53	17	-677	36

In the reporting periods, no interest income was received from impaired trade receivables.

DERIVATIVES AND HEDGE ACCOUNTING

The Alzchem Group uses hedging transactions in some cases to hedge currency risks from future transactions. However, no hedging transactions were used in the periods currently presented.

30. COMPANY ACQUISITIONS

There were no acquisitions to be recognized in the periods currently presented.

12/31/2020 in EUR thousand	Until 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,436	737	52	2,225

12/31/2021 in EUR thousand	Until 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,460	507	41	2,008

As of December 31, 2021, there were purchase commitments in the amount of EUR 103,817 thousand (December 31, 2020: EUR 108,632 thousand). These mainly comprise long-term purchase commitments for lime and electricity supplies and for property, plant and equipment.

The disclosures on leases in accordance with IFRS 16 are included in the separate Note 13 Leasing.

32. CONTINGENCIES

For possible environmental obligations arising from the sale of the alloying operation in 2008, liabilities in the amount of EUR 2.1 million exist until 2038. However, due to the industrial structure at the site, the company excludes such a risk.

VII. OTHER NOTES

31. OTHER FINANCIAL OBLIGATIONS

In addition to the lease liabilities already recognized in accordance with IFRS 16, the Alzchem Group also has other financial obligations for maintenance and service contracts for machinery and equipment, software and other operating and office equipment, as well as for purchase commitments. These were as follows as of the reporting dates:

33. CORPORATE BODIES

The members of the Management Board of Alzchem Group AG during the reporting period were:

- Andreas Niedermaier, qualified economic engineer – CEO
- Klaus Englmaier, qualified engineer – COO
- Dr. Georg Weichselbaumer, chemist – CSO

The members of the Management Board are the persons in key positions of the Alzchem Group in accordance with IAS 24. The remuneration of the members of the Management Board totaled EUR 1,959 thousand in the reporting period (previous year: EUR 1,881 thousand). The remuneration can be broken down as follows:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Fixed remuneration	760	760
Bonus	773	852
Remuneration in kind/other remuneration	45	42
Post-employment benefits	136	146
Share-based payment (long-term incentive)	167	159
	1,881	1,959

The resulting outstanding balances as of December 31, 2021 amount to EUR 852 thousand (December 31, 2020: EUR 773 thousand) and are shown within other current liabilities. The provisions for post-employment benefits for the members of the Management Board amount to EUR 1,332 thousand (December 31, 2020: EUR 1,338 thousand) and are shown within provisions for pensions and similar obligations. The provision for share-based payment of EUR 403 thousand (December 31, 2020: EUR 244 thousand) is part of non-current other provisions. The individual remuneration of the members of the Management Board of Alzchem Group AG is included in the separate remuneration report 2021 of Alzchem Group AG.

The Supervisory Board of the Group parent company Alzchem Group AG, consisting of four members, is required by the Articles of Association to hold one meeting in each calendar quarter and must hold two meetings in each calendar half-year.

The following persons were members of the Supervisory Board in the reporting year:

- Markus Zöllner (Chairman)
- Steve Röper
- Prof. Dr. Martina Heigl-Murauer
- Dr. Caspar Freiherr von Schnurbein (Deputy Chairman).

All members of the Supervisory Board of Alzchem Group AG were also appointed to the Supervisory Board of Alzchem Trostberg GmbH throughout the reporting period. In addition, the employee representatives Karl Held and Otto Wolf were members of the Supervisory Board of Alzchem Trostberg GmbH throughout the reporting period. The aforementioned Supervisory Board members are also key management personnel of the Alzchem Group in accordance with IAS 24. The remuneration of all Supervisory Board members amounted to EUR 160 thousand (previous year: EUR 189 thousand), which resulted in outstanding balances as of the reporting date of EUR 160 thousand (December 31, 2020: EUR 167 thousand). The employee representatives on the Supervisory Board of Alzchem Trostberg GmbH received remuneration in line with the market for their activities. The individual remuneration of the members of the Supervisory Board of Alzchem Group AG is included in the separate remuneration report 2021 of Alzchem Group AG.

34. SHARE-BASED REMUNERATION

STOCK APPRECIATION RIGHTS 2019

The members of the Management Board Andreas Niedermaier, Klaus Englmaier and Dr. Georg Weichselbaumer concluded new Management Board contracts in the fiscal year 2019, which govern, among other things, the granting of stock appreciation rights ("Stock Appreciation Rights 2019"). As a long-term incentive, the members of the Management Board receive a certain number of Stock Appreciation Rights (SAR) with a multi-year assessment basis. SARs do not grant an entitlement to the transfer of shares, but to the payment of a bonus (LTI) if the average of the closing prices of the Alzchem Group AG share in the last 30 trading days before the respective exercise date (plus dividends granted up to that date) is above the average of the closing prices of the Alzchem Group AG share in the 60 trading days before January 1, 2020 (with this "base price" increasing by three percentage points each year from January 1, 2020). In each of the two (or three) exercise periods in January 2023, 2024 (or 2025), depending on the member of the Management Board, a certain portion of the SARs can be exercised, i.e. converted into a cash amount payable as a bonus within six weeks after the end of the respective exercise period, if the conditions for this are met. SARs not redeemed at the end of the last exercise period are forfeited. The entitlement to receive SARs was linked to the acquisition of a certain number of Alzchem shares ("treasury shares 1") by the end of the fiscal year 2019. If the bonus exceeds a contractually defined maximum amount, a cap is applied in this amount; the bonus exceeding the maximum amount is forfeited.

In addition, each Management Board member was obliged to purchase a further tranche of shares in the company ("treasury shares 2") by the end of the fiscal year 2020. If the "treasury shares 1 or 2" were sold by the Management Board member before the end of the last (= third) exercise period of the SAR, the company was entitled to demand a compensation payment from the Management Board member depending on the number of shares sold. This did not happen, as no respective notification under stock corporation law was made by the Management Board members.

Following the grants in the fiscal year 2019, no further SARs were granted to the members of the Management Board in the reporting period. As of December 31, 2020 and De-

December 31, 2019, the number of SARs granted (2019) was 250,000.

The fair value was determined on the basis of a Monte Carlo model and the expense recognized in personnel expenses was distributed on a straight-line basis from the grant date

to the beginning of the exercise period. In the fiscal year 2021, personnel expenses of EUR 159 thousand (previous year: EUR 167 thousand) were recognized from this plan, resulting in a provision of EUR 403 thousand (previous year: EUR 244 thousand). The valuation was based on the following parameters:

	12/31/2020	12/31/2021
Remaining term (in years)	2.5 – 3.1	1.5 – 2.1
Expected volatility	31.3% - 32.5%	23.5% - 32.2%
Risk-free interest rate	-0.75% - 0.77%	-0.64% -0.65%
Exercise price (variable over time)	EUR 21.14	EUR 21.14
Share price at valuation date	EUR 21.40	EUR 23.40

As the Management Board members are entitled to payment of dividends granted between January 1, 2020 and the date of exercise, explicit modeling of the dividend could be omitted from the calculation.

The expected volatility of the Alzchem share was determined on the basis of the historical volatility of comparable companies with equivalent maturities. Since the subscription rights (SARs) at hand are not options and the subscription rights represent a payment in the amount of the share price valid at the time of exercise, the exercise price for the SARs is EUR 0.00. The exercise price for the SARs is EUR 0.00.

35. RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Related parties include persons in key positions in the Alzchem Group. These are listed by name and with their remuneration in Note 33.

The companies controlled by the shareholders LIVIA Corporate Development SE, Munich, and four two na GmbH,

Munich, and the companies controlled by their shareholders or legal representatives are considered related parties of the Alzchem Group in the reporting period. Following the transmission of the voting rights notification of HDI Vier CE GmbH, Munich, dated May 26, 2021, the companies controlled by HDI Vier CE GmbH and the companies controlled by their shareholders or legal representatives are no longer considered to be related parties of the Alzchem Group.

No transactions were conducted with related parties in the reporting period.

36. LITIGATION AND CLAIMS FOR DAMAGES

The Alzchem Group is not involved in any legal or arbitration proceedings with a significant influence on the Group's situation. The existing proceedings, which are immaterial overall, have not yet been concluded or Management does not expect any material obligations from them. In general, the exact amount of a possible obligation or claims cannot be reliably determined due to the high level of uncertainty associated with such proceedings.

37. FEES FOR THE AUDITORS

The auditor of the consolidated financial statements of Alzchem Group AG as of December 31, 2020 and 2021 was Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Munich branch.

Fees totaling EUR 257 thousand (previous year: EUR 200 thousand) were incurred for services provided by the auditor of the consolidated financial statements within the meaning of sec. 318 HGB in the past fiscal year 2021. This includes EUR 15 thousand (previous year: EUR 4 thousand) attributable to the previous year. The remuneration is divided between the following services:

in EUR thousand	01/01 – 12/31/2020	01/01 – 12/31/2021
Other audit and assurance services	0	3
Audit services	200	254
Tax consulting services	0	0
Other services	0	0
Total	200	257

The other audit and assurance services are a partial settlement for the audit of the proper document archiving of incoming invoices.

38. LIST OF SHAREHOLDINGS

The list of shareholdings of Alzchem Group AG pursuant to sec. 313 para. 2 HGB is as follows as of December 31, 2021:

Company name	Seat	Share in capital in %
Subsidiaries		
Alzchem Trostberg GmbH	Trostberg, Germany	100
Alzchem International GmbH	Trostberg, Germany	94
Alzchem Steel Technology Ltd.	Trostberg, Germany	100
Alzchem Nutrition Ltd.	Trostberg, Germany	100
Alzchem Netz GmbH	Trostberg, Germany	100
Alzchem LLC	Atlanta, USA	100
Alzchem Shanghai Co. Ltd	Shanghai, China	100
Nordic Carbide AB	Sundsvall, Sweden	100
Edelife Distributing LLC	Atlanta, USA	100

The share in capital was calculated in accordance with sec. 16 AktG and therefore includes indirectly and directly held shares of Alzchem Group AG.

39. EVENTS AFTER THE BALANCE SHEET DATE

No events with a significant impact on the net assets, financial position and results of operations occurred between the end of the fiscal year 2021 and the preparation date of the consolidated financial statements.

40. CORPORATE GOVERNANCE

In December 2021, the Management Board and Supervisory Board of Alzchem Group AG issued the declaration required by sec. 161 AktG and made it publicly available on the website.

Trostberg, February 17, 2022

Alzchem Group AG

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)



PURE
KNOW-HOW.
FROM MACRO
TO MICRO.

Responsibility Statement

We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements and the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the company, respectively, and that the business performance including the business results and the situation of the Group and the company are presented in the combined management report in such a way that a true and fair view is given, and that the major opportunities and risks of the expected development of the Group and the company are described.

Trostberg, February 17, 2022

Alzchem Group AG

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)

Independent auditor's report

The auditor's report reproduced below also includes a "report on the audit of the electronic reproductions of the consolidated financial statements and the combined management report prepared for disclosure purposes in accordance with sec. 317 para. 3a HGB" ("ESEF report"). The subject matter underlying the ESEF report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or downloaded from the Federal Gazette.

Independent auditor's report

TO ALZCHEM GROUP AG, TROSTBERG

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of AlzChem Group AG, Trostberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report combined with the management report (hereinafter: combined management report) of AlzChem Group AG, Trostberg, for the fiscal year from January 1 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the non-financial (Group) statement contained in section 10 of the combined management report and the (Group) corporate governance

statement contained in section 11 of the combined management report.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2021 and of its results of operations for the fiscal year from January 1 to December 31, 2021 based on these requirements and
- the accompanying combined management report overall gives a true and fair view of the situation of the Group. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the above-mentioned components of the combined management report that were not audited as to their content.

In accordance with sec. 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the combined management report in accordance with sec. 317 HGB and the EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is further described in the section "responsibility of the auditor for the audit of the consolidated financial statements and the combined management report" of our

auditor's report. We are independent of the Group companies in accordance with European and German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, we declare pursuant to sec. 10 para. 2 letter f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to sec. 5 para. 1 EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

PARTICULARLY IMPORTANT AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly important audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2021. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the audit matters that we consider to be of particular importance:

PENSION PROVISIONS

a) The risk for the consolidated financial statements

In the consolidated financial statements of AlzChem Group AG, Trostberg, the balance sheet item "provisions for pensions and similar obligations" includes EUR 140.0 million (37% of the consolidated balance sheet total), which on balance consists of the present value of obligations from defined benefit plans for retirement, disability and surviving dependents' benefits amounting to EUR 140.1 million and the fair value of plan assets of EUR 0.1 million. Obligations from defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. In particular, this requires assumptions to be made regarding long-term salary and pension trends, average life expectancy and fluctuation. In addition, the discount rate at the balance sheet date must be derived from the yield on high-quality, currency-matched corporate bonds with maturities matching the expected terms of the obligations. Changes in these valuation assumptions and experience-based adjustments are to be recognized as actuarial gains or losses in other comprehen-

sive income. The company's disclosures on provisions for pensions and similar obligations are included in the notes to the consolidated financial statements for the fiscal year 2021 in secs. IV and VI (no. 22). In our view, these matters were of particular significance for our audit because the recognition and valuation of these items, which are significant in terms of amount, are based to a significant extent on estimates and assumptions made by the legal representatives.

b) Audit procedure and conclusions

As part of our audit, we evaluated the actuarial reports obtained from the respective Group companies and the professional qualifications of the external experts. We reviewed the contractual bases and the quantity structure. We assessed the actuarial parameters for appropriateness through plausibility testing procedures. We verified the presentations in the consolidated financial statements, in particular in the notes to the consolidated financial statements, on the basis of the expert opinions and checked the completeness and plausibility of the disclosures. For the audit of the fair value of plan assets, we obtained evidence from an insurance company. On the basis of our audit procedures, we were able to convince ourselves that the estimates and assumptions made by the legal representatives are justified and adequately documented.

OTHER INFORMATION

The legal representatives or the Supervisory Board are responsible for the other information. The other information includes:

- the components of the combined management report referred to in the section "audit opinions" which have not been audited as to their content,
- the report of the Supervisory Board,
- the responsibility statement of the legal representatives on the annual financial statements or the consolidated financial statements, and the responsibility statement on the combined management report,
- Declaration on the Remuneration Transparency Act,
- the other parts of the annual report, but not the consolidated financial statements, not the components of the combined management report included in the content audit, and not our audit opinion thereon.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to sec. 161 AktG on the German Corporate Governance Code, which forms part of the (Group) corporate governance statement contained in section 11 of the combined management report. Besides, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, evaluate whether the other information

- contain material inconsistencies with the consolidated financial statements, with the audited disclosures in the combined management report or with our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If we conclude, based on the work we have performed, that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements that comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group based on these requirements. Furthermore, the legal representatives are responsible for the internal controls that they have determined are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole gives a true and fair view of the Group's situation and is consistent in all material aspects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the combined management report as a whole provides a suitable view of the Group's situation and is consistent, in all material aspects, with the consolidated financial statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with sec. 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements 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 it could reasonably be expected that they would, individually or collectively, influence the economic decisions of addressees taken on the basis of these consolidated financial statements and combined management report.

During the audit, we exercise professional judgment and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material misstatements, whether intentional or unintentional, in the consolidated financial statements and the combined management report, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher for violations than for inaccuracies, as violations may involve fraud, falsifications, intentional omissions, misleading presentations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the combined management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of the accounting methods used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- we conclude on the appropriateness of the going concern basis of accounting used by the legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group not to be able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB.
- we obtain sufficient appropriate audit evidence regarding the accounting information of the companies or business activities within the Group to give an audit opinion on the consolidated financial statements and the combined management report. We are responsible for leading, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we assess the consistency of the combined management report with the consolidated financial statements, its compliance with the law, and the view of the Group's situation conveyed by it.
- we perform audit procedures on the forward-looking statements made by the legal representatives in the combined management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements from these assumptions. We do not give an independent audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those responsible for supervision, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit. We provide those responsible for supervision with a statement that we have complied with the relevant independence requirements and discuss with them all relations and other matters that may reasonably be thought to have an effect on our independence, together with the protective measures taken in this respect.

From the matters we discussed with those responsible for supervision, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group for the current reporting period and are therefore the particularly important audit matters. We describe these matters in our auditor's report unless law or other regulations preclude public disclosure of the matter.

OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SEC. 317 PARA. 3A HGB

Audit opinion

In accordance with sec. 317 para. 3a HGB, we have performed an audit with reasonable assurance as to whether the reproductions of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the file "alzchemgroupag-2021-12-31-de.zip" and prepared for disclosure purposes comply in all material aspects with the requirements of sec. 328 para. 1 HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the aforementioned file.

In our assessment, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for disclosure purposes comply in all material respects with the requirements of sec. 328 para. 1 HGB regarding the electronic reporting format. Beyond this audit opinion and our audit opinions contained in the preceding "report on the audit of the consolidated financial statements and the combined management report" on the accompanying consolidated financial statements and the accompanying com-

combined management report for the fiscal year from January 1 to December 31, 2021, we do not give any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file in accordance with sec. 317 para. 3a HGB and in consideration of the IDW audit standard: audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with sec. 317 para. 3a HGB (IDW PS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (revised). Our responsibility thereafter is further described in the section "responsibility of the auditor of the financial statements for the audit of the ESEF documents". Our auditing practice has applied the quality assurance system requirements of the IDW quality assurance standard: requirements for quality assurance in auditing practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with sec. 328 para. 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with sec. 328 para. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they consider necessary to enable the preparation of the ESEF documents that are free from material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB to the electronic reporting format.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as part of the accounting process.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB. During the audit, we exercise professional judgment and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of giving an audit opinion on the effectiveness of these controls.
- we evaluate the technical validity of the ESEF documents, meaning whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 for the technical specification of that file, as applicable at the reporting date.
- we assess whether the ESEF documents allow for a content identical XHTML reproduction of the audited consolidated financial statements and the audited combined management report.
- we assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

OTHER INFORMATION ACCORDING TO SEC .10 EU-APRVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on May 12, 2021. We were appointed by the Supervisory Board on October 26, 2021. We have served as auditors of the consolidated financial statements of AlzChem Group AG, Trostberg, without interruption since the fiscal year 2019.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to sec. 11 EU-APrVO (audit report).

OTHER MATTERS – USE OF THE AUDITOR'S REPORT

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Ms. Olga Resnik.

Munich, February 17, 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl
Certified Public Accountant

Olga Resnik
Certified Public Accountant

LIST OF ABBREVIATIONS

AB	Aktiebolag
EUR	Euro
AG	Aktiengesellschaft (stock corporation)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CPO	Chief Projects Officer
CSO	Chief Sales Officer
CNY	Renminbi Yuan
DBO	Defined Benefit Obligation
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EU	European Union
GmbH	Gesellschaft mit beschränkter Haftung (Limited Liability Company)
HGB	Handelsgesetzbuch (German Commercial Code)
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JPY	Yen
LLC	Limited Liability Company
Ltd.	Limited
LTI	Long Term Incentive
mn	million
No.	Number
OCI	Other Comprehensive Income
SAR	Stock Appreciation Rights
S.à.r.l.	société à responsabilité limitée (Limited Liability Company)
SEK	Swedish Krona
SIC	Standing Interpretations Committee
USA	United States of America
USD	United States Dollar

Imprint

PUBLISHER

Alzchem Group AG
Chemiepark Trostberg
Dr.-Albert-Frank-Str. 32
83308 Trostberg
T + 49 86 21 86 – 0
info@alzchem.com
www.alzchem.com

INVESTOR RELATIONS

Sabine Sieber
T + 49 86 21 86 – 2888
F + 49 86 21 86 – 502888
ir@alzchem.com

EDITING

Better Orange IR & HV AG

TYPESETTING

Sommerprint GmbH

PHOTOS

Alzchem Group AG
Photographie
Michael Namberger
iStock: Sohl, TommL, fizkes,
Farknot_Architect, foxys_fo-
rest_manufacture, filaden-
dron, Stefan Cohrs, Thomas-
Vogel
AdobeStock: Halfpoint,
blacksalmon, emil, Photo-
graphee.eu, Kaue, lightpoet,
severija

Financial calendar 2022

January 25 to February 24, 2022	Quiet Period*
February 24, 2022	Annual Report 2021
March 29 to April 28, 2022	Quiet Period
April 28, 2022	Q1 Quarterly Statement 2022
May 5, 2022	Annual General Meeting 2022
June 26 to July 26, 2022	Quiet Period
July 26, 2022	Half-year Financial Report 2022
September 26 to October 26, 2022	Quiet Period
October 26, 2022	Q3 Quarterly Statement 2022

* During a "quiet period", Alzchem Group AG only communicates with the capital market to a limited extent before publishing quarterly and full-year results.

Remarks

This report may contain forward-looking statements based on current assumptions and forecasts made by the management of Alzchem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

In the interests of readability, the annual report does not use the masculine, feminine and diverse (m/f/d) forms of language simultaneously. All references to persons apply equally to all genders.

Only the German version of this Annual Report is legally binding.



Alzchem Group AG
CHEMIEPARK TROSTBERG
Dr.-Albert-Frank-Str. 32
83308 Trostberg
T + 49 8621 86-0
info@alzchem.com

www.alzchem.com