



alzchem  
group

AGILE SCIENCE PURE RESULTS

Alzchem Group AG

# ANNUAL REPORT 2022

# Alzchem at a glance

# ~ € 542 mn

sales generated by Alzchem  
in the fiscal year 2022

Fiscal year 2021: ~ € 422 mn

# ~ € 61.4 mn

EBITDA achieved by Alzchem  
in the fiscal year 2022

Fiscal year 2021: ~ € 62.0 mn

# € 2.96

earnings per share in the fiscal year 2022

Fiscal year 2021: € 2.72

<b>Dividend in €/share</b>	<b>1.00</b>	<b>1.05</b>
for the fiscal year	2021	2022*

\* Subject to approval by the Annual  
General Meeting on May 11, 2023

# 1,677

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

Fiscal year 2021: 1,636

\* Average number over the  
fiscal year 2022

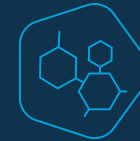
## MARKETS



HEALTH &  
NUTRITION



ANIMAL  
NUTRITION



FINE  
CHEMISTRY



PHARMA



AGRICULTURE



RENEWABLE  
ENERGIES



METALLURGY



CUSTOMER  
SYNTHESIS



AGRI  
SOLUTIONS



AUTOMOTIVE

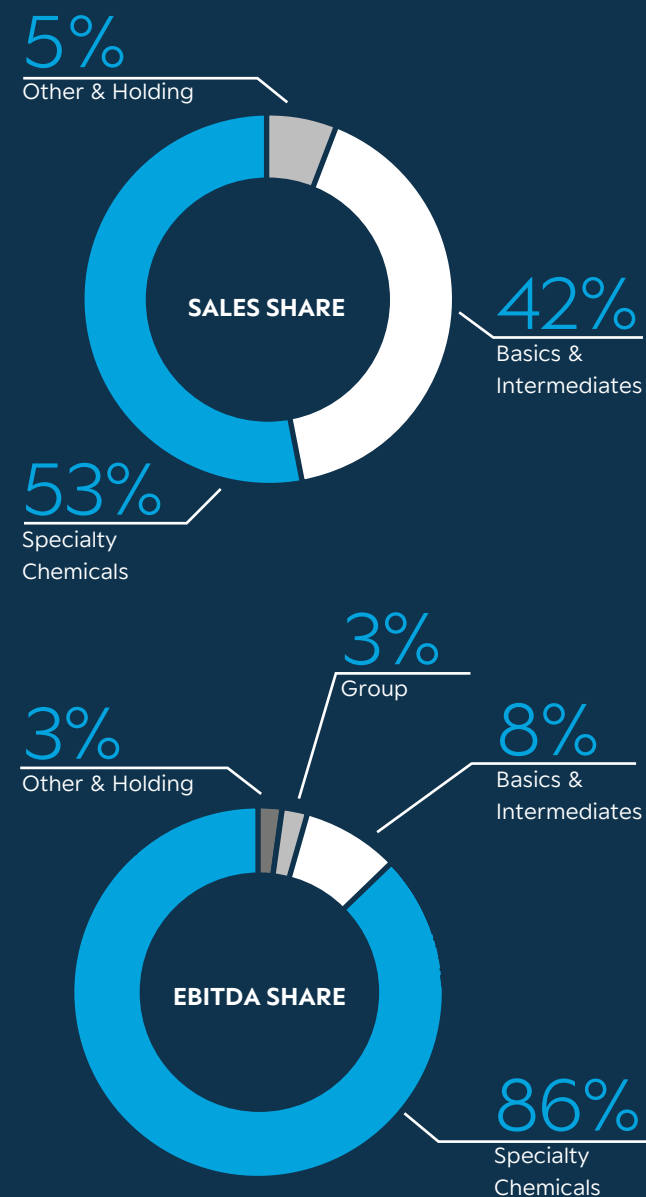
# Key Figures

In EUR thousand	2018 <sup>a)</sup>	2019	2020	2021	2022	CAGR <sup>b)</sup>
Group sales	375,217	376,072	379,257	422,293	542,223	10%
EBITDA	49,379	50,078	53,805	62,046	61,441	6%
EBITDA margin	13.16%	13.32%	14.19%	14.69%	11.33%	
EBIT	34,192	30,586	30,708	37,572	35,898	1%
Consolidated annual result	22,783	18,147	19,865	27,764	30,223	7%
Earnings per share in EUR (undiluted and diluted) <sup>c)</sup>	2.23	1.77	1.94	2.72	2.96	7%
Group equity ratio	21.81%	17.91%	19.38%	23.72%	34.51%	
Inventory ratio	21.02%	19.84%	17.77%	20.53%	22.57%	

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)<sup>1/number of years</sup>

c) In the period 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 period 2022 calculated with 10,135,754 shares.



# Specialty Chemicals Segment

## BUSINESS ACTIVITIES

Production and distribution of high-quality chemical products

## OVERVIEW

SALES in € mn

288

EBITDA in € mn

53

## KEY BRANDS

**CREAMINO**<sup>®</sup>

Bioselect<sup>®</sup>

**Dormex**<sup>®</sup>

**LIVA  
DUR**<sup>®</sup>

**Creapure**<sup>®</sup>

**DYHARD**<sup>®</sup>

**Silzot**<sup>®</sup>

## KEY FIGURES

In EUR thousand	2018*	2019	2020	2021	2022
External sales	209,414	200,022	207,431	220,499	288,361
EBITDA	50,692	41,684	44,125	50,664	53,014
EBITDA margin	24.2%	20.8%	21.3%	23.0%	18.4%
Inventories	49,672	44,183	38,410	53,971	68,535
Inventory ratio	24%	22%	19%	24%	23.8%

\* 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.

# Basics & Intermediates Segment

## BUSINESS ACTIVITIES

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

## OVERVIEW

SALES in € mn

228

EBITDA in € mn

5

## KEY BRANDS



CALZOT®

NITRALZ®



## KEY FIGURES

In EUR thousand	2018*	2019	2020	2021	2022
External sales	139,966	149,408	146,434	176,274	227,539
EBITDA	-889	5,247	8,981	10,985	4,983
EBITDA margin	-0.6%	3.5%	6.1%	6.2%	2.2%
Inventories	28,125	30,924	27,639	33,400	49,945
Inventory ratio	20%	21%	19%	19%	22.0%

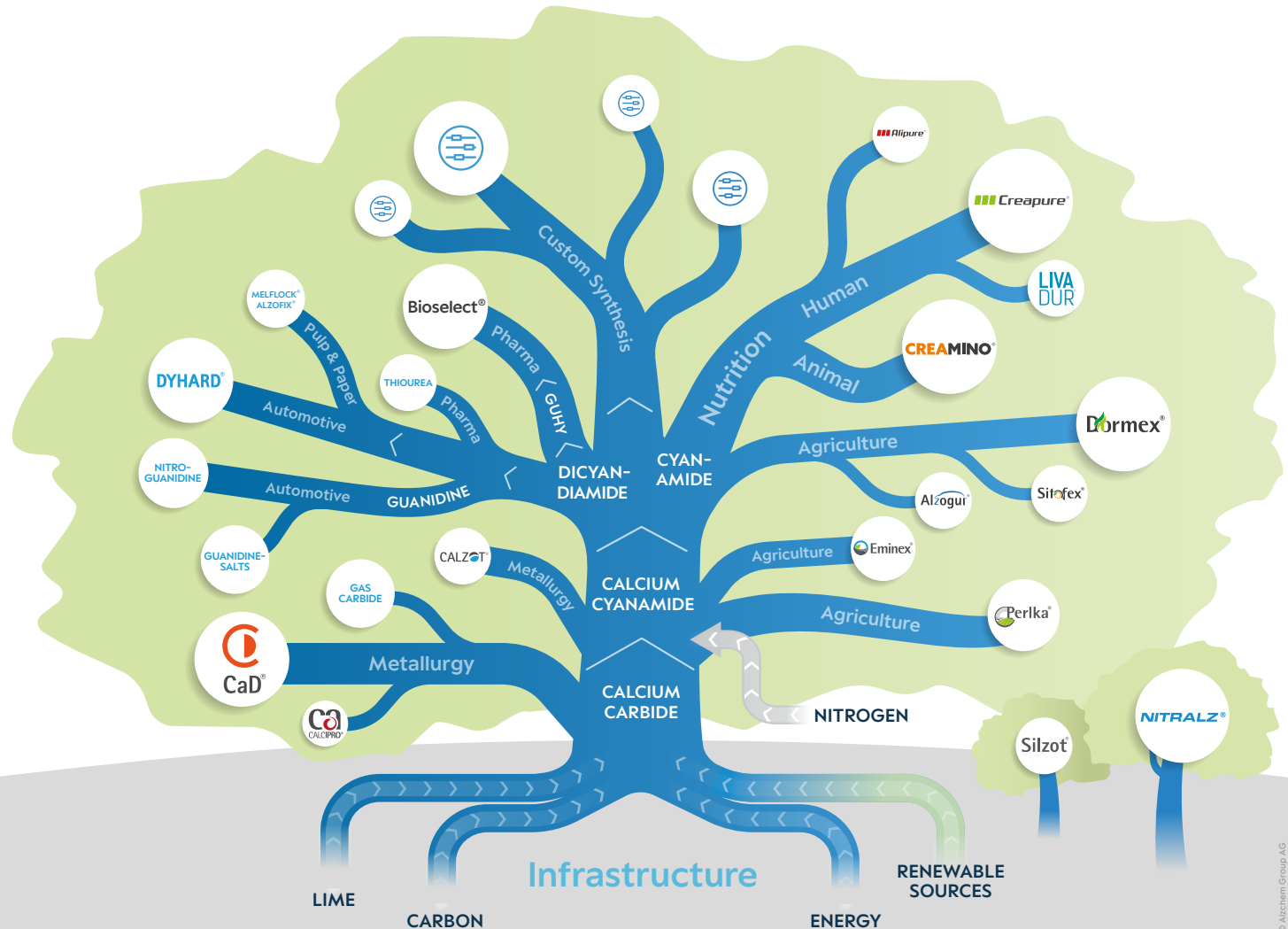
\* The full-year figures for the period from January 1 to December 31, 2018 are calculated by adding the audited figures for the two short fiscal years from January 1 to June 30, 2018 and July 1 to December 31, 2018.

# Our “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 geographical 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.





# 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.<sup>1</sup> 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).

<sup>1</sup> [https://www.diabetesde.org/ueber\\_diabetes/was\\_ist\\_diabetes\\_/diabetes\\_in\\_zahlen](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, Irgazine® 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®

High-purity guanidine hydrochloride and guanidine thiocyanate are used to denature proteins in the development and production of biopharmaceuticals and their generic versions, the biosimilars. They are also useful reagents for the extraction of DNA and RNA in molecular diagnostics.



## EMINEX®

Eminex® is an additive for manure and biogas digestate, which is added during storage and provides the following scientifically proven benefits. Eminex® ensures permanent elimination of methane emissions during storage and spreading. It improves both manure quality and the fertilizing effect of the manure. At the same time, Eminex® ensures greater occupational safety and animal welfare through lower H<sub>2</sub>S emissions in the pig house.



[Click here for the video: "Eminex® - Klimaschutz leicht gemacht"](#)

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# WHAT MOVES US



# The chemistry is right at Alzchem



We do a lot to be attractive and interesting as an employer, both for potential future employees and for our long-standing colleagues. Their know-how and experience are crucial to the success of our company. Creating the conditions under which our people can give their best – that's what drives us.

**Karin Danner**  
Head of Personnel

With around 1,630 employees, Alzchem is a large medium-sized company with strong, historically grown roots in the Upper Bavarian Chiemgau region and customers around the world: down-to-earth yet innovative, close to home yet international, persistent yet agile. We create a personal working atmosphere, which characterizes the pleasant business climate. With our employees, we are not only looking for qualifications and motivation, but also character and team spirit – and we help to ensure that they are in the right place at the right time to make a difference: Short decision-making paths make us flexible for good ideas – we support and reward constructive commitment. Challenges are mastered together and successes celebrated together. Alzchem's employees are part of a highly motivated workforce that looks back with pride on its company's 114-year history and actively helps shape its future.

## WORK-LIFE BALANCE

Working to live or living to work? We think: both. The ideal is the right balance. After all, balanced employees are more focused colleagues, more attentive customer service representatives and more creative minds. The right balance is individual, which is why Alzchem has around 250 different working time models, 170 of which are part-time. In addition, flexible working hours are intended to expand the opportunities for recharging one's batteries with friends, hobbies, sports, in volunteer work or in clubs, and not least to give family life a more relaxed space. That's why many employees, wherever possible in consultation with their supervisors, are able to largely determine their own agreed working hours within a predefined time frame: each day in the way that suits them best. A combination of on-site and mobile working has also proved successful in recent years. There are 30 vacation days per year available for recuperation. In addition, there are three additional days for employees in full-continuous shift operation and one so-called available day per quarter for non-tariff employees, as well as special leave for important private and family occasions.



## ATTRACTIVE REMUNERATION, PENSION PLAN AND BONUSES FOR GOOD IDEAS

People do not live by bread alone. However, neither by praise alone. We therefore offer our employees appropriate remuneration above and beyond the collectively agreed rates. In addition, all colleagues covered by the collective bargaining agreement receive a profit-sharing bonus – a bonus whose amount is linked to the company's profits – as well as vacation pay, a year-end payment and anniversary bonuses for many years of service to the company. Additional company and social benefits are an integral part of Alzchem's remuneration system. These include a company pension plan in three variants for all employees and a long-term account subsidized by Alzchem, into which vacation days or time off for retirement can be paid in addition to portions of the salary. Incidentally, good ideas are also rewarded: Suggestions for improvement from employees are expressly welcome – after all, they know best what can be optimized in their working environment. Their ideas help to prevent accidents, improve environmental protection, conserve resources, use technical progress efficiently – and ultimately realize savings. If a suggestion can be implemented, it is rewarded with a bonus.

## SAFETY AND HEALTH

Safety has top priority – as a company in the chemical industry, Alzchem wants to play a leading role in this area in particular. On the basis of the relevant laws and agreements, we are working to continuously improve our performance and integrated management system with regard to occupational safety and environmental and health protection. Here, we want to be not only an attractive employer but also a good neighbor, and we take responsibility for the safety and protection of our environment and our surroundings. Over and above the provisions of the relevant ordinances, a wide range of our own safety initiatives, a highly trained plant fire department and extensive, continuously optimized safety precautions in our plants and facilities help minimize hazards for our employees and our neighbors.

Excellent occupational health care is provided at all sites by our company physician and his team. A separate room is available for the ergonomic evaluation of workplace furniture and equipment. And should something happen, all employees are individually protected by an accident insurance policy maintained by Alzchem. It covers both the company and private spheres.

In addition, with our "gesund punkten..." campaign, among other things, we offer all employees the opportunity to put together their own individual health program, ranging from nutrition and moderate exercise to preventive health care. We also support participation in sports events in the region and are pleased when colleagues demonstrate their commitment in this area as well.



## TRAINING AND FURTHER EDUCATION/ PERSONNEL DEVELOPMENT

An optimally qualified workforce provides the best basis for a successful company – the decisive factor here is to recognize and promote the potential of employees. That is why Alzchem has established a talent management process, including succession planning, within the company. In addition to systematic personnel development, individual personnel development also has a high priority: Our employees should be able to grow personally and professionally. We promote their development, for example, with internal and external qualification and further training measures and with the transfer of project responsibility. We also support personal initiative in this area – for example with educational leave or temporary part-time work during further qualification. Together we always find a solution.

As a training company, incidentally one of the largest in the region, Alzchem enjoys an excellent reputation: A modern training laboratory and training workshops offer practical framework conditions for the technical professions, and in all other areas, too, the trainees regularly achieve top marks and awards from the Chamber of Industry and Commerce and the Free State. Other companies based at the chemical park also have their future employees trained at Alzchem. In addition, Alzchem offers the possibility of part-time or dual studies.

## FURTHER BENEFITS

Attractive leasing offers for a JobRad are available to all colleagues, and non-tariff employees also have the option of leasing an electric or hybrid car under a deferred compensation plan at particularly interesting conditions. Charging points are available free of charge on the plant premises. Other benefits include company cell phones and laptops as well as trainees' own iPads, employee discounts at selected stores in the region, free parking, a company restaurant run according to the recommendations of the German Nutrition Society and subsidized by Alzchem.

## WORKING WHERE OTHERS GO ON VACATION

The surrounding area is one of the most beautiful in all of Germany, the recreational value is high, and the way to the mountains or the Chiemgau lakes is virtually a stone's throw away. The central location in the breathtaking, millennia-old cultural landscape on the northern edge of the Alps between Munich, Salzburg and Innsbruck combines nature and culture in a unique way – an additional and very special bonus for all those who live and work here.



# Creapure® – the world's purest and highest quality creatine with broad potential

“ With Creapure®, we not only help athletes achieve higher performance and faster recovery during training – our creatine also has broad potential for clinical and therapeutic applications. Improving the quality of life of all those creatine can help – that's what drives us.

**Robert Alber**  
Head of Human Nutrition

Creatine increases physical performance during high-speed strength training in the context of short-term intense physical activity. Daily intake of creatine can increase the effect of strength training on muscle strength in adults over 55 years of age.

Creatine is considered one of the most researched and effective dietary supplements in the world. It has been a fixture in competitive sports for decades: athletes in all disciplines benefit from the positive effect of Creapure® - the brand name of Alzchem's creatine, which is manufactured in Germany – on performance and regeneration during training. Whether the focus is on strength, endurance or coordination.

## WHAT IS CREATINE?

As a component of the cellular energy balance, creatine plays an essential role in the storage and provision of energy<sup>1</sup> – it is, so to speak, the battery of the cell. The endogenous substance is involved in

processes via the energy carrier adenosine triphosphate (ATP) and ensures the efficiency of cellular energy metabolism.

## MORE CREATINE, MORE ENERGY

Energy is needed for all bodily functions, but in varying amounts depending on the intensity: For example, muscles have a high energy demand during exercise, growth in general, the immune system and the brain<sup>2</sup>. The literature confirms that creatine plays a major role here. The basic requirement is produced by the body itself in the liver, kidneys and pancreas from the amino acids arginine, glycine and methionine. If more energy is required, for example in the case of higher loads due to stress, illness or intensive exercise, the demand for creatine also increases accordingly. This additional requirement must be supplied through diet: Meat, fish and milk contain creatine – but for an optimal creatine level, you would have to consume large amounts of it every day. Supplementation can therefore be a simple and effective alternative.

<sup>1</sup> Source: Wallimann T, Tokarska-Schlattner M, Schlattner U. (2011). The creatine kinase system and pleiotropic effects of creatine. *Amino Acids*, 40(5), 1271-1296

<sup>2</sup> Richard B. Kreiader, Jeffery R. Stout; Creatine in Health and Disease, *Nutrients* 2021, 13, 447



## USEFUL SUPPLEMENT FOR SPORTS AND LOW-MEAT DIET

The effectiveness of creatine as a dietary supplement for athletes has been thoroughly researched – and it is not doping: creatine is approved by the International Olympic Committee, among others, and is not on the WADA list of banned substances, but on the contrary on the Cologne list of dietary supplements that are basically harmless with regard to doping. The function of creatine in the body's cells is so fundamental that supplementation not only benefits athletes, but has been shown to protect everyone against age-related muscle loss during accompanying light training. Potentially dangerous side effects of this endogenous substance are not known; excess creatinine is excreted by the body in urine.

## BROAD POTENTIAL

Many of the more than 60,000 publications and studies on creatine suggest a much broader potential for many applications: at the International Creatine Conference in March 2022, for example, leading scientists in the field shared the state of research on creatine's potential in cancer research, reproductive medicine, dialysis patients, and cardiovascular health, among others.

## CREATINE AND DIALYSIS

Dialysis patients are doubly disadvantaged with regard to endogenous creatine: Scientific research and studies show that dialysis patients, who are structurally deficient in creatine anyway due to their renal insufficiency, lose significant amounts of the essential substance during dialysis treatment. In some cases, this results in serious health impairments such as increased muscle loss, persistent fatigue, a weakening of the immune system, and psychological limitations such as depression. Together with the Swiss company Crearene, Alzchem is working to alleviate the concomitant diseases of dialysis and to improve the general state of health, quality of life and, above all, the well-being of dialysis patients. Combining Crearene's patented know-how from many years of creatine research with Alzchem's manufacturing excellence could help many patients: After all, around three million people worldwide are now dependent on permanent dialysis treatment – and the number is tending to increase.

## CREAPURE® FROM ALZCHEM

Creapure®, manufactured in Germany, is the purest and highest-quality creatine in the world. As the leading Western manufacturer and with the unique position as quality leader "Made in Germany", Alzchem produces Creapure® in a specially developed, highly efficient process under the strictest controls to ensure maximum purity. Sustainability is also a focus: advanced catalytic processes save energy and maximize quality.



# Creamino<sup>®</sup> – a sustainable product for higher efficiency and animal welfare in agriculture

“Farmers around the world are facing growing challenges, including rising purchase prices and falling incomes. With Creamino<sup>®</sup>, they can increase the efficiency of their animal breeding and also ensure greater animal welfare. Helping agriculture around the world to sustainably feed us all – that’s what drives us.

Andreas Oebbeke  
Head of Animal Nutrition

Creatine plays a crucial role in the energy metabolism of all mammals. In humans, the mode of action of this endogenous energy store has already been thoroughly researched: Creatine – especially in the form of creatine monohydrate, produced and distributed by Alzchem in the highest quality – has been a proven dietary supplement for decades. Basically, however, the mechanism of action is always the same: Creatine supports the formation of adenosine triphosphate (ATP), the energy carrier at the cellular level, so it is essential for providing energy for basic bodily functions.

## CREATINE IN HUMANS AND ANIMALS

The body covers part of its creatine requirements through its own synthesis from certain amino acids; this principle is also the same in all vertebrates. The remainder must be supplied through the diet. However, creatine is only found in animal products – especially raw meat and fish – and these are usually not part of

# CREAMINO<sup>®</sup>

the feed for chickens or pigs, for example, due to high costs or also for legal reasons. And even if the feed once contains components of animal origin, the creatine here is lost again during processing, primarily through necessary heating.

## STABLE PRECURSOR GAA

To ensure that animals are optimally supplied with creatine, therefore, dietary supplementation is helpful – just as it is in humans. Unlike in humans, however, where pure creatine monohydrate has proven its worth as a dosage form, the manufacturing process for animal feed requires a solution that is both temperature-stable and affordable. For this purpose, Alzchem has developed Creamino<sup>®</sup>, a feed additive based on guanidinoacetic acid (GAA). GAA is a direct precursor of the body’s own creatine and is used there exclusively for its production. This makes it an efficient source of creatine – with the added advantage of stability at temperatures up to 130° C.

## POWER FOOD AT THE CELLULAR LEVEL

Creamino® is rightly regarded as the next stage in the development of modern animal nutrition. First, the nutritional requirements of the animals were determined and the feed composition was adjusted, particularly with regard to minerals and essential amino acids. In the second step, science improved nutrient availability and absorption, for example with the help of enzymes and special feed acids. Creamino® now focuses on energy metabolism at the cellular level: Energy is to be made available where it is needed, thus promoting healthy growth and stress resistance in a sustainable and efficient way.

## MORE PERFORMANCE, LESS COSTS

In principle, Creamino® can be used with two different objectives: to improve performance and to reduce costs. If you want to improve animal nutrition, you add, for example, 0.06 percent Creamino® – or 600 grams per metric ton – to the existing feed composition. This enables the body to produce more creatine, which promotes better muscle growth, for example. The principle corresponds to the minimum law according to Carl Sprengel and Justus von Liebig: According to this law, an organism can only develop as far as the scarcest resource allows.

A reduction in feed costs through the addition of Creamino® in turn results on the one hand from better feed utilization and on the other from a more efficient energy metabolism through the formation of additional creatine: In this way, less energy from the feed itself – and therefore less feed – is needed to achieve the same result. In view of significantly rising costs in this area as well, Creamino® thus offers an opportunity to save on the quantity and transport costs of feedstuffs, some of which are imported globally, without

compromising quality: Existing resources are used more efficiently, which not least promotes sustainability and climate protection.

## VERY IMPORTANT: MORE ANIMAL WELFARE

In addition, Creamino® strengthens the health and well-being of animals. Heat stress, for example, is a widespread problem in livestock farming – seasonal in Central Europe, even continuous in other regions. Metabolic processes are accompanied by the generation of heat. Inefficient processes lead to more heat in total, which the body can no longer dissipate at high outside temperatures. The consequences are, for example, slowed growth, apathy and aggression, a weakened immune system and, accordingly, a higher susceptibility to diseases. Here, Creamino® can help to optimize the metabolic processes energetically and thus reduce the negative consequences. In addition, positive effects have been observed on intestinal function, among other things.

## SMALL AMOUNT, BIG EFFECT

Creamino® is a product for specialists: The dosage is so low that it requires proven expertise to mix the fine granules evenly into the feed. It is therefore sold worldwide only to selected premix and feed manufacturers, who in turn offer ready-mixed feed to interested farmers in their regions. Creamino® is approved as a feed additive for various animal species in numerous countries worldwide and is highly appreciated by customers thanks to its reliably high quality.

## SUSTAINABLE EXPERTISE

At Alzchem, the patent holder, manufacturer and distributor of Creamino®, the product is backed by the combined expertise of an experienced team of animal nutrition experts, veterinarians, chemists and biologists. Creamino® is manufactured at Alzchem's Trostberg site in specially designed facilities using raw materials sourced from the company's integrated "Verbund production" – the supply chain is therefore extremely short and supply security is guaranteed at all times, even under globally challenging circumstances.

Studies are currently being carried out in cooperation with various universities to evaluate new fields of application for Creamino® – for the even broader use of a sustainable product that increases efficiency in animal farming and at the same time serves animal welfare.



# WE ACT. Sustainability

For us, growth and sustainable business are inextricably linked. Above all, this includes protecting natural resources and our environment. For the Alzchem Group, this is far more than a duty – it is a self-image.

Sustainable structures and sustainable management are an integral part of our social and societal responsibility, which we want to and have to live up to as a globally active company in the specialty chemicals sector. For us, sustainability means, in particular, responsibility for people and the environment.

Therefore, sustainability is an integral part of our corporate strategy. We are continuously working to reduce our carbon footprint.





# Our contribution to sustainability

## SUSTAINABLE DEVELOPMENT GOALS



Climate change, global population growth and rising life expectancy are creating new global challenges. The UN has therefore set 17 Sustainable Development Goals (SDGs) to be achieved by 2030 in a cooperative partnership between politics, business and society. We are meeting these challenges with our sustainability-focused, innovative product portfolio with high social value added and the highest quality standards.

Our products for agriculture, for example, result among other things in a significant reduction in climate-damaging emissions or noticeable increases in efficiency, which in turn reduces land consumption and ensures the preservation of green spaces. In the pharmaceutical sector, our products stand for both maintaining health and curing diseases: Our high-purity pharma building blocks are essential in the manufacture of cardiac and HIV drugs, for example.

Our business success depends to a large extent on the quality of our products and the satisfaction of our customers. Certifications according to ISO 9001, 14001, 50001, 27001, 17025, EMAS III and OHRIS as well as numerous customer audits are proof of the reliably high quality level.



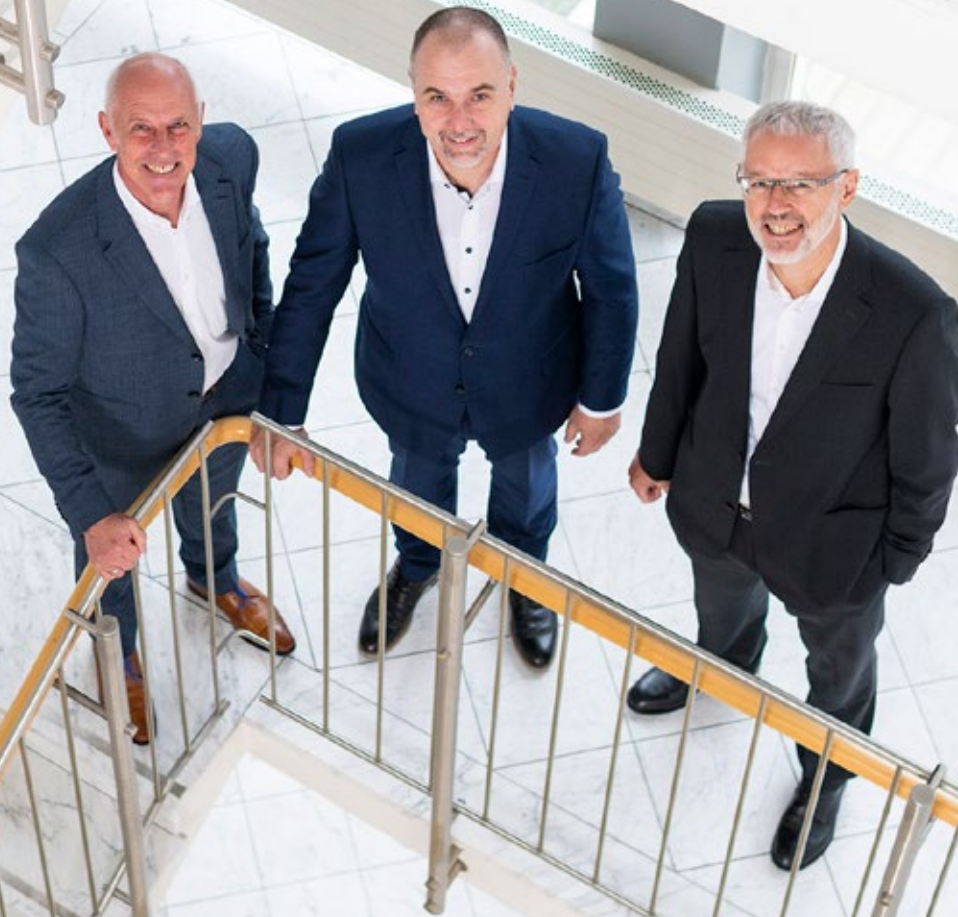


# TO THE SHAREHOLDERS





# Interview with the Management Board



Klaus Englmaier (COO)

Andreas Niedermaier (CEO)

Dr. Georg Weichselbaumer (CSO)

The environment is currently extremely challenging in many aspects. How did you manage to at least partially escape this in 2022? And how do you plan to be successful in 2023 as well?

ANDREAS NIEDERMAIER: Almost no one can escape this extraordinarily challenging environment – not even us. However, we have done our homework. We focused on the areas we could actively influence, and we were successful in doing so. Three examples:

- We practiced close cooperation with our customers and achieved fair pricing on this basis.
- We have made our production processes very flexible.
- And the electricity costs – in the past, we had converted our energy requirements to almost 100% electricity in a forward-looking manner – we were at least able to hedge again and again.

DR. GEORG WEICHSELBAUMER: In 2023, the measures will be very similar – in parts probably even more consistent. In 2022, we were still able to hedge some of our electricity consumption in terms of price. However, we reached a point in this volatile environment where this hedging no longer makes sense or is no longer possible. At the turn of 2022/2023, we found ourselves in such a situation. Therefore, in 2023, we intend to counter the increased energy costs in two main ways:



1. We will again pass these costs on to our customers as comprehensively as possible, but also fairly.
2. We will make our production processes even more flexible and adapt them to time windows and time zones with lower energy costs. This means, for example, production at weekends, greater capacity utilization in the summer months, and situation-dependent use in the daily schedule.

NIEDERMAIER: As a result, we were able to confirm our volumes in 2022 compared to the previous year, increase our sales by 28.4% and keep EBITDA more or less stable at EUR 61.4 million. The fact that the margin slightly decreased accordingly is almost unavoidable in this environment. In addition to all the environment-specific measures, the good overall performance was due above all to our strong Specialty Chemicals business in dietary supplements (Creapure®), agriculture (Dormex®) and automotive (DYHARD® and nitroguanidine), as well as our excellent competitive position in the markets we address.

You are one of the few companies that did not adjust their forecast downward in 2022? Do you have a crystal ball or how did you achieve that? And what is the forecast for 2023?

NIEDERMAIER: I would be lying if I said that the vehemence of the energy price trend in particular did not also surprise us. However, we started 2022 well prepared, having already correctly interpreted the signals on the markets at the end of 2021. And we succeeded in passing on the significant increase in procurement prices to the market. This ability to pass on prices remains the key challenge for 2023. Our financial forecast for 2023 is subject to a degree of uncertainty due to the similar starting position to 2022. Our target is to achieve at least slight growth in consolidated sales and EBITDA compared with 2022. We see the achievable upper limit for sales at up to EUR 590 million and for EBITDA at up to EUR 70 million.

What are you planning to do to become cash-flow positive again?

NIEDERMAIER: We are a very cash-flow-strong company. Take the past five years, for example: We have always achieved a positive operating cash flow, cumulatively in excess of EUR 200 million, and also a significant free cash flow in three of the five years. The development in 2022 was a





one-off effect due to the sharp increase in working capital. 50% of this increase is due to price effects; we will only be able to counteract this to a limited extent in 2023. The remaining 50% is due to higher provisions for inventories; we will significantly optimize this again in 2023. All in all, we again expect a noticeably positive operating cash flow in 2023 – not least thanks to our planned sales and earnings growth.

## Let's focus on energy: What measures have you taken or will you take to counter the rise in energy costs?

KLAUS ENGLMAIER: The flexibilization of our production processes described above is the most important instrument. However, the decisive factor will also be whether the energy price level achieved is one-off or permanent. If there is a permanent upward shift in the price level, all energy-intensive industries in Germany and Europe will have to think about where production still makes sense, where there are better framework conditions and whether they are still wanted in Germany at all. After all, even aid measures such as energy or gas price brakes will come to nothing in all the variants discussed in 2022 for companies like us that do their homework and therefore still generate decent operating margins. The German government's intended goal of restoring competitiveness for German industry via the electricity price brake has unfortunately been summarily turned into insolvency protection by the EU. It cannot be a permanent state of affairs that we are driven to peak performance just to compensate for energy prices – and thus lose our competitiveness on the world market in the long term.

## Are the current difficulties putting the brakes on your efforts to achieve CO<sub>2</sub> neutrality? Can you confirm your climate roadmap?

ENGLMAIER: The explosion in energy prices must not be an excuse for neglecting environmental and sustainability aspects. Our climate roadmap is in place. We will provide detailed information on this in 2023. For us, the path is irreversible, which is why we are also having ourselves externally certified. For example, in 2022 we again successfully underwent an independent CSR rating by EcoVadis, the world's largest provider of sustainability ratings for companies, and improved again compared with 2020. With 70 out of 100 achievable points in the areas of environment, labor and human rights, ethics, and sustainable procurement, Alzchem is among the top 4% of companies worldwide in the field of basic chemical manufacturing assessed by EcoVadis. Nevertheless, CO<sub>2</sub> neutrality must also be affordable and, given the volatile economic environment, we will have to carefully examine every investment. After all, it must also be clear: CO<sub>2</sub> neutrality will initially cost cash flow in the form of investments.

## How would you describe your climate ambitions – also in comparison to your competitors?

NIEDERMAIER: When it comes to setting targets and communicating them, there are chemical companies that are as ambitious as we are. However, our claim is rather that we are number 1 in implementing and achieving our targets.

Thanks not least to Eminex<sup>®</sup>, our new product for avoiding CO<sub>2</sub> and methane emissions in liquid manure, we are already on an excellent path to CO<sub>2</sub> neutrality.

DR. WEICHSELBAUMER: We firmly believe that we can even position Alzchem as CO<sub>2</sub>-positive in the foreseeable future. In other words, we not only want to reduce the CO<sub>2</sub> footprint of our own processes, the energy we purchase and the raw materials we buy – the so-called Scope 1 to 3 – but thanks to Eminex<sup>®</sup> and Creamino<sup>®</sup> we also want to make a contribution to avoiding CO<sub>2</sub> elsewhere. Currently, we are already recycling around one third of our CO<sub>2</sub> emissions back into our production processes. The remaining emissions are to be reduced by at least 20% by 2030.

## Many companies are currently putting the brakes on their investments due to the high level of uncertainty. What did your investment policy look like in 2022 and what are you planning for 2023?

ENGLMAIER: We stayed true to our plan in terms of investments in 2022 and implemented all the scheduled projects in full. There was no reason to readjust here because the specialty chemicals markets in particular, where we see the best future opportunities, are also intact in this environment. Our focus in 2022 was on expanding production capacities for creatine and its raw material sodium sarcosinate. We invested a total of EUR 13.5 million. In 2023, investments are expected to be at a comparable level.

## Are the priorities and investment focuses shifting?

NIEDERMAIER: The basic direction remains the same: Investments in strong future fields in the less electricity-intensive Specialty Chemicals sector with strong sales potential and high margins have priority. Within Specialty Chemicals, however, we are focusing on new areas. Following the expansion of creatine production and nitriles, we will now concentrate primarily on specialties, including custom synthesis products.

## What does these “specialties” stand for?

DR. WEICHSELBAUMER: With our specialties, we want to address completely new areas of application thanks to further refined products. As of today, there are three main areas of focus:

- First, so-called custom synthesis products. Here, we manufacture for our customers in flexible plants (multi-purpose plants) on prescription and can grow with our customers. In addition, we can also imagine investing further. What our customers (generally larger chemical companies) value about Alzchem is its flexibility, speed of implementation and reliability, combined with high quality standards.
- Secondly, for example, we adapt our Bioselect® completely individually to the respective customer needs. The pharmaceutical industry with DNA testing and biochemical production of drugs is an important target market here.

- Thirdly, we see a large market for our silicon nitride product in electronic components, especially in the field of electromobility. Our silicon nitride is used in the manufacture of high-performance ceramics, e.g. for heat-stressed printed circuit boards, which are primarily used there.

NIEDERMAIER: Research and development is a fundamental growth driver for us, because we consider the development of new products and application fields along our core competence, the NCN chain, to be far from complete. New products developed or manufactured in new plants in recent years now contribute almost 11% to consolidated sales. And our pipeline for the coming years is well filled. We are planning activities in additives in the cosmetics market, new applications for Dormex® and a further developed growth regulator to improve fruit size and fruit quality in various types of fruit – to name just three examples.

## The vertical integration in production is a very significant strength of the Alzchem Group. How far can the product mix be shifted in the direction of Specialty Chemicals? Is there a natural limit?

NIEDERMAIER: The disproportionately strong expansion of Specialty Chemicals is an important strategic pillar of our future strategy. We generate significantly higher margins here and, above all, we manage to establish an outstanding market position in many of these applications. For a number of our products, we see ourselves as number one worldwide, for example with Creamino® as an additive in animal feed or



with Dormex®, a growth regulator in agriculture that is guaranteed to be familiar to every kiwi or grape grower in the southern hemisphere.

ENGLMAIER: The fact that we have deliberately shifted the product mix even further away from Basics & Intermediates in 2022 is primarily due to the higher energy intensity in this business unit. There is no natural limit to this shift. Of course, our strength is the vertical integration in production – so we benefit from the fact that we manufacture our own precursors. This in-house requirement, if you will, is the minimum level of raw materials that we have to produce on the preliminary stages. We will definitely test this basic capacity utilization at some point in the planned course of business in 2023, depending on the development of electricity prices.



DR. WEICHELBAUMER: In addition, we will continue to systematically exploit the existing attractive market opportunities in the preliminary stages. In the future, we will concentrate even more on our three core products here: dicyandiamide, an important building block and raw material for metformin, the world's best-known diabetes type 2 drug, our metallurgical additives for hot metal desulfurization and secondary metallurgy, as well as our fertilizers.

## Are you maybe running the risk of getting too bogged down with your many products and target markets?

DR. WEICHELBAUMER: No, absolutely not. We have always lived this diversity along the NCN chain we work on. It is part of our DNA. We are also 99% active in B2B markets. This means that the number of customers, sales structures and the effort required to process different regions – to name just three aspects – are kept within clear limits and can therefore be managed well.

NIEDERMAIER: I would go even further and say that we benefit significantly from operating in very different markets. In 2008 during the financial crisis and in 2020 with the outbreak of the pandemic, we impressively demonstrated the resilience to crisis and stability of our business due to our high level of diversification. We also manage time and again to transfer innovative strategies from one market to another. One small example, very illustrative in the current environment, is price formulas of the kind commonly used in the steel industry which we also apply in other areas and which helped us significantly, not least in 2022. These formulas allow raw material price adjustments to be passed on transparently to the respective end markets.

## You emphasized the role of Eminex® on the road to climate neutrality. Can you give us an update on where the market opportunities for this product stand?

DR. WEICHELBAUMER: Eminex® is the future! I see enormous potential in this product, which is currently particularly evident in the encouraging development of cooperation with farmers who operate sustainably. We are already achieving substantial sales. At the same time, however, these are still far from what we believe should one day be possible here. We expect the bigger growth spurt when these methane emissions from manure storage also get a price – and that will only be a matter of time.



ENGLMAIER: Eminex® is an absolute game changer. It affects both our own carbon footprint and – much more importantly – that of agriculture, which is criticized for its high CO<sub>2</sub> emissions. A whole new, much more environmentally friendly level can be achieved here. There is already a customer group that uses Eminex® in substantial quantities. These are so-called climate farmers (often motivated by their dairies or buyers and customers) who are already trying to reduce their CO<sub>2</sub> or methane footprint as much as possible.

## How are things going with Creamino®?

DR. WEICHELBAUMER: We were able to achieve pleasing volume growth with Creamino® in 2022. And this despite the challenges that hit this product particularly hard: First came the Corona pandemic, which put the brakes on meat consumption worldwide and thus, in parallel with animal feed demand, also on demand for Creamino®. In addition, we are now being hit by the significant increase in the raw material prices. This is because it is not possible to pass on the full cost of Creamino® to the market. Other problems, such as avian flu or a loss of customers due to the Russia-Ukraine war, are far less significant globally due to the regional limitation. Let's not misunderstand each other: Volume growth shows that the market is still intact. The fact that sales and margins in 2022 were not at the level we had hoped for in no way dampens our unchanged high expectations for the future.



## Are you already seeing effects from changing food habits with Creapure®?

DR. WEICHSELBAUMER: That is one of the reasons why we have focused our investments on expanding our creatine production capacities. We see excellent growth opportunities in both existing and new applications. Accordingly, we will position ourselves much more broadly in this area. A few examples:

1. In the traditional market of sports nutrition supplements, our focus has so far been on Germany, Europe and the USA. In the future, we want to be active worldwide. Asia and the Middle East also offer attractive potential in the very short term.
2. Many top athletes are already taking creatine today. And we are not only the quality leader here, but also the only Western manufacturer. We want to leverage this market position by moving even more in the direction of mass sports and thus towards a much larger market.
3. Our own consumer product LIVADUR® also offers very good growth opportunities. We have therefore slightly broadened the target group.

## Some products have to contend with a particularly challenging environment. Is there an update on Dormex®? How are activities developing with the COVID-19 test kits?

NIEDERMAIER: Dormex® is the world's number one growth regulator in fruit growing. If the EU were to actually impose an export ban, this would hit us very hard – there's no getting around it. We are continuing our efforts to convince Germany and the EU, because Dormex® is essentially a highly effective liquid nitrogen fertilizer that has been safe for decades when used correctly – and not a pesticide or similar product.

DR. WEICHSELBAUMER: In the case of Bioselect®, which is used in many corona test kits, demand is naturally slightly normalizing. There is no question that the pandemic has created a boom. However, we are continuing to grow even without Corona, because in addition to diagnostics, we have always also addressed the biotechnology and pharmaceutical industries here. Manufacturers of biopharmaceuticals are becoming an increasingly important customer group.

NIEDERMAIER: Bioselect® is a good example of another issue that is important to us: the return of European manufacturers to sources of supply in Europe and the simplification of logistics chains. We are benefiting from this trend in many areas – not least because we are often the only Western producer. However, it remains to be seen how sustainable this return will be. After all, there is no denying that our products are more expensive than those of our competitors simply because of the location factors of energy and labor costs. At the same time, our Asian competitors – as in many other markets – are aiming to establish monopolistic

structures. In the end, however, it is the consumer who pays the bill in the form of rising prices and high dependencies. I therefore see a good chance that this reorientation will be sustainable and that we will be able to further expand our market position accordingly – both for our own success and for the benefit of our European customers.

## The free float of your shares has risen to around 47%. What are your further goals here? Are we likely to see further sales by the major shareholders?

NIEDERMAIER: With a free float of around 50%, we have reached an important strategic milestone. From our point of view, this level is a very good starting point for the further development of Alzchem shares and trading volumes. As of today, I am very satisfied with our shareholder structure, as we have received a lot of support for our strategy.

## How will the dividend develop?

NIEDERMAIER: Our dividend policy with payout ratios of 30% to 50% is designed for the long term. I see no reason to deviate from this now, unless electricity prices go crazy or there are substantial legal restrictions threatening our business. Of course, we will be vigilant, closely monitor the environment and continue to keep the company's liquidity high. However, we want to be a dividend stock as well as a growth stock today and in the future.

# Report of the Supervisory Board



Markus Zöllner  
(Chairman of the Supervisory Board)

*Dear Ladies and Gentlemen,  
dear shareholders,*

The fiscal year 2022 will undoubtedly go down as a special one in the history of our company: With the waning of the Corona pandemic, an energy crisis of unprecedented proportions has hit the European economy in particular, and not least electricity-intensive companies such as the Alzchem Group: Re-alignment of energy procurement, flexibilization of production processes and intensification of customer management are just three of the buzzwords behind the adjustment processes that have unexpectedly become necessary as a result.

However, what we have already seen in previous years also applies to 2022: Our company has once again proven to be not only extraordinarily robust, but also particularly agile and innovative. Sales reached a record level of EUR 542,223 thousand. And the EBITDA of EUR 61,441 thousand and the EBITDA margin of 11.3 percent are also excellent results for a large electricity consumer like the Alzchem Group under the given circumstances. Our company thus remains the high-growth, high-profit niche supplier that it has now established itself as on the capital market.

However, we are by no means content to rest on our laurels – even in a business environment that is likely to remain difficult and volatile, we will continue to resolutely exploit the opportunities that present themselves. This is exemplified by the investments implemented as planned in 2022: For example, the markets for specialty chemicals, in which we see the best

future opportunities for us, have proven to be surprisingly intact even in an extremely difficult environment; the Alzchem Group will have a much stronger presence here in the future. With Creapure® in particular, we believe we are only at the beginning of a very positive development due to its wide range of possible applications; here, we see considerable potential for our company. And finally, our products Eminex® and Creamino® will sustainably support the efforts of both our own carbon footprint and that of our customers; here, we can achieve a significantly more environmentally friendly level in the future, especially in agriculture.

## Focus of the Supervisory Board's work

- The work of the Supervisory Board – not unlike that of the Management Board – was dominated by the challenges of the energy crisis. It formed the omnipresent background for the Supervisory Board's efforts to advise and monitor the Management Board in the successful further development of business operations in line with the company's objectives. The main focus was on the following issues:
- First and foremost in this respect are the management measures to secure the company's energy supply, which

the Supervisory Board pursued with the greatest attention. This included a detailed risk assessment of the Ukraine war. Thanks to forward-looking planning, it was possible to mitigate the worst consequences for the Alzchem Group for the most part – for example, by making production even more flexible. Nevertheless, there was a need to pass on the significantly increased production costs to customers. The fact that this was largely achieved – mainly thanks to excellent customer relations – must be regarded as the greatest achievement of the Alzchem team in the year under review. However, as things stand at present, the much-cited government aid programs, especially for the particularly burdened energy-intensive companies, will hardly benefit the Alzchem Group despite its considerable electricity consumption. In this respect, the company's sustained profitability is also acting as a "subsidy blocker" – in any case, the company's Boards assume that the Alzchem Group will continue to have to hold its own on the market in the future without an electricity price brake or other government aid.

- The Supervisory Board has also paid considerable attention to logistics issues affecting the company. Here, despite all adversities, the Alzchem Group has succeeded in securing both its own supply of raw materials and reliable deliveries to customers. This was one of the reasons why the company was able to further strengthen its reputation as a reliable quality supplier despite the supply difficulties that were heard everywhere. China's departure from its strict Corona policy should also have a beneficial effect on the Alzchem Group.
- In this context, it is also important to mention the investments completed in the year under review, which were closely monitored by the Supervisory Board. First and foremost, this includes the more than EUR 13 million expansion of the Alzchem Group's creatine production. The Supervisory Board is convinced that this fits perfectly into the logic of the investment in the less electricity-intensive Specialty Chemicals business, which promises strong sales potential and comparatively high margins.
- Closely related to this is the successful expansion and unburdening of our factoring, working capital and credit lines with a whole range of financial institutions, which the Supervisory Board approved with full conviction in each individual case. They will provide the company with significantly increased financial scope.
- The Supervisory Board also followed the Alzchem Group's numerous ESG initiatives and measures with the greatest attention – if only because, at the request of the Supervisory Board, the topic of "sustainability" has now become a fixed item on the agenda of every Supervisory Board meeting. Its importance for the development of the company – which we are convinced offers great opportunities – cannot be overestimated. The establishment of a photovoltaic company, in which the relevant activities of the Alzchem Group are to be bundled, is just one example in this context.

- The approval of calcium cyanamide as a fertilizer is still the subject of a pending EU procedure. The initiatives of German politicians towards an export ban on chemical products not approved in the EU could also have a negative impact on our global business. For this reason alone, we have received regular reports on this matter from the Supervisory Board. In any case, it is clear that the Alzchem Group will not surrender without resistance to all developments, no matter how irrational, which only appear sensible on the surface. The Management Board has our full support in all its measures in this regard.
- The Supervisory Board continued to pay particular attention to the Creamino® business. Here, the company already sees itself as the world's number 1 for additives in animal nutrition. However, the potential of this product, which is also highly interesting from a sustainability point of view, appears to be far from exhausted. The Management Board has regularly presented its strategic considerations in this regard to the Supervisory Board and put them up for discussion.
- In connection with this, the Supervisory Board also approved the establishment of a sales company in Great Britain, albeit a very small one at present. In the medium term, this will serve to further strengthen the Alzchem Group's presence in the agricultural and animal feed sectors in this "extra-European" market following Brexit.
- Management Board matters were also on our agenda: For example, the remuneration system for the Management Board, which was approved for the first time by a large majority at the Annual General Meeting in 2021, was again revised in detail by the Supervisory Board. The main aim was to make the system easier to use in practice. For example, the remuneration system now also provides instruments to facilitate a smooth transition from other remuneration models. Among others, Mr. Englmaier and Dr. Weichselbaumer will benefit from this, as their service



Dr. Caspar Freiherr von Schnurbein



Prof. Dr. Martina Heigl-Murauer



Steve Röper





contracts – together with their Management Board mandates, which have been extended until the end of 2025 – have been adjusted accordingly. Expert opinions on the horizontal and vertical appropriateness of the compensation granted under the new service agreements were prepared and evaluated by the Supervisory Board. The Supervisory Board is very pleased that with Mr. Englmaier and Dr. Weichselbaumer, two proven, highly motivated Management Board members could be won for another term of office full of interesting opportunities and challenges.

- Finally, the Supervisory Board dealt with a number of issues relevant to the capital markets. These included the design of the virtual Annual General Meeting, the use of treasury shares repurchased by the Alzchem Group as part of an employee stock option plan, the implementation of the new recommendations included in the German Corporate Governance Code 2022, and the discussion of the dividend strategy against the background of an extremely successful fiscal year 2022 despite considerable challenges.

## Composition of the Management Board and succession planning

There were no personnel changes within the Management Board in the reporting year. The extension of the mandates of Mr. Englmaier and Dr. Weichselbaumer by three years each has already been reported.

In accordance with the established annual cycle, the Supervisory Board again 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.

## Working methods of the Supervisory Board

In the fiscal year 2022, 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, personnel planning, the situation (including the risk situation) of the Alzchem Group, the risk management system, including the compliance management system (on which the Compliance Officer reported in detail to the Supervisory Board), the internal control system, and – with a particular focus – the further development and strategy of the company. 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. Sustainability, as already mentioned and in line with the recommendations also given in the German Corporate Governance Code, has become a standard topic of the Alzchem Group's Supervisory Board work.

In view of the manifold turbulences in the global economy, the Supervisory Board has been monitoring the resulting consequences for the Alzchem Group very closely and has received regular reports on them. The nevertheless pleasing development under the given circumstances resulted, among other things, in an increase in the company's sales forecast for the fiscal year 2022 communicated by ad hoc announcement on April 22, 2022. In this regard, as well as with regard to all other significant developments of the Alzchem Group, the Management Board fully complied with its statutory information obligations at all times and provided the Supervisory Board with regular, timely and comprehensive information in written and verbal form.

The Supervisory Board discussed in detail all reports and documents received from the Management Board. Any deviations from the planning, which were primarily attributable to the development of electricity prices, were explained in detail by the Management Board and examined with great care by the Supervisory Board. Transactions requiring approval – such as the aforementioned expansion of credit and factoring lines – 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 approval after thorough information and consultation.

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 and other key employees, 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 by all on the [company's website](#).

## Meetings and resolutions of the Supervisory Board

The Supervisory Board held a total of five meetings in the fiscal year 2022, on February 22, April 22, July 22, October 21 and December 5. Three meetings were held in person (in one case with the option of video link-up); the remaining two meetings (including the financial statements meeting) were held as video conferences due to the pandemic. In addition, one resolution (with three agenda items) was adopted by written procedure in July 2022 due to the urgency of the matters.

The Supervisory Board met without the Management Board on matters sensitive to the Management Board and purely Supervisory Board-related matters, as well as on agenda items where discussion within the Supervisory Board seemed expedient, such as issues relating to the annual financial statements and other matters discussed with the involvement of the auditors.

At the request of the Supervisory Board, the Supervisory Board meeting held in December 2022 took place at the Hart plant of the Alzchem Group. This included a tour of the plant lasting several hours, during which the members of the Supervisory Board were able to ask questions to the plant management present.

## Audit Committee

With the entry into force of the Financial Market Integrity Strengthening Act ("Gesetz zur Stärkung der Finanzmarktintegrität", FISG) in July 2021, the company set up the qua lege required Audit Committee and equipped it with the legally required mandatory tasks. The Audit Committee, consisting of all four members of the Supervisory Board, commenced its work with effect from January 1, 2022.

At its meeting on February 22, 2022 – which was held by video conference – the Audit Committee reviewed 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.

Apart from this, the Audit Committee met a further four times, in each case on the days of the Supervisory Board meetings, i.e. on April 22 (in person) and on July 22, October 21, and December 5, 2022 (in each case by video conference).

## Individualized disclosure of meeting attendance

The meetings of the Supervisory Board and the Audit Committee held in the reporting year were attended in full by all members of the respective bodies without exception. Accordingly, the attendance rate in both bodies was a pleasing 100 percent. A detailed breakdown by meetings and participants can therefore be dispensed with here.

## Related Party Transactions (RPT)

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

## Conflicts of interest

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).

## Onboarding; training and further education of Supervisory Board members

Alzchem Group AG generally provides all new Supervisory Board members with an onboarding package tailored to the specific circumstances of the company.

In addition, the company supports all members of the Supervisory Board – including those already in office – in the training and further education measures required for their activities within the framework of the legal provisions. In the reporting year, this included training provided by the company on the requirements (including those relating to the Supervisory Board) of the extensively revised German Corporate Governance Code and on the framework conditions of the new "stock corporation law" virtual Annual General Meeting. Also worthy of note is the aforementioned tour of the Hart plant for the members of the Supervisory Board, during which they were able to discuss, among other things, issues relating to the production process and the challenges it faces.

Finally, the members of the Supervisory Board took advantage of various external training opportunities on their own initiative in the reporting year. The respective events and their contents – which in the reporting year related among other things to the adoption of the Corporate Sustainability Reporting Directive (CSRD) and the Supply Chain Sourcing Obligations Act – are documented on an ongoing basis by the Supervisory Board office. The Supervisory Board office also supports the members of the Supervisory Board with information 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 German Corporate Governance Code in its current version. Accordingly, the Management Board and Supervisory Board were able to adopt the Declaration of Conformity pursuant to sec. 161 AktG in December 2022 with only one – moreover, precautionary – deviation from the current 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](http://www.alzchem.com) in the “Investors” section. In accordance with Principle 23 of the German Corporate Governance Code, the Management Board also explains the Corporate Governance practiced by the company – both for itself and for the Supervisory Board – in the Corporate Governance Statement contained in the combined management report.

## Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. In line with the customary two-year cycle, another such review was carried out in the reporting year. To carry out the review, the members of the Supervisory Board each completed a comprehensive written questionnaire, the (anonymous) results of which were evaluated by the Chairman with the assistance of the Supervisory Board office and subsequently presented to the members of the Supervisory Board. The results showed that the Supervisory Board members are generally very satisfied with the organization, process and efficiency of the Supervisory Board’s work. Suggestions made by Supervisory Board members (e.g. on the holding of plant visits and the (virtual or face-to-face) form of Supervisory Board meetings) were taken up by the Supervisory Board Chairman and implemented in the course of the reporting year.

## Audit of the 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), while the consolidated financial statements were prepared 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 2022. In accordance with the resolution of the Annual General Meeting on May 5, 2022, 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 2022 and, in this context, also determined the remuneration of the auditor. Furthermore, together with the auditor, the Supervisory Board determined the key aspects of the audit to be carried out by the auditor. For the audit of the financial statements, 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 fourth 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 2022 received an unqualified audit opinion from the auditors. In addition, as part of its assessment of the risk management system, the auditor determined that the Management Board had taken the measures required under sec. 91 para. 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 reviewed the annual financial statements and consolidated financial statements for the fiscal year 2022 and 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 financial statements meetings of the Audit Committee and Supervisory Board on February 27, 2023 in the presence of all Committee



and Supervisory Board members. The auditors reported there on the main findings of their audit and were 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 made 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, approved 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 Board of Management were thus adopted.

The Supervisory Board discussed in detail the proposal of the Management Board to distribute a dividend of EUR 1.05 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 examination, the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, which provides for a payout ratio of approx. 35 percent – also in this respect following the recommendation of the Audit Committee.

In addition, the Audit Committee and Supervisory Board reviewed and the Supervisory Board approved the non-financial Group statement on corporate social responsibility.

## Composition of the Management Board, Supervisory Board and Committees

In the fiscal year 2022, 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, 2025. The terms of the mandates of Mr. Englmaier and Dr. Weichselbaumer result from an extension resolution on the existing mandates adopted by the Supervisory Board in this regard in April 2022. On this occasion, the relevant service contracts were also converted to the new Management Board remuneration system.

Even though the Management Board has thus achieved its target quota for the proportion of female members, the Supervisory Board is convinced that the 0 percent quota due to the given circumstances should change in the medium term. The Supervisory Board has therefore carefully limited the new, unchanged quota to the short period up to the end of June 2023.

There were also no personnel changes on the Supervisory Board in the reporting period. The Supervisory Board continues to comprise Markus Zöllner (Chairman), Dr. Caspar Freiherr von Schnurbein (Deputy Chairman), Prof. Dr. Martina Heigl-Murauer and Steve Röper. The Supervisory Board thus also achieved the 25 percent target quota for the proportion of female members in the reporting year. The Supervisory Board has set itself the same target for the period until the end of its term of office in spring 2025.

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.

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In the fiscal year 2022, the Alzchem Group demonstrated above all its robustness and solidity. It is particularly pleasing that the company has succeeded in proving these qualities even in circumstances that have changed as suddenly as they have fundamentally. Of course, none of this would have been possible without the commitment, motivation and reliability of our employees. They therefore deserve our greatest thanks once again this year.

Trostberg, February 27, 2023

Markus Zöllner  
Chairman of the Supervisory Board  
Alzchem Group AG



# Alzchem share

## PERFORMANCE OF THE ALZCHEM SHARE

Alzchem shares started the fiscal year 2022 with a Xetra closing price of EUR 23.10. The annual high was reached on March 15, 2022, at EUR 24.30 and the annual low on October 13, 2022, at EUR 15.00. The Xetra closing price on December 30, 2022, was EUR 16.90, corresponding to a market capitalization of EUR 171.3 million and a price performance of -26.8% in relation to the reporting period. The Xetra closing price on December 30, 2022 was EUR 16.90, corresponding to a market capitalization of EUR 171.3 million and a share price performance of -26.8% over 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 – 12/31/2022
Price on 01/04	EUR 23.10
Highest price	EUR 24.30
Lowest price	EUR 15.00
Price on 12/30	EUR 16.90
Total performance	-26.8%
Earnings per share	EUR 2.96
Market capitalization on 12/30	EUR 171.3 million

## Shareholder structure

Shareholder	%
LIVIA Corporate Development SE	25.13
HDI Vier CE GmbH	15.05
four two na GmbH	12.74
Free float*	46.68
↳ thereof M&G plc	7.10
↳ davon Lazard Frères Gestion SAS	5.11

\* 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.



# COMBINED MANAGEMENT REPORT ALZCHEM GROUP AG



# Combined Management Report

## FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

### 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 2022, 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 8 and are part of the combined management report audited by the auditors of the consolidated financial statements.

The non-financial Group statement pursuant to secs. 315b, 315c in connection with 289c HGB contained in section 9 of this combined management report and the combined (Group) Corporate Governance Statement contained in section 10 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 not part of the combined management report, but is prepared as a separate report, audited by the Group auditor as part of a formal audit and published as required.

### 2. FUNDAMENTALS OF THE GROUP

#### 2.1 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<sup>®</sup> and CalciPro<sup>®</sup>),
- additives for manure and biogas fermentation residues (Eminex<sup>®</sup>),
- fertilizers (Perlka<sup>®</sup>),
- pharmaceutical raw material dicyandiamide (DCD for metformin (diabetes II)),
- raw material for pharmaceuticals, pigments, agrochemicals and biocides (NITRALZ<sup>®</sup>),

to specialty products for a wide variety of markets, such as

- feed additives (Creamino<sup>®</sup>),
- dietary supplements (Creapure<sup>®</sup>),
- growth regulators for agricultural applications (Dormex<sup>®</sup>),
- for the pharmaceutical and diagnostics markets (Bioselect<sup>®</sup>),
- custom synthesis as contract manufacturing in multi-purpose plants,
- high-performance ceramics in electronic circuit carriers (Silzot<sup>®</sup>)
- hardeners and accelerators in powder, paste and liquid form (DYHARD<sup>®</sup>),
- guanidine salts as propellants for airbags.

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<sup>®</sup> brand 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<sup>®</sup> 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 as well as the latest product Eminex® to reduce methane and CO<sub>2</sub> 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 hardening 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. Alzchem has sales companies in the strategically important markets of the USA and China, and more recently also in Great Britain.

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.

## 2.2 GROUP STRUCTURE

Alzchem Group AG acts as the parent company (without its own business activities) of the Alzchem Group. In the fiscal year 2022, Alzchem UK Ltd. was founded as a new sales company in Great Britain in response to Brexit. No further adjustments were made to the Group structure. The following companies belonged to the scope of consolidation of the Alzchem Group as of the reporting date December 31, 2022:

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
Suppliva GmbH (formerly 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
Alzchem UK Ltd.	Coventry, United Kingdom	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).

## 2.3 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	Inventories/sales
Sales	Absolute value

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 the 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 consolidated 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).

## 2.4 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	2018*	2019	2020	2021	2022
Research (product and application development)	6,357	6,638	6,825	7,199	8,632
Process development	2,321	2,672	2,537	2,489	2,156
Σ Research and development expenses	8,678	9,310	9,363	9,688	10,788
% in relation to Group sales	2.3%	2.5%	2.5%	2.3%	2.0%

\* 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 2022 were 2.5% (previous year: 2.5%).

Research & development expenses in the Basics & Intermediates segment were 1.0% of sales in the reporting period (previous year: 1.5%).

In total, 103 people (previous year: 106) were employed in research & development in the Alzchem Group in the fiscal year 2022.

## 3. BUSINESS REPORT

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

### 3.1 MACROECONOMIC AND INDUSTRY-RELATED FRAMEWORK CONDITIONS

#### 3.1.1 MACROECONOMIC FRAMEWORK CONDITIONS

Global economic growth slowed significantly in 2022 from 6.1% in 2021 to 3.2%. High energy prices and general major uncertainties, significantly increased by Russia's war against Ukraine and global geopolitical developments, were strong influencing factors. Monetary policy, which was tightened very quickly in the face of high inflationary pressure across the board, also had a braking effect as the year progressed. Overall, production remained on an upward trend into the fall, with impetus coming from easing supply bottlenecks and the ongoing normalization of activity in those sectors of the economy particularly affected by the Corona pandemic. At the same time, however, this development was overshadowed by a slowdown in economic momentum toward the end of the year, mainly originating in the major advanced economies. They are facing a period of weak economic activity as 2022 draws to a close, despite substantial fiscal support measures. In addition, the problems for the Chinese economy remain major. With growth of 3.2% expected in December 2022 for 2022 as a whole, the global economy will perform slightly better than forecast in the course of the year, but the further outlook for the start of 2023 and the course of 2023 remains characterized by skepticism, and a further slowdown is expected. Nevertheless, the Kiel Institute for the World Economy (IfW Kiel) assumes that gross domestic product in the regions important to Alzchem will grow in 2022 in the following range:





Region	Development of gross domestic product in 2022
World	3.2%
Euro zone	3.4%
United States	1.9%
Japan	1.4%
China	2.9%
Latin America	3.7%

Source: Kiel Institute Economic Outlook World Economy in Winter 2022 from December 14, 2022 No. 97 (2022/Q4)

With economic growth of 1.9% in 2022, Germany is well below the euro zone average of 3.4%, according to the Kiel Institute's expectations in December 2022. A comparatively good first quarter with growth of 0.8% was followed by a very marked slowdown to 0.1% in the second quarter. Despite slight brightening tendencies in the third quarter with growth of 0.4%, IfW Kiel remains skeptical for the winter half-year. No more growth is expected in the fourth quarter of 2022, and the low point and turning point should be reached in the first months of 2023. The high energy prices were and still are a central factor. They are weighing on household purchasing power and dampening private consumption. The global economic environment was weak and provided no positive stimulus for the economy. The slight brightening in the fall was mainly due to the at least temporarily significant drop in wholesale prices for gas and electricity – even though they remain at a high level. The highs here were reached in August and September. The experts at the IfW also assume that the burdens on private households and companies caused by high energy costs will be cushioned by so-called price brakes. The fact that exports were robust in the third quarter, for example, despite falling sentiment indicators, has also had a supportive effect on the economy. The labor market also proved stable despite the economic slowdown, partly because companies are still looking for skilled workers. Overall, the outlook for the economy brightened slightly at the turn of the year – despite high uncertainty. Although economic output is likely to decline slightly in the winter half-year, overall a slightly firmer trend is emerging for the coming year compared with the expectations of economic experts to date.

Source: Kiel Institute Economic Outlook German Economy in Winter 2022 from December 14, 2022 No. 98 (2022/Q4).

## 3.1.2 INDUSTRY-RELATED FRAMEWORK CONDITIONS

### DEVELOPMENT OF THE CHEMICAL AND PHARMACEUTICAL INDUSTRY

The German Chemical Industry Association ("Verband der Chemischen Industrie" – VCI) expects production in 2022 to be 6% lower than in the previous year. If the pharmaceuticals business is excluded, this decline increases to around 10%. The last time there was a similarly sharp drop in production was in 2009 as a result of the global economic crisis. Nevertheless, sales in Germany's chemical industry for the year as a whole were still around 17.5% higher than in 2021 at EUR 266.5 billion. However, the increase in sales was solely price-driven. Sales volumes, on the other hand, were down. The enormous pressure on energy and raw material costs led to a sharp rise in product prices. As a result, chemical products were 22% more expensive in the full year than a year earlier. However, costs increased at a faster rate than selling prices. The picture was very similar for the European chemical sector, where production was almost 10% lower than a year earlier. Recurring shortages of starting materials, rising prices and weakening demand both domestically and abroad are slowing industrial activity. Europe is heading into an industrial recession. This in turn means that chemical companies in Europe will increasingly face a demand problem. Among the beneficiaries was the US chemical industry, whose competitiveness improved significantly compared with competitors from Europe and Asia. As there was no threat of energy shortages, electricity and gas prices there rose much more moderately than in Europe. This gave the US chemical industry an additional boost.

Source: German Chemical Industry Association ("Verband der Chemischen Industrie" – VCI), press release from December 15, 2022; CHEManager 12/2022 (December 7, 2022 – January 24, 2022)

### DEVELOPMENT OF THE STEEL INDUSTRY

The steel economy was in reverse gear in 2022 in view of the increasingly gloomy economic environment. This mainly affected production and order intake. The biggest losses were seen in the secondary steel route. In the period from January to November 2022, the decline in crude steel production was around 8%. In all likelihood, production in 2022 will again have fallen below the 40-million-ton mark, as in 2019 and 2020. Here, the production restrictions on the electricity-intensive secondary steel route are slightly more pronounced. Order intake in the period January to September 2022 was 15% lower than a year earlier. Here, the decline intensified in the third quarter. In addition to weaker demand from the steel processing sectors, inventory cycle effects also played a role.

Source: German Steel Federation; Information on the Steel Economy in Germany (October and November 2022)



## 3.2 BUSINESS DEVELOPMENT

### 3.2.1 PRELIMINARY REMARK

Fiscal year 2022 was characterized by permanent crisis management. The Corona pandemic is still here, albeit with weakened consequences for health and the healthcare system. In February 2022, the Ukraine war began, triggering a pronounced energy crisis with price jumps by a factor of 10 and consequent very high inflation.

Together, these two crises were the dominant theme in the political, but also in the economic environment of the entire fiscal year 2022. Due to the explosive nature of these two crises and their enormous economic impact on Alzchem, they are reported on in separate sections. The major topics of raw materials, energy, logistics and price increases are addressed and analyzed there.

Over the course of the year, the Alzchem Group performed valiantly from quarter to quarter despite the enormous upheavals and can look back on a challenging but, under the circumstances, successful 2022.

In the first quarter of 2022 – even before the start of the Ukraine war – the enormous cost pressure on the raw materials side was already being felt. The outbreak of the Ukraine war was then a considerable economic shock and led to previously unseen and also unforeseeable increases in energy, raw material and logistics costs. Nevertheless, the first quarter of the fiscal year 2022 closed with a strong increase in sales compared to the previous year. However, it was already apparent that the rise in sales did not lead to improvements in earnings, and EBITDA was therefore on a par with the previous year. At that time, however, the growth in sales already proved to be sustainable, so that in April 2022, Alzchem adjusted its forecast for the key figure of Group

sales and raised the upper limit to “up to EUR 520 million”. This was confirmed during the course of the year.

The sales increases were also reflected in the figures for the second and third quarters of the fiscal year 2022. However, it also became apparent that only a small part of the sales growth was due to higher volumes (and here mainly in the Specialty Chemicals segment), but mainly to urgently needed price increases. The fact that the sales gains were still not accompanied by any improvement in earnings was then also reflected in the development of EBITDA in the second and third quarters of the fiscal year 2022. In both quarters, the absolute amount of the previous year could not be matched.

The fourth quarter of 2022 was no exception either, but also showed significant revenue increases with continued high cost pressure. Looking at the year as a whole, this development resulted in Alzchem achieving an EBITDA just below the previous year’s level with substantially increased sales. Alzchem thus met the forecast for both key figures.

Alzchem recognized early on that there would be enormous challenges in the fiscal year 2022. Therefore, as soon as the first signs of a raw material shortage and logistical challenges appeared, and the associated need for increased (safety) inventory, discussions were sought with the banks accompanying the business. In a very short time, Alzchem’s available financing lines were increased by EUR 27.5 million to EUR 77.5 million and the factoring line by EUR 10 million to EUR 40 million. This gave Alzchem the necessary flexibility in financing net working capital and consequently meant that all customer orders could be serviced within the planned timeframe.

In preparation for the challenges of 2023, an economic optimization project was initiated in the third quarter of 2022, which is intended to optimally set up Alzchem’s production

planning depending, among other things, on the development of electricity prices and any customer demand that may react sensitively to this. This involves controlling the two German carbide furnaces in times of exorbitantly high electricity prices and Alzchem’s entire subsequent “Verbund production”. Alzchem thus concentrates on the permanent operation of the larger carbide furnace and adds or removes the smaller carbide furnace depending on developments on the electricity markets. On the one hand, this gives Alzchem the security of being able to plan for the financial advantages of the so-called 7,000 h regulation for the large carbide furnace, and on the other hand, it also gives the necessary flexibility to operate the smaller carbide furnace in times of moderate electricity prices and to take it out again in times of very high electricity prices. Similarly, both furnaces are controlled on a daily basis so that the least amount of electricity is drawn during the most expensive electricity periods of the day, based on experience. This flexibility in furnace operation leads to an efficient and cost-optimized carbide production process and ensures the supply of the downstream production processes.

Growth projects were also driven forward in the fiscal year 2022. The expansion of the Creapure® plant was successfully completed in the fourth quarter of 2022 after a construction period of just over one year and investments of around EUR 13.3 million. The production capacities for Creapure® were roughly doubled as a result. The technical start-up of the plant began in mid-October 2022, so that the first deliveries could be made from the new plant from the end of November 2022. The plant is expected to be able to call up full production capacity in the first quarter of 2023. Creapure® is the world’s purest creatine monohydrate, which is used as a dietary supplement in sports nutrition and is increasingly in demand in vegan as well as vegetarian diets. Based on existing customer inquiries, Alzchem expects the expansion of the plant to generate significant additional vo-

lumes and a substantial positive effect on sales and EBITDA of the Specialty Chemicals segment in the coming years.

In addition to the expansion of production capacity for Creapure®, the production plant for sodium sarcosinate, a precursor of creatine monohydrate, was also significantly expanded and is already in operation. After previously producing the product only for internal use, Alzchem is now also in a position to sell sodium sarcosinate to customers in substantial quantities. Demand is correspondingly high. Sodium sarcosinate is used, for example, as a precursor for cleaning agents in cosmetics and industry. Alzchem is positioning itself as the only European supplier with this plant.

As another major investment project, Alzchem's electricity infrastructure was renewed step by step in the fiscal year 2022.

At the Annual General Meeting on May 5, 2022, which was once again held virtually, a dividend of EUR 1.00 per share (EUR 10.1 million in total) was approved, among other things, and subsequently paid out to shareholders.

Overall, the Management Board is quite satisfied with the results of the fiscal year 2022 under the given circumstances.

### 3.2.2 EFFECTS OF THE UKRAINE WAR ON THE ALZCHEM GROUP

Alzchem published its Annual Report 2021 on February 24, 2022. On the same day, Russia invaded Ukraine and thus started the Ukraine war. Consequently, Alzchem was not yet able to report on the impact on Alzchem in the Annual Report 2021. However, since the report on the first quarter of 2022, the topic has been explained and analyzed in detail as a separate chapter in each quarterly report. In the first quarter of 2022, the effects were not yet felt to the full extent and certainly could not be forecast. Initially, there was still hope that the war would end quickly, but this proved to be unjustified. Instead, the war remained the dominant topic in politics and business throughout the year. Increasingly, the overall impact became more noticeable, which Alzchem reported on in detail in its quarterly reports.

At the start of the Ukraine war, fears about the impact were primarily directed at the sales side. Companies closed their businesses and branches in Russia, and Alzchem also initially reported that on the sales side a volume of up to EUR 1 million and further growth opportunities in Russia and Ukraine would be lost for the time being. However, it quickly became clear that the more significant impact would be felt on the purchasing side. Thus, within a very short period of time, there were extreme increases in the prices for gas, oil and coal, and consequently also for electricity. By now, almost everyone is familiar with the term "merit order" in daily electricity pricing and the resulting sensitivity of electricity prices to gas price developments. At the beginning of the war, gas supplies from Russia were still assured, but quite soon they were increasingly disrupted and stopped altogether. The markets reacted to every statement of European and Russian politicians highly nervously and partly no longer

rationally. Whereas a year ago daily corona incidences were published, this was replaced by the publication of gas storage levels. Every change in the storage level causes the gas price to rise or fall in previously unseen steps. This makes it impossible to achieve predictable normality. The inclusion of the gas price in electricity pricing makes changes in the electricity price similarly volatile and impossible to predict. In addition, massive technical problems in French nuclear power plants mean that German power plants also have to support French demand, which consequently tightens supply and drove up prices further.

As an electricity-intensive company, Alzchem requires large quantities of electricity as a raw material, especially for the sales products in the Basics & Intermediates segment. The products in this segment are also referred to as "close to electricity". The highest electricity demand is directly generated in carbide production. Alzchem's "Verbund production" means that downstream products are produced at each refining stage, which are sold individually, but which also go on to the next production stage. Thus, electricity is needed as a raw material in many downstream products, but the share decreases with each production stage. The downstream products in the Specialty Chemicals segment are therefore also referred to as "further away from electricity". These classifications are important in Alzchem's pricing because electricity consumption can be assigned to each product. Consequently, the development of the electricity price is of great importance to Alzchem.

The following overview shows the development of spot prices for electricity purchases on the German energy market over the past two years:



Period	Average (EUR/MWh)	Peak (EUR/MWh)
January – June 2021	54.96	94.83
July – December 2021	138.04	431.98
January – February 2022	149.25	297.29
<b>March – June 2022</b>	<b>203.48</b>	<b>487.57</b>

The monthly development in the third quarter of 2022 is shown in the following overview:

Period	Average (EUR/MWh)	Peak (EUR/MWh)
July 2022	315.00	473.25
August 2022	465.18	699.44
September 2022	346.12	571.20
<b>July – September 2022</b>	<b>375.75</b>	<b>699.44</b>

The monthly development in the fourth quarter of 2022 is shown in the following overview:

Period	Average (EUR/MWh)	Peak (EUR/MWh)
October 2022	152.60	282.54
November 2022	173.63	393.70
December 2022	252.72	448.90
<b>October – December 2022</b>	<b>193.26</b>	<b>448.90</b>

In the fiscal year 2022, Alzchem was able to hedge a certain proportion of its electricity requirements in terms of price, while the remainder had to be purchased on the spot market. Consequently, the development of spot prices shown above has a significant, but also not complete, influence on the individual product areas.

The price of gas affects not only the price of electricity, but also raw materials that are manufactured using natural gas. Natural gas is a precursor for the production of certain chemicals, which in turn are used in Alzchem's production. Specifically, this includes, for example, ammonia and its derivatives nitric acid, ammonium nitrate and urea. Here, too, the shortage of natural gas as a raw material has led to bottlenecks and consequently to significant price increases (in some cases by a factor of 10) for these raw materials.

Overall, however, the availability of gas does not have such a serious production-related impact for Alzchem as it does for many other companies in the chemical sector. The company's own direct consumption of natural gas is relatively low. Alzchem does purchase certain quantities of natural gas, but these are mainly resold to customers of the chemical park, so direct dependence is rather low. Alzchem does not use natural gas at all as a process gas in production, but only in waste gas treatment.

The products of the Basics & Intermediates segment ("close to electricity" and partly natural gas-based raw materials) were particularly affected by these developments in the year under review. After it had largely been possible to pass on the higher raw material and energy prices to Alzchem's customers via price increases until the end of the first half of 2022, this was no longer always and immediately possible from the end of July 2022 due to the rapidity of the electri-

city price development. Price jumps of up to 50% from one day to the next are difficult to pass on, as Alzchem does not fix daily prices with customers, but at most sets monthly prices or contractual arrangements for the next deliveries. Even in the case of contracts with electricity-related price escalation clauses, there is a certain delay in subsequent billing to customers.

The agricultural product area (Perlka®) is particularly affected here, as the product is very electricity-intensive in production. This is forcing Alzchem to increase prices sharply, which not all farmers are prepared to bear. Alzchem has already reacted to this development by reducing production volumes in the short term. Nevertheless, due to the current cost situation of all available fertilizers, even convinced and long-standing users of Perlka® are asking themselves whether it does not make sense to forego winter storage and only buy fertilizer at short notice in the spring.

In the Basics & Intermediates segment, the NITRALZ® product area also has to contend with strong competition. The raw materials used here are mainly natural gas-based (particularly ammonia) and energy-intensive (chlorotoluenes), with a compelling need for price increases for NITRALZ® products. Competitors produce outside Europe and have much lower energy-based manufacturing costs. Alzchem's geographical proximity as a reliable European supplier and also the very high product quality can continue to convince European customers here in many cases. However, there is a lack of competitiveness outside Europe and especially in Asia, and thus a lack of sales growth. As a result, although the Basics & Intermediates segment was able to record very high sales growth in the fiscal year 2022 due to price increases, its EBITDA and EBITDA margin were significantly lower than in the previous year.





In the Specialty Chemicals segment, on the other hand, it can be felt that products that are “further away from electricity” have much more favorable market opportunities. Although it was also necessary here to pass on the general increase in raw material costs through price increases, the lower the electricity content of the products in the calculation, the less weight is attached to this surcharge. Consequently, this segment proved to be much more robust and was able to achieve volume growth in addition to price increases, but ultimately also suffered a less pronounced decline in the EBITDA margin.

Alzchem reacted to these developments at an early stage and, in addition to the permanent price increases explained above, also took countermeasures on the production side. When electricity prices spiked sharply in the third quarter, the high flexibility in production control was used to temporarily shut down one or both carbide furnaces at short notice in the event of extreme price peaks for electricity. In addition, maintenance of a carbide furnace originally scheduled for the end of the year was brought forward to mid-August 2022. In this way, Alzchem was able to prevent the extreme electricity price developments from having a full impact on the earnings and liquidity situation.

Production processes as well as production and volume planning in the Basics & Intermediates segment are currently being analyzed and managed accordingly by a project group set up specifically for this purpose. This should help Alzchem to quickly make well-founded decisions regarding individual product areas depending on the further development of electricity prices. The aim is to be able to adequately supply the product areas of the entire Alzchem Group, which are profitable even under very high electricity prices, within the framework of integrated production. The German

government discussed for a long time how companies and citizens could be supported. Programs were announced, improved, implemented or withdrawn again. Alzchem did not benefit from or participate in any of these programs in the fiscal year 2022. In December 2022, the German government passed the electricity price brake, which should lead to significant relief for energy-intensive companies in the fiscal year 2023. The regulations and the impact on Alzchem are presented in the opportunities report.

In addition to the effects on raw material and energy costs, the war between Russia and Ukraine is also leading to further staff shortages in the logistics sector. A significant proportion of truck drivers in Europe come from Ukraine, Belarus or Russia. While Ukrainian drivers have been drafted into military service, drivers from Belarus and Russia are no longer allowed to work in Europe due to embargo restrictions. This has worsened the already dramatic situation on the logistics markets. In some cases, it has not been possible to obtain freight space commitments from freight forwarders. This effect, too, is forcing companies to build up inventories. This applies to both raw materials and finished products. In complicated chemical production processes, the lack of just one raw material can lead to a forced stop of plants. As much as an increase in safety stock in inventories is detrimental to liquidity, a production stop with the resulting effects may be more serious.

### 3.2.3 CORONA MANAGEMENT

Whereas corona management was much more prominent a year ago, a certain routine in the daily handling of the virus set in during the course of 2022. Alzchem continues to pragmatically implement protective measures in line with

legal regulations. As a result, it has been possible to prevent plant closures due to the infection of entire teams. While there was a slight decline in sickness absence up to the end of the third quarter, the end of the year again saw an increase in sickness absence. In addition to COVID-19, influenza is also a major driver here. The free distribution of masks and Corona rapid tests is being continued and this offer is also being used intensively. As a matter of principle, employees have the opportunity to be vaccinated by the company doctor – this also applies to the current flu vaccination. In general, Alzchem relies on a high level of personal responsibility on the part of employees. Measures such as home offices or the separation of offices are implemented by managers and employees on their own responsibility and with a high degree of freedom.

Alzchem employees in Shanghai had to contend with a lockdown that lasted several weeks. In the meantime, however, the colleagues have returned to the office. Although sales activities were largely able to continue during this time, the closure of many ports in China meant that deliveries to and from China were only possible with considerable delays. The situation appears to be easing again, although the consequences of the abrupt termination of all Corona protection measures are difficult to predict. Reliability for shipments between China and Europe is improving, although it is still far from pre-crisis levels. Alzchem continues to be in permanent coordination with customers and transport service providers to minimize postponements and maintain delivery reliability. Only the catastrophic situation in rail transport is still leading to sometimes chaotic logistics processes. Whether this is still due to the Corona illnesses or to a general shortage of personnel cannot be reliably assessed at present.

### 3.2.4 SALES AND REVENUE

Alzchem closed the fiscal year 2022 with record revenues of EUR 542,223 thousand, an increase of EUR 119,930 thousand compared to the previous year. The increase in revenue was evident continuously over the course of the year, so that compared to the same period of the previous year, every month and every quarter was significantly higher than the previous year's revenue. In absolute terms, the Specialty Chemicals segment contributed EUR 288,361 thousand (EUR +67,862 thousand) and the Basics & Intermediates segment EUR 227,539 thousand (EUR +51,265 thousand) to the revenue growth. At EUR 26,323 thousand (EUR +803 thousand), the Other & Holding segment remained roughly at the revenue level of the previous year.

The order backlog in EUR also significantly exceeded the respective prior-year figure at the four quarterly reporting dates and was also significantly higher than the prior-year figure on December 31, 2022. In addition, there were no significant order cancellations.

However, the development on the cost side also shows that this revenue increase was urgently needed. The growth in revenue across the Group as a whole came mainly from price increases. This is illustrated by the following overview:

#### CHANGE IN REVENUE COMPARED WITH PREVIOUS YEAR

in %			Fiscal year 2022
<b>Revenue 2021</b>	<b>EUR thousand</b>	<b>422,293</b>	
Volume	%		-3
Price	%		28
Currency	%		3
<b>Revenue 2022</b>	<b>EUR thousand</b>	<b>542,223</b>	

Alzchem recognized the developments on the raw materials and energy markets in good time and already defined the topic of price increases as one of the most important corporate goals for the fiscal year 2022 towards the end of the previous year. It can be seen that this strategy of the Management Board was correct and important. In this way, the sales department was able to approach customers in good time and successfully raise selling prices in an increasingly uncertain business environment with purchasing prices changing daily.

On the sales side, 2022 was characterized by extreme disruptions in logistics. Goods ordered by customers and produced by Alzchem sometimes lay in Alzchem's finished goods warehouses for several weeks, as they could not be picked up due to a lack of logistics. Freight bookings could either not be placed or the promised deadlines could not be met. In order to protect the liquidity situation, there was a switch to advance payment in some cases, even if the goods were still at Alzchem. The unreliable logistics affected all routes, but shipping for chemical products and, to a considerable extent, rail transport, which is used to deliver metallurgical products, were particularly unreliable. These delivery delays resulted in sales being shifted from one month to the next to an unprecedented extent.

As a result, the timing of sales could no longer be reliably forecast. Nevertheless, it quickly became clear that the sales forecast for the fiscal year 2022 given in the previous year's Annual Report had to be adjusted upwards. The adjustment was made in April 2022, with the forecast being exceeded once again due to stronger than expected December business. Under these circumstances, the Management Board is very satisfied with what has been achieved and explicitly expresses its thanks here to Alzchem's sales team, which has contributed to these developments through permanent customer contact.

In uncertain times, the values for which Alzchem stands as a business partner once again proved 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.

However, the sales trend also shows some shadows, which is reflected in particular in the lower volumes in the Basics & Intermediates segment. The volume declines here are largely due to the prices that Alzchem has to raise, but which non-European customers in particular are no longer willing to accept. While European customers still value Alzchem's proximity and ability to deliver, Asian customers in particular are now very price-sensitive, as the logistics advantages are taking a back seat for them. Alzchem has to charge prices that reflect developments on the European energy markets. Non-European competitors do not have to shoulder these developments, and with prices that are two to three times higher than those of the competition, the "Made in Bavaria" or "Made in Germany" factor also takes a back seat at some point. This is particularly noticeable with products where Alzchem does not have the one "unique selling point" to offer. The same effect is seen with products that are produced with an increase in natural gas-based raw materials. Alzchem has to purchase these raw materials from German or European suppliers and often had to accept considerable raw material price increases (factor of 10) in order to be supplied at all. Some raw material



producers have even dropped out of production altogether. Passing on these cost increases to the market meant that Alzchem lost out to competitors and had to accept declining volumes.

Further information on the individual customer areas is presented in the analysis of the segments.

### 3.2.5 PURCHASING AND PRODUCTION

Purchasing and production were again under heavy pressure throughout the year, and neither area could speak of a normal year. In production, protective concepts were still necessary to avoid a COVID-19 infection wave in shift operations. This was also well achieved. However, production also had to be managed more flexibly than ever before. Some of the plant shutdowns that were actually planned a year in advance had to be postponed or brought forward at short notice. When electricity prices reached extreme levels in a very short time in August 2022, one of the two carbide furnaces was shut down from one day to the next. Production plans had to be quickly adjusted and the production team shifted to other plants or sent on hourly layoffs. In addition, colleagues from the technical department had to be quickly assigned to the plant repairs that had become possible at short notice. Added to this was the uncertain supply situation with raw materials and the requirement that a certain safety stock of finished goods should always be kept on hand due to market demands.

An important milestone was the start of production for the additional quantities of creatine and sodium sarcosinate following the successful capacity expansion. The ramp-up of the plant required prior to the actual start of production was successfully carried out in the period from August to November 2022, so that the urgently needed additional quantities were successively available from the end of 2022.

The production team was able to successfully master all imponderables. Over the course of the year, the plants were mainly operated at a still very high capacity utilization rate.

The availability of raw materials, the rise in energy and raw material prices, as well as shortages in logistics also placed demands on Alzchem's purchasing department throughout the year. Crisis management was permanently required here. The extreme shortage of raw materials, particularly in the second and third quarters of the fiscal year 2022, meant that new suppliers had to be sought quickly and also qualified in the shortest possible time. The usual price negotiations were almost non-existent, as the primary concern was the ability to deliver. Therefore, prices often had to be accepted without negotiation. Here, the long-standing and fair contact with suppliers proved to be a considerable advantage. When certain basic chemicals, such as hydrochloric acid and nitric acid, became significantly scarce on the market in the third quarter of 2022 and suppliers in some cases filed for force majeure, it was possible to ensure supply security via other long-standing suppliers. Although these shortages led to significant inflation rates, Alzchem was able to produce and deliver. By the end of the year, there was again a certain easing of the situation. Some of the most

recent prices available on the market fell again compared with the peak, but still remain at a very high level compared with the previous year.

The situation on the logistics markets is essentially a mirror image of the commodity markets. The situation was, or is, chaotic at times, particularly in rail transport. Alzchem is primarily dependent on rail transport in its carbide operations and in the metallurgy sector. The raw materials, such as coke, are delivered to the production plant by rail, which is why functioning rail operations are extremely important. The purchasing department was under great pressure here, because in the meantime the available raw materials were only sufficient for a few weeks of production. Here, the raw material was not the problem, but the railroad had no personnel. Sometimes the filled or even empty trains were parked somewhere in Europe on the way back for up to two weeks and could hardly be located and in some cases could not be moved. Similar issues were felt in shipping and trucking. Promised shipping dates were not met or could not be promised at all in advance. Truck freight was just as difficult to book because there were simply no drivers available. The shortage of drivers led on the one hand to considerable price increases in freight rates and on the other hand to permanent changes in delivery dates, which in turn resulted in delays in shipping and sales, as well as high stock levels at Alzchem. However, there was some easing in shipping and truck traffic towards the end of the year. The reliability of booked freight increased accordingly and, as a result, freight rates also fell noticeably. However, both key figures are still a long way from the level seen before the outbreak of the Ukraine war.

## 3.2.6 NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

### 3.2.6.1 RESULTS OF OPERATIONS

in EUR thousand	2020	2021	2022
Sales revenues	379,257	422,293	542,223
Change in finished goods and work in progress	-2,514	10,028	22,193
Other operating income	10,671	11,360	24,177
Cost of materials	-132,507	-170,671	-288,877
Personnel expenses	-127,409	-132,166	-137,139
Other operating expenses	-73,693	-78,798	-101,136
<b>EBITDA</b>	<b>53,805</b>	<b>62,046</b>	<b>61,441</b>
Depreciation and amortization	-23,097	-24,474	-25,543
<b>EBIT</b>	<b>30,708</b>	<b>37,572</b>	<b>35,898</b>
Other interest and similar income	325	643	8,421
Interest and similar expenses	-3,835	-1,703	-3,037
- thereof non-cash	-2,634	-706	-1,393
Financial result	-3,510	-1,060	5,384
<b>Result from ordinary business activities</b>	<b>27,198</b>	<b>36,512</b>	<b>41,282</b>
Taxes on income and profit	-7,333	-8,748	-11,059
<b>Consolidated annual result</b>	<b>19,865</b>	<b>27,764</b>	<b>30,223</b>
thereof non-controlling interests	171	171	171
thereof interests of shareholders of Alzchem Group AG	19,694	27,593	30,052
Earnings per share in EUR (undiluted and diluted)*	1.94	2.72	2.96

In the fiscal year 2022, consolidated sales amounted to EUR 542,223 thousand (previous year: EUR 422,293 thousand). Sales were thus significantly higher than in the previous year by EUR 119,930 thousand (or 28%). In terms of the influencing factors of volume, price and currency, the increase in sales compared to the previous year can be reconciled as follows:

in EUR thousand	2020	2021	2022
Sales of the previous year	376,072	379,257	422,293
Quantity effect in %	0.44	9.65	-2.59
Price effect in %	0.59	2.38	27.57
Currency effect in %	-0.18	-0.69	3.42
Sales of the fiscal year	379,257	422,293	542,223

Sales growth was achieved with significant contributions from both manufacturing segments in equal measure. The increase was 30.8% in the Specialty Chemicals segment and 29.1% in the Basics & Intermediates segment. The Other & Holding service segment roughly matched the previous year's level. A more detailed presentation of sales growth is provided in the analysis of the segment figures.

Broken down by global region and economic area, the sales picture is as follows:

in EUR thousand	2020	2021	2022
Germany	125,517	131,296	145,826
European Union (without Germany)	99,878	121,629	173,886
Rest of Europe	34,218	28,177	25,573
NAFTA	48,711	51,023	83,914
Asia	40,674	54,027	62,487
Rest of the World	30,259	36,141	50,537
Total	379,257	422,293	542,223

\* In the period 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 period 2022 calculated with 10,135,754 shares.





Compared with the previous year, sales increased in almost all the above-mentioned regions.

In Germany, the highest sales growth was price-driven in the metallurgy business. However, there were declines in sales of agricultural products and in the NITRALZ® business.

Growth within the European Union was also mainly based on volume and price increases in the metallurgical business, but was also driven by applications for the pharmaceutical industry.

The rest of Europe was unable to match the previous year's figures. The main reason for the decline in sales was lower volumes in the automotive sector (Specialty Chemicals segment) in this region.

In the NAFTA region, sales increased in all segments in the fiscal year 2022. Sales in animal nutrition (Creamino®), agribusiness (Dormex®) and pharmaceuticals (DCD) were particularly noteworthy. In addition, the USD/EUR exchange rate had a positive impact on sales.

The Specialty Chemicals segment made a significant contribution to sales growth in Asia and the Rest of the World region with products for animal nutrition (Creamino®) and agribusiness (Dormex®), as well as cyanamide.

Other operating income increased by EUR 12,817 thousand to EUR 24,177 thousand compared to the same period of the previous year. The development of the USD/EUR ratio over the year resulted in significantly higher foreign currency gains than in the previous year. This alone resulted in an increase of EUR 4,455 thousand. In the fiscal year 2022, EUR 5,228 thousand in income from the valuation of derivatives was recognized within other operating income. These resulted from the sale of power strips for the calendar year 2023. Alzchem had purchased these strips in advance in 2022 for the calendar year 2023, but decided to sell them again due to market conditions. The forward purchase and forward sale each took place in the fiscal year 2022. As a result of the sale, the so-called "own use exemption" of IFRS 9 no longer applies to these contracts and the derivatives were consequently to be recognized at fair value.

The enormous increase in prices on the purchasing side for raw materials and above all energy also led to an equally significant rise in the cost of materials by EUR 118,207 thousand (69%) to EUR 288,877 thousand, while production volumes remained almost stable. The cost of materials is considered together with changes in inventories as the "extended cost of materials ratio". During the period under review, this ratio increased from 38% to 49%. Changes in inventories increased by EUR 12,166 thousand compared with the previous year, thus reducing the "extended cost of materials". Two effects can be seen in the changes in inventories: The increased cost of raw materials led to a higher valuation of finished goods and work in

progress, while the rise in safety stock in inventories to ensure constant supply capability resulted in a significant increase in volumes compared with the previous year. The rise in the extended cost of materials ratio also shows that Alzchem was not able to fully pass on the increases in energy and raw material costs to the market via price increases. Alzchem spent approximately 132% more on electricity costs and approximately 47% more on key raw materials in the fiscal year 2022 compared to the previous year. The 28% growth in sales could not fully compensate for these immense rates of increase. Although the rise in raw material prices slowed slightly in the last quarter of 2022, the electricity markets again recorded absolute highs in December 2022, which in total meant that the average electricity price for Alzchem in the fiscal year 2022 was slightly three times as high as in the previous year.

Personnel expenses grew by EUR 4,973 thousand year-on-year to EUR 137,139 thousand. This corresponds to a rise of 4%. The development was characterized by the usual annual collectively agreed increases and, in particular, by collectively agreed one-time payments. In May 2022, a collectively agreed one-time payment of EUR 1,400 was made to employees as compensation for the suspension of collective bargaining in the chemical industry. These collective bargaining negotiations were resumed and also concluded in October 2022. In addition to the collective wage increases for the following two fiscal years, it was also agreed that each employee would be paid the government-allowed inflation compensation premium of EUR 3,000. In this context, the regulations provide for one partial payment in 2023 and one in 2024. In accordance with the accounting requirements, a portion of these special payments was already to be recognized as personnel expenses in the fiscal year 2022. As a result of the sales increases, the personnel expense ratio as a ratio of personnel expenses to sales fell considerably compared with the same period of the previous year, from 31% to 25%.

The number of Alzchem employees developed as follows:

Employees <sup>1</sup>	2016	2017	2018 <sup>2</sup>	2019	2020	2021	2022
Commercial workers	749	766	802	821	818	818	850
Employees	595	610	635	677	679	683	698
Trainees	125	115	125	125	134	135	129
Total employees	1,469	1,491	1,562	1,623	1,631	1,636	1,677
Change	-0.8%	1.5%	2.4%	4.0%	0.5%	0.3%	2.5%

<sup>1</sup> 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

<sup>2</sup> 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 amounted to EUR 101,136 thousand in the fiscal year 2022, EUR 22,338 thousand more than in the previous year, which corresponds to an increase of 28%. This primarily reflects the general cost increase effect. The largest individual items in the analysis of other operating expenses are selling expenses (in particular outgoing freight), maintenance, waste disposal costs and external services. The largest increases were also recorded in these expenses. The selling expenses reflect the significant rise in freight forwarding costs and freight rates for trucks, trains and ships over the year as a whole. Even though the situation eased slightly in the final quarter of the year, there was still an overall increase in selling expenses of EUR 10,242 thousand. Foreign currency expenses rose by EUR 4,382 thousand compared with the previous year. There were no offsetting effects in the individual items.

Despite the considerable rise in sales, the cost increases in the cost of materials in particular led to a year-on-year decrease in EBITDA of EUR 605 thousand to EUR 61,441 thousand.

Depreciation and amortization was as follows overall:

in EUR thousand	2020	2021	2022
Amortization on intangible assets	635	669	731
Depreciation on property, plant and equipment	20,444	21,775	22,735
Depreciation and amortization own assets	21,079	22,444	23,465
Amortization on lease usage rights	2,018	2,030	2,078
<b>Total depreciation and amortization</b>	<b>23,097</b>	<b>24,474</b>	<b>25,543</b>

In total, depreciation and amortization of EUR 25,543 thousand was recognized within Alzchem. This corresponds to an increase of EUR 1,070 thousand compared to the previous year. This reflects Alzchem's extensive investment activities, which substantially support the growth of the Group.

The financial result improved significantly compared to the previous year. The main drivers of this development were the interest rate change effects for the measurement of non-current provisions and pension obligations. The economic environment in the fiscal year 2022 led to a significant increase in interest rates for the measurement of these provisions. Two effects had opposing impacts here. The discounting of non-current other provisions resulted in interest income of EUR 7,647 thousand (previous year: EUR 590 thousand). In contrast, the discounting of non-current pension obligations resulted in increased interest expense of EUR 1,393 thousand (previous year: EUR 706 thousand). Both effects are non-cash. By contrast, the interest expenses for loans and money market liabilities, for leasing liabilities and for the utilization of factoring are actually cash-effective. These increased by EUR 534 thousand year-on-year to EUR 1,531 thousand as a result of the need for working capital financing.

At EUR 11,059 thousand, tax expense was significantly higher than in the previous year. The effective Group tax rate was 26.8% (previous year: 24.0%). This figure includes current tax expense of EUR 4,895 thousand (previous year: EUR 9,047 thousand) and deferred tax expense of EUR 6,165 thousand (previous year: income of EUR 298 thousand). Despite an almost unchanged pre-tax result, the actual tax expense was lower than in the previous year, as the interest income from the measurement of provisions in the actual tax result was lower and therefore the actual taxable income was also lower. By contrast, the reduction in provisions due to the interest income resulted in a significantly higher deferred tax expense. In addition, the deferred tax income of the previous year was affected by the reversal of deferred tax liabilities on the difference between intercompany loans due to a special effect (EUR 1,792 thousand) that did not have to be recognized again this year.

The consolidated annual result for the fiscal year 2022 amounted to EUR 30,223 thousand (previous year: EUR 27,764 thousand) and thus increased by EUR 2,459 thousand.

The improved consolidated annual result led to a rise in earnings per share of 9% from EUR 2.72 to EUR 2.96. In the fiscal year 2022, earnings per share were calculated using a weighted average number of shares outstanding of 10,135,754 (previous year: 10,146,942).



### 3.2.6.1.1 DEVELOPMENT IN THE SEGMENTS

#### 3.2.6.1.1.1 SPECIALTY CHEMICALS SEGMENT

##### KEY FIGURES OF THE SEGMENT

in EUR thousand	2020	2021	2022	Change
External sales	207,431	220,499	288,361	30.8%
EBITDA	44,125	50,664	53,014	4.6%
EBITDA margin	21.3%	23.0%	18.4%	-4.6% points
Inventories	38,410	53,971	68,535	27%
Inventory intensity	18.5%	24.5%	23.8%	-0.7% points

The Specialty Chemicals segment showed particularly strong growth in the fiscal year 2022 and was able to defy many market distortions. The segment's sales totaled EUR 288,361 thousand, up 31% or EUR 67,863 thousand on the previous year. The sales growth here resulted not only from the necessary price increases for Alzchem's products, but also from volume growth of 5%. On the sales side, every month was above the previous year and also above budget. Plant capacity utilization was predominantly high throughout the year, with the result that only planned shutdowns were recorded in the segment. However, the capacity limit has been reached at some plants. Fortunately, the first step has already been taken and implemented here. In November 2022, the expanded creatine plant (Creapure® and sodium sarcosinate) was commissioned after a construction period of approximately twelve months. This measure has roughly doubled production capacity. As a result, the significantly increased demand for dietary supplements can be met here. In addition, two further capacity expansions are currently being examined in this segment due to high customer demand.

Across the individual product areas, sales growth was recorded in almost all areas due to the price increases. Only in the Bioselect® product area (including COVID-19 test kits), it was not possible to match the previous year's level, which was characterized by a special effect due to the massive sale of COVID-19 test kits. Customers are still meeting demand from the inventory they built up at the end of the previous year.

Very significant growth rates were recorded in the plant growth business (including Dormex®). This reflects the strong product positioning with clearly defined product properties, which customers greatly appreciate.

Customers in the automotive sector again showed encouraging demand for the products DYHARD® and Nitroguanidin. The business unit achieved growth in both volume and sales (driven by price increases).

The dietary supplements business (Creapure®) is increasingly becoming one of the main growth drivers. It was again possible to sell more volumes than in the previous year. The entire possible capacity was produced and also sold. The expansion now in operation will lead to substantial growth in the coming years.

In animal nutrition (Creamino®), volumes sold and, with the support of price increases, sales also grew, although volume growth was below expectations. In addition to fierce competition, this business had to contend with the effects of the avian flu epidemic, which was mainly prevalent in the USA. A number of breeding facilities lost their stock due to the disease and were therefore unable to call up the volumes already accepted.

The multi-purpose plants (custom manufacturing) were again utilized at a good level. This is where the flexibility of the plants and the resulting wide range of applications stand out. Some of the plants were operating at full capacity, which is why a possible expansion is currently in the detailed planning phase.

Of course, the Specialty Chemicals segment was not spared the cost rises on the raw material and energy side. These were the trigger for the substantial price increases that Alzchem had to impose on customers. However, the effects of the electricity cost increases had a much smaller impact in this segment than in the Basics & Intermediates segment, as it is not as energy-intensive. Over the year as a whole, we succeeded in passing on most of the cost increases to customers in the form of price increases. Similarly, the slightly higher volume sold than in the previous year led to an overall rise in EBITDA in the segment of EUR 2,350 thousand (5%) to EUR 53,014 thousand. However, in relative terms, the price increases lagged behind the cost increases, with the result that the EBITDA margin fell from 23.0% in the previous year to 18.4% in the fiscal year 2022.

The segment's inventories amounted to EUR 68,535 thousand as of December 31, 2022, significantly higher than the figure for the previous year (EUR 53,971 thousand). The effects of stockpiling, cost increases, and logistics problems described at the beginning played the main role here. In addition, it is sometimes necessary to build up a certain level of inventories for the medium-term planning of campaign production. The main aim of the current inventory optimization project is to bring campaign operations even closer into line with customers' acceptance requirements.

### 3.2.6.1.1.2 BASICS & INTERMEDIATES SEGMENT

#### KEY FIGURES OF THE SEGMENT

in EUR thousand	2020	2021	2022	Change
External sales	146,434	176,274	227,539	29.1%
EBITDA	8,981	10,985	4,983	-54.6%
EBITDA margin	6.1%	6.2%	2.2%	-4.0% points
Inventories	27,639	33,400	49,945	49.5%
Inventory intensity	18.9%	18.9%	22.0%	3.1% points

The Basics & Intermediates segment generated sales of EUR 227,539 thousand in the fiscal year 2022. This corresponds to an increase of EUR 51,265 thousand (29%) compared to the previous year. The growth here was based entirely on price increases. Overall, the segment suffered a decline in volumes, but the price increases more than compensated for this. The products in this segment are very electricity-intensive and therefore required substantial price increases. Similarly, substantial price increases were necessary for products whose raw materials are natural gas-based and were therefore particularly hard hit by cost increases. It became apparent that not all customers were willing to accept these prices, which led to a decline in volumes in some areas. The metallurgical sector again performed positively, recording consistently high demand from the steel sector. Both volumes and prices were raised. It proved positive that Alzchem relied on price escalator clauses in customer contracts at an early stage and can thus pass on cost increases in a certain, albeit time-delayed, automatic manner.

The building block dicyandiamide (predominantly customers in the pharmaceuticals sector) and agricultural (Perlka®) sectors suffered declines in volumes, although these were largely offset in each case by price increases for the volumes sold. The manufacturing processes for

these two product areas are very electricity-intensive, so substantial price increases had to be implemented here. The NITRALZ® product area had to deal with a similar issue after the start of the Ukraine war. Here, mainly natural gas-based raw materials (such as ammonia) are used, which are currently only available in Europe – if at all – at extremely high purchase prices. In addition, energy surcharges had to be paid for all chlorotoluenes as energy-intensive products. Alzchem has to pass on the increased costs in its sales prices. By contrast, competitors outside Europe did not have to contend with such increased manufacturing costs and were thus able to gain market share through price, especially in their home regions. For European customers, this has not yet been felt to the same extent, as short logistics and high product quality continue to count here.

Although sales have grown enormously, it has not been possible to pass on the increases in raw material and energy costs in absolute terms. The months of July, August and December in particular, with the considerable fluctuations or peaks in electricity prices, led to significant pressure on the earnings side. Alzchem cannot operate with daily prices here and adjust prices on a daily basis, which is much easier in contracts with price pass-through mechanisms. The company also reacted on the cost side by taking the carbide furnaces out of production at absolute price peaks. However, this is not possible every day at will, so in some cases production had to be maintained even in phases of very high electricity prices – in particular to supply the NCN chain. As a result, the EBITDA of the previous year could not be maintained in this segment, but was EUR 4,983 thousand at the end of the fiscal year 2022, which corresponds to a decrease of EUR 6,002 thousand. The resulting EBITDA margin fell from 6.2% in the previous year to now 2.2%.

At EUR 49,945 thousand, inventories in the Basics & Intermediates segment as of December 31, 2022 were significantly above the level of the previous year. The cost of sales effects are particularly evident here. However, a high level of carbide inventories was also produced at the end of the fiscal year 2022 so that Alzchem can serve further production in the NCN chain from the built-up inventory in the first quarter of 2023 if electricity prices are expected to be high, and in doing so, depending on the development of electricity prices, can dispense with the operation of a carbide furnace.



### 3.2.6.1.1.3 OTHER & HOLDING SEGMENT

#### KEY FIGURES OF THE SEGMENT

in EUR thousand	2020	2021	2022	Change
External sales	25,392	25,520	26,323	3.1%
EBITDA	989	1,405	1,959	39.4%
EBITDA margin	3.9%	5.5%	7.4%	1.9% points
Inventories	3,555	3,664	4,164	13.7%
Inventory intensity	14.0%	14.4%	15.8%	1.4% points

Sales in the Other & Holding segment were slightly above the previous year's level. Increased use of variable services by Alzchem's chemical park customers (energy supply, warehousing and network operation) compensated for slight declines in non-volume-related services. In general, efforts were made to pass on cost increases.

The segment's EBITDA was significantly higher than in the previous year, mainly due to the reversal of a provision in this segment.

Segment inventories amounted to EUR 4,164 thousand, compared with EUR 3,664 thousand in the previous year. This reflects the experienced increase in raw material costs.

### 3.2.6.2 FINANCIAL POSITION

#### 3.2.6.2.1 CAPITAL STRUCTURE

When selecting financial instruments, the focus is on financing with matching maturities, which is achieved by managing maturities. The fiscal year 2022 was characterized by a strong build-up in working capital, which had to be financed at short notice. This resulted in short-term financing lines, generally via money market loans, amounting to EUR 56,353 thousand being drawn down as of December 31, 2022. By contrast, EUR 10,490 thousand in long-term investment financing was repaid as scheduled. No new long-term financing was taken out in the fiscal year 2022.

As of December 31, 2022, the financing of the Alzchem Group was as follows:

in EUR thousand	2021	2022
Long-term loans (incl. their current portion)	48,042	37,553
Utilization of short-term financing lines	0	56,353
Freely available short-term financing lines	50,000	21,147

In the fiscal year 2022, the committed short-term financing lines were increased by EUR 27,500 thousand and now total EUR 77,500 thousand. These financing lines enabled Alzchem to finance the working capital build-up in a stable manner and at the same time continue to drive forward the planned investments.



### 3.2.6.2.2 INVESTMENTS

Alzchem spent a total of EUR 29,068 thousand (previous year: EUR 28,535 thousand) on investing activities in the fiscal year 2022. The investments were mainly made in the growth or expansion of existing production capacities, in energy efficiency measures, and in infrastructure. In addition, investments are constantly being made in the maintenance, modernization and rationalization of the existing plant park. Here, as a rule, a previously agreed, multi-year investment plan is successively implemented.

The most important investment in the fiscal year 2022 was the expansion of production capacities for Creapure®, as part of which the production plant for sodium sarcosinate, a precursor of creatine monohydrate, was also significantly expanded. A total of EUR 13.3 million was spent on this project. The expanded production could be started successively from November 2022.

In addition to this growth investment, EUR 3.8 million was invested in the renewal of the electricity infrastructure, which is important for Alzchem as a network operator.

Due to the “Verbund structure” and the resulting interlinking of the infrastructure and investment structure, segment-specific information on investments is not provided, as this is not meaningful and is not part of internal reporting.

### 3.2.6.2.3 LIQUIDITY

Within the Alzchem Group, Alzchem Trostberg GmbH assumes the intra-group financing function and ensures the short-term liquidity of the subsidiaries via cash pooling.

Long-term loans were concluded in the fiscal years 2013, 2015, 2017 and 2020 to finance investments. No further long-term financing arrangements were agreed in the fiscal year 2022. The long-term project-related financing for measures already implemented with a term of more than 1 year amounted to EUR 27,498 thousand as of the balance sheet date (previous year: EUR 37,553 thousand). The current portion of non-current loans payable as of December 31, 2022 amounted to EUR 10,055 thousand (previous year: EUR 10,490 thousand) and is reported under the balance sheet item current loans payable to banks. In total, these loans were valued at EUR 37,553 thousand (previous year: EUR 48,043 thousand) as of December 31, 2022. These liabilities were serviced as scheduled in the reporting year.

In addition, short-term financing lines (money market loans, overdraft facilities and guarantee facilities) totaling EUR 77,500 thousand (previous year: EUR 50,000 thousand) were agreed with several banks. As of December 31, 2022, a total of EUR 56,353 thousand (excluding EUR 80 thousand in customs guarantee) (previous year: EUR 0) of these lines

had been drawn down to finance the increase in working capital in the fiscal year 2022.

Furthermore, the company uses factoring as a means of financing. Here, the available financing line of EUR 40,000 thousand (previous year: EUR 30,000 thousand) was utilized to an average of approximately 69% (previous year: 25%) in the fiscal year 2022. The loan and credit agreements contain the covenants customary on the capital market. There is no indication of any impairment of these covenants in the medium-term planning. Liquidity is guaranteed at all times by the expanded existing financing instruments.

Cash and cash equivalents amounted to EUR 9,243 thousand as of December 31, 2022 (December 31, 2021: EUR 8,285 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, 2021: 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 regulations on restrictions on disposal.



The change in cash and cash equivalents is as follows:

in EUR thousand	2020	2021	2022
Cash and cash equivalents on January 1	9,061	17,117	8,285
Cash outflow (-)/inflow (+) from operating activities	48,710	43,016	-4,240
Cash outflow from investing activities	-28,829	-28,479	-28,511
Cash outflow (-)/inflow (+) from financing activities	-11,734	-23,620	33,647
Change in cash and cash equivalents	8,147	-9,083	896
Effect of exchange rate changes on cash and cash equivalents	-91	251	62
Cash and cash equivalents on December 31	17,117	8,285	9,243

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2022 amounted to EUR 9,243 thousand (December 31, 2021: EUR 8,285 thousand) and included immediately available bank balances, checks and cash on hand.

In the fiscal year 2022, a negative cash inflow from operating activities of EUR 4,240 thousand (previous year: positive at EUR 43,016 thousand) was generated. The change compared to the previous year resulted almost exclusively from the increase in working capital. At Alzchem, working capital includes trade receivables and payables as well as inventories. The change in these three items led to a negative effect on the cash flow statement of EUR 57,867 thousand compared to EUR 14,707 thousand in the previous year. The main driver here is to be found in the increase in inventories. In part, Alzchem was forced to build up inventories because the situation on the raw materials markets required maximum flexibility in purchasing and production throughout the fiscal year 2022. In order to avoid shortages or further

price increases, some raw materials had to be ordered and stockpiled immediately when they became available. In production, it was sometimes necessary to produce more from stock in order to avoid future imponderables in production control and to be able to guarantee a customer-specific safety stock. As a result of these developments, there was an increase in inventories in terms of volume, which accounts for approximately 50% of the development of inventories. The remaining rise in inventories is the result of the enormous price increases, which do not affect the quantity itself, but their valuation. At the beginning of the third quarter of 2022, an inventory optimization project was therefore launched, in which all possible optimization potential in inventory levels is analyzed and subsequently implemented, taking into account optimal production control. The reduction in inventories since September 30, 2022, already shows that the measures have led to first successes. The project will therefore continue to be driven forward with full determination.

The cash outflow from investing activities in the fiscal year 2022 consisted of investments in property, plant and equipment of EUR 29,068 thousand (previous year: EUR 28,535 thousand) and proceeds in connection with the disposal of non-current assets of EUR 68 thousand (previous year: EUR 56 thousand). The Group received EUR 489 thousand from the sale of an investment in the USA, which is also reported under investing cash flow. The most significant investments are described in section 3.2.6.2.2. investments.

Alzchem's financing activities resulted in an inflow of cash and cash equivalents of EUR 33,647 thousand in the fiscal year 2022, compared with a cash outflow of EUR 23,620 thousand in the previous year. The fiscal year 2022 was characterized by cash inflows from the short-term financing lines for financing the working capital build-up in the amount of EUR 56,353 thousand (previous year: EUR 0 thousand), cash outflows for the scheduled repayment of long-term loans and lease liabilities in the amount of EUR 12,399 thousand (previous year: EUR 14,615 thousand), and the dividend payment to shareholders in the amount of EUR 10,136 thousand (previous year: EUR 7,821 thousand). As in the previous year, EUR 171 thousand in profit entitlements were paid out to non-controlling shareholders. In the previous year, EUR 1,013 thousand was used for the share buyback program. This had already been completed in the previous year and no further payments were made for it.



### 3.2.6.3 NET ASSETS

	12/31/2020		12/31/2021		12/31/2022	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Intangible assets	1,810	1%	2,329	1%	2,954	1%
Property, plant and equipment	175,062	49%	178,806	47%	181,526	43%
Lease usage rights	8,524	2%	7,686	2%	6,250	1%
Financial assets	20	<1%	20	<1%	6	<1%
Other receivables and other assets	630	<1%	1,320	<1%	1,531	<1%
Deferred tax assets	35,795	10%	34,924	9%	15,956	4%
<b>Non-current assets</b>	<b>221,841</b>	<b>63%</b>	<b>225,085</b>	<b>60%</b>	<b>208,223</b>	<b>49%</b>
Inventories	67,402	19%	86,676	23%	122,404	29%
Trade receivables	33,124	9%	40,841	11%	55,712	13%
Financial assets	0	0%	0	0%	5,228	1%
Other receivables and other assets	13,501	4%	16,454	4%	19,743	5%
Income tax claims	1,311	<1%	326	<1%	2,307	1%
Cash and cash equivalents	17,117	5%	8,285	2%	9,243	2%
<b>Total current assets</b>	<b>132,455</b>	<b>37%</b>	<b>152,582</b>	<b>40%</b>	<b>214,637</b>	<b>51%</b>
<b>Total assets</b>	<b>354,296</b>	<b>100%</b>	<b>377,667</b>	<b>100%</b>	<b>422,860</b>	<b>100%</b>
Capital						
Equity	68,658	19%	89,564	24%	145,946	35%
Non-current liabilities	225,767	64%	211,978	56%	144,808	34%
Current liabilities	59,871	17%	76,125	20%	132,106	31%
<b>Balance sheet total</b>	<b>354,296</b>	<b>100%</b>	<b>377,667</b>	<b>100%</b>	<b>422,860</b>	<b>100%</b>



As of December 31, 2022, Alzchem's assets amounted to EUR 422,860 thousand, which corresponds to an increase of EUR 45,193 thousand compared to the previous year. Current and non-current assets developed in opposite directions. While non-current assets decreased by EUR 16,862 thousand compared to the previous year, current assets grew by EUR 62,055 thousand.

In the non-current assets area, further investment activities resulted in an increase of EUR 1,909 thousand in non-current assets including lease usage rights (for further details, please refer to section 3.2.6.2.2. Investments). However, the reduction in deferred tax assets by EUR 18,968 thousand had a far greater impact, resulting in an overall reduction in non-current assets. Deferred tax assets fell mainly in line with the interest-related reduction in pension obligations. A value of EUR 11,580 thousand (December 31, 2021: EUR 25,992 thousand) was recognized in deferred tax assets on pension provisions.

The increase in current assets is mainly attributable to the rise in working capital, in this case inventories and trade receivables. Compared with the previous year's reporting date, inventories increased by EUR 35,728 thousand and trade receivables by EUR 14,871 thousand. The build-up of inventories reflects the price and availability effects on the raw material and energy side, as well as the increased prices in the valuation of current inventories. Trade receivables rose as a result of the significantly higher sales contributions. Receivables sold under factoring, reduced by the agreed retentions, amounted to EUR 26,639 thousand (December 31, 2021: EUR 22,395 thousand). Furthermore, there were no extensions of payment terms or defaults on receivables on the part of customers. The average payment terms for customers at Group level decreased slightly to 57 days (previous year: 59 days).

Inventory intensity as a ratio of inventories to sales increased to 22.6% (December 31, 2021: 20.5%). This shows that inventories grew at a disproportionately high rate compared to sales.

The Group equity ratio improved significantly to 34.5% as of December 31, 2022 (December 31, 2022: 23.7%). Alzchem's Group equity is generally affected by three main, partly opposing effects. The consolidated annual result of EUR 30,223 thousand (previous year: EUR 27,764 thousand) had a positive effect on equity, but was reduced by EUR 10,136 thousand (previous year: EUR 7,821 thousand) due to the effect of the dividend payment. The far greater effect in the fiscal year 2022 was the interest-related revaluation of pension obligations due to the change in actuarial parameters. The increase in interest rates alone from 1.0% in the previous

year to 3.7% as of December 31, 2022 meant that an amount of EUR 50,426 thousand had to be recognized directly in equity in other comprehensive income, which was further mitigated by the resulting change in deferred taxes of EUR 14,119 thousand.

Non-current liabilities decreased by EUR 67,170 thousand year-on-year to EUR 144,808 thousand. The non-current loans continued to be repaid as scheduled in the fiscal year 2022, so that EUR 10,055 thousand was reclassified from the non-current portion to the current portion of liabilities. The main driver in the change in non-current liabilities was pension obligations, which decreased by EUR 49,864 thousand to EUR 90,141 thousand compared with the level as of December 31, 2021. This was due to the significant rise in the discount rate for the measurement of pension provisions from 1.0% to 3.7% as of the current measurement date. The other actuarial parameters have only changed in the pension trend, which reflects inflation expectations. This has now been adjusted to 2.25% from 2.00%, which in turn led to an increase in pension provisions. However, the predominant effect came from the interest rate changes. Both effects together led to a decrease of EUR 50,426 thousand in pension obligations, the development of which is significantly influenced by actuarial parameters. Although a change in these parameters does not affect the consolidated result, it is recognized directly in equity under other comprehensive income. The risk-free market interest rate plays a significant role in the actuarial parameters. If this market interest rate falls, there is an increase in pension obligations, while its rise leads to a decrease in pension obligations. The risk-free market interest rate developed historically as follows:

in %	2016	2017	2018	2019	2020	2021	2022
Discount rate	1.75	1.75	1.90	0.90	0.50	1.00	3.70
Wage and salary trend	2.75	2.75	2.75	2.75	2.50	3.00	3.00
Pension trend	1.75	1.75	2.00	1.75	1.50	2.00	2.25
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	104.9	107.2	110.0	134.6	141.8	140.0	90.1

The development of current liabilities was strongly influenced by the increase in working capital and the scheduled repayment of loan liabilities. In total, current liabilities rose by EUR 55,981 thousand to EUR 132,106 thousand in the fiscal year 2022. The utilization of short-term financing lines required to finance the working capital expansion led to an increase in current liabilities of EUR 56,353 thousand. Trade payables grew by EUR 4,606 thousand as a result of higher purchase prices for raw materials and energy. The scheduled repayment of loans due to banks also led to a decrease in current liabilities of EUR 10,490 thousand.

### 3.2.6.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

#### 3.2.6.4.1 FINANCIAL PERFORMANCE INDICATORS

Key figure	Unit	2020	2021	2022	Change
Equity ratio of the Group	%	19.4	23.7	34.5	10.8% points
EBITDA	EUR thousand	53,805	62,046	61,441	-1.0%
EBITDA margin	%	14.2	14.7	11.3	-3.4% points
Inventories	EUR thousand	67,402	86,676	122,404	41.2%
Inventory intensity (previously inventory ratio)	%	17.8	20.5	22.6	2.1% points
Sales	EUR thousand	379,257	422,293	542,223	28.4%

#### 3.2.6.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

In the Sustainability Report or combined corporate social responsibility report (CSR report), the matters listed below are set out in detail.

The Alzchem Group's non-financial goals are geared to both the short and long term 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 RETENTION

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.

### 3.2.7 OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Management Board of Alzchem Group AG is satisfied with the course of business in the fiscal year 2022 and the economic situation overall. The economic environment was extremely challenging and again fraught with high uncertainty from many sides. The effects of the Ukraine war had to be managed on a daily basis in the form of significantly higher raw material and energy prices, shortages of raw materials, disruptions in logistics chains and freight bottlenecks. COVID-19, while increasingly fading into the background, continued to pose certain challenges. The most important goal in the fiscal year 2022 was therefore to implement the mandatory price increases on the market and to continue to pay attention to the volatility of the cost side even after successful price increases, in order to seek contact with customers again if necessary. This has been successfully achieved by Alzchem. An increase in sales of

EUR 119,930 thousand (+28.4%) is considerable as well as the result of hard work and very good customer contacts.

Alzchem was once again able to maintain its stable position in the fiscal year 2022 thanks to its high degree of diversification. Volume declines in electricity-intensive product areas were offset by price increases, but also volume increases in Specialty Chemicals. The strategy of concentrating on and further developing the Specialty Chemicals business, which has been pursued for several years, proved successful and provided a major support. To date, no government energy support programs have had to be utilized.

The overall distortions of 2022 have made the economic environment even more volatile and unpredictable. Alzchem had to adapt as quickly as possible, as only a few weeks went as planned. Very early and, above all, permanently, very close cooperation was maintained with customers, suppliers and logistics partners, which enabled successful solutions to be found. All Alzchem employees worked intensively and extremely flexibly during the year under review. The Management Board would like to express its gratitude for this. Without this performance, it would not have been possible to master the challenges of 2022.

In the fiscal year 2022, investments were again made with a great deal of own work. Investments were made in capacity expansion, sustainability and infrastructure in order to achieve further, environmentally sustainable growth.

The record sales achieved in the fiscal year 2022 could not be translated into an increase in EBITDA, and the EBITDA margin also did not reach the previous year's level. Nevertheless, taking into account the uncertainties of the year, the result is quite satisfactory. Supported by interest rate change effects and a slightly lower tax rate, however, the consolidated result increased compared with the previous year, which consequently also had a positive impact on earnings per share.

Although cash and cash equivalents were roughly on a par with the previous year, operating cash flow did not develop satisfactorily. The high – albeit partly necessary – build-up in net working capital tied up a substantial amount of capital. However, thanks to very close cooperation with the accompanying banks, characterized by open communication, it was possible to increase the financing lines to the necessary level in a very short time. This enabled Alzchem to continue to make all deliveries as well as planned investments. All long-term loans were repaid on schedule. Discussions on a long-term secured financing structure are also already underway. The results are expected to be implemented in the first quarter of 2023.

For the fiscal year 2022, the Management Board and Supervisory Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.05 (previous year: EUR 1.00) per no-par value share entitled to dividend from the balance sheet profit.

### 3.2.8 COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The forecast at Group level for the fiscal year 2022 issued in the previous year's Annual Report was adjusted with regard to Group sales in an ad hoc announcement dated April 22, 2022. The forecasts were thus as follows:

Forecast	2021	Original forecast 2022	Adjusted forecast 2022
Group sales	EUR 422.3 million	strongly to particularly strongly increasing (up to EUR 480 million)	strongly to particularly strongly increasing (up to EUR 520 million)
Adjusted EBITDA*	EUR 62.0 million	noticeably declining to especially strongly increasing (up to EUR 68 million)	noticeably declining to especially strongly increasing (up to EUR 68 million)
Adjusted EBITDA margin*	14.7%	stable to slightly declining	stable to slightly declining
Inventories	EUR 86.7 million	stable to noticeably increasing	stable to noticeably increasing
Inventory intensity (previously inventory ratio)	20.5%	stable to slightly declining	stable to slightly declining
Equity ratio	23.7%	stable to slightly increasing	stable to slightly increasing

\* No adjustments were made. The figure corresponds to the key figures from the IFRS consolidated financial statements..

A review of the adjusted forecast based on the actual key figures for the fiscal year 2022 shows the following development:

	2022	Actual development in 2022
Group sales	EUR 542.2 million	increased particularly strongly
Adjusted EBITDA*	EUR 61.4 million	slightly declining
Adjusted EBITDA margin*	11.3%	slightly declining
Inventories	EUR 122.4 million	increased strongly
Inventory intensity (previously inventory ratio)	22.6%	increased slightly
Equity ratio	34.5%	increased strongly

\* No adjustments were made. The figure corresponds to the key figures from the IFRS consolidated financial statements.

A comparison of the relevant key financial figures shows that the adjusted forecast for the fiscal year 2022 was met or exceeded for the key figures Group sales, adjusted EBITDA, adjusted EBITDA margin and equity ratio. In the forecast for inventories and inventory intensity, stronger reductions in raw material costs and lower production at the end of the year were expected. The shutdown of a carbide furnace actually planned for the fourth quarter was not carried out and instead carbide production was continued in order to postpone the furnace shutdown until the first quarter of 2023, when higher electricity prices are expected.



## 4. 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

## 4.1 BUSINESS DEVELOPMENT

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.

### 4.1.1 RESULTS OF OPERATIONS

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

in EUR thousand	2020	2021	2022	Change
Revenues	3,678	4,100	3,551	-13.4%
Other operating income	2,571	3,621	4,307	18.9%
Personnel expenses	-2,604	-2,984	-2,486	-16.7%
Other operating expenses	-3,585	-4,668	-5,213	11.7%
EBIT	60	69	159	130.4%
Income from investments	22,091	29,268	13,424	-54.1%
Interest and similar income	51	158	323	104.4%
Interest and similar expenses	-107	-131	-48	-63.4%
Taxes on income and earnings	-6,984	-8,823	-4,355	-50.6%
Annual net profit	15,111	20,541	9,503	-53.7%

The year-on-year decline in sales resulted from lower allocable personnel expenses. In the previous year, personnel expenses included higher expenses for short-term and long-term variable remuneration and consequently led to higher allocations to the operating companies of the Alzchem Group.

Other operating income mainly includes on-charges of premiums from Group insurance policies to affiliated companies. The increase resulted from these higher insurance premiums and their oncharging, as well as from the reversal of a provision in the personnel area.

The decrease in personnel expenses compared with the previous year is mainly due to lower short-term and long-term variable remuneration for the members of the Management Board.

Other operating expenses break down as follows:

in EUR thousand	2020	2021	2022
Insurances	2,424	3,438	3,744
Expert opinion and audit expenses	96	116	146
Consulting expenses	442	422	535
Other miscellaneous expenses	623	692	788
<b>Σ Other operating expenses</b>	<b>3,585</b>	<b>4,668</b>	<b>5,213</b>

Other operating expenses mainly comprise 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 incurred mainly for market studies as well as for capital market law and commercial law. The increase in insurance expense compared with 2021 is based on higher insurance premiums.

Income from investments resulted exclusively from the profit transfer (including tax allocations) of Alzchem Trostberg GmbH. In the fiscal year 2021, this also included the one-time

effect from the profit of EUR 8,792 thousand from the merger of NIGU Chemie GmbH into Alzchem Trostberg GmbH as of July 1, 2021. This effect did not recur in the fiscal year 2022.

Interest and similar income mainly includes interest income from the reversal of deferred income and from cash pooling.

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

Income taxes result from the current income tax expense of EUR 4,662 thousand (previous year: EUR 8,901 thousand) on the company's taxable income. This includes the results of the subsidiaries that are included in the income tax group. In addition, a deferred tax expense of EUR 58 thousand (previous year: income of EUR 98 thousand) and aperiodic tax income of EUR 365 thousand (previous year: EUR 20 thousand) were recognized. The change in income tax expense is associated with the lower earnings before taxes.

## 4.1.2 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.

### 4.1.3 NET ASSETS

	12/31/2020		12/31/2021		12/31/2022	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Financial assets	230,744	86%	230,744	81%	231,412	82%
Non-current assets	230,744	86%	230,744	81%	231,412	82%
Receivables and other assets	37,088	14%	52,176	18%	51,309	18%
Cash and cash equivalents	0	0%	0	0%	0	0%
Current assets	37,088	14%	52,176	18%	51,309	18%
Prepaid expenses and deferred charges	280	<1%	258	<1%	236	<1%
Deferred tax assets	388	<1%	485	<1%	411	<1%
<b>Σ Assets</b>	<b>268,500</b>	<b>100%</b>	<b>283,663</b>	<b>100%</b>	<b>283,368</b>	<b>100%</b>

The increase in financial assets results from a contribution to the capital reserve of Alzchem Trostberg GmbH. Within receivables and other assets, receivables from affiliated companies and income tax assets are mainly reported. The change compared with December 31, 2021 results primarily from lower financial receivables from Alzchem Trostberg GmbH due to the

accumulated profit and loss transfer claims and, in the opposite direction, from higher tax receivables.

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.

	12/31/2020		12/31/2021		12/31/2022	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Capital						
Equity	262,673	98%	274,393	97%	273,760	97%
Provisions	2,704	1%	4,794	2%	4,121	1%
Liabilities	1,832	1%	3,213	1%	4,266	2%
Deferred income	471	<1%	444	<1%	418	<1%
Deferred tax liabilities	820	<1%	819	<1%	803	<1%
<b>Σ Capital</b>	<b>268,500</b>	<b>100%</b>	<b>283,663</b>	<b>100%</b>	<b>283,368</b>	<b>100%</b>

The slight decrease in provisions mainly results from tax provisions due to the lower taxable profit and lower performance-related personnel provisions, especially in the non-current area.

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

#### 4.1.4 FINANCIAL PERFORMANCE INDICATORS

Key figure	Calculation	Unit	2020	2021	2022	Change
Sales	Absolute value	EUR thousand	3,678	4,100	3,551	-13.4%
EBIT	Earnings before interest and income taxes	EUR thousand	60	69	159	130.4%
Annual net profit	Absolute value	EUR thousand	15,111	20,541	9,503	-53.7%

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

#### 4.2 COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The forecast at the level of Alzchem Group AG for the fiscal year 2022 was as follows at the time the annual financial statements for the fiscal year 2021 were prepared:

	2021	Forecast for 2022
Sales	EUR 4.1 million	slightly rising
EBIT	EUR 69 thousand	slightly rising
Annual net profit	EUR 20.5 million	noticeably declining to noticeably increasing

A review of the forecast as of December 31, 2022 shows the following developments in the fiscal year 2022:

	2022	Actual development 2022
Sales	EUR 3.5 million	strongly declining
EBIT	EUR 159 thousand	strongly increased
Annual net profit	EUR 9.5 million	strongly declined

The forecast key figures were not achieved. Sales declined due to lower than planned personnel cost allocations to the operating companies. EBIT was impacted by an unplanned reversal of a provision for long-term variable Management Board remuneration. In the annual net profit, the sharp rise in interest rates for pension obligations was not anticipated, which led to higher interest expense at the subsidiaries and thus lower income from investments to be transferred.

#### 4.3 FORECAST REPORT OF ALZCHEM GROUP AG (SINGLE COMPANY)

Derived from the Group forecast and its material impact on Alzchem Group AG (annual financial statements prepared in accordance with commercial law), the company issues the following forecast for Alzchem Group AG for the fiscal year 2023:

	2022	Forecast für 2023
Sales	EUR 3.5 million	particularly strongly growing
EBIT	EUR 159 thousand	stable
Annual net profit	EUR 9.5 million	slightly to noticeably growing

The operating sales of Alzchem Group AG will experience an increasing trend in the fiscal year 2023 due to an expected higher allocation of personnel expenses.



The key figure EBIT will be positively influenced mainly by the cost-plus allocation of management, assistance, financing, personnel and consulting services, and will therefore develop in a stable manner. In terms of annual net profit, a slight to noticeable growth in profit from profit transfer is expected in line with the explanations and the Group forecast.

## 5. RISK AND OPPORTUNITY REPORT

In order to ensure the legally required monitoring of material business risks by the Management Board and Supervisory Board, an internal control system, among other things to ensure proper and effective accounting (secs. 289 para. 4, 315 para. 4 HGB), a compliance management system, and a risk management system, which includes an early risk detection system in accordance with sec. 91 para. 2 AktG, are in place. Overall responsibility for the internal control system (ICS) and the risk management system lies with the Management Board of Alzchem Group AG.

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.

### 5.1 RISK REPORT

#### STRUCTURE AND ORGANIZATION OF RISK MANAGEMENT

The Management Board of Alzchem Group AG has implemented a risk manager who reports on the aggregated risk at least once a year. If risks that could jeopardize the continued existence of the company arise between this cycle, reports are also made in between. Risk management is carried out through regular meetings and reports of the respective committees, bodies and specialist departments. This includes, among other things, regular meetings, reporting and associated coordination.

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 management 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. The identification is supported by IT-based queries and interviews of the risk manager with the respective risk owners. 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
Impact in EUR million	less than 1.2	1.2 - 6	6 -15	over 15

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 contents listed below 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.

The Management Board assesses the appropriateness and effectiveness of the ICS and risk management system once a year. At the corresponding Management Board meeting, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are explained, and an overall statement on the appropriateness and effectiveness of the ICS and risk management system is made once a year. Based on these findings, the Management Board has no indication that the ICS or risk management system in their respective entirety were inadequate or ineffective as of the end of the fiscal year 2022.

## 5.1.1 SUMMARY RISKS

Taking into account the measures already taken or planned, the risks to the Alzchem Group identified as part of the risk inventory do not have any impact on the Alzchem Group as a going concern, either individually or in interaction with each other.

In particular, the volatile situation on the energy markets has influenced Alzchem's risk situation. In the fiscal year 2022, a reclassification of risks was carried out and the structure of the risk report was restructured. This does not mean that risks are eliminated or added, but rather that there is only a new structured allocation of the identified risks to risk areas and risk categories.

The risk areas have been structured as follows:

### Risk area

Sales markets

Production

Raw material markets

Logistics

Research and development

Human resources

Financial markets

Other

Each identified individual risk was assigned to a risk area as part of the risk inventory.

In summary, the individual risk areas were assigned the following estimates regarding the amount of damage and probability of occurrence in accordance with the assessment assumptions described above:

	Assessment damage				Assessment probability of occurrence				
	very low	low	medium	high	very low	low	medium	high	
Sales markets									Sales markets
Production									Production
Raw material markets									Raw material markets
Logistics									Logistics
Research and development									Research and development
Human resources									Human resources
Financial markets									Financial markets
Other									Other

Significant individual risks arise from the volatile electricity markets, the availability of short-term financing lines, approval restrictions and electricity legislation. Compared with the previous year, the risk of the availability of short-term financing lines has been added, which were not utilized at the balance sheet date of the previous year. The logistics and research & development risk areas listed in the overview are not discussed in detail due to their minor significance in terms of risk exposure.

When conducting the risk inventory, the expected values of the individual risks are compared with the risk-bearing capacity. This involves estimating the expected risks with their impact on the liquidity and equity of the Alzchem Group. According to the analyses and estimated effects, the risk-bearing capacity is given.

## 5.1.2 SALES MARKETS

### 5.1.2.1 COMPETITIVE RISK

Alzchem faces competition of varying intensity with its various products. In some areas, the company is the regional market leader, while in others competition is intense. In some key markets, the main competitors come from regions outside Europe, where they benefit from cost advantages in the areas of personnel, energy, waste disposal and environment. In other markets, Alzchem competes with well-established and strong competitors from leading industrialized nations that often operate worldwide, have global distribution networks and can produce locally in line with the local cost structure. In the fiscal year 2022, this competitive in-

tensity has increased for some of Alzchem's products due to the sharp rise in energy costs in Europe.

A loss of competitiveness could have a significant impact on the demand for Alzchem's products and therefore have a noticeable negative effect on Alzchem's sales volume or revenue.

Various factors can influence the price at which a competitor is willing to supply its products. These include access to favorable raw materials and state subsidies to which Alzchem may not have access. In addition, state-owned or state-supported competitors could resort to measures such as increasing capacity and/or reducing prices to dumping levels.

Alzchem is reacting to declining competitiveness due to increased manufacturing costs by improving production efficiency and thus increasing sales volumes. Alzchem is also attempting to focus on individualized products with higher margins as well as to improve existing products and applications through innovations. Furthermore, Alzchem continuously reviews the economic opportunities of certain products with low margins.

In addition to companies from India or China, there are also local, globally active competitors that use their economies of scale of higher production capacity, greater purchasing power and more financial flexibility to offer products more cheaply than Alzchem can. This, too, can lead to change effects with decreasing sales and declining revenues.

### 5.1.2.2 MARKET DEVELOPMENT

By market developments, we mean the changing demand behavior of customers due to external influences. 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 consumer spending and preferences, consumer confidence and income, unemployment rates, interest rates and energy prices, among other factors. Therefore, demand for Alzchem's products may be adversely affected by negative developments in some sectors and industries.

In the agricultural sector, demand for Alzchem's products depends on the level of production, and the company is therefore exposed to seasonal fluctuations as well as meteorological and climatic conditions. In addition, demand for fertilizer-free food could increase, resulting in less demand for fertilizers.

In the animal nutrition and agrochemicals industry, a change in consumer habits and preferences (increasing trend towards organic meat) could lead to a decline in demand for Alzchem's products. A change in consumer behavior towards "less meat" could also have a negative impact on demand for Alzchem products. Likewise, animal epidemics lead to a short-term adjustment in demand for products in the animal feed sector.

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 general, there is always a risk that changes in economic conditions will have an influence on the demand behavior of customers. If the global economy enters an economic downturn, this may also affect Alzchem's customers, who will then demand fewer Alzchem products. Likewise, the currently very high inflation may have a negative impact on the demand behavior of customers. In addition, the respective monetary and fiscal policy decisions of the individual governments of the world have an influence on regional market development with potentially negative consequences for Alzchem.

Alzchem is exposed to all these fluctuations and can only counter them through broad product and market diversification.

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.

### 5.1.2.3 SUBSTITUTION RISKS

In the area of chemical products, there is a latent risk that individual compounds will be replaced by other chemical substances or compounds, or that completely new materials or alternative technologies and production processes will be established on the market that are improved, more cost-effective or more sustainable than Alzchem's products. Such effects could have a negative impact on sales and revenues, and thus on Alzchem's earnings.

Alzchem counters these risks through the development of customer-specific products, intensive technical support and advice for customers, and joint (new) product development that is specifically geared to customer needs. Since Alzchem operates in many markets, it is necessary to monitor all of these markets closely and to keep developments at customers under the constant supervision of the sales team.

### 5.1.2.4 LEGAL CHANGES/POLICY

Alzchem's business activities are subject to extensive regulations, which are constantly changing and may become stricter as a result of political decisions or changes. 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 changes, which in most cases lead to the imposition of stricter requirements.

Specifically, for example, an EU Commission restriction proceeding on the use of calcium cyanamide, which has already been ongoing since 2019, remains pending. The EU Commission has not yet made a decision on the proposal submitted by the European Chemicals Agency ("ECHA") to ban the use of calcium cyanamide as a fertilizer following a three-year transition period. Numerous comments from stakeholders in the EU member states are against such a restriction, and the EU Commission's SEAC Committee also strongly doubts the benefits and proportionality of a ban. Even though a ban cannot be ruled out, Alzchem continues to assume that the ECHA proposal will not be adopted in this form. If a ban were to occur, Alzchem would have to be prepared for 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 would result, for example through growth in other markets.

In addition, both the German legislature and the EU Commission could in future prohibit the export of chemicals, and in particular plant protection products, that are banned in the EU itself. This could have an impact on Alzchem's products. In view of the already existing comprehensive regulatory framework in this area and the outstanding benefits for users in target countries with different climatic and ecological conditions than in Europe (for example with regard to pest infestation and plant diseases), Alzchem assumes that such a ban can only be implemented against strong resistance from stakeholders.

Under the term "Green Deal", the European Commission has defined a set of measures aimed at making the EU climate-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 and pharmaceutical industry, its implementation represents a major challenge, as almost all the measures also have an impact on the sector. Some of the measures have already been implemented in legislation, while further steps are still to be taken. Negative effects on Alzchem could result if unrealistic targets are defined for the chemical industry or ideological ideas are taken into account over scientific findings in product approvals. In general, the "Green Deal" could lead to a relocation of certain production processes to regions outside the EU and thus to an exodus of Alzchem's customers.





## 5.1.3 PRODUCTION

### 5.1.3.1 RISK OF FAILURE

As a manufacturing company, Alzchem is exposed to the risk of business interruptions, for example as a result of a shortage of electricity or natural gas, quality problems or unexpected technical problems. These risks can lead to production interruptions or production stoppages, be accompanied by personal injury and damage to the company's reputation, and lead to declines in sales or margins, as well as necessitating the reconstruction of destroyed infrastructure. These risks can be minimized through regular maintenance, appropriate precautionary measures, insurance, etc.

## 5.1.4 RAW MATERIAL MARKETS

### 5.1.4.1 ENERGY MARKETS

Alzchem is an energy-intensive company. Electricity is one of the three basic raw materials used at the start of Alzchem's NCN "Verbund production". Thus, the term "energy-intensive" essentially refers to the consumption of electricity. This means that electricity as a raw material is an essential component of the manufacturing costs for Alzchem's products. However, the share of electricity in manufacturing costs decreases the further the individual products progress in the NCN "Verbund production" process, or only at the end of the NCN "Verbund production" process, or even outside of it. Products in the Basics & Intermediates segment are very electricity-intensive, whereas products in the Specialty Chemicals segment are less electricity-intensive.

The fiscal year 2022 has shown how volatile the electricity markets can be and the impact this can have on Alzchem's net assets, financial position and results of operations. Electricity prices could continue to rise, remain stable or fall

compared to the level in 2022. Precise forecasts are not possible, and the comparison between forward prices and spot prices that actually occurred shows that no correlation was discernible here, at least in the fiscal year 2022. Alzchem is therefore exposed to the risk of rising or fluctuating electricity prices.

Since electricity prices are a fixed component of the product calculation, Alzchem can only counter this risk in the first step by raising prices, but may have to reverse them if electricity prices fall. For this reason, Alzchem sets prices in close consultation with customers only for a very short-term period. Increasingly, price escalator clauses are negotiated with customers, which take into account, among other things, spot electricity prices and are adjusted on a quarterly basis. Alternatively, longer-term price commitments are offered on the basis of back-to-back transactions. Alzchem also continuously reviews developments on the electricity markets to determine whether a hedging strategy makes economic sense.

In addition to the price increases, Alzchem is also adjusting production. The main electricity consumption is based on the operation of the two carbide furnaces in Germany. Depending on developments on the electricity markets, the carbide furnaces can be operated flexibly and also switched off at short notice in times of absolute electricity price peaks.

The third measure is to increasingly focus on products that are less electricity-intensive. These products can drive Alzchem's growth "away from electricity".

The risk arising from the development of electricity prices is that Alzchem's customers will no longer accept the price increases and Alzchem will therefore suffer a loss of sales and revenue. The risk also includes the possibility that the price increases can only be passed on to customers with a certain

time delay. If the payment terms for electricity suppliers and customers are also far apart, this can have negative effects on Alzchem's liquidity situation.

For the budget 2023, Alzchem had to make an assumption for the electricity price and, based on this assumption, calculated several scenarios with stable, increasing and decreasing electricity prices. Behind this are also assumptions about both the possible electricity prices and the possibility of passing on the fluctuating electricity prices to the customer. If these assumptions do not materialize, or if the development of electricity prices generally leads to a decline in industrial production in Germany and Europe, this can have a negative impact on sales volumes and revenues, and thus on Alzchem's net assets, financial position and results of operations.

In Germany, the so-called electricity price brake was adopted in December 2022 as part of the energy price brakes, which is intended to support companies, but also private individuals, in coping with excessively high energy prices.

Accordingly, a gas price brake of a net seven cents per kilowatt hour on 70% of the consumption in 2021 has applied to industry since January 2023. An electricity price brake was adopted at the same time. An electricity price of net 13 cents per kilowatt hour based on 70% of the consumption in 2021 has also been in force since January 2023.

However, the price level for companies remains very high compared with the pre-crisis period, despite price brakes, and there are still extremely critical points from the point of view of German industry. Particularly in the interaction between national price brakes and EU state aid law. For example, the requirements of the EU state aid framework extremely restrict the brakes and counteract the recommendations of the Gas Commission in key areas:

- Significant restrictions on EBITDA development. The price brake only takes effect when EBITDA (the calculation of which the German government would like to provide further information on) falls to 60% of the value based on 2021. In addition, subsidies will only be granted up to a maximum of 70% of EBITDA, also based on 2021. This is accompanied by a potential obligation to repay subsidies.
- Tying state aid to restrictions on bonuses and dividends, up to and including bans on bonuses and dividends once certain thresholds have been reached.

In addition, in the case of the electricity price brake, for example, payment of aid is only envisaged from March/April 2023 for the first months of the fiscal year 2023, and both laws contain further extensive obligations in the event of companies making use of the aid. De facto, the German government's welcome intention to restore the competitiveness of energy-intensive industry to some extent has been very much restricted by the EU's requirements, so that it is now "only" a matter of insolvency protection. The restrictions imposed by the EU mean, among other things, that the maximum electricity price of 13 cents per kilowatt hour, which actually resulted from the electricity price brake and was the subject of public debate, does not apply to Alzchem or is significantly higher than this amount.

It is currently being examined to what extent – despite the restrictions – it makes sense for Alzchem to make use of this state aid.

#### 5.1.4.2 PROCUREMENT

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 also sources chemical raw materials from Asia. Supply chain disruptions, unexpected production stoppages and lack of supplier reliability 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.

#### 5.1.5 PERSONNEL

Qualified and committed employees are crucial to Alzchem's future success. Due to demographic developments and increasing competition for good employees, retaining existing and recruiting new suitable employees may become increasingly challenging in the future. However, as an attractive company with roots in the region, Alzchem believes it is well equipped to defy the risks of an exodus or insufficient recruitment of new skilled workers. Through appropriate training and further education, Alzchem will continue to succeed in attracting qualified and committed employees in the future.

### 5.1.6 FINANCIAL MARKETS

#### 5.1.6.1 LIQUIDITY RISK

Alzchem Trostberg GmbH assumes the financing function within the Alzchem Group and ensures global financing through cash pooling. Alzchem is financed via operating cash flow, financing lines from banks and factoring. As of December 31, 2022, Alzchem has a total of committed short-term financing lines of EUR 77.5 million and additionally a factoring line of EUR 40.0 million. Of these, a total of EUR 56.3 million in short-term financing lines have been utilized as of the reporting date. Both short-term financing instruments have a maximum notice period of four weeks on both sides, or three months in the case of factoring. It is therefore possible that a financing partner could terminate its financing line at short notice and demand repayment. Due to a permanent exchange with the financing partners, which takes place at least once a month, and the ongoing discussions on an extension of the financing lines as of the reporting date, it can currently be assumed that this option will not be exercised by any of the financing partners. Overall, we expect to be able to ensure sufficient liquidity for the business activities of the Alzchem Group at all times with the financing funds currently available.



### 5.1.6.2 EXCHANGE RATE RISK

Alzchem generates sales in foreign currencies and purchases goods in foreign currencies. The most important currencies for Alzchem from these operating activities are the US dollar (USD), Chinese renminbi (CNY), Japanese yen (JPY) and Swedish krona (SEK). Consequently, the company is exposed to risks due to exchange rate fluctuations. In the fiscal year 2022, no currency hedging transactions were carried out in this regard, although it is constantly reviewed whether favorable hedging opportunities can arise for Alzchem. The risk exposure for the main currencies is determined on a weekly basis. There is also natural hedging for the most important currency, the USD, as Alzchem has both sales and purchases of goods in USD and the risk position is thus reduced. The remaining open monetary amounts of receivables and payables in foreign currencies may result in opportunities and risks for Alzchem due to changes in actual exchange rates, and any income from currency translation may be lower than in previous periods.

In addition, there are exchange rate-related risks from the translation of foreign subsidiaries into Alzchem's reporting currency (euros). Moreover, the influence of exchange rates can have an impact on Alzchem's global competitiveness. In addition to the risks described, Alzchem is also subject to possible negative influences from currency losses from so-called high-inflation countries such as Argentina and Turkey due to its global market presence – as a rule, Alzchem counters these risks by invoicing in EUR or USD.

### 5.1.6.3 INTEREST RATE RISK

Alzchem has concluded short-term financing lines at variable interest rates, which generally fluctuate in line with EURIBOR. Potential changes in these capital market interest rates can lead to opportunities and risks for the interest payments due. Changes in market interest rates can also result in a change in the fair value of the fixed-interest long-term loan liabilities. As a rule, Alzchem prefers fixed interest rates for long-term financing in order to avoid or reduce the risk position. The refinancing from short-term to long-term financing currently under negotiation should help to reduce this risk exposure. In addition, the use of interest rate derivatives is also being examined on an ongoing basis.

### 5.1.6.4 INTEREST RATE DEVELOPMENT PENSION OBLIGATIONS

The Alzchem Group has obligations to current and former employees arising from pension and other post-employment benefit obligations. Changes in relevant valuation parameters, such as discount rates, mortality probabilities, rates of increase in wages and salaries, and rates of increase in pensions, can result in an increase or decrease in the present value of pension obligations. Thus, this gives rise to opportunities and risks, as a change can have a direct impact on equity and subsequently lead to changes in pension expenses. 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.

## 5.1.7 MISCELLANEOUS

### 5.1.7.1 ELECTRICITY LEGISLATION

As an energy-intensive company, Alzchem is dependent on stable and affordable electricity procurement. In this respect, Alzchem currently benefits in Germany from cost and tax reductions as well as exemption regulations for electricity costs under the Combined Heat and Power Act ("Kraft-Wärme-Kopplungs-Gesetz", KWKG), the offshore network levy, the Electricity Grid Charges Ordinance ("Stromnetzentgeltverordnung", StromNEV), electricity price compensation and certain exemption regulations with regard to electricity tax. All of these regulations allow energy-intensive industries to operate at lower electricity cost levels in order to maintain their overall competitiveness. Taken together, these arrangements result in significant reductions in Alzchem's energy costs, without which Alzchem would not be able to operate competitively. In this respect, in the event of negative changes to the relevant legislation, this could have an adverse effect on the Group's development. Alzchem is therefore closely monitoring the relevant legislation and will continue to duly submit all necessary applications to claim cost and tax reductions as well as exemption regulations in the future.

### 5.1.7.2 LEGAL, LITIGATION AND COMPLIANCE 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 effect 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.

There is generally no certainty that Alzchem will be able to renew or permanently continue to use all of the permits, approvals, certificates and authorizations required for its business activities.

The Group has 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 therefore makes a major contribution to integrating compliance in our operating business units and their processes. Regular training measures for employees in Germany, Sweden, the USA, China and the UK are designed to increase understanding and sensitivity to the complex of issues.

### 5.1.7.3 IT RISKS

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

Cyber-attacks are becoming more sophisticated. At the same time, Alzchem's IT dependency is increasing. A threat to critical IT systems and applications can have a direct impact on Alzchem's 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 Alzchem's competitive position.

To minimize such risks, information security is an integral part of Alzchem's business processes. Since July 2017, Alzchem has established an information security management system that is consistently certified according to the international standard ISO 27001 and ISO 27019. The certificates are currently valid until December 24, 2024.

Alzchem has stable and redundant IT systems, back-up procedures, virus and access protection, encryption systems, and integrated, Group-wide standardized IT infrastructures and applications. The information security systems in use are permanently checked, continuously updated and expanded as required. In addition, our employees receive regular training in information and data protection. Asset-based information security risk management follows the holistic "bottom-up" approach and includes intangible assets. The Alzchem Group's security policy is set out in internal manuals and made clear to employees throughout the company.

## 5.2 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. In this regard, reference is made to the above-mentioned performance indicators.

The scope of consolidation for opportunities 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.

### 5.2.1 DIVERSIFICATION AND GLOBAL PRESENCE

The Alzchem Group operates a stable NCN family tree 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 exploit 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.

Alzchem supplies various end markets with a wide range of products. This high level of diversification permanently supports very balanced sales and earnings growth with pillars in many different market segments and industries. To date, the Group has always succeeded in offsetting or even over-





compensating for cyclical or regional fluctuations in sales in one sector through growth in another segment or country.

In view of the current electricity price developments, an opportunity arises from the fact that Alzchem is not as electricity-intensive in its production in a wide range of product areas as it is in other areas.

Thanks to its global presence in more than 70 countries, comprehensive market potential is identified and consistently worked through with the project tools developed in-house, and implemented in the short, medium and long term.

## 5.2.2 MARKET ENTRY BARRIERS

Alzchem benefits from the entry barriers to the markets in which it operates. For potential new competitors, it can be time-consuming and cost-intensive to establish an integrated production network similar to that 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 "Verbund". Competitors focus on different sectors of the NCN "Verbund", 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. Furthermore, Alzchem is not as dependent on the raw material markets for the precursors that are produced within the NCN "Verbund" itself. Alzchem can use its production facilities for a wide range of products despite the high degree of specialization of the Specialty Chemicals segment's products, which it believes gives it a competitive advantage in resource efficiency as a result of vertical integration.

### ELECTRICITY AS A RAW MATERIAL SOURCE

Another advantage of the "production Verbund" lies in the raw material source of electricity. The entire chemical industry will have to switch away from fossil fuels to electricity. This means high transfer investments, which Alzchem will not have to make in this way, since today the business model is already based on electricity and can be operated flexibly within certain limits along renewable energy lines. Alzchem therefore does not have to bear transfer investments to an electricity business model, nor does Alzchem suffer efficiency losses that competitors will have when they have to change their business model away from fossil energy to electricity and hydrogen.

### 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 dietary supplements and animal feed additives, as well as 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 certificates, registrations and approvals that may be difficult, costly or time-consuming for potential competitors to obtain.

### KNOW-HOW, TRADEMARKS 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 trademarks 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 399 granted patents and a further 131 patent applications. In addition, Alzchem holds 923 registered trademarks and 71 trademark applications.



### 5.2.3 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

The world's population is growing steadily and needs to be fed. 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 Alzchem Group's products meet these requirements and can be used in agricultural production that is increasingly focused on optimized yields. Alzchem believes it is well positioned to benefit from this global development.

Creamino®, for example, is a patented feed additive from Alzchem's Specialty Chemicals segment that is used worldwide. It leads to an improved supply of the important biomolecule creatine and is currently used primarily in poultry nutrition. In addition to its use for poultry, Creamino® could be increasingly used in nutrition for pigs in Europe, but also worldwide.

#### HEALTHY AGING

According to Alzchem's assessment, the nutrition industry is being influenced by consumers' increasing 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 since 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, among others, 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 the full year 2022, 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.

Of particular note here is the new product Eminex® launched by Alzchem. It reduces outgassing during the storage

of agricultural fertilizers and can significantly reduce the impact of greenhouse gases from agriculture on the atmosphere.

### 5.2.4 STRONG TRADEMARKS

Alzchem has 923 registered trademarks and 71 trademark applications worldwide. This broad, established trademark spectrum offers the company special market opportunities.

### 5.2.5 LOCAL DISTRIBUTION

Alzchem continued to successively expand its direct sales channels for various products in the past fiscal year 2022. This will be maintained in 2023 so that Alzchem can offer a more attractive range of prices and services based on greater proximity to customers. The successive expansion of our own brands, as well as the intensification of our own distribution of our Creamino®, bring with them a wide range of opportunities and possibilities. For Alzchem, there is the opportunity to extend the integration, which is already deeply anchored in the company's DNA, to the full value creation for what is currently its 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. FORECAST REPORT

The Alzchem Group's forecasts for the fiscal year 2023 are based on the following assumptions:

- No occurrence of a global recession
- EUR/US dollar exchange rate of USD 1.05
- Costs for raw materials and logistics remain at the high level of 2022 with a slight downward trend. Electricity remains at the high average level of 2022
- Existing approvals to be maintained, approvals applied for to be granted
- Raw materials and logistics basically available
- Ukraine war does not deliver further interruptions.

The following table provides an overview of the forecast ranges and values of the Group's financial performance indicators for the fiscal year 2023:

	2022	Forecast 2023
Group sales	EUR 542.2 million	Lower limit: slightly growing Upper limit: up to EUR 590 million
Adjusted EBITDA*	EUR 61.4 million	Lower limit: slightly growing Upper limit: up to EUR 70 million
Adjusted EBITDA margin*	11.3%	Lower limit: stable Upper limit: up to 12%
Inventories	EUR 122.4 million	stable
Inventory intensity (previously inventory ratio)	22.6%	stable
Equity ratio	34.5%	noticeably growing

\* No adjustments were made.

The planned sales growth is to continue to be achieved organically. The main growth drivers will be volume effects. Price effects will also play a role, following developments on the raw material and energy markets. Volume increases will be achieved through the expansion of creatine production and Creamino®. In addition, we expect further volume increases in the multi-purpose plants.

Business performance in the Specialty Chemicals and Basics & Intermediates segments is mixed. The Specialty Chemicals segment is again the expected growth driver. The significant expansion of production capacity for Creapure® and sodium sarcosinate will lead to an increase in volumes. We also expect further volume growth for Creamino® through the acquisition of new customers. For almost all products in the segment, we also anticipate stable price developments due to the need to pass on costs at the previous year's level.

For the Basics & Intermediates segment, we mainly expect price increases compared with the average for 2022. Volume declines in agriculture will be offset by higher prices. Demand for metallurgical products remains stable and the price formulas allow cost changes to be passed on.

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

On the earnings side, Alzchem expects high raw material prices (similar to the annual average in 2022), but with slight relief tendencies. Prices in the energy sector are forecast to remain high. The sharp rise in energy prices experienced in the fiscal year 2022 is not expected to recur to the same extent in 2023. However, the average price level is anticipated to be at the same level as in the fiscal year 2022. Alzchem remains highly dependent on the development of electricity prices.

For personnel costs, the Alzchem Group expects an increase in line with the collective wage agreements in the chemical industry from the fall of 2022. This also includes a slight increase in the number of employees (due to capacity utilization).

The forecast growth in EBITDA will be achieved mainly in the Specialty Chemicals segment through the expansion of Creapure® capacities. In addition, opportunities may arise in individual niche products as a result of slight volume increases.

Inventories are expected to remain stable at the level of December 31, 2022. This development will show seasonal fluctuations in line with production planning and will not rule out further increases for the time being. Assuming at least stable raw material costs, no significant devaluation effects are expected. Inventory intensity, as an arithmetical parameter, is also developing at a stable level compared with 2022.



In line with the development of EBITDA, equity is expected to increase. Equity will be reduced by the planned dividend payment. However, the earnings effect should outweigh this, so that a significant increase in the equity ratio is expected. For the planning of pension provisions, a very conservative assumption is made of an interest rate slightly below the current level. A reduction in the discount rate below this level would have a negative impact on the forecast equity ratio on a one-to-one basis.

For the non-financial performance indicators (see 3.2.6.4.2.)

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

Alzchem is also optimistic that it will steadily improve.

The company is striving to maintain customer retention 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 distortions caused by the crises of the last two years and the resulting volatility of the markets. This gives us the opportunity to respond quickly to customer inquiries and problems.

In the area of training, the number of trainees is being maintained. However, purely as a result of the increase in the workforce, there may be a slight drop 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 is striving for optimization, which generally means a reduction, for five main reasons:

- reduction of 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 requirements.

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

It is also expected that the shortages on the logistics and raw material markets will continue to ease and normal availability levels will be restored. Possible effects of the now abruptly terminated Corona protection measures in China are not yet included here.

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 sec. 19 para. 2 StromNEV, electricity price compensation or product approvals. They also contain forward-looking statements based on the 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. 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.



## 7. 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 and the German Stock Corporation Act, 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.

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 anchored 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.

## 8. REPORT PURSUANT TO SEC. 89A AND SEC. 315A HGB

Unless otherwise stated, the following disclosures apply to the entire reporting year (fiscal year 2022) and in particular also to the balance sheet date.

### 8.1 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, Alzchem held 40,581 (previous year: 40,581) treasury shares out of the total number of issued shares stated above. On the day of the Annual General Meeting, possible treasury shares held by the company do not carry voting or dividend rights.

Company	Subscribed capital 12/31/2022
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
Suppliva GmbH (formerly 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
Alzchem UK Ltd., Coventry, United Kingdom	GBP 1 thousand

### 8.2 RESTRICTIONS ON VOTING RIGHTS OR ON THE TRANSFER OF SHARES

Each Alzchem share generally grants one vote at the Annual General Meeting.

Restrictions on the voting rights of the 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, such as under sec. 136 AktG. Furthermore, the company is not entitled to voting rights from treasury shares in accordance with sec. 71b AktG (see section 8.1). Violations of the notification obligations pursuant to secs. 33 and 44 of the German Securities Trading Act (WpHG) can also lead to a situation in which rights from shares – including voting rights – do not exist, at least temporarily.

There are no statutory transfer restrictions relevant to Alzchem shares.

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

The Management Board is not aware of any contractual restrictions affecting voting rights from Alzchem shares or their transfer. Exceptions to this are the Alzchem shares to be acquired by the members of the Management Board in accordance with the agreements in their service contracts (“treasury shares”). The members of the Management Board may not dispose of these shares without sanction until the end of the exercise periods for their respective long-term incentive (“LTI”).

### 8.3 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 shareholders pursuant to secs. 33 and 34 WpHG:

Prof. Dr. Dr. Peter Löw, Starnberg, notified the company on March 18, 2022, that the share of voting rights held by LIVIA Corporate Development SE in Alzchem Group AG exceeded the threshold of 25% of the voting rights on March 17, 2022, and now amounted, directly or indirectly held, to 2,557,223 voting rights (= 25.13% of the total voting rights of the company).

Dr. Martin Vorderwülbecke, Munich, notified the company on November 23 and 28, 2022, respectively, that the share of voting rights held by HDI Vier CE GmbH in Alzchem Group AG fell below the threshold of 15% of the voting rights on November 21, 2022, and now, held directly



or indirectly, amounted to 1,296,414 voting rights (= 12.74% of the voting rights of the company in total).

Mr. Markus Zöllner, Bichl, informed the company on October 4, 2017, that the voting rights of 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 voting rights of the company in total). 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).

## 8.4 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.

## 8.5 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 like all other shareholders directly in accordance with the statutory provisions and the Articles of Association.

## 8.6 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 Management 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. However, 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.

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

### 8.7.1 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 un-



til May 4, 2027 by a total of up to EUR 10,176,330.00 (in words: ten million one hundred seventy-six thousand three hundred thirty) by issuing up to 1,017,633 new no-par value bearer shares against cash and/or contributions in kind (Authorized Capital 2022). 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 appointed 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; and/or
- to issue shares under share participation or other share-based programs against cash and/or non-cash contributions to employees of the company or a company affiliated with

the company, whereby the employment relationship with the company or a company affiliated with the company must exist at the time of the commitment to issue shares.

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 deviating from sec. 60 para. 2 AktG. If shares are issued to employees of the company or of an affiliated company, the shares may also be issued in such a way that the contributions to be made on them are covered by that part of the net profit for the year which the Management Board and Supervisory Board could allocate to other revenue reserves in accordance with sec. 58 para. 2 AktG. The Supervisory Board is authorized to amend the Articles of Association of the company accordingly after the authorized capital has been fully or partially utilized or has expired, in particular with regard to the amount of the share capital and the number of existing no-par value shares.

## 8.7.2 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.

## 8.7.3 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 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 sell treasury shares acquired on the basis of this authorization in ways other than via the stock exchange or by means of offers to all shareholders if the treasury shares acquired are sold at a price that is not significantly lower than the stock market price of the company's shares of the same class at the time of the sale. 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 in 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 are excluded in execution 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, in agreement with the Supervisory Board of the company, resolved 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 concluded on June 24, 2021 with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90. The treasury shares acquired by Alzchem as part of the buyback program remain unchanged in its portfolio.

## 8.8 SIGNIFICANT AGREEMENTS UNDER THE CONDITION OF A CHANGE OF CONTROL

In individual loan agreements concluded by the company, there are standard market provisions that link legal consequences, such as the right to extraordinary termination by one of the contracting parties (usually the contractual partner), to a majority takeover or control of the company. Comparable change-of-control clauses can also be found in individual other agreements; these clauses are also consistently in line with standard market practice.





## 8.9 COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

No special arrangements have been made with Management Board members or 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.

## 9. NON-FINANCIAL GROUP STATEMENT, SECS. 315B PARA. 1, 315C IN CONNECTION WITH SEC. 289C HGB

With this non-financial Group statement (NFE or Sustainability Report), we are fulfilling our reporting obligation under the CSR Directive Implementation Act. The contents of the NFE have been reviewed by the Supervisory Board of Alzchem Group AG. All disclosures in the NFE apply to all companies of the Alzchem Group, unless indicated otherwise. The aim of the NFE 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 chapters. References to information outside the combined management report are supplementary explanations. They are not part of the NFE.

For the preparation of the NFE, the company has not referred to any specific national, European or international framework, but has oriented itself to the content requirements in accordance with the CSR Directive Implementation Act (CSR-RUG) and the industry-specific Chemie3 Sustainability Reporting Guidelines. Alzchem is convinced that the industry-specific Chemie3 guideline is better suited to the current requirements for non-financial reporting as well as Alzchem's company size than larger frameworks. However, Alzchem will adapt all necessary processes and structures to ensure that reporting can be in accordance with the European Sustainability Reporting Standards (ESRS) for the fiscal year 2024.

The company examines and evaluates the material risks associated with its business activities and business relationships as part of the existing risk management system. At present, there are no significant risks associated with Alzchem's business relationships, its products and services that are very likely to have a serious negative impact on the aspects specified in sec. 289c para. 2 HGB.

### 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.

Major Alzchem Group companies have been EMAS-certified since 1997 and prepare an Annual Environmental Statement. In this Environmental Statement 2022, 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.

### 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 Agreement. Achieving climate neutrality and the path to get there are one of the most important economic policy issues.

As a significant tool, 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 complementary regulations.



For this purpose, the EU has defined six environmental objectives:

1. Climate protection
2. Adaptation to climate change
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Minimization of environmental pollution
6. Protection of biodiversity and ecosystems

According to Art. 3 of the EU Taxonomy Regulation, economic activities are environmentally sustainable (taxonomy-aligned) if they:

- make a substantial contribution to the achievement of one or more of the six environmental objectives mentioned above,
- do no significant harm (DNSH) to the achievement of the five other EU environmental goals,
- comply with minimum standards for occupational safety and human rights (Minimum Safeguards), and
- comply with the applicable technical evaluation criteria defined by the EU Commission.

The EU Taxonomy Regulation distinguishes between “taxonomy-eligible” and “taxonomy-aligned” economic activities. Economic activities are taxonomy-eligible if they are described in Annexes I and II of the delegated act on environmental objectives in principle and can be classified, regardless

of whether the corresponding technical assessment criteria for environmentally sustainable activities are also met. Economic activities are considered taxonomy-aligned if they cumulatively fulfill the above-mentioned criteria of Art. 3 of the EU Taxonomy Regulation.

For the fiscal year 2022, the first two environmental objectives are to be considered for the question of a significant contribution. Catalogs of criteria are already available for this purpose, in which the significant contribution to the achievement of the targets is defined. These are the so-called technical assessment criteria, which specify which economic activities are considered to be compliant within the meaning of the EU Taxonomy Regulation.

For the successful implementation of the taxonomy, it would have been crucial that, when defining the specific 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 regard.

However, it is also important to remember that economic activities that are not considered taxonomy-eligible or taxonomy-aligned in terms of the EU taxonomy can still be sustainable. Additionally, it is also important to note that the EU taxonomy is neither an investment recommendation nor an obligation to invest in “taxonomy-eligible/taxonomy-aligned” economic activities.

To determine taxonomy-eligible or taxonomy-aligned economic activities, Alzchem assembled an interdisciplinary team that analyzed the existence of taxonomy-eligible economic activities in close consultation with representatives of the company’s Management. In order to identify the taxonomy-eligible economic activities, Alzchem analy-

zed all economic activities/products and assigned them to the economic activities specified in the EU Taxonomy Regulation. Thus, double counting of sales revenues, capital expenditures and operational expenditures could also be excluded. The identification of taxonomy-eligible economic activities was already carried out for the fiscal year 2021 and was extended by the analysis of taxonomy-aligned economic activities for the fiscal year 2022. The derivation of the three key figures sales, capital expenditures and operational expenditures was mainly carried out from the ERP system as well as from the existing financial reporting systems.

Alzchem economic activities that are currently not covered by the EU Taxonomy Regulation and as such are not relevant from a taxonomy perspective are disclosed as a lump sum as not taxonomy-eligible in accordance with the delegated acts. This includes the majority of Alzchem’s economic activities, which consequently cannot be disclosed as taxonomy-aligned either. In turn, the share of taxonomy-eligible economic activities does not meet the specified technical assessment criteria in the reporting period and therefore cannot be reported as taxonomy-aligned. As a result, Alzchem cannot report taxonomy-aligned sales, capital expenditures and operational expenditures for the reporting period.

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 by which compliance with this disclosure requirement is to be ensured.

### SALES WITHIN THE MEANING OF THE EU TAXONOMY

The above share of sales is presented as a portion of net sales of goods or services, including intangible goods, related to taxonomy-eligible/taxonomy-aligned 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 2022, the taxonomy-eligible share of sales essentially comprises economic activities in the field of transmission and distribution of electricity.

### CAPEX WITHIN THE MEANING OF THE EU TAXONOMY

In calculating the capex share of taxonomy-eligible/taxonomy-aligned economic activities, the denominator comprises additions to property, plant and equipment and intangible assets during the fiscal year 2022 under consideration 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/taxonomy-aligned economic activities.

### OPEX WITHIN THE MEANING 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, as well as 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. Operational expenditures 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 operational expenditures not included. The numerator corresponds to the part of the operational expenditures included in the denominator that relates to assets or processes associated with taxonomy-eligible/taxonomy-aligned economic activities. Thus, the EU Taxonomy Regulation only provides for a defined portion of all operational expenditures as a reference for operational expenditures.

The economic activities referred to in the delegated act are taken into account as taxonomy-eligible with regard to investments and operational expenditures even if they are only carried out for internal purposes and do not generate any external sales. This may mean, for example, that the investments and operational expenditures occurring within the framework of the renovation of rail transport infrastructure for the company's own needs also fall within the scope of the EU Taxonomy Regulation, in Alzchem's view.





Economic activities (1)	Code(s) (2)	Absolute sales (3)	Proportion of sales (4)	Substantial contribution criteria							DNSH criteria ("Does not Significantly Harm")							Taxonomy-aligned proportion of sales, year 2022 (18)	Taxonomy-aligned proportion of sales, year 2022 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		EUR k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
6.2 Freight transport by rail	-	0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.4 Operation of devices for personal mobility, cycling logistics	-	0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.14 Rail infrastructure	-	328	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.1 Data processing, hosting and related activities	-	671	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.1 Market-oriented research, development and innovation	-	0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Sales of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>7,496</b>	<b>1.4%</b>																		
<b>Total (A.1 + A.2)</b>		<b>7,496</b>	<b>1.4%</b>																		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
<b>Sales of taxonomy-non-eligible activities (B)</b>		<b>534,727</b>	<b>98.6%</b>																		
<b>Total (A + B)</b>		<b>542,223</b>	<b>100.0%</b>																		

Activity 1 is taxonomy-eligible in its entirety. However, only a portion of it is taxonomy-aligned. Therefore, Activity 1 may be reported under both A.1 and A.2.

However, only the portion reported under A.1 may be counted as taxonomy-aligned in the sales KPI of the non-financial undertaking.

Column 21 should be filled in for transitional activities contributing to the climate change mitigation.

For activities listed under A.2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.







Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria							DNSH criteria ("Does not Significantly Harm")							Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2022 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		EUR k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
6.2 Freight transport by rail	–	182	0.6%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
6.4 Operation of devices for personal mobility, cycling logistics	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
6.14 Rail infrastructure	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
8.1 Data processing, hosting and related activities	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
9.1 Market-oriented research, development and innovation	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
<b>CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>4,012</b>	<b>14.3%</b>																		
<b>Total (A.1 + A.2)</b>		<b>4,012</b>	<b>14.3%</b>																		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
<b>CapEx of taxonomy-non-eligible activities (B)</b>		<b>24,103</b>	<b>85.7%</b>																		
<b>Total (A + B)</b>		<b>28,115</b>	<b>100.0%</b>																		

Activity 1 is taxonomy-eligible in its entirety. However, only a portion of it is taxonomy-aligned. Therefore, Activity 1 may be reported under both A.1 and A.2. However, only the portion reported under A.1 may be counted as taxonomy-aligned in the CapEx KPI of the non-financial undertaking. For activities listed under A.2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.





Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria							DNSH criteria ("Does not Significantly Harm")							Taxonomy-aligned proportion of OpEx, year 2022 (18)	Taxonomy-aligned proportion of OpEx, year 2022 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		EUR k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
6.2 Freight transport by rail	–	1,549	5.6%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
6.4 Operation of devices for personal mobility, cycling logistics	–	3	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
6.14 Rail infrastructure	–	798	2.9%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
8.1 Data processing, hosting and related activities	–	405	1.5%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
9.1 Market-oriented research, development and innovation	–	1,284	4.7%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
<b>OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>6,708</b>	<b>24.3%</b>																		
<b>Total (A.1 + A.2)</b>		<b>6,708</b>	<b>24.3%</b>																		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
<b>OpEx of taxonomy-non-eligible activities (B)</b>		<b>20,884</b>	<b>75.7%</b>																		
<b>Total (A + B)</b>		<b>27,593</b>	<b>100.0%</b>																		

Activity 1 is taxonomy-eligible in its entirety. However, only a portion of it is taxonomy-aligned. Therefore, Activity 1 may be reported under both A.1 and A.2. However, only the portion reported under A.1 may be counted as taxonomy-aligned in the OpEx KPI of the non-financial undertaking. For activities listed under A.2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.



The sales revenues from taxonomy-eligible economic activities are mainly attributable to economic activities in the field of transmission and distribution of electricity. The share of taxonomy-eligible capital expenditures for 2022 are also primarily attributable to the area of transmission and distribution of electricity. The previously presented operational expenditures were mainly allocated to the areas of construction, expansion and operation of wastewater collection and treatment systems, freight rail transport, and market-related research, development and innovation. As the Delegated Regulation only provides for the explanation of taxonomy-aligned sales, capital expenditures and operational expenditures of the previous year, an explanation of the development of taxonomy-eligible KPIs in relation to the previous year has accordingly been omitted.

The low ratios of taxonomy-eligible sales revenues, capital expenditures and operational expenditures are mainly due to the very limited conformity of Alzchem's business activities with the economic activities specified in the EU Taxono-

my Regulation. This is mainly attributable to the fact that no products manufactured by Alzchem are currently included in the area of the production of organic basic materials and chemicals.

Although the vast majority of Alzchem's economic 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. The roadmap to climate neutrality at Alzchem is taking concrete shape. The project team has compiled the ideas; they will now be reviewed in the next step to determine their feasibility and practicability. We are sticking to our goal of climate neutrality (Scope 1).

While the information provided here only shows whether economic activities of a company are taxonomy-eligible or

taxonomy-aligned according to the EU Taxonomy Regulation, the upcoming Corporate Sustainability Reporting Directive (CSRD) will require more detailed reporting on a company's sustainability activities. On the basis of this information, financial market participants will be able to recognize the different sustainability and environmental activities of a company much better and evaluate them themselves.

## **9.1 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 information provided in the combined management report.



## 9.2 KEY FIGURES OF THE GROUP

Area	Key figure	2020	2021	2022
Strategy and growth	Sales in EUR million	379.3	422.3	542.2
	EBITDA in EUR million	53.8	62.0	61.4
	EBITDA margin	14.2%	14.7%	11.3%
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 <sup>1</sup>	3.5%	5.1%	6.3%
	Average length of service in years	18.3	17.8	17.2
	Number of training days per employee	0.49	1.4	1.3
	Share of women in Management positions <sup>2</sup>	11%	11%	12%
	Training ratio <sup>3</sup>	10.0%	9.1%	9.2%
Value chain and products	R&D expenses in EUR million	9.4	9.7	10.8
	R&D ratio <sup>4</sup>	2.5%	2.3%	2.0%
Environment <sup>5</sup>	Production volume/production output in 1,000 t <sup>6</sup>	539	637	663
	Consumption of electrical energy in MWh/a <sup>7</sup>	639,842	716,883	729,468
	Fuel consumption in MWh/a	194,761	200,057	201,298

Area	Key figure	2020	2021	2022
	Heat recovery in MWh/a <sup>8</sup>	17,387	19,185	17,690
	CO <sub>2</sub> emissions in t/a	110,405	112,818	110,145
	Non-emitted CO <sub>2</sub> in t/a <sup>9</sup>	50,385	55,448	52,675
	Dust emissions in t/a	29	16	43
	Wastewater volume (COD) in kg/a	80,420	77,651	59,260
	Waste volume in t/a	38,158	29,860	32,131
	thereof hazardous t/a	27,382	22,297	22,878
	Environmental protection expenses in EUR million	19.2	20.0	22.7
Safety	1,000-man ratio <sup>10</sup>	7.1	11.6	17.5
	KSUND key figure <sup>11</sup>	14.7	21.2	20.6
	PSIR (Process Safety Incident Rate) <sup>12</sup>	2.4	1.5	2.5
	LTIR (Lost Time Injury Rate) <sup>13</sup>	8.1	15	18.5

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. These are flue gases from energy generation, most of which are not emitted but reused in production processes.

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).



### 9.3 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 protection, 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 67 years. In 2020, global life expectancy was already around 73 years on average (source: WHO homepage (January 1, 2023)). 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. 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.

#### 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 22 years later, in 2022, the world population amounted to around 8.0 billion people. The United Nations assumes that by 2050, an increase to around 9.7 billion (source: UN forecast on world population development (January 1, 2023)) is realistic. 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 Alzchem Group's products meet these requirements and can be used in agricultural production that is increasingly geared to optimized yields.

Higher utilization of production capacity for Creamino® will enable the company to take advantage of growing market demand and further 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 that greater efficiency in agriculture is becoming increasingly important for security of supply.

#### 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 CO<sub>2</sub>. 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 65% 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.

## ELECTROMOBILITY

Electromobility is a key to climate-friendly mobility worldwide. The operation of electric vehicles generates significantly less CO<sub>2</sub>, 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 Board has already decided in 2020 to convert Alzchem's company car fleet to electric and hybrid vehicles.

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 Alzchem's premises has also already been provided. Further charging points are planned for the coming years. In order to encourage as many employees as possible to rethink in this area, our charging stations are also available to employees outside the company car scheme.

## MANAGEMENT SYSTEM

Alzchem maintains an integrated management system (IMS) in accordance with the international standards ISO 9001 (quality), ISO 14001 (environment), EMAS III (EU environmental management), ISO 50001 (energy), ISO 27001/27019

(information security) and OHRIS (occupational health and safety). In order to verify compliance with the requirements of these standards, external audits were again carried out at all Alzchem sites in Germany in 2022. This confirmed the effectiveness of the organization's management system on all topics at all sites. The certificates for the management system can be viewed on Alzchem's homepage.

Alzchem's occupational health and safety management system according to OHRIS was audited for the last time in 2021 by the Trade Supervisory Office of the Government of Upper Bavaria. The effectiveness of the prevention tools for avoiding occupational accidents, fires, explosions and substance leaks was examined. Alzchem was certified as having a functioning safety management system in accordance with OHRIS – the certificates, which are valid until 2024, can be viewed on our homepage.

In addition, the requirements of the management system are continuously checked by trained internal auditors as part of internal audits.

We also conduct audits at our suppliers and we have ourselves audited by our customers. In addition to general management topics, sustainability and environmental aspects are increasingly being assessed.

## 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. To do justice to the importance of the topic, 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 monitors Alzchem's activities with regard to sustainability issues and drives permanent improvements in Alzchem's sustainable behavior. The key tasks of this core team include the development and further development of a sustainability strategy as well as the development and follow-up of overarching sustainability projects.

Alzchem's sustainability activities combine the economic, ecological and social aspects of corporate management. In the course of this, scenarios for achieving CO<sub>2</sub> neutrality are also developed, for example, and the effects of the topic of sustainability on our product portfolio are quantified.

## SUSTAINABILITY ASSESSMENT

Environmental Social Governance (ESG) is a high priority for Alzchem. For this reason, we again successfully underwent an independent sustainability rating by EcoVadis, the world's largest provider in this regard, in 2022. The EcoVadis methodology is based on international sustainability standards (Global Reporting Initiative, United Nations Global Compact, ISO 26000) and is monitored by a scientific panel of experts to produce reliable sustainability ratings. The company's activities in the areas of environment, labor and human rights, ethics as well as sustainable procurement are evaluated. With 70 out of 100 achievable points, Alzchem is among the top 4% of companies worldwide assessed by EcoVadis in the field of basic chemical manufacturing. Among the various ESG topics, Alzchem achieved the highest score for environmental issues and the greatest improvement over 2020 for sustainable procurement. In recognition of its sustainability achievements, Alzchem was once again awarded the Gold Medal, which confirms its responsible approach to people and the environment.



## 9.4 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 CO<sub>2</sub> 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.

### PURCHASING/SUPPLIER APPROVAL

In the area of purchasing/supplier approval, Alzchem ensures that company-wide standards in procurement are also adhered to with regard to sustainability and social standards (CSR). The processes for purchasing and for supplier qualification are defined in a procedural instruction with clear responsibilities. Suppliers are evaluated based on clearly defined criteria and audited if necessary; the frequency of audits depends on the importance of the raw material for the supply chain or on the result of the self-disclosure.

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



## 9.5 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 and to be measured against the strict standards of international norms. To this end, in addition to the environmental management system in accordance with ISO 14001, the consolidated Environmental Statement for 2022 in accordance with EMAS (environment) was validated by TÜV SÜD Management Service GmbH at all of Alzchem's German sites. The effectiveness of the organization's management system according to EMAS was confirmed for all sites and the continued validity of the certificates was attested.

Alzchem prepares and updates an annual environmental program in accordance with EMAS in order to continuously improve its environmental performance. Excerpts from the program with defined goals and related measures can be found site-specific in the Environmental Statement to be published annually (Alzchem Group AG homepage). The main overriding goals in environmental protection are the reduction of the CO<sub>2</sub> footprint, the strengthening of the recycling economy, the avoidance and reduction of waste, the protection of water and the protection against emission and noise.

Alzchem regularly evaluates aspects of its activities on a site-by-site basis with regard to their significance for the environment and derives measures to mitigate their impact. The improvement of environmental performance is monitored and documented by determining annual environment-related key figures. Some of the key environmental per-

formance indicators are listed in the table on sustainability indicators. For further details, please refer to the Annual Environmental Statement, which is published on the Alzchem homepage.

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

Authorities also regularly check compliance with the requirements of permit notices and environmental legislation 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 concept for "cooperative plant monitoring" was developed in a model project together with the authorities and successfully introduced at one Alzchem site.

In the previous fiscal year 2022, Alzchem laid the foundation for making its contribution to the German government's environmental goals by continuing to calculate the carbon footprint for the main activities within its manufacturing companies ("cradle-to-gate"). The specifications of the "Greenhouse Gas Protocol" were used; 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 carbon footprint. In a 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 CO<sub>2</sub> emissions. In the fiscal year 2021, the first individual project ideas for the in-house production of renewable energy were discussed and further concretized 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, process and drinking water we need from our own wells.

Nevertheless, Alzchem is striving to successively reduce water consumption in order to counteract the nationwide trend of falling groundwater levels and to use the natural resource of water sparingly. To this end, water balances were drawn up for the production processes, with the aim of generating a key figure, the so-called "water footprint",





for Alzchem products, monitoring it and constantly reducing it. As part of the continuous improvement process, existing facilities are being modernized to make production more environmentally friendly and efficient. Initial measures have already been implemented. For example, the control of water volumes in one plant has been improved and a multiple use system for cooling water has been installed. This will save around 1.5 million m<sup>3</sup> of cooling water per year. Further measures to save cooling water are already underway and are expected to contribute to a 10% reduction in water consumption by 2023.

The implemented water management system at Alzchem's German sites enables monitoring of wastewater, which consists mainly of cooling water and rainwater. Only a small fraction of the wastewater (approx. 0.5%) requires treatment and has to be purified 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 m<sup>3</sup>/s. The water is used for the production of carbide. A maximum of 0.5 m<sup>3</sup>/s is required for carbide production, so that the environmental impact can be described as very low.

### WASTE/EXHAUST GAS

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 2022. 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

As an energy-intensive company, Alzchem strives to further optimize its use of energy as a resource. Energy management in accordance with ISO 50001 includes a systematic energy assessment of the operating areas, energy performance indicators, energy targets and action plans for the 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 to the Environmental Statement to be published annually, which can be viewed on the Alzchem homepage.

### BIODIVERSITY

On November 7, 2007, the German government adopted the National Strategy on Biological Diversity (NBS), which was developed under the leadership of the Federal Ministry for the Environment. The NBS is a comprehensive and ambitious strategy for implementing the UN Convention on Biological Diversity and contains around 330 targets and 430 measures on all biodiversity-related topics. In Germany, it has been noted that the amount of land with natural vegetation has been declining in recent decades. This, together with the cultivation and maintenance of these areas, was partly a reason for the decrease in insect diversity, but also for the quantitative decrease in insect biomass. Since the occurrence of insects is ecologically linked to the existence

of other fauna and flora, protection measures must be implemented with a high priority.

Alzchem owns a number of areas that have been deliberately maintained close to nature since 2020, so that biodiversity has been able to develop over time. In this way, Alzchem aims to contribute to nature conservation and the optimization of local biodiversity on green spaces in and around the sites. Currently, approximately 21 hectares of near-natural areas are included in the Annual Biodiversity Report. As part of the biodiversity monitoring, the existing flora and fauna are described and evaluated; targeted measures for the further development of diversity are also defined.

Biodiversity is the basis for various ecosystem services, such as the availability of clean water and renewable raw materials or the preservation of air, water and soil quality. As a company in the chemical industry, Alzchem also influences these services and depends on them to the same extent. By making the conscious decision to specifically maintain the above-mentioned areas, to allow them to develop freely and not to use them for other purposes, Alzchem wants to increase its contribution to improving biodiversity.

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

The Alzchem Group is regarded as a very family-oriented, employee-oriented and appreciative employer, in which many families have their roots over generations and decades.

Alzchem relies on its employees and, in addition to an attractive remuneration system, also offers job security, col-



legal action and the opportunity to help shape professional developments. Principles of conduct such as reliability, fairness, trust, responsibility and quality are the benchmarks for cooperation within the company, but also in contact with customers and suppliers.

## TRAINING

Alzchem is one of the largest trainers in the region. As part of practical training in the relevant specialist departments, trainees are offered a state-of-the-art training laboratory and ideal training workshops, as well as varied commercial training. The high quality of Alzchem's training is also recognized by international corporations – so much that they have their young employees trained by Alzchem.

In order to continue to be able to recruit sufficient junior staff, Alzchem is trying to approach interested schoolchildren to show them training opportunities at its sites, despite the restrictions imposed until recently by the COVID-19 pandemic. This year, Alzchem once again took advantage of numerous opportunities to get schoolchildren interested in training. In the surrounding schools, but also via social networks, attention was drawn to training at the Trostberg Chemical Park. The so-called discovery days organized by Alzchem are worth mentioning here. Together with their parents, young interested parties were able to get an overview of the respective apprenticeship professions and their contents. As a result, 44 young people were able to start their training at the Trostberg Chemical Park on September 1, 2022, in commercial, metalworking, electrical engineering and chemical fields. In the training year 2022, the Trostberg Chemical Park will again maintain the high training rate of previous years with approx. 9%.

## STRUCTURE OF EMPLOYMENT RELATIONSHIPS

Alzchem does not only want to be a reliable employer, but also to offer secure and long-term employment relationships – employees should be given the permanent opportunity to develop professionally and personally and to grow together with the company in the long term.

For this reason, it is important to Alzchem to make the majority of its employees' employment contracts permanent and to keep temporary employment contracts to a minimum, e.g. for demand-oriented reasons, and to convert them into permanent employment contracts within a short period of time if possible. This objective is also very important with regard to the issue of temporary employment, in order to be able to offer this group of employees an employment contract at Alzchem at the latest after the statutory maximum period of temporary employment, provided they perform accordingly.

In addition, we enable our employees to adjust their working hours individually to their personal needs by means of appropriate part-time models.

## FLUCTUATION RATE/JOB TENURE/JOB SECURITY

Alzchem pursues the goal of attracting, retaining and motivating the most suitable employees. The aim is to create a sustainably stable environment for employees – without the need for restructuring or compulsory redundancies. Alzchem pays particular attention to the satisfaction and commitment of its employees. The level of fluctuation and the average length of service give an indication of how satisfied employees actually are. These metrics were 6.3% in 2022 (2021: 5.1%) and 17.2 years (2021: 17.8 years). With these two metrics, Alzchem clearly stands out from the prevailing average values in Germany for length of service (11.2 years) and fluctuation (16%).

Sources: IW – Institut der deutschen Wirtschaft and Benchmarking Center Europe (January 1, 2023).

## DIVERSITY AND EQUAL OPPORTUNITIES

The concept of diversity at Alzchem is characterized by a very positive and open attitude – not only because of the prohibition of discrimination in the sense of the German Basic Law, the General Equal Treatment Act, the International Human Rights Charter, etc., but also in particular with regard to equal opportunities for all genders, employees with disabilities and nationalities, who in sum contribute with their strengths, competencies and also their uniqueness to the economic as well as social development of our company in terms of tolerance, openness, integration, self-image, but also modernity, corporate culture, etc. Alzchem sees the diversity of people as an enrichment as well as a cornerstone for a sustainable corporate culture.

Alzchem, together with the IGBCE (Industrial Union for Mining, Chemicals and Energy) and the Works Council, already took a clear position several years ago via the joint written declaration "Charter of Equality" and committed itself, among other things, to equal career development opportunities and equal pay for women and men, as well as setting the goal of developing more women in management positions.

Alzchem is also committed to the principles of social partnership. A social partner agreement has been signed to support the social partnership culture in the company.

For employees who, among other things, suffer from serious physical, health or even psychological limitations, Alzchem offers social workplaces in various areas of the company that enable them to be deployed in a way that is appropriate to their suffering. In this context, the human resources department, employee representatives and representatives of the severely disabled, supervisors and the company doctor work very closely with the Inclusion Office and the specialist integration service, among others, to provide targeted support for affected employees.



## COMPATIBILITY WORK AND FAMILY

Alzchem promotes and implements a family-friendly working environment for all genders. This is achieved above all through flexible working hours agreed with the company partner and a variety of part-time models.

Within a defined framework time, employees can largely determine the start and end of work themselves and flexibly organize their working hours in flexitime and trust-based working time. 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.

In addition, arrangements for mobile working help to achieve a better balance between work and family life. Various parental leave or part-time programs enable employees to take intensive care of their offspring after the birth of their children.

In cooperation with the city of Trostberg and the Traunstein District Workers' Welfare Association ("Arbeiterwohlfahrt Kreisverband Traunstein"), a kindergarten and daycare program is currently being created. Through this cooperation, Alzchem will offer its employees up to 37 places (kindergarten and daycare places) in the "Alzstadtkindergarten" in Trostberg from fall 2023. This means that half of the kindergarten or daycare places can be occupied by children of Alzchem employees. The longer opening hours of the kindergarten thus support working parents with childcare.

## ATTRACTIVE REMUNERATION

In addition to the collectively agreed conditions, Alzchem offers remuneration that is commensurate with personal performance and the respective position or responsibility – employees also receive a profit-sharing bonus that is dependent on the company's success. Additional company and social benefits are fixed components of Alzchem's remuneration system. A function evaluation, which combines operational functions with equivalent and comparable work tasks (jobs), is intended to ensure a uniform and fair evaluation policy in a cross-comparison across all sites as well as employees (male/female/diverse). Each employee at the 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 employees is crucial to the joint success and thus improved competitiveness of the Group. Alongside professional, intellectual and social skills, health is the most valuable asset that 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.

To this end, Alzchem developed the "gesund punkten..." ("score healthy...") program in cooperation with the local companies at the Trostberg Chemical Park, which has been successfully implemented for employees at the Trostberg, Schalchen, Hart and Waldkraiburg sites since 2010. The courses offered by professional therapy facilities and trainers are all certified in accordance with sec. 20 of the German Social Security Code (SGB V) and recognized by health insurers.

## MEDICAL SERVICE (COMPANY DOCTOR AND PARAMEDICS)

Alzchem offers its employees comprehensive medical care at all its German sites. Occupational and emergency medicine covers all measures for the prevention of work-related illnesses or occupational diseases, for maintaining health in the workplace, and for the diagnosis and treatment of 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 readily possible. In this case, measures are developed in collaboration 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

Alzchem expressly welcomes ideas generated by employees. Alzchem wants to motivate its 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

The 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. Alzchem also offers its employees a long-term account into which both remuneration and vacation or retirement time can be paid.



## SUPPLEMENTARY COMPANY NURSING CARE INSURANCE

In the collective bargaining round 2019, an industry-wide supplementary care insurance scheme was created throughout Germany. This is the first collectively agreed supplementary long-term 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 is responsible for registering the employees and processing the contributions.

The background to this supplementary care insurance is that a high proportion 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 solution created by the collective bargaining parties through which Alzchem as an employer provides demographic contributions for its collective bargaining employees in order to address the challenges of demographic change. The money from this fund is 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.

## PERSONNEL DEVELOPMENT & FURTHER EDUCATION

In order to maintain its position in its field of activity in the future, Alzchem needs a future-oriented, qualified workforce. Alzchem offers its employees specialist training and further education in every professional field, either on the job or in specialist institutions. The qualification level of the employees is permanently adapted to the operational requirements and the qualification necessities in order to actively counteract the acute shortage of skilled workers on the one hand and to ensure production capability on the other. For example, Alzchem specifically qualifies employees from various production plants to become chemical production specialists (IHK) and chemical technicians (IHK) who have been recruited as career changers from other occupational fields.

Human resources development is aimed at identifying and developing potential and talent within 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 the personnel development concept. A particular focus is on a special management program, the "Leadership Journey". For this, internal potential conferences are used to select employees who not only have high and special potential but also a wealth of management experience. The aim is to prepare this group of people for future management positions.

In annual performance reviews, we reflect on the performance, behavior, needs and wishes of our employees and draw up individual development plans for particularly high-performing and talented employees. The high proportion of internally filled management positions confirms this approach.

Alzchem responds to the needs of its employees on an individual basis. This lays the foundation for filling key positions from within the company.

## INTEREST GROUPS

It is important to Alzchem that the interests of all employees and employee groups are taken seriously and supported through internal interest groups and institutionalized employee representatives such as the works council, youth and trainee representatives, the speakers' committee, and representatives for the severely disabled. All employees are treated equally, regardless of union membership or other association affiliations.

In principle, all employees are covered by the relevant collective agreements of the chemical industry. The only exceptions are managerial employees as defined by the Works Constitution Act, who are not covered by the collective agreements but are treated similarly in many respects.

## 9.7 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. The Alzchem Group 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 actively involved, 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, Alzchem assumes social responsibility – especially in the regional environment. In 2022, the Alzchem Group again got involved with numerous donation and sponsorship 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 Alzchem 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 the Alzchem 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?), Alzchem arouses the curiosity of even the very youngest children. As sponsoring 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 between Alzchem Group AG, BASF in Trostberg and the Knowledge Factory. The "Wissensfabrik – Unternehmen für Deutschland" (Knowledge Factory – Companies for Germany) is an open platform for all companies, educational institutions and initiatives that promote and share knowledge as the key to more economic growth. The "Wissensfabrik" and Alzchem have one important goal: to make the next generation, and thus Germany as a business location, fit for the future. Alzchem sees itself as responsible here for providing impetus and supporting 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 begins in kindergarten. Schoolchildren can complete internships, trial apprenticeships or workshops in the training laboratory at Alzchem. As a chemical company with a passion, Alzchem is happy to pass on its enthusiasm. The Alzchem Group sees its commitment to young talent as an investment in both its own and the regional future. Alzchem feels a strong bond with the region and, in the spirit of good neighborliness, wants to offer children and young people career prospects.

## 9.8 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 rules of conduct and measures that establish the legally compliant behavior of a company and its employees. This applies to both statutory and internal company regulations. In addition, it is intended to ensure that the company's actions comply with fundamental social guidelines and 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.

In order to achieve these goals, the Alzchem Group has established a compliance management system (CMS), which serves to prevent or limit damage, to detect and terminate violations of rules, and to fulfill legal obligations.

The CMS also extends to the "Corporate Guidelines" that the Alzchem Group has implemented to summarize the corporate policy principles and standards with which all Alzchem employees must be familiar. They provide guidance on basic legal and ethical obligations and give Alzchem employees the confidence they need to conduct themselves properly on the job.





To strengthen the compliance function, Alzchem has had a whistleblower hotline in place for years, which was fundamentally restructured in the year under review and placed on a new technical and institutional footing. Alzchem Group employees, but also their business partners and customers, for example, have access to the reporting platform offered by a service provider specializing in this area ([www.hinweisgeberexperte.de](http://www.hinweisgeberexperte.de)), whose employees can be contacted online, by e-mail and telephone, but also in person, to report any compliance violations. In addition, anyone with a compliance issue can also contact the company's Compliance Officer – and not least, of course, their superior at Alzchem. The employees of the reporting platform are subject to the duty of confidentiality 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 Alzchem.

Contacting the “Whistleblower Hotline” or the Compliance Officer will not result in any professional or personal disadvantages for the employees concerned, provided they have not themselves violated 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 German, international 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 laws and regulations applicable to Alzchem and its business activities. Employees are therefore prohibited from engaging in any activity or issuing any instructions

in the course of their business that deviates from this or from the corporate guidelines.

Consequently, any active or passive bribery or acceptance of advantages, as well as any attempt to do so, is strictly prohibited. On the contrary, 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 unreasonably 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. Business 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.

## 9.9 SAFETY

For Alzchem, the protection of people against impairment of their safety and health by products, business and production processes are elementary components of responsible corporate action. Starting from compliance with laws and agreements as a basis, Alzchem is working to continuously improve its performance and 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, Alzchem also assumes responsibility for the safety and protection of the environment and local residents. For over 100 years, plants have been operated at the Trostberg and Hart sites – these, like the Waldkraiburg site, 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 in-house safety initiatives, a highly trained plant fire department and extensive safety precautions in the plants and facilities, which have been optimized in cooperation with the authorities, help to minimize risks to employees and people in the neighborhood.



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 with the German Major Accidents 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 various occupational safety committees and working groups. The Safety Steering Committee is the authoritative body in safety and health work at the Alzchem Group's German sites. The Safety Steering Committee, which meets at least once a quarter, steers and coordinates the activities of the safety and health program. The Safety Steering Committee is chaired by the Management Board member responsible for Production/Engineering.

Safety audits are an important instrument of 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. Employees are also encouraged 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 Alzchem the opportunity to actively address errors and hazards.

Another important pillar of occupational safety is 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 17.5 at the German sites in 2022 as a whole, below the average value of 18.9 from 2021 for the BG Rohstoffe und chemische Industrie (BG Raw Materials and Chemical Industry) cited by the German Social Accident Insurance ("Deutsche Gesetzliche Unfallversicherung", DGUV) (source: DGUV homepage (January 1, 2023)).

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 ("Verband der Chemischen Industrie", VCI). 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 multiplied

by 1 million, divided by the total man-hours in the period under consideration. With 6 PSI events in 2022 and a resulting PSI rate of 2.5, the target of less than or equal to 1.5 set for 2022 was not achieved and was back to the level of 2020.

In emergency and incident management, a systematic approach was developed in the event of an alarm. In 2022, a large-scale exercise of Alzchem's emergency and incident management was again carried out together with external forces (rescue service, external fire departments, disaster control).

### **INFORMATION SECURITY**

Alzchem's asset-based information security risk management not only takes into account the technical infrastructure, but also effectively incorporates the entire organization, including human behavior and intangible damage classes.

To achieve the optimum level of security for the Alzchem Group, for example, protection zones were defined for physical security, information was classified using a so-called "confidentiality matrix", and procedural instructions were used to achieve an equal understanding of the security process as it is lived.

Regular, event-related information and mandatory training courses ensure that the topic of information security remains present in the minds of employees.

## IT COMPLIANCE

The responsible specialist 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 constantly being 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 (“Bundesimmissionsschutzgesetz”, BImSchG) with its ordinances (for example, the Major Accidents Ordinance, 12th BImSchV), the Federal Water Act (“Wasserhaushaltsgesetz”, WHG), the Wastewater Ordinance (“Abwasser-Verordnung”, AbwV), the Ordinance on Installations for Handling Substances Hazardous to Water (“Verordnung über Anlagen zum Umgang mit wassergefährdenden Stoffen”, AwSV), as well as 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 the company), 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.

## 10. (GROUP) CORPORATE GOVERNANCE STATEMENT PURSUANT TO SEC. 315D HGB IN CONNECTION WITH SEC. 289F HGB

### 10.1 CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY PURSUANT TO SEC. 161 AKTG

#### 10.1.1 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 is an essential part of the Alzchem Group’s philosophy as an expression of good and responsible corporate management.

The principles of corporate governance primarily concern cooperation within the Management Board and the Supervisory Board (including its committees) and between the two bodies, as well as the relationship with our shareholders, both in and outside the Annual General Meeting. Finally, the principles of corporate governance also concern Alzchem’s relationship with persons and entities that have an economic relationship with it.

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).

### 10.1.2 GOVERNANCE TOPICS RECOMMENDED 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 (CGS):

- 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 Management Board function 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 October 21, 2022.
- Also in its meeting on August 4, 2020, the Supervisory Board set the age limit for Management Board members at their respective (possibly fictitious) standard retirement age under the statutory pension insurance 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).

Regarding recommendations C.1 sentence 1 et seq. GCGC (catalog of objectives and competence profile for the Supervisory Board; diversity; sustainability expertise), C.1 sentence 5 GCGC (qualification matrix), C.1 sentence 6 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), D.3 sentence 4 GCGC (financial expertise of Audit Committee members) and D.12 GCGC (efficiency review of the Supervisory Board) cf. the information in section 10.3.

### 10.1.3 DECLARATION OF CONFORMITY 2022

#### 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 2021. Since that date, the company has complied with all recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("GCGC 2019").

In June 2022, a revised version of the German Corporate Governance Code (dated April 28, 2022) was published in the official section of the German Federal Gazette ("GCGC 2022"). Since that date, the company has complied with all recommendations of the GCGC 2022 and intends to continue to comply with them in the future.

As a highly precautionary measure, reference is already made to a possible future deviation from recommendation G.6 GCGC 2022. According to this recommendation, "the variable remuneration ... resulting from the achievement of long-term targets ... should exceed the share resulting from short-term targets": The Management Board service contracts of Mr. Englmaier and Dr. Weichselbaumer, effective from January 1, 2023, provide for two variable "transitional payments". These are structured along the lines of the long-term incentive (LTI), but after a holding period of two and three years, respectively, they may already give rise to a payment claim that depends on the increase in the price of Alzchem shares. The granting of these "transitional payments" results in the short-term variable (target) remuneration exceeding the long-term variable remuneration. However, the legal requirements for the "transitional payments" to come into effect have yet to be created by the company's Annual General Meeting. In substance, the company considers the planned payments to be necessary to avoid temporary salary reductions for Management Board members due solely to the transition to a new compensation system. As the "transitional payments" are merely a temporary phenomenon, the company does not consider itself affected in its fundamental endeavor to comply as far as possible with the recommendations of the GCGC 2022.

Trostberg, December 2022

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 year's Declarations of Conformity are available on our [website](#).



## 10.2 PUBLIC DISCLOSURE OF REMUNERATION-RELATED DOCUMENTS

The remuneration report for the fiscal year 2022 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/](http://www.alzchem.com/de/investor-relations/corporate-governance/).

## 10.3 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 (the latter with the exception of the deviation from recommendation G.6 GCGC disclosed and explained in the Declaration of Conformity as a highly precautionary measure, cf. section 10.1.3).

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](http://www.alzchem.com), are authoritative for the management of the company.

## 10.3.1 WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

### 10.3.1.1 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 complies with the recommendations of the German Corporate Governance Code; any deviations are reported and explained – as a rule together with the Supervisory Board – in the Declaration of Conformity (most recently in the case of recommendation G.6 GCGC). The Management Board shall define the corporate 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 company guidelines and works towards their observance by the Group companies and their employees (compliance). It is also responsible for ensuring appropriate risk management and controlling within the company.

In the fiscal year 2022, the Management Board again comprised the three members Mr. Niedermaier, Mr. Englmaier and Dr. Weichselbaumer. Mr. Niedermaier, a member of the Management Board, has been appointed its Chairman. The Management Board operates on the basis of the Rules of

Procedure for the Management Board, which were last revised by the Supervisory Board by resolution of July 22, 2022. The current version of the Rules of Procedure is published on the company's website at [www.alzchem.com/de/investor-relations/corporate-governance/](http://www.alzchem.com/de/investor-relations/corporate-governance/).

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 towards ensuring that the management of the Management Board 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 company as a whole. 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 Management Board members are based on the schedule of responsibilities for the company, last revised in July 2022, 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.





<b>Andreas Niedermaier CEO</b>	<b>Klaus Englmaier COO</b>	<b>Dr. Georg Weichselbaumer CSO</b>
Strategy	Production	Marketing
Investor Relations	Technology	Sales
Communication	Environment, Safety, Health, Quality	Innovation management/F&E/ Process Development
Law	Nordic Carbide AB, Sweden	Product Approval
Risk Management		Alzchem LLC, USA
Human Resources		Alzchem Shanghai Co. Ltd, China
IT		Alzchem UK Ltd., Great Britain
Supply Chain Management		
Insurance		
Controlling, Accounting & Finance, Taxes		

Within his or her area of responsibility, each Management Board member shall make his or her decisions independently, always bearing in mind 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 Management Board member 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 the due discretion of the Management Board 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 Manage-

ment 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, reports shall be submitted to the Supervisory Board orally.

As part of its reporting, the Management Board shall inform the Supervisory Board regularly, promptly and comprehensively, in particular at its meetings, about fundamental issues relating to corporate planning, the net assets, financial position and results of operations, and profitability. In doing so, the Management Board shall also address any deviations from the approved plans and targets, stating the reasons for such deviations. The reporting of the Management Board shall also cover the risk situation, risk management and compliance.

At the meetings of the Supervisory Board, the Management Board shall also report regularly to the Supervisory Board on the course of business of the company (including its subsidiaries), in particular on sales and earnings, the situation of the company, and all issues of business policy and profitability relevant to the company.

Unless otherwise determined by the Supervisory Board, the Management Board reports to the Supervisory Board at the last meeting of the Supervisory Board of a fiscal year on the intended business policy and other fundamental issues of corporate planning and submits the budget for the following fiscal year (including financial, investment and personnel planning) to the Supervisory Board. In doing so, it also addresses unplanned deviations from the actual course of business.

Unless otherwise determined by the Supervisory Board, the Management Board shall inform and report to the Supervisory Board on the profitability of the company, in particular the return on equity, at the meeting of the Supervisory Board at which the annual financial statements are discussed.

In addition, the Chairman of the Management Board shall report 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 in the case of 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.

### 10.3.1.2 SUPERVISORY BOARD

#### TASKS

The Supervisory Board advises the Management Board on the management of the company and monitors its conduct of business (for more information on the activities of the Supervisory Board, please refer to the Supervisory Board Report in this Annual Report). 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 carries out its activities in accordance with the statutory provisions, the Articles of Association and the Rules of Procedure, which were last updated in July 2022. 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 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 works 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, usually every two years. The last efficiency review for the Supervisory Board took place in the reporting year. To carry out the review, the members of the Supervisory Board each completed a comprehensive written questionnaire, the (anonymous) results of which were evaluated by the Chairman of the Supervisory Board and presented at the Supervisory Board meeting on July 22, 2022. 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 (e.g. on conducting site visits and on the appropriate format of the Supervisory Board meetings (virtual/hybrid/present)) have been taken up and

implemented by the Supervisory Board Chairman. The next regular efficiency review will take place in 2024; the Supervisory Board will autonomously determine the relevant review format in good time beforehand (recommendation D.12 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 (until the Annual General Meeting in 2025). 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.

Taking into account the recommendations of the German Corporate Governance Code, the Supervisory Board specifies "concrete objectives" for its composition (recommendation C.1 sentence 1 GCGC). For the company's Supervisory Board, these objectives, last updated by the Supervisory Board in July 2022, essentially consist of ensuring the full range of technical, company-specific and sustainability-related expertise on the Supervisory Board as a whole, ensuring the internationality and a sufficient degree of independence of the Supervisory Board members, and ensuring gender diversity and a balanced age structure on the Supervisory Board.

Furthermore, C.1 sentence 1 GCGC recommends that the Supervisory Board should adopt a "competence profile". According to the "competence profile", which was also last revised in July 2022, 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. According to the competence profile, it is also desirable for the Super-

visory Board to have an appropriate level of chemical and technological competence based on education, professional activity or special personal interest. Finally, the Supervisory Board should have expertise in the areas of

- Manufacturing and production, marketing and sales
- Corporate planning
- (Internal and external) corporate finance and capital markets
- Accounting and auditing
- Strategy development and implementation; M&A
- Corporate governance; corporate compliance
- Supervisory and committee work

In accordance with recommendation C.1 sentence 2 GCGC, the Supervisory Board recently included the topic of "sustainability" in its competence profile. According to this, "indispensable for the work of the Supervisory Board ... is expertise on all sustainability issues of importance to the company. This includes sustainability reporting and its audit."

In the opinion of the Supervisory Board, the existing body completely fulfills the specified competence profile despite its small size; it also meets the targets it has set itself with regard to age, independence and diversity, among other things (the exact status of implementation of the competence profile can be seen in the following section "qualification matrix").

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 self-imposed targets – also be geared at all times to fulfilling the competence profile, recommendation C.1 sentence 4 GCGC.



## REQUIREMENTS FOR THE INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD

In accordance with the defined “Competency Profile and Catalog of Objectives”, 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, this should be at least 75% of the Supervisory Board members (cf. recommendation 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. Irrespective of 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 considers all of its members to be independent.

Since the fiscal year 2022, at least two members of the Supervisory Board must by law have expertise in the fields of accounting and auditing, one member for each specialist area (sec. 100 para. 5 half-sentence 1 AktG). On the Supervisory Board of the company, Prof. Dr. Heigl-Murauer (who

is also Chairwoman of the Audit Committee) and Mr. Zöllner have assumed the role of these so-called financial experts; over and above the statutory requirements, both experts have expertise in both specialist areas (cf. also the section “Composition and working methods of the Audit Committee” for further “special” specialist qualifications of the two aforementioned).

In addition, the Supervisory Board members as a whole must be familiar with the “sector”, i.e. the business area, in which the company operates (sec. 100 para. 5 half-sentence 2 AktG). This requirement is ensured by compliance with the competence profile which the Supervisory Board has given itself.

In accordance with sec. 100 para. 2 no. 4 AktG, the Supervisory Board should 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 on the proposal of shareholders holding more than 25% of the voting rights in the company. Such former members of the company’s Management Board are not represented on the Supervisory Board.

Finally, certain requirements for the individual members of the Supervisory Board result from the recommendations of the GCGC, which the company has committed itself to fulfilling in the Declaration of Conformity. For example, the members of the Supervisory Board should not exercise any board functions or advisory duties for significant competi-

tors of the company and should not have a personal relationship with a significant competitor, recommendation C.12 GCGC.

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 should be a Chair mandate) 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 composition of the company’s Supervisory Board complies with all of these recommendations.

According to the “Competency Profile and Catalog of Objectives”, the above requirements are to be taken into account in proposals for the election of Supervisory Board members by the Annual General Meeting.

## QUALIFICATION MATRIX

According to recommendation C.1 sentence 5 GCGC, “the status of implementation [of the competence profile defined by the Supervisory Board and the resulting objectives] shall be disclosed ... in the form of a qualification matrix.” With regard to the Supervisory Board of the company, this matrix results in the following picture:



		Zöllner	Heigl-Murauer	Röper	v. Schnurbein
Function(s)		Supervisory Board Chairman	Audit Committee Chairwoman		Supervisory Board Deputy Chairman
Length of membership of the Supervisory Board	[according to GCGC recommendation + competence profile max. 12 years]	2017	2017	2017	2017
AktG requirements	Other Supervisory Board mandates	2 (2 Chairs) <sup>1</sup>	1 <sup>1</sup>	2 <sup>1</sup>	4 (2 Chairs) <sup>1</sup>
	Former Management Board member ACG	(–)	(–)	(–)	(–)
	Financial expertise, sec. 100 V AktG				
	– Accounting	(+)	(+)	(+)	(+)
	– Auditing	(+)	(+)	(+)	(+)
	Sector familiarity			(+)	
	Target women's quota (25%)			(+)	
GCGC recommendations	Compliance with age limit (65)	(+)	(+)	(+)	(+)
	Time availability	(+)	(+)	(+)	(+)
	Independence	(+)	(+)	(+)	(+)
	"Special" financial expertise, recommendation D.3 GCGC				
	– Accounting	(+)	(+)		
	– Auditing	(+)	(+)		
Diversity	Age	54	55	46	49
	Gender	male	female	male	male
	Education	Industrial Engineer, MBA	Business administration	Lawyer	Lawyer
	Profession	Entrepreneur	University teacher	Lawyer	General Counsel



		Zöllner	Heigl-Murauer	Röper	v. Schnurbein
Function(s)		Supervisory Board Chairman	Audit Committee Chairwoman		Supervisory Board Deputy Chairman
	Nationality	German	German	German	German
	International experience	(+)	(+)	(+)	(+)
Competence profile	Familiarity chemical industry	(+)	(+)	(+)	(+)
	Chemical-technological competence	(+)			
	Manufacturing & production; marketing & sales	(+)		(+)	
	Corporate planning	(+)	(+)		
	Corporate finance/capital markets	(+)	(+)		
	Strategy development/implementation; M&A	(+)		(+)	(+)
	Corp. Governance/compliance	(+)		(+)	(+)
	Supervisory/committee work	(+)	(+)	(+)	(+)
	Sustainability expertise:				
	– Basic understanding	(+)	(+)	(+)	(+)
	– Deeper understanding	(+)		(+)	
Other	Member Audit Committee	(+)	(+); Chairwoman	(+)	(+)

1 No listed companies; one intragroup mandate (Alzchem Trostberg GmbH)



## 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 Chairmen may be elected. Unless a shorter term of office is specified at the time of election, the election of the Chairman and his 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 shall coordinate the work of the Supervisory Board. He shall inform the other members of the Supervisory Board on a regular basis, in particular of measures taken in connection with urgent transactions requiring their 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 revised by resolution of July 22, 2022 – which form the basis for its activities, in particular for coopera-

tion within the Board. The current Rules of Procedure of the Supervisory Board – as well as the Rules of Procedure of the Board of Management – are published on the company's website at [www.alzchem.com/de/investor-relations/corporate-governance/](http://www.alzchem.com/de/investor-relations/corporate-governance/).

## COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of the company was composed as follows in the reporting period:

Member	Since	Last elected
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 three largest shareholders represented on the Supervisory Board by their respective owners or proxies were significantly reduced years ago and the company therefore no longer has one or more “controlling” shareholders. In the opinion of the Supervisory Board, the Supervisory Board therefore has an “appropriate” number of independent members within the meaning of recommendation C.1 sentence 6, 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 in May 2020, the Supervisory Board deliberately refrained from forming committees. In doing so, it followed the unanimous findings of the then current internal efficiency review of the Supervisory Board, 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 in accordance with the stock corporation law in force at the time.

This autonomous decision-making 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” – i.e. essentially listed – companies must compulsorily 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 AND WORKING METHODS OF THE AUDIT COMMITTEE

The Audit Committee of the Supervisory Board in the reporting year is composed as follows:

Member	Last elected	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. Another “financial expert” on the Audit Committee is Mr. Zöllner. Both of the aforementioned also have the “special knowledge and experience” in their respective areas of expertise, including sustainability reporting and its audit, which D.3 sentence 1 et seq. GCGC recommends for the financial experts and in particular the Chair of the Audit Committee. Prof. Dr. Heigl-Murauer’s expertise in this area derives primarily from her many years of professional experience as a tax consultant, also in an international environment, and as a university teacher at the Faculty of Applied Economics (School of Management) at Deggendorf University of Applied Sciences, focusing among other things on national (HGB) and international (IFRS) accounting. Mr. Zöllner’s expertise results primarily from his many years of executive activity in various investment companies in different industries, including as a former Management Board member of an MDAX company, as well as from his extensive activity in various supervisory bodies. Both financial experts’ intimate knowledge of the (accounting and auditing) circumstances at Alzchem in particular follows from their many years of experience as Chairpersons of the company’s Supervisory Board and Audit Committee.

With regard to the working methods for, among others, the Audit Committee, the current Rules of Procedure of the Supervisory Board (publicly available on the company’s website at [www.alzchem.com/de/investor-relations/corporate-governance/](http://www.alzchem.com/de/investor-relations/corporate-governance/)) declare their essential procedural rules to be applicable to the committees as well.

With the FISG, the legislator has also created the possibility for each member of the Audit Committee to obtain infor-

mation directly from the heads of the central departments relevant to the work of the committee via the committee Chairperson. The committee Chairperson must then communicate the information obtained to all members of the Audit Committee.

### MEETING FREQUENCY; INDIVIDUAL MEETING PARTICIPATION

The Supervisory Board met five times in the reporting period. In addition, one resolution (on three issues) was 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 2021, it was composed of

- the four shareholder representatives on 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.

On April 1, 2022, Mr. Christian Ortbauer joined the Supervisory Board as a substitute member for Mr. Otto Wolf, who retired from the company (and thus from its Supervisory Board) on that date.

The Chairman of the Supervisory Board is Mr. Markus Zöllner, his Deputy Mr. Karl Held.

The Supervisory Board has not established any committees. Instead, all tasks are performed by the full Supervisory Board of Alzchem Trostberg GmbH.

### MANDATES OF THE SUPERVISORY BOARD MEMBERS

In addition to the activities described above as members of the Supervisory Board of Alzchem Trostberg GmbH, the members of the Supervisory Board of Alzchem Group AG also hold the following mandates:

Member	Mandates
Markus Zöllner	Chairman of the Board of Directors of Anttila Oy
Prof. Dr. Martina Heigl-Murauer	[none]
Steve Röper	Member of the Board of Directors of Anttila Oy
	Chairman of the Supervisory Board of LIVIA Emerging Markets AG
Dr. Caspar Freiherr von Schnurbein	Chairman of the Supervisory Board of LIVIA Organic Industries AG
	Member of the Supervisory Board of Blitz 21-824 AG (since January 17, 2022)



### 10.3.1.3 AVOIDANCE OF CONFLICTS OF INTEREST

The members of the Management Board and 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 and Supervisory Board in the reporting period.

## 10.4 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 assumed, 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 profiles of the members, which complement each other as far as possible. In particular, the following diversity aspects are also taken into account:

- Management Board members should have many years of management experience.

- Management Board members should have diverse professional experience as well as extensive skills and knowledge.
- The Management Board as a whole should have many years of experience in the chemical industry.
- There should be a sufficient age mix on the Management Board; any age limit set by the Supervisory Board (recommendation B.5 GCGC) should not be exceeded (see section 10.1.2 "Governance topics recommended for disclosure by the GCGC").
- Subject to a disclosed deviation in the Declaration of Conformity, the members of the Management Board shall comply with the recommendations of the GCGC relating to the Management Board on diversity (recommendation B.1 GCGC).

The decision as to which person, if any, should 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. That is why it is important to us to prevent discrimination against minorities, identify and promote valuable potential and improve equal opportunities in the company, among other things.

For information on the Supervisory Board's diversity concept, please refer to section 10.3.1.2 (there "Composition/Targets/Competence profile").

## 10.5 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 women's quota on their respective Supervisory Boards and Management Boards or Management, as well as for the two management levels below Management, in accordance with sec. 76 para. 4 and sec. 111 para. 5 of the German Stock Corporation Act (AktG) and sec. 36 and sec. 52 para. 2 of the German Limited Liability Companies Act (GmbHG). The two companies concerned have complied with this as follows:

### ALZCHEM GROUP AG

- On April 22, 2022, the Supervisory Board of Alzchem Group AG set the target figures for the women's quota to be achieved on the Supervisory Board and the Management Board at 25% = 1 member (for the Supervisory Board) and 0% = 0 members (for the Management Board). The target date for the women's quota on the Management Board is June 30, 2023, and for the women's quota on the Supervisory Board the end of its term of office in spring 2025.

The Supervisory Board gave the following reasons for setting the 0% quota for the Management Board: (i) In view of the proven composition of the Management Board, an immediate reshuffle of the Management Board does not appear to make sense. On the other hand, in view of the age structure of the Management Board, there is a need to

consider a concrete succession plan for the Management Board members concerned as soon as possible. (ii) With regard to such a succession plan, the short-term expansion of the incumbent Management Board to include a female member also seems conceivable. However, such a measure would have to be carefully considered, particularly with regard to the structure of the newly created Management Board area of responsibility. (iii) Under the given circumstances, the Supervisory Board agrees to continue the current 0% quota for the Management Board, but prudently only until the end of June 2023. In the meantime, concrete internal and external options for a meaningful female Management Board position are to be explored in more detail. The new quota to be set in June 2023 should reflect the results achieved in this respect. (iv) There is agreement in the Supervisory Board that the current 0% quota is not acceptable in the long term.

As of December 31, 2022, the women's quota on the Supervisory Board was 25% and on the Management Board 0%.

- In accordance with the declared intention of the legislator, the Management Board has not set any target values for the women's quota in the first and second Management levels below the Management Board. This results from the fact that Alzchem Group AG functions within the Alzchem Group as a pure management holding company and as such only employs a negligible number of employees. There is no question of "Management levels" (below the Management Board) in the given organization. The specification of target quotas would therefore appear to be arbitrary and misleading, and their achievement would be determined solely by chance.

### ALZCHEM TROSTBERG GMBH

- In July 2022, the shareholders' meeting of Alzchem Trostberg GmbH set the target figures for the women's quota to be achieved in the Supervisory Board and in the Management as follows: For the Supervisory Board, a women's quota of 16.66% to be achieved by the end of the term of office in spring 2026 (this corresponds to one person in the existing six-member Supervisory Board) and for the Management a women's quota of 0% to be achieved by June 30, 2023.

In order to justify the 0% quota, the shareholders' meeting of Alzchem Trostberg GmbH, in view of the identity of persons in the two Management Boards, cited the same – aforementioned – reasons that the Supervisory Board of Alzchem Group AG had already used for the 0% quota for the Management Board of this very company.

- In addition, the Management of Alzchem Trostberg GmbH, in a resolution passed in July 2022, confirmed the previous year's targets and set the target value for the period up to June 30, 2027 for the women's quota in the first Management level below the Management at 15% and in the second Management level below the Management at 17%. As of December 31, 2022, the women's quota in the first Management level below the Management is 13.3% and in the second Management level below the Management is 13.3%.
- Due to the specific circumstances in the chemical industry (e.g. protection of the unborn and resulting employment bans; underproportional representation of female specialists in the MINT area), the company does not currently consider target figures corresponding to the statutory guideline of 30% to be achievable.

## 11. SUPPLEMENTARY REPORT

After the end of the fiscal year 2022 and up to the date of preparation of the consolidated financial statements, there were no events with a significant impact on the net assets, financial position and results of operations.



A photograph of three scientists in a laboratory setting. On the left, a woman with short blonde hair is smiling. In the center, a man with a beard and a shaved head is smiling. On the right, a woman with long, curly brown hair is smiling and holding safety glasses. They are all wearing white lab coats. The background shows laboratory equipment and a whiteboard. A large blue diagonal graphic is overlaid on the left side of the image.

# CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022



# Consolidated income statement

OF ALZCHEM GROUP AG, TROSTBERG,  
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR thousand	Notes no.	01/01 – 12/31/2021	01/01 – 12/31/2022
Revenues	1	422,293	542,223
Change in inventories of finished and unfinished goods		10,028	22,193
Other operating income	2	11,360	24,177
Cost of materials	3	-170,671	-288,877
Personnel expenses	4	-132,166	-137,139
Other operating expenses	5	-78,798	-101,136
<b>EBITDA</b>		<b>62,046</b>	<b>61,441</b>
Depreciation and amortization	6/11/12/13	-24,474	-25,543
<b>EBIT</b>		<b>37,572</b>	<b>35,898</b>
Other interest and similar income	7	643	8,421
Interest and similar expenses	7	-1,703	-3,037
Financial result	7	-1,060	5,384
<b>Result from ordinary business activities</b>		<b>36,512</b>	<b>41,282</b>
Taxes on income and earnings	8	-8,748	-11,059
<b>Consolidated annual result</b>		<b>27,764</b>	<b>30,223</b>
Non-controlling interests in consolidated annual result	10	171	171
Shares of the shareholders of Alzchem Group AG in consolidated annual result		27,593	30,052
<b>Earnings per share in € (undiluted and diluted)</b>	<b>9/IV</b>	<b>2.72</b>	<b>2.96</b>

# Consolidated statement of comprehensive income

OF ALZCHEM GROUP AG, TROSTBERG,  
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR thousand	Notes no.	01/01 – 12/31/2021	01/01 – 12/31/2022
<b>Consolidated annual result</b>	<b>21</b>	<b>27,764</b>	<b>30,223</b>
Other income			
Items that are not reclassified to the income statement			
Result from the revaluation of defined benefit plans		2,058	50,426
Deferred taxes		-578	-14,119
<b>Total items that are not reclassified to the income statement</b>		<b>1,480</b>	<b>36,307</b>
<b>Items that will later be reclassified to the income statement</b>			
Result from the market valuation of financial assets		36	27
Currency translation difference		468	-538
Deferred taxes		-10	-8
<b>Total items that will later be reclassified to the income statement</b>		<b>494</b>	<b>-519</b>
<b>Other income</b>	<b>21</b>	<b>1,974</b>	<b>35,788</b>
Non-controlling interests in other income		0	0
Shares of the shareholders of Alzchem Group AG in other income		1,974	35,788
<b>Consolidated comprehensive income</b>	<b>21</b>	<b>29,738</b>	<b>66,011</b>
Non-controlling interests in other consolidated comprehensive income		171	171
Shares of the shareholders of Alzchem Group AG in consolidated comprehensive income		29,567	65,840

# Consolidated balance sheet

AS OF DECEMBER 31, 2022  
OF THE ALZCHEM GROUP AG, TROSTBERG

ASSETS in EUR thousand	Notes no.	12/31/2021	12/31/2022
<b>Non-current assets</b>			
Intangible assets	11	2,329	2,954
Property, plant and equipment	12	178,806	181,526
Lease usage rights	13	7,686	6,250
Financial assets	14	20	6
Other receivables and other assets	15	1,320	1,531
Deferred tax assets	16	34,924	15,956
<b>Total non-current assets</b>		<b>225,085</b>	<b>208,223</b>

ASSETS in EUR thousand	Notes no.	12/31/2021	12/31/2022
<b>Current assets</b>			
Inventories	17	86,676	122,404
Trade receivables	18	40,841	55,712
Financial assets	14	0	5,228
Other receivables and other assets	15	16,454	19,743
Deferred tax assets	19	326	2,307
Cash and cash equivalents	20	8,285	9,243
<b>Total current assets</b>		<b>152,582</b>	<b>214,637</b>
<b>Total ASSETS</b>		<b>377,667</b>	<b>422,860</b>



EQUITY AND LIABILITIES in EUR thousand	Notes no.	12/31/2021	12/31/2022
<b>EQUITY</b>			
Capital and reserves			
Subscribed capital	21	101,763	101.763
Capital reserve adjustment item reverse acquisition / IFRS 2	21	-88,128	-87.451
Capital reserve	21	24,981	24.981
Other accumulated equity	21	-51,104	-15.316
Balance sheet profit	21	101,127	121.044
Treasury shares	21	-1,009	-1.009
		<b>87,630</b>	<b>144.012</b>
Non-controlling interests	10/21	1,934	1.934
<b>Total equity</b>		<b>89,564</b>	<b>145.946</b>

EQUITY AND LIABILITIES in EUR thousand	Notes no.	12/31/2021	12/31/2022
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	22	140,005	90.141
Other provisions	23	24,372	17.011
Loan liabilities to banks	24	37,553	27.498
Lease liabilities	13	5,793	4.622
Other liabilities	26	171	171
Deferred tax liabilities	16	4,084	5.365
<b>Total non-current liabilities</b>		<b>211,978</b>	<b>144.808</b>
<b>Current liabilities</b>			
Other provisions	23	2,968	1.944
Loan liabilities to banks	24	10,490	66.408
Lease liabilities	13	1,805	1.707
Trade payables	25	32,780	37.386
Other liabilities	26	26,220	23.059
Income tax liabilities	27	1,862	1.602
<b>Total current liabilities</b>		<b>76,125</b>	<b>132.106</b>
<b>Total liabilities</b>		<b>288,103</b>	<b>276.914</b>
<b>Total EQUITY and LIABILITIES</b>		<b>377,667</b>	<b>422.860</b>

# Consolidated statement of changes in equity

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

	Notes no.	Subscribed capital	Capital reserve adjustment item reverse acquisition / IFRS 2	Capital reserve	Other accumulated equity	Balance sheet profit	Treasury shares	Shares of Alzchem Group AG shareholders	Non-controlling interests	Total equity
		EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As of 01/01/2021		101,763	-88,128	24,981	-53,077	81,356	0	66,895	1,763	68,658
Dividend	IV	0	0	0	0	-7,821	0	-7,821	0	-7,821
Acquisition of treasury shares		0	0	0	0	0	-1,009	-1,009	0	-1,009
<b>Total transactions with shareholders</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,821</b>	<b>-1,009</b>	<b>-8,830</b>	<b>0</b>	<b>-8,830</b>
Consolidated annual result	21	0	0	0	0	27,593	0	27,593	171	27,764
Other comprehensive income	21	0	0	0	1,974	0	0	1,974	0	1,974
<b>Consolidated comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,974</b>	<b>27,593</b>	<b>0</b>	<b>29,567</b>	<b>171</b>	<b>29,738</b>
<b>As of 12/31/2021</b>		<b>101,763</b>	<b>-88,128</b>	<b>24,981</b>	<b>-51,104</b>	<b>101,127</b>	<b>-1,009</b>	<b>87,630</b>	<b>1,934</b>	<b>89,564</b>
<b>As of 01/01/2022</b>		<b>101,763</b>	<b>-88,128</b>	<b>24,981</b>	<b>-51,104</b>	<b>101,127</b>	<b>-1,009</b>	<b>87,630</b>	<b>1,934</b>	<b>89,564</b>
Dividend	IV	0	0	0	0	-10,136	0	-10,136	0	-10,136
Entitlement to compensation payment for non-controlling interests		0	0	0	0	0	0	0	-171	-171
<b>Total transactions with shareholders</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,136</b>	<b>0</b>	<b>-10,136</b>	<b>-171</b>	<b>-10,307</b>
Consolidated annual result	21	0	0	0	0	30,052	0	30,052	171	30,223
Other comprehensive income	21	0	0	0	35,788	0	0	35,788	0	35,788
<b>Consolidated comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>35,788</b>	<b>30,052</b>	<b>0</b>	<b>65,840</b>	<b>171</b>	<b>66,011</b>
Stock-based remuneration employees	21	0	677	0	0	0	0	677	0	677
<b>As of 12/31/2022</b>		<b>101,763</b>	<b>-87,451</b>	<b>24,981</b>	<b>-15,316</b>	<b>121,044</b>	<b>-1,009</b>	<b>144,012</b>	<b>1,934</b>	<b>145,946</b>





# Consolidated cash flow statement

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR  
FROM JANUARY 1 TO DECEMBER 31, 2022

	01/01 – Notes no. 12/31/2021	01/01 – 12/31/2022
	28 EUR thousand	EUR thousand
<b>Consolidated annual result before taxes</b>	<b>36,512</b>	<b>41,282</b>
Depreciation and amortization on property, plant and equipment and intangible assets	24,474	25,543
Decrease in pension provisions	-1,419	-1,651
Profit from the sale of non-current assets	-50	-65
Other non-cash expenses (+) and income (-)	4,178	2,891
Financial result	1,060	-5,384
Interest received	10	61
Interest paid	-997	-1,531
Income taxes paid	-6,354	-7,177
Decrease (+)/increase (-) in inventories	-16,457	-37,930
Decrease (+)/increase (-) in trade receivables and other receivables	-12,681	-19,623
Decrease (-)/increase (+) in trade payables, other liabilities and other provisions	14,431	-314
Change in other balance sheet items	309	-342
<b>Cash outflow (-)/inflow (+) from operating activities (net cash flow)</b>	<b>43,016</b>	<b>-4,240</b>

	01/01 – Notes no. 12/31/2021	01/01 – 12/31/2022
	28 EUR thousand	EUR thousand
Payments for investments in non-current assets	-28,535	-29,068
Proceeds from the sale of non-current assets	56	68
Proceeds from the sale of investments	0	489
<b>Cash outflow from investing activities</b>	<b>-28,479</b>	<b>-28,511</b>
Free cash flow	14,537	-32,751
Proceeds from loans	0	0
Proceeds from short-term financing lines	0	56,353
Payments for the repayment of loan liabilities	-12,704	-10,490
Dividend payments	-7,821	-10,136
Dividend payments to non-controlling interests	-171	-171
Repayment of lease liabilities	-1,911	-1,909
<b>Payments for the acquisition of treasury shares</b>	<b>-1,013</b>	<b>0</b>
<b>Cash inflow (+)/outflow (-) from financing activities</b>	<b>-23,620</b>	<b>33,647</b>
Net increase (+)/decrease (-) in cash and cash equivalents	-9,083	896
Cash and cash equivalents at the beginning of the period (at the closing rate of the previous year)	17,117	8,285
<b>Changes due to exchange rate changes</b>	<b>251</b>	<b>62</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8,285</b>	<b>9,243</b>
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>-9,083</b>	<b>896</b>

# Notes to the consolidated financial statements

AS OF DECEMBER 31, 2022

## I. SEGMENT REPORTING

SEGMENT REPORTING BY OPERATING SEGMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022:

	Specialty Chemicals	Basics & Interme- diates	Other & Holding	Consolida- tion	Group
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
External sales	288,361	227,539	26,323	0	542,223
<b>EBITDA</b>	<b>53,014</b>	<b>4,983</b>	<b>1,959</b>	<b>1,485</b>	<b>61,441</b>
<b>EBITDA margin</b>	<b>18.4%</b>	<b>2.2%</b>	<b>7.4%</b>		<b>11.3%</b>
Depreciation and amortization					-25,543
<b>EBIT</b>					<b>35,898</b>
Other interest and similar income					8,421
Interest and similar expenses					-3,037
<b>Financial result</b>					<b>5,384</b>
<b>Result from ordinary business activities</b>					<b>41,282</b>
<b>Inventories as of 12/31/2022:</b>	<b>68,535</b>	<b>49,945</b>	<b>4,164</b>	<b>-240</b>	<b>122,404</b>

SEGMENT REPORTING BY OPERATING SEGMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021:

	Specialty Chemicals	Basics & Interme- diates	Other & Holding	Consolida- tion	Group
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
External sales	220,499	176,274	25,520	0	422,293
<b>EBITDA</b>	<b>50,664</b>	<b>10,985</b>	<b>1,405</b>	<b>-1,008</b>	<b>62,046</b>
<b>EBITDA margin</b>	<b>23.0%</b>	<b>6.2%</b>	<b>5.5%</b>		<b>14.7%</b>
Depreciation and amortization					-24,474
<b>EBIT</b>					<b>37,572</b>
Other interest and similar income					643
Interest and similar expenses					-1,703
<b>Financial result</b>					<b>-1,060</b>
<b>Result from ordinary business activities</b>					<b>36,512</b>
<b>Inventories as of 12/31/2021:</b>	<b>53,971</b>	<b>33,400</b>	<b>3,664</b>	<b>-4,359</b>	<b>86,676</b>

**SEGMENT REPORTING BY REGIONS:**

	Domestic	Abroad	Group
	EUR thousand	EUR thousand	EUR thousand
External sales 01/01 – 12/31/2022:	145,826	396,397	542,223
External sales 01/01 – 12/31/2021:	131,296	290,997	422,293
Non-current assets as of 12/31/2022:	185,661	5,069	190,730
Non-current assets as of 12/31/2021:	182,787	6,034	188,821

In both reporting periods, no customer contributed at least 10% of total Group sales.

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 reviewed by the responsible corporate body as part of the resource allocation and performance assessment process, 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 nutrition and animal feed 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 substance 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 “large molecule” production and diagnostics, and here in particular for COVID-19 test kits, the product range

around Bioselect® is used, which has grown very strongly in recent years. In the animal feed industry, guanidine acetic acid is mainly produced as an animal feed additive under the product name Creamino®. The products that Alzchem sells to customers in the renewable energies sector are used in the manufacture of composite materials and adhesives (DYHARD®), as well as silicon nitride for high-performance ceramics and for the production 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 chemistry 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. Also allocated to this segment are the production and sale of guanidine salts as a raw material for agrochemicals and pharmaceutical active ingredients, and the manufacture of nitriles as intermediate products for the downstream chemical industry.

The Other & Holding segment comprises 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 for the preparation of the IFRS consolidated financial statements.

External sales represent segment sales to external customers. The sales presented by regions 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 by means of internal activity 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 mark-up rates. In general, the aim of internal cost allocation is to ensure that all costs are allocated to the respective segment according to their origin and that no non-allocable expenses remain.

Inventories are the key asset figure that is reported to Management on a regular basis. Non-current assets, which are required to be reported by specific regions in accordance with IFRS 8, comprise intangible assets, property, plant and equipment, and lease usage rights.

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 segments.

## II. PRELIMINARY REMARK

The object of the consolidated financial statements is Alzchem Group AG, a stock corporation (“Kapitalgesellschaft”) 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, 2023.

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 are manufactured in very high quality in further production steps at the sites in Trostberg (headquarters), Schalchen, Hart, Waldkraiburg and Sundsvall (Sweden). In

addition, smaller sales units are located in Atlanta (USA) and Shanghai (China). Alzchem UK Ltd, United Kingdom, was founded as a further sales company in the fiscal year 2022.

The company’s shares 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 shareholder resolutions of December 12, 2022 and December 20, 2022, Suppliva GmbH (formerly 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 2022 in accordance with 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 dated December 12, 2022. The exemption resolutions were submitted to the company register by the subsidiaries Suppliva GmbH (formerly 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 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.

Those provisions of the International Financial Reporting Standards (IFRS), as adopted by the EU, that were required to be applied by the balance sheet date of December 31, 2022 have been applied. Early application of standards not yet mandatory as of December 31, 2022 has been waived.



This approach leads to 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 euros (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 2022**

The following standards and interpretations revised or newly issued by the IASB were required to be applied for the first time as of fiscal year 2022:

- IFRS 16

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, but is now applicable until June 30, 2022. At the current time, no such circumstance exists at Alzchem. Consequently, the relief has not been utilized.

- IFRS 1/IFRS 9/IFRS 16/IAS 41 - Annual Improvements Project 2018-2020

IFRS 1 relates to the first-time application of International Financial Reporting Standards with special requirements for accounting by subsidiaries.

IFRS 9 Financial Instruments with amendments to the "10% test" relating to the derecognition of financial liabilities. An entity considers in the "10% test" only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on behalf of the other.

IFRS 16 provides clarification on the accounting for lease incentives.

IAS 41 Agriculture is not applicable at Alzchem.

The first-time application of the amendments from the Annual Improvements Project 2018-2020 did not result in any changes in Alzchem's accounting.

- Amendments to IFRS 3, IAS 16 and IAS 37

IFRS 3 Business Combinations has been updated by the amendments in that the references now relate to the current financial reporting framework 2018. The amendments also include the requirement that an acquirer applies IAS 37 to obligations that are within the scope of IAS 37 to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy that is within the scope of IFRIC 21, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to the obligation to pay the levy has occurred up to the acquisition date. Finally, the amendments add an explicit clarification that an acquirer shall not recognize contingent assets acquired in a business combination.

The amendments to IAS 16 Property, Plant and Equipment result in a prohibition on deducting from the cost of an item of property, plant and equipment the proceeds arising from the disposal of items that are produced while being brought to the location and condition necessary for them to be capable of operating in the manner intended by Management. Instead, an entity recognizes the proceeds from such disposals and the costs of producing those items in profit or loss from operations.

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specified that "costs of fulfilling the contract" comprise "costs that relate directly to the contract". Costs that relate directly to a contract may be either incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of depreciation expense on an item of property, plant and equipment used in fulfilling the contract).

The first-time application of the amendments from IFRS 3, IAS 16 and IAS 37 did not result in any changes in Alzchem's accounting.

#### **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, 2023. The Alzchem Group will apply these from January 1, 2023 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 to the extent that this estimate was already possible.





Standards	Amendment relates to	Obligation to apply from	Adoption by EU Commission already completed
IFRS 17	Insurance contracts	01/01/2023	Yes
IAS 1	Disclosure on accounting policies	01/01/2023	Yes
IAS 8	Definition of accounting estimates	01/01/2023	Yes
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	01/01/2023	Yes
IAS 1	Classification of debt into current and non-current	01/01/2024	No
IFRS 16	Lease liability in a sale and leaseback	01/01/2024	No

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 “significant” and company-specific accounting policies are to 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 fiscal years 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 those transactions in which both deductible and taxable temporary differences arise in the same amount on initial recognition, even if the other conditions already applicable 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 its current accounting and will address this in due time.

The amendments to IFRS 16 Leases clarify how a seller-lessee makes subsequent measurements of sale and leaseback transactions accounted for as a sale under IFRS 15. Alzchem does not act as a seller-lessee of a sale and leaseback transaction. The amendment will therefore have no effect on Alzchem’s accounting.

The accounting and valuation methods presented below were 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 five 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
Suppliva GmbH (formerly 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
Alzchem UK Ltd., Coventry, United Kingdom	100	GBP	GBP 1 thousand

Alzchem UK Ltd., based in Coventry, United Kingdom, was newly established in July 2022 to strengthen Alzchem's sales activities in the UK.

## 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 of

control 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 de-consolidated 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 and valuation methods in accordance with IFRS 10.

Intercompany profits and losses, sales, expenses and income, as well as receivables and liabilities existing 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 connection 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.

## BUSINESS ACQUISITIONS/REVERSE BUSINESS 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 as an equity transaction of Alzchem Trostberg GmbH in accordance with IFRIC Agenda Decision March 2013, 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 combi-



nation 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 represented a continuation of the IFRS consolidated financial statements of Alzchem Trostberg GmbH since the date of the contribution in October 2017.

No business combinations took place in the reporting period.

### 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 the subsidiaries that are denominated in euros, transactions in foreign currencies are measured at the exchange rate at the time 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 exchange rate changes are recognized in the income statement 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 the result, 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 significant currencies used for currency translation are shown in the following table:

		Closing rate*		Average rate*	
		12/31/2021	12/31/2022	01/01-12/31/2021	01/01-12/31/2022
USA	USD	1.1326	1.0666	1.1835	1.0539
China	CNY	7.1947	7.3582	7.6340	7.0801
Sweden	SEK	10.2503	11.1218	10.1449	10.6274
United Kingdom	GBP	N/A	0.8869	N/A	0.8630

\* Equivalent for EUR 1

## IV. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods have generally been applied consistently. The consolidated financial statements have been prepared on a going concern basis.

### FIXED 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 is recognized that exceeds regular amortization, 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 COSTS

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 checks 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 specified 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 usage rights obtained and liabilities must be recognized for the payment obligations entered into. 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-related 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.
- Probable payments to be made from the exercise of a purchase option.
- Probable payments 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.

At initial recognition, the usage right to be capitalized 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 usage right is written down on a straight-line basis over the shorter of the useful life and the term of the lease.

In the balance sheet, 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 calculation of lease liabilities if separation is directly evident 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 usage rights and lease liabilities is the incremental borrowing rate, unless an interest rate is implicitly stated in the lease. To determine the incremental borrowing rate, reference interest rates are derived from maturity-matched risk-free interest rates, in-

creased by credit risk premiums and adjusted by a country risk premium.

As a lessor, Alzchem distinguishes each lease into a finance or 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 lease 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 (the cash-generating unit) is increased to the 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. In both reporting periods, Alzchem did not claim any government grants by way of the Corona aid measures or grants from the energy cost containment program, published in June 2022.

## 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.

The calculation of current taxes in Germany is based on a uniform corporate income tax rate of 15.0% on distributed

and retained earnings and a solidarity surcharge of 5.5% thereon. 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 19.0% and 25.0%.

On the basis of these tax regulations, expected tax payments are taken into account through the appropriate and adequate formation of income tax liabilities. The Management of the Alzchem Group regularly reviews the 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") are only recognized in the consolidated financial statements if the following criteria are not met:

- the parent company, the investor or the venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable 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 investments 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 products, finished goods and products, 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

As of December 31, 2022, derivatives from the purchase and sale of electricity strips had to be recognized. Alzchem had purchased these power strips in advance for the calendar year 2023 with the original intention of using them itself, but decided to sell them again due to market conditions. As a result of the sale, the so-called “own use exemption” of IFRS 9 no longer applies to these contracts, and the derivatives consequently had to be recognized at fair value. Purchase and sale derivatives qualify for net recognition in accordance with IAS 32. The fair value is the difference between the contractually fixed price and the market price. Net recognition no longer has any effect on earnings for fully closed positions. They are reported in the consolidated

balance sheet under current financial assets. There were no derivative financial instruments at the reporting date of the previous year.

## 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, allowances are recognized in profit or loss based on the expected loss within the total term of the receivable. If there is no objective evidence 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 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. 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 used to determine the allowances for trade receivables.

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, a risk provision is calculated upon addition 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 addition of the receivables, 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 provisioning level 3. Here, too, the risk provisioning is determined on the basis of expected losses over the lifetime of the receivable. However,

in contrast to the previous levels, 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. At both reporting dates, all carrying amounts of other receivables and other assets are in risk provisioning level 1.

A significant increase in credit risk exists at the latest when payments are overdue by 30 days. Earlier reclassification on the basis of 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 assessments by Alzchem. In the event of a change in the materiality of the positions, additional external data would be used.

Financial assets are generally recognized on the trade date. In the reporting period, no financial assets were offset against financial liabilities and there are no net settlement agreements that cannot be offset in the balance sheet.

## FACTORING

A 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.

As of the balance sheet date, an analysis is performed to determine whether the receivables sold are expected to be disposed of in full or only in part, and whether the risks and rewards incidental to ownership of the receivables sold are therefore 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 the reporting date December 31, 2022, the analysis of the sold receivables sho-

wed that a complete disposal had to be recognized. At the reporting date of the previous year, however, a “continuing involvement” 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 amounts are agreed with the buyer of the receivable to cover the risk of sales deductions, which 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 the 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 bank overdrafts. Utilized overdraft facilities are shown as liabilities to banks under current financial debt.

The same principles for determining valuation allowances apply to cash and cash equivalents as have already been described 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: Input parameters 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, treasury shares and balance sheet profit.

Subscribed capital represents the nominal capital of the parent company.

Capital reserve includes all amounts of equity contributed to the company from outside, which 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 treasury shares of the company acquired as part of the share buy-back program. In accordance with IAS 32, the purchase price for the treasury shares is to 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”. The shares are accounted for at acquisition cost including transaction costs and less any tax benefits. As the transfer of treasury shares as part of the share-based payment of certain employees will not take place until the fiscal year 2023, the treasury shares will continue to be reported in Alzchem’s holdings as of December 31, 2022.

Minority interests in the company’s equity are reported as non-controlling interests.

## OTHER PROVISIONS

Provisions are recognized when the Alzchem Group has a present legal or factual 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 expenditure, taking into account all identifiable risks, and are not offset against recourse claims.

Non-current provisions are recognized at the discounted present value of the expenditures expected to be required to settle the obligation 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 the current economic conditions of the market environment and takes into account the risk of the obligation to the extent that this risk has not already been reflected in the future estimated 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 essentially comprise

- pension commitments from the time 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:

	12/31/2021	12/31/2022
Discount rate in %	1.00	3.70
Wage and salary trend in %	3.00	3.00
Pension trend in %	2.00	2.25

With regard to the determination of pension trends, the Alzchem Group is guided by future, long-term inflation expectations when pensions are adjusted in line with the development of the consumer price index in accordance with sec. 16 para. 2 no. 1 BetrAVG. The already realized high inflation prior to the balance sheet date was taken into account at 10.0%. Changes in the discount rate are taken into account in rounded 0.10 percentage points in the event of a change compared with the discount rate on the previous reporting date.

Employee fluctuation has been 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 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 within operating personnel expenses.

Payments from a defined contribution plan are recognized in the income statement and presented within operating personnel expenses.



## BENEFITS ON THE OCCASION OF TERMINATION OF EMPLOYMENT

Benefits on the occasion of termination of employment are granted if an employee is dismissed before the regular retirement date or if an employee voluntarily leaves the employment relationship 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 (SAR) in various tranches as a long-term incentive (LTI). The SAR granted were classified and measured as cash-settled share-based

payments in accordance with IFRS 2.30 et seq. The fair value of the work performed by the Management Board members 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 within other non-current provisions and the expense within operating personnel expenses.

In the fiscal year 2022, certain employees were granted share-based payments that are settled with treasury shares held by the company and therefore had to be classified as equity-settled share-based payment transactions in accordance with IFRS 2. The fair value of the shares at the grant date is used to measure the equity instruments.

## LIABILITIES

### LOANS 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.

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 sales revenues by selling chemical products to customers and by providing 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 transportation service is a separate performance obligation if the performance obligation to deliver the chemical products has been fulfilled prior to the completion of the transportation service.

The transaction price is fixed per unit of delivered product. Amounts collected on behalf of third parties (VAT 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 ex-

perience 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 prior year. In the reporting period 2022, this related to 0.20% (previous year: 0.04%) of the revenue recognized in the previous year. Financing components are not 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.

It is generally not necessary to allocate the transaction price to several performance obligations. 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 obtained ownership of the delivered products.
- The delivered product has passed into the physical possession of the customer.
- The risks and opportunities in connection with the delivered product have passed to the customer.
- The customer has accepted the good or service.

The overall assessment of these indicators results in revenue recognition for Alzchem's product deliveries at the time of the transfer of risk based on the Incoterms agreed with the customer.

Alzchem sells its products to customers under the warranty that the product meets the exact specifications of the chemical composition. No other warranties are given beyond this. In the very rare cases where 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.

## PERFORMANCE 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 per term sheet.

The transaction price is determined as a price per unit. There are no other price components in the service area. 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 services area.

Since there is only one service obligation per contract, it is not necessary to allocate the transaction price to more than one service obligation.

The customer receives the benefit during the performance of the service by Alzchem and also consumes this 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 performance 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 of the obligation is recognized over a period of twelve months of the calendar year. These services are 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 performance obligation is provided in each case. In these cases, there is a so-called “stand-ready performance 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 stage of completion for these performance obligations.

No significant judgments were made in determining the amount and timing of revenue from services.

Revenues from contracts with customers result in receivables that are included in full in trade receivables. Trade receivables and the related revenues are generally recognized immediately upon fulfillment of the performance obligation.

## OTHER INCOME AND EXPENSE RECOGNITION

Expenses are recognized when the service is used or at the time they are incurred.

Rental income and expenses are recognized as income or expenses on an accrual basis.

Net income and expenses from trading in electricity derivatives are recognized in other operating income or expenses.

## FINANCIAL RESULT

Interest income and interest expense are accrued on an accrual basis, taking into account the outstanding principal amount of the loan 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.

Costs directly attributable to the historical capital increases of Alzchem Group AG were presented as a deduction from equity at the time the capital increases were executed. 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 previous year had an impact on earnings per share. The calculation of undiluted 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 accordingly. 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 present time. The calculation is

made by dividing the consolidated 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 though the outcome of the individual proceedings cannot be predicted with certainty in view of the imponderabilities 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 consolidated financial statements.

## USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions have been made and estimates used which have affected the recognition and amount of the assets, liabilities, income, expenses and contingent liabilities recognized. 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 re-

garding 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 recognized 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. Appropriate provisions are made, if necessary, 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 decisive factor in assessing the recoverability of deferred tax assets is the probability of future taxable profits (taxable income).

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 chan-

ges 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 Alzchem's long-term landfill provisions. 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 determination 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 pension 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 landfill provisions, which may change significantly as a result of changes in the discount rate.

At the time of preparation of the consolidated financial statements, all discernible risks were taken into account within the framework of the underlying assumptions and estimates.

## CONSIDERATION OF GENERAL UNCERTAINTIES

Overall, Alzchem operates in an increasingly complex and uncertain macroeconomic and geopolitical environment. This also includes possible energy and gas shortages or supply failures. In addition, there is less predictable and increasing volatility on the goods, logistics and financial markets – for example due to volatile exchange rates or rising interest and inflation rates – as well as increasing fears of a possible economic downturn due to the current crisis environment. The impact of the COVID-19 pandemic on Alzchem's consolidated financial statements is dependent on the further development of virus variants and their danger, the progress of global vaccinations, the effectiveness of vaccines and, related to this, the continued imposition of lockdowns. The current business environment requires addressing COVID-19, the war in Ukraine, and the sanctions imposed on Russia. Uncertainties in forecasts are increasing, leading to the use of estimation- and assumption-sensitive accounting policies and discretionary decisions by Management. These developments can have a negative impact on the fair values and carrying amounts of assets and liabilities, as well as the amount and timing of Alzchem's earnings realization and cash flows. The consequences differ significantly depending on the region and customer industry. Alzchem based its estimates and assumptions on currently available knowledge and the best information available.

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 current global crises. 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 impairment losses on trade receivables.

In the fiscal year 2022, impairment tests were performed on property, plant and equipment based on external and internal indicators, but these did not result in any impairment losses.

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 approximately the same.

## V. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1. SALES REVENUES

Alzchem generates sales revenues by selling chemical products to customers and by providing site services.

The Group's sales revenues, broken down into these two categories, are as follows:

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Sales from product sales	400,387	517,505
Sales from services	21,906	24,718
	<b>422,293</b>	<b>542,223</b>





The sales revenues are distributed among the segments presented in the segment reporting as follows:

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Product sales in the Specialty Chemicals segment	220,499	288,361
Product sales in the Basics & Intermediates segment	176,274	227,539
Product sales in the Other & Holding segment	3,614	1,605
Service sales in the Other & Holding segment	21,906	24,718
	<b>422,293</b>	<b>542,223</b>

The total sales revenues are distributed geographically as follows:

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Germany	131,296	145,826
European Union	121,629	173,886
Rest of Europe	28,177	25,573
NAFTA	51,023	83,914
Asia	54,027	62,487
Rest of the world	36,141	50,537
	<b>422,293</b>	<b>542,223</b>

The sales revenues 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 upon initial recognition, which is generally less than 60 days. The impairment losses recognized on trade receivables in the reporting period can be found in Note 18. There were neither contract assets nor contract liabilities at either reporting date.

In the reporting period, sales of EUR 834 thousand (previous year: EUR 152 thousand) were recognized for which the performance obligation had already been met in the previous period. These result from the final settlement of volume-based pricing with individual customers in the fiscal year 2022. There were no deferrals due to transport services in the entire reporting period.

No information is provided on the total amount of the remaining performance obligations, as there are no contracts with customers that run for more than one year.

## 2. OTHER OPERATING INCOME

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Own work capitalized	6,688	7,185
Income from the valuation of derivatives	0	5,228
Income from currency translation	1,859	6,314
Income from the reversal of provisions and liabilities	602	2,124
Income from services to third parties	425	122
Income from energy tax refunds	306	205
Miscellaneous other income	1,480	2,999
	<b>11,360</b>	<b>24,177</b>

The income from the valuation of derivatives results from the sale of power strips for the calendar year 2023. Alzchem had purchased these strips in advance for the calendar year 2023, but then decided to sell them again due to market conditions. The forward purchase and forward sale each took place in the fiscal year 2022. As a result of the sale, the so-called "own use exemption" of IFRS 9 no longer applies to these contracts and the derivatives consequently had to be recognized at fair value. The changes in fair value were recognized as income from the measurement of derivatives.

Own work capitalized results from the capitalization of internally generated items of property, plant and equipment.



Income from services to third parties comprises compensation for expenses in connection with the European Chemicals Regulation (REACH).

Miscellaneous other income includes research grants of EUR 452 thousand (previous year: EUR 0 thousand).

### 3. COST OF MATERIALS

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Cost of raw materials, consumables and supplies, production-related electricity and purchased goods	168,498	285,653
Cost of purchased services	2,173	3,224
	<b>170,671</b>	<b>288,877</b>

### 4. PERSONNEL EXPENSES

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Wages and salaries	108,457	112,319
Social security contributions and pensions	23,709	24,820
	<b>132,166</b>	<b>137,139</b>

The item social security contributions and pensions included current contribution payments for employer contributions to the statutory pension insurance in the amount of EUR 8,043 thousand (previous year: EUR 7,622 thousand).

The following table shows the average number of employees in the Alzchem Group during the reporting period:

	2021	2022
Commercial employees	818	850
Employees	683	698
Trainee	135	129
	<b>1,636</b>	<b>1,677</b>

### 5. OTHER OPERATING EXPENSES

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
Selling expenses	18,027	28,269
Maintenance	10,461	12,579
Other third-party services	9,484	10,645
Environmental/disposal costs	8,734	9,745
Consulting, research and development costs	7,090	6,802
Expenses from currency translation	1,829	6,211
Insurances	4,079	4,552
IT costs	2,772	2,727
Miscellaneous other expenses	16,322	19,606
	<b>78,798</b>	<b>101,136</b>

The research and development costs presented above only include external research and development costs. In total, including personnel and other attributable expenses, research and development costs of EUR 10,788 thousand (previous year: EUR 9,688 thousand) were recognized as expenses in the reporting period.

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Details of scheduled 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 – 12/31/2021	01/01 – 12/31/2022
<b>Interest and similar income</b>		
Receivables from banks	4	48
Interest income from discounting current provisions	590	7,647
Other	49	726
	<b>643</b>	<b>8,421</b>
<b>Interest and similar expenses</b>		
Interest expense from additions to pension provisions	706	1,393
Loan liabilities to banks	785	1,122
Interest expense from sale of receivables	94	414
Interest expense from additions to other non-current provisions	0	0
Interest expense from lease liabilities	113	103
Other	5	5
	<b>1,703</b>	<b>3,037</b>
<b>Financial result</b>	<b>-1,060</b>	<b>5,384</b>

Interest income from banks results from current account balances and short-term cash investments. Other interest income includes EUR 12 thousand in interest income from taxes (previous year: EUR 5 thousand from the waiver of interest on tax back payments). In the fiscal year 2022, interest income of EUR 7,353 thousand (previous year: EUR 602 thousand) was incurred from the change in interest rates for the measurement of non-current other provisions. Interest expenses from tax back payments amounted to EUR 0 thousand in the fiscal year 2022 (previous year: EUR 5 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 48 thousand in the fiscal year 2022 (previous year: EUR 8 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 1,122 thousand in the fiscal year 2022 (previous year: EUR 785 thousand). No interest income or interest 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 were calculated using the effective interest method.



## 8. TAXES ON INCOME AND EARNINGS

Income tax expense is composed as follows:

in EUR thousand	01/01 – 12/31/2021	01/01 – 12/31/2022
<b>Actual tax expense</b>	<b>-9,047</b>	<b>-4,895</b>
thereof relating to other periods	-21	371
<b>Deferred tax expense (-)/income (+)</b>	<b>298</b>	<b>-6,165</b>
thereof relating to other periods	-18	-143
thereof from temporary differences	105	-5,506
	<b>-8,748</b>	<b>-11,059</b>

Taxes on income and earnings include income taxes paid or owed in the individual countries as well as deferred 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 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 income 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 – 12/31/2021	01/01 – 12/31/2022
Consolidated net profit before income taxes	36,512	41,282
Applicable income tax rate	28.00%	28.00%
<b>Expected income tax expense</b>	<b>10,223</b>	<b>11,559</b>
<b>Effects from differing foreign tax rates</b>	<b>-69</b>	<b>-164</b>
<b>Effects from differing domestic tax rates</b>	<b>98</b>	<b>32</b>
Tax effects		
Tax additions	434	125
Tax-free income	-232	-275
Tax income relating to other periods	-1	-413
Tax expense relating to other periods	40	185
Reversal of deferred tax liabilities on equity transactions	-1,792	0
Other differences	47	10
<b>Total tax effects</b>	<b>-1,504</b>	<b>-368</b>
<b>Total tax expense</b>	<b>8,748</b>	<b>11,059</b>
<b>Effective tax rate</b>	<b>23.96%</b>	<b>26.79%</b>

## 9. EARNINGS PER SHARE

The share buyback in the previous year had an impact on earnings per share in the previous year. 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 accordingly. Thereafter, treasury shares are not included in the calculation of shares outstanding. The previous year's figures have not been adjusted in accordance with IFRS requirements.

The following overview shows the weighted average number of shares outstanding for the respective reporting periods:

	01/01 – 12/31/2021	01/01 – 12/31/2022
Weighted average number of shares outstanding	10,146,942	10,135,754
Earnings per share in EUR	2.72	2.96
Number of shares outstanding at the reporting date 12/31	10,135,754	10,135,754

## VI. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 10. NON-CONTROLLING INTERESTS IN CONSOLIDATED ANNUAL RESULT

The non-controlling interests in the consolidated annual result relate to the 6% minority interest 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	12/31/2021	12/31/2022
Non-current assets	3,415	2,813
Current assets	69	61
Non-current liabilities	1	0
Current liabilities	1,376	767
Cash flow	0	0
Distributions paid	0	0
Annual result	122	0
Other result	0	0
Overall result	122	0





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 will transfer its future profits in full to Alzchem Trostberg GmbH, which will also assume any losses incurred by Alzchem International GmbH in full. The agreement was originally concluded for a period of five years and could not be terminated during this period. Since neither party terminated the agreement on December 31, 2022, the agreement was automatically extended by one year.

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 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 earnings 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, 2021: EUR 342 thousand) in current and non-current other liabilities. The non-controlling interest was reduced by the same amount in Group 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 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, 2021: 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, 2021 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
<b>Acquisition cost 01/01/2021</b>	<b>5,575</b>	<b>1,539</b>	<b>7,114</b>
Additions	1,074	3	1,077
Disposals	-38	-21	-59
Reclassification	120	0	120
Currency translation	-3	0	-3
<b>Status on 12/31/2021</b>	<b>6,728</b>	<b>1,521</b>	<b>8,249</b>
<b>Amortization 01/01/2021</b>	<b>4,075</b>	<b>1,229</b>	<b>5,304</b>
Additions	617	53	670
Disposals	-32	-21	-53
Reclassification	0	0	0
Currency translation	-1	0	-1
<b>Status on 12/31/2021</b>	<b>4,659</b>	<b>1,261</b>	<b>5,920</b>
<b>Net carrying amount 12/31/2020</b>	<b>1,500</b>	<b>310</b>	<b>1,810</b>
<b>Net carrying amount 12/31/2021</b>	<b>2,069</b>	<b>260</b>	<b>2,329</b>



The development of intangible assets in the fiscal year 2022 is as follows:

In EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
<b>Acquisition cost 01/01/2022</b>	<b>6,728</b>	<b>1,521</b>	<b>8,249</b>
Additions	1,126	0	1,126
Disposals	-102	-8	-110
Reclassification	235	0	235
Currency translation	-22	-1	-23
<b>Status on 12/31/2022</b>	<b>7,966</b>	<b>1,513</b>	<b>9,479</b>
<b>Amortization 01/01/2022</b>	<b>4,659</b>	<b>1,261</b>	<b>5,920</b>
Additions	677	53	731
Disposals	-99	-8	-107
Reclassification	0	0	0
Currency translation	-20	-1	-20
<b>Status on 12/31/2022</b>	<b>5,218</b>	<b>1,307</b>	<b>6,525</b>
<b>Net carrying amount 12/31/2021</b>	<b>2,069</b>	<b>260</b>	<b>2,329</b>
<b>Net carrying amount 12/31/2022</b>	<b>2,747</b>	<b>206</b>	<b>2,954</b>

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, 2021 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
<b>Acquisition cost 01/01/2021</b>	<b>68,697</b>	<b>251,467</b>	<b>22,653</b>	<b>20,575</b>	<b>363,392</b>
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
<b>Status on 12/31/2021</b>	<b>71,274</b>	<b>279,256</b>	<b>25,307</b>	<b>11,396</b>	<b>387,232</b>
<b>Depreciation 01/01/2021</b>	<b>25,212</b>	<b>146,250</b>	<b>16,868</b>	<b>0</b>	<b>188,330</b>
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
<b>Status on 12/31/2021</b>	<b>27,389</b>	<b>162,397</b>	<b>18,640</b>	<b>0</b>	<b>208,426</b>
<b>Net carrying amount 12/31/2020</b>	<b>43,485</b>	<b>105,217</b>	<b>5,785</b>	<b>20,575</b>	<b>175,062</b>
<b>Net carrying amount 12/31/2021</b>	<b>43,885</b>	<b>116,859</b>	<b>6,667</b>	<b>11,396</b>	<b>178,806</b>



The development of property, plant and equipment in the fiscal year 2022 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
<b>Acquisition cost 01/01/2022</b>	<b>71,274</b>	<b>279,256</b>	<b>25,307</b>	<b>11,396</b>	<b>387,232</b>
Additions	1,478	15,736	2,503	6,578	26,295
Disposals	-18	-1,323	-1,641	-50	-3,032
Reclassification	382	7,331	545	-8,493	-235
Currency translation	-96	-431	-3	-88	-618
<b>Status on 12/31/2022</b>	<b>73,019</b>	<b>300,571</b>	<b>26,711</b>	<b>9,341</b>	<b>409,642</b>
<b>Depreciation 01/01/2022</b>	<b>27,389</b>	<b>162,397</b>	<b>18,640</b>	<b>0</b>	<b>208,426</b>
Additions	2,234	17,712	2,788	0	22,735
Disposals	-18	-1,219	-1,596	0	-2,833
Reclassification	0	0	0	0	0
Currency translation	-13	-195	-3	0	-212
<b>Status on 12/31/2022</b>	<b>29,591</b>	<b>178,696</b>	<b>19,829</b>	<b>0</b>	<b>228,116</b>
<b>Net carrying amount 12/31/2021</b>	<b>43,885</b>	<b>116,859</b>	<b>6,667</b>	<b>11,396</b>	<b>178,806</b>
<b>Net carrying amount 12/31/2022</b>	<b>43,428</b>	<b>121,874</b>	<b>6,883</b>	<b>9,341</b>	<b>181,526</b>



Impairment losses on property, plant and equipment were not recognized in any of the reporting periods presented.

As the site operator, Alzchem rents or leases individual office premises, storage areas and company apartments. The separate disclosure of the carrying amounts of these individual leased properties in accordance with IFRS 16.58 is not made because individual carrying amounts either do not exist or are not material when taking into account the total carrying amount of the land and buildings.

Within plant and machinery, jointly managed assets are included as of the balance sheet date, although these have already been fully depreciated. 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 managed asset amounted to EUR 4,177 thousand in the fiscal year 2022 (previous year: EUR 1,696 thousand). As in the previous year, there were no sales from this jointly managed asset.

Borrowing costs of EUR 0 thousand (previous year: EUR 83 thousand) were capitalized in the fiscal year 2022 as part of the cost of technical equipment and machinery and buildings. The underlying financing cost rate for the calculation in the previous year corresponds to the loan interest rate of the directly attributable loans.

Property, plant and equipment in the amount of EUR 13,336 thousand (December 31, 2021: EUR 13,772 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
<b>Carrying amount 01/01/2021</b>	<b>261</b>	<b>8,142</b>	<b>121</b>	<b>8,524</b>
Additions	299	752	108	1,159
Depreciation	-123	-1,832	-75	-2,030
Disposals	0	0	0	0
Currency translation	34	-1	0	33
<b>Carrying amount 12/31/2021</b>	<b>471</b>	<b>7,061</b>	<b>154</b>	<b>7,686</b>
Additions	0	678	0	678
Depreciation	-135	-1,884	-59	-2,078
Disposals	-46	0	0	-46
Currency translation	8	2	0	10
<b>Carrying amount 12/31/2022</b>	<b>298</b>	<b>5,857</b>	<b>95</b>	<b>6,250</b>





The carrying amounts of the lease liabilities and the future payments under these lease liabilities are as follows according to their maturities:

12/31/2021 in EUR thousand	Up to 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

12/31/2022 in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Present value of lease liabilities	1,707	4,622	0	6,329
Payments from lease liabilities	1,779	4,739	0	6,518

In addition to depreciation and amortization, the following income and expenses relating to leases were recognized in the income statement:

P&L items in EUR thousand		01/01 – 12/31/2021	01/01 – 12/31/2022
Other operating expenses	Lease expenses for short-term leases	69	62
Other operating expenses	Lease expenses for low-value leases	55	63
Other operating expenses	Variable lease expenses outside lease liabilities	29	27
Interest and similar expenses	Interest expense for lease liabilities	113	104
Sales revenues	Income from operating lease agreements	1,141	1,067
Other operating income	Income from operating lease agreements	515	532

The Alzchem Group did not generate any income or losses from subleases of lease usage rights or from sale and leaseback 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 roughly at the level of the past fiscal year 2022.

The lease terms are negotiated individually and include a large number 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. From these contracts, the Alzchem Group expects the following inflows in the coming periods:

#### 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

#### Expected in the fiscal year

As of 12/31/2022 in EUR thousand	2023	2024	2025	2026	2027	After 2027
Proceeds from operating lease agreements	1,429	918	917	913	571	3,493

## 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 no observable market values are available for these investments and, taking into account their overall minor importance 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 indication of the fair value. An investment in the USA was sold in the fiscal year 2022. The write-up to fair value to be recognized prior to the sale, determined by the selling price, amounted to EUR 474 thousand and was recognized in the financial result. At the current time, the Alzchem Group does not plan to sell the remaining investment.

As of December 31, 2022, derivatives from the sale of power strips had to be recognized. Alzchem had purchased these electricity strips in advance for the calendar year 2023, but decided to sell them again due to market conditions. As a result of the sale, the so-called “own use exemption” of IFRS 9 no longer applies to these contracts and the derivatives consequently had to be recognized at fair value. They are reported in the balance sheet under current financial assets. There were no derivative financial instruments at the reporting date of the previous year.

## 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	12/31/2021	12/31/2022
<b>Non-current receivables and other assets</b>		
therein financial assets		
<b>Total non-current financial assets</b>	<b>0</b>	<b>0</b>
therein non-financial assets		
Prepaid expenses and deferred charges	1,250	1,465
Other	70	66
<b>Total non-current non-financial assets</b>	<b>1,320</b>	<b>1,531</b>
<b>Total non-current receivables and other assets</b>	<b>1,320</b>	<b>1,531</b>

in EUR thousand	12/31/2021	12/31/2022
Current receivables and other assets		
therein financial assets		
Receivables from purchase price retention, special blocked account and settlement account	5,378	6,134
Short-term restricted cash investments	5,902	5,902
Other	446	375
<b>Total current financial assets</b>	<b>11,726</b>	<b>12,411</b>
therein non-financial assets		
Tax receivables	3,211	5,642
Prepaid expenses and deferred charges	1,415	1,369
Other	102	321
<b>Total current non-financial assets</b>	<b>4,728</b>	<b>7,332</b>
<b>Total current receivables and other assets</b>	<b>16,454</b>	<b>19,743</b>

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 a maximum of twelve months. This cash investment of EUR 5,902 thousand (December 31, 2021: EUR 5,902 thousand) serves entirely as collateral in accordance with the legal requirements for the aftercare and recultivation of landfill sites and is therefore restricted.

Prepaid expenses and deferred charges were mainly recognized for prepayments of insurance policies and maintenance contracts. Insurance policies in connection with the current stock exchange listing 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	12/31/2021	12/31/2022
<b>Total</b>	<b>138</b>	<b>224</b>
USD	7	0
SEK	11	60
CNY	120	164

## 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	12/31/2021	12/31/2022
Deferred tax assets		
Intangible assets	0	0
Property, plant and equipment	228	162
Financial assets	42	8
Inventories	1,015	712
Other receivables and other assets	1,902	1,530
Provisions	29,170	11,753
thereof on pension obligations	25,992	11,580

in EUR thousand	12/31/2021	12/31/2022
Liabilities	2,067	1,767
Tax loss carryforwards	500	24
<b>Total deferred tax assets</b>	<b>34,924</b>	<b>15,956</b>
<b>thereof current</b>	<b>5,026</b>	<b>4,017</b>
<b>thereof non-current</b>	<b>29,898</b>	<b>11,939</b>
Deferred tax liabilities		
Intangible assets	297	342
Property, plant and equipment and lease usage rights	3,754	4,917
Other receivables and other assets	26	35
Provisions	7	16
Liabilities	0	55
<b>Total deferred tax liabilities</b>	<b>4,084</b>	<b>5,365</b>
<b>thereof current</b>	<b>26</b>	<b>90</b>
<b>thereof non-current</b>	<b>4,058</b>	<b>5,275</b>
<b>Netting of deferred tax assets and liabilities</b>	<b>0</b>	<b>0</b>
<b>Balance sheet recognition of deferred tax assets</b>	<b>34,924</b>	<b>15,956</b>
<b>Balance sheet recognition of deferred tax liabilities</b>	<b>4,084</b>	<b>5,365</b>

Changes in deferred taxes compared with the previous year were recognized in the income statement in the amount of EUR 6,165 thousand (previous year: EUR 298 thousand income). The change in deferred taxes of EUR 14,127 thousand (previous year: EUR 588 thousand) is included in other comprehensive income.



The deferred tax assets on income tax loss carryforwards shown here are attributable to domestic companies in the amount of EUR 11 thousand (December 31, 2021: EUR 14 thousand). Of this amount, trade tax accounts for EUR 5 thousand (December 31, 2021: EUR 6 thousand) and corporate income tax for EUR 6 thousand (December 31, 2021: EUR 8 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 there will be sufficient taxable income in the future to make it probable that the deferred tax assets will be realized.

No deferred tax liabilities were recognized on temporary differences in connection with investments in subsidiaries amounting to EUR 68,583 thousand (December 31, 2021: EUR 69,714 thousand).

For further details, please refer to the comments on accounting and valuation principles and the explanations in section IV.

## 17. INVENTORIES

in EUR thousand	12/31/2021	12/31/2022
Raw materials, consumables and supplies	30,479	44,358
Work in progress	15,669	29,051
Unfinished services	98	25
Finished goods	39,532	48,416
Merchandise	30	468
Advance payments	868	86
	<b>86,676</b>	<b>122,404</b>

In the fiscal year 2022, Changes in valuation allowances on inventories amounting to EUR 2,204 thousand (previous year: EUR 389 thousand) were recognized as an expense and EUR 2 thousand (previous year: EUR 3,206 thousand) as income 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 expense in the fiscal year 2022 is EUR 288,877 thousand (previous year: EUR 170,671 thousand).

## 18. TRADE RECEIVABLES

The development of valuation allowances in the reporting period is as follows:

in EUR thousand	01/01/2021	Consumption	Reversal	Currency translation	12/31/2021
Valuation allowances on trade receivables (AC)	112	0	0	-95	0
Valuation allowances on trade receivables (FVOCI)	333	42	-61	0	-2
<b>Total</b>	<b>445</b>	<b>42</b>	<b>-61</b>	<b>-95</b>	<b>-2</b>



in EUR thousand	01/01/2022	Additions	Consump- tion	Reversal	Currency translation	12/31/2022
Valuation allowances on trade receivables (AC)	17	0	0	-8	0	9
Valuation allowances on trade receivables (FVOCI)	312	17	0	-48	0	281
<b>Total</b>	<b>329</b>	<b>17</b>	<b>0</b>	<b>-56</b>	<b>0</b>	<b>290</b>

The valuation allowances at the reporting date relate to a gross volume of receivables before collateral and valuation allowances of EUR 44,449 thousand (FVOCI) (December 31, 2021: EUR 33,356 thousand) and EUR 11,553 thousand (AC) (December 31, 2021: EUR 7,813 thousand).

The expected loss rate, measured against the total receivables portfolio, was 0.64% as of the reporting date, with the individual rates based on historical values fluctuating between 0.07% and 1.83% depending on the overdue status of the receivables. For receivables that have reached "defaulted" status, historically around 47.28% of the outstanding amount could be realized through collateral liquidation or other recovery measures.

As of the reporting date December 31, 2022, the Alzchem Group had received collateral from trade credit insurance policies for the collateralization of trade receivables in the amount of EUR 29,001 thousand (December 31, 2021: EUR 18,642 thousand). Of this amount, collateral in the amount of EUR 1,757 thousand (December 31, 2021: EUR 1,217 thousand) relates to overdue receivables.

In the case of receivables that are neither impaired nor past due, there are no indications at the balance sheet date that payments will not be made when due.

Due to the international activities of the Group, trade receivables at the reporting dates include the following foreign currency receivables translated into the Group currency euro:

in EUR thousand	12/31/2021	12/31/2022
Total	18,934	31,499
USD	9,687	23,170
JPY	2,436	4,672
SEK	5,161	2,952
CNY	1,543	705
Other	107	0

The receivables sold under factoring, reduced by the agreed retentions, amount to EUR 26,639 thousand (December 31, 2021: EUR 22,395 thousand). As of the reporting date of December 31, 2022, the analysis of the sold receivables showed that a complete disposal had to be recognized. At the reporting date of the previous year, a continuing involvement of EUR 110 thousand was recognized. In the past year as well as in the previous period, there were no cash returns from the purchase price retention 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 2,307 thousand (December 31, 2021: EUR 257 thousand) and of foreign companies in the amount of EUR 0 thousand (December 31, 2021: EUR 69 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	12/31/2021	12/31/2022
Balances with banks	8,277	9,237
Cash on hand	8	6
	<b>8,285</b>	<b>9,243</b>

Cash and cash equivalents are denominated in the Group currency, the euro, and are translated into the following currencies:

in EUR thousand	12/31/2021	12/31/2022
<b>Total</b>	<b>2,751</b>	<b>8,426</b>
USD	1,500	3,686
CNY	887	3,082
SEK	353	1,509
Other	11	149

## 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, 2021: 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, 2022, the company holds a total of 40,581 treasury shares (December 31, 2021: 40,581 shares). Shares with special rights have not been issued. All shares carry the same rights and obligations. Since the transfer of treasury shares as part of the share-based

remuneration of certain employees will not take place until the fiscal year 2023, the treasury shares will continue to be reported in Alzchem's holdings as of December 31, 2022.

### AUTHORIZED CAPITAL 2022

The Authorized Capital 2017 created by resolution of the Annual General Meeting on August 4, 2017 expired on July 31, 2022. In order to continue to provide the company with the necessary flexibility to act quickly on the capital market in the future, the Authorized Capital 2017 was cancelled by the Annual General Meeting on May 5, 2022 and replaced by a new Authorized Capital 2022. This new Authorized Capital may also be used to issue no-par value shares up to a maximum of 10% of the share 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 May 4, 2027 by a total of up to EUR 10,176,330.00 (in words: ten million one hundred seventy-six thousand three hundred thirty) by issuing up to 1,017,633 new no-par value bearer shares in exchange for cash and/or contributions in kind (Authorized Capital 2022). 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 appointed 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 case of a capital increase against contributions in kind, in particular for the acquisition of companies, parts of companies or 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 pursuant to 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 pursuant to 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 mutatis mutandis 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; and/or
- to issue shares under share participation or other share-based programs to employees of the company or one of its affiliated companies in return for cash and/or contributions in kind, whereby the employment relationship with the company or one of its affiliated companies must exist at the time of the commitment to issue the shares.

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 deviating from sec. 60 para. 2 AktG. If shares are issued to employees of the company or of an affiliated company, the shares may also be issued in such a way that the contributions to be made on them are covered by that part of the net profit for the year which the Management Board and Supervisory Board could allocate to other retained earnings in accordance with sec. 58 para. 2 AktG. The Supervisory Board is authorized to amend the Articles of Association of the company accordingly after the authorized capital has been fully or partially utilized or has expired, in particular with regard to the amount of the share capital and the number of existing no-par value shares.

## AUTHORIZATION TO PURCHASE TREASURY SHARES

In order to provide Alzchem Group AG with the opportunity to acquire 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 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 that Alzchem Group AG has acquired at the time of the acquisition and still holds or that 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 treasury 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 effected 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 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 before the date of the public announcement of the offer. If there are not insignificant 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 numbers of up to 100 tendered shares per shareholder may be provided for.

The Management Board is authorized to use shares of the company acquired on the basis of this authorization for all legal 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 on the basis of this authorization in a way other than via the stock exchange or by means of offers to all shareholders if the treasury shares acquired are sold at a price which is not significantly lower than the stock exchange price of shares of the company of the same class at the time of the sale. 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 company's share capital existing at the time

this authorization is exercised. Shares issued or sold by direct or mutatis mutandis 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 the context of 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 sale 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 in 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 share of the remaining shareholders 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 are excluded in execution 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, in agreement with the Supervisory Board of the company, resolved 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 concluded on June 24, 2021 with the repurchase of a total of 40,581 shares with a volume of EUR 999,979.90. The treasury shares acquired by the company as part of the buyback program remain unchanged as of December 31, 2022.

## CAPITAL RESERVED ADJUSTMENT ITEM REVERSE ACQUISITION / IFRS 2

The capital reserve adjustment item reverse acquisition / IFRS 2 shows 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. These adjustments were necessary in order to present the requirements for accounting for and reporting a reverse business combination in the fiscal year 2017 (please refer to the explanations in II. Business model change and resulting presentation in the IFRS consolidated financial statements as of December 31, 2017).

In the fiscal year 2022, the item increased by EUR 677 thousand due to the recognition of share-based remuneration in accordance with IFRS 2.

The subscribed capital of Alzchem Trostberg GmbH amounted to EUR 11,000 thousand as of the reporting date (December 31, 2021: EUR 11,000 thousand).



## CAPITAL RESERVE

The capital reserve represents that of Alzchem Trostberg GmbH at the time of the reverse acquisition and amounted to EUR 24,981 thousand at the time of the transaction. Capital measures taken after the transaction are eliminated for the purposes of the consolidated financial statements by way of capital consolidation. The capital reserve of Alzchem Trostberg GmbH amounted to EUR 25,649 thousand as of December 31, 2022 (December 31, 2021: EUR 24,981 thousand).

## TREASURY SHARES

The Annual General Meeting of Alzchem Group AG on May 14, 2019 authorized the company to buy back treasury 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 concluded 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 as part of the share buyback program. Since the transfer of treasury shares as part of the share-based remuneration of certain employees will not take place until the fiscal year 2023, the treasury shares will continue to be reported in Alzchem's holdings as of December 31, 2022.

## OTHER ACCUMULATED EQUITY

Other accumulated equity includes those gains and losses that are not recognized through profit or loss but in other comprehensive income. In the Alzchem Group, 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 in the period under review. The development of the individual items in the period under review is as follows:

	Measurement of financial assets measured at fair value through other comprehensive income	Currency translation difference	Valuation of pension provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
<b>Status on 01/01/2021</b>	<b>3</b>	<b>456</b>	<b>-53,536</b>	<b>-53,077</b>
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
<b>Status on 12/31/2021</b>	<b>29</b>	<b>924</b>	<b>-52,057</b>	<b>-51,104</b>
<b>Status on 01/01/2022</b>	<b>29</b>	<b>924</b>	<b>-52,057</b>	<b>-51,104</b>
Gains (+) or losses (-) recognized in other comprehensive income	27	0	50,426	50,453
Currency translation difference	0	-538	0	-538
Deferred taxes	-8		-14,119	-14,127
<b>Status on 12/31/2022</b>	<b>48</b>	<b>386</b>	<b>-15,750</b>	<b>-15,316</b>

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 balance sheet profit 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 10,136 thousand (previous year: EUR 7,821 thousand) to shareholders. Based on the 10,135,754 Alzchem Group AG shares outstanding as of the balance sheet date December 31, 2022, this resulted in a dividend per share of EUR 1.00 (previous year: EUR 0.77). The dividend in the reporting periods was distributed as a cash dividend.

For the fiscal year 2022, it will be proposed to the Annual General Meeting to distribute a dividend of EUR 1.05 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, 2022, this corresponds to EUR 10,642,541.70.

## NON-CONTROLLING INTERESTS

Non-controlling interests of EUR 1,934 thousand (December 31, 2021: EUR 1,934 thousand) include the shares in the capital of Alzchem International GmbH that are not attributable to the shareholders of Alzchem Trostberg GmbH. 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 and the latter also assumes in full any losses incurred by Alzchem International GmbH. The agreement was originally concluded for a period of five years and could not be terminated during this period. Since neither party terminated the agreement on December 31, 2022, the agreement was automatically extended by one year.

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 will 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.

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; previous year: EUR 342 thousand) under 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 (pro rata) to the non-controlling interests' consolidated annual profit.

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 capital costs.

The capital structure is managed to reflect changes in the macroeconomic environment as well as risks arising from the underlying assets. The operating cash flow enables the company to make optimum use of its own financial resources. In the case of investments that are generally only made after heavily weighing up the cost/benefit potential, a regular review is carried out to determine whether the company's own financial resources available 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 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 to 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 essentially on the Group equity ratio. Compliance with contractual covenants in financing agreements 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	12/31/2021	12/31/2022
Total capital	377,667	422,860
Equity	89,564	145,946
Equity ratio in %	23.7	34.5

## 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 small proportion of plan assets, the risks are not significantly limited.

The amount of the provision recognized exclusively in Germany at the balance sheet dates is as follows:

in EUR thousand	12/31/2021	12/31/2022
Provisions for pensions	140,005	90,141

The present value of defined benefit obligations at the companies of the Alzchem Group developed as follows:

in EUR thousand	DBO	Plan assets	Provision
<b>Status on 01/01/2021</b>	<b>141,954</b>	<b>179</b>	<b>141,775</b>
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 adjustments based on experience	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
Payments from plan assets	-	-98	98
<b>Status on 12/31/2021</b>	<b>140,097</b>	<b>92</b>	<b>140,005</b>
<b>Status on 01/01/2022</b>	<b>140,097</b>	<b>92</b>	<b>140,005</b>
Effects from the revaluation	-50,426	-	-50,426
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	-53,072	-	-53,072
thereof adjustments based on experience	2,646	-	2,646
Interest expense	1,394	-	1,394
Current service cost	828	-	828
Pensions paid	-1,685	-	-1,685
Expected income from plan assets	-	8	-8
Payments from plan assets	-	-33	33
<b>Status on 12/31/2022</b>	<b>90,208</b>	<b>67</b>	<b>90,141</b>



Reconciliation of obligations at the provision value:

	12/31/2021	12/31/2022
	EUR thousand	EUR thousand
Defined benefit obligation not fund-financed	139,998	90,141
Defined benefit obligation fund-financed	99	67
Subtotal	140,097	90,208
Less fair value of plan assets	-92	-67
Provisions for pensions and similar obligations	140,005	90,141

The effects of the revaluation of defined benefit obligations recognized in other comprehensive income in the fiscal year 2022 are as follows:

in EUR thousand	12/31/2021	12/31/2022
Change in demographic assumptions	0	0
Change in financial assumptions	-4,067	-53,072
Adjustments based on experience	2,009	2,646
	<b>-2,058</b>	<b>-50,426</b>

The amounts recognized in the income statement in the reporting period break down as follows:

in EUR thousand	01/01 - 12/31/2021	01/01 - 12/31/2022
Interest expense	710	1,394
Service cost	1,008	828
Expected income from plan assets	-11	-8
	<b>1,707</b>	<b>2,214</b>

The expected cash outflows from pension obligations in the next year amount to a total of EUR 2,345 thousand (previous year: EUR 2,004 thousand).

Current contributions for employer contributions to the statutory pension insurance scheme are recognized as an expense in the respective year in the operating result and totaled EUR 8,043 thousand in the Group in the fiscal year 2022 (previous year: EUR 7,622 thousand).

The plan assets developed as follows:

in EUR thousand	12/31/2021	12/31/2022
Status on 01/01	179	92
Expected income from plan assets	11	8
Payments from plan assets	-98	-33
<b>Status on 12/31</b>	<b>92</b>	<b>67</b>

The plan assets consist entirely of a reinsurance policy for which there is no quoted market price in an active market.



A change in the three main parameters influencing the present value of the pension obligation, with otherwise unchanged assumptions, would have the following effects on the present value of the pension obligation at the balance sheet date:

<b>Present value of pension obligation in EUR thousand</b>	
<b>Discount rate</b>	
<b>As of 12/31/2022: 3.70%</b>	<b>90,141</b>
Increase to 3.80%	88,691
Decrease to 3.60%	91,626
<b>Wage and salary trend</b>	
<b>As of 12/31/2022: 3.00%</b>	<b>90,141</b>
Increase to 4.00%	93,218
Decrease to 2.00%	88,265
<b>Pension trend</b>	
<b>As of 12/31/2022: 2.25%</b>	<b>90,141</b>
Increase to 3.25%	100,021
Decrease to 1.25%	81,950

If the pensioner mortality were to decrease by 20%, the present value of the pension obligation would be EUR 95,102 thousand.

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 the provisions for pensions recognized in the consolidated balance sheet. In determining the sensitivities, only the one parameter was changed and all other assumptions were retained.

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:

<b>Present value of pension obligation in EUR thousand</b>	<b>Average term in years</b>	<b>Obligated company</b>
90,208	17	Alzchem Trostberg GmbH/ Alzchem Group AG

Deferred tax assets of EUR 11,580 thousand (December 31, 2021: EUR 25,992 thousand) were recognized on the pension provisions recognized in the Group.



## 23. OTHER PROVISIONS (NON-CURRENT AND CURRENT)

	Provi- sions for landfills	Provi- sions for personnel	Provisions for guarantees from product sales	Provisions for subsequent customer compensation/ commissions	Other provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
<b>Status 01/01/2021</b>	<b>11,700</b>	<b>12,110</b>	<b>233</b>	<b>878</b>	<b>2,188</b>	<b>27,110</b>
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/ discounted inte- rest/change in interest rate	-407	-118	0	0	0	-525
Currency trans- lation	0	-1	0	0	0	0
<b>Status 12/31/2021</b>	<b>11,411</b>	<b>12,425</b>	<b>245</b>	<b>859</b>	<b>2,400</b>	<b>27,340</b>
Non-current	11,411	12,170	0	0	791	24,372
Current	0	255	245	859	1,609	2,968
<b>Status 12/31/2021</b>	<b>11,411</b>	<b>12,425</b>	<b>245</b>	<b>859</b>	<b>2,400</b>	<b>27,340</b>

	Provi- sions for landfills	Provi- sions for personnel	Provisions for guarantees from product sales	Provisions for subsequent customer compensation/ commissions	Other provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
<b>Status 01/01/2022</b>	<b>11,411</b>	<b>12,425</b>	<b>245</b>	<b>859</b>	<b>2,400</b>	<b>27,340</b>
Utilization	0	-2,697	0	-42	-836	-3,576
Additions	598	4,229	0	48	875	5,750
Reversal	-119	-351	-29	-400	-641	-1,540
Reclassification	0	-1,461	0	0	0	-1,461
Accrued inter- est/discouted interest/change in interest rate	-5,448	-2,055	0	0	-52	-7,555
Currency trans- lation	0	-5	0	1	0	-4
<b>Status 12/31/2022</b>	<b>6,441</b>	<b>10,085</b>	<b>216</b>	<b>467</b>	<b>1,746</b>	<b>18,955</b>
Non-current	6,441	9,837	0	0	733	17,011
Current	0	248	216	467	1,013	1,944
<b>Status 12/31/2022</b>	<b>6,441</b>	<b>10,085</b>	<b>216</b>	<b>467</b>	<b>1,746</b>	<b>18,955</b>



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 2022 resulted from parameter changes and discounting 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.

Provisions for personnel relate to provisions for long-service bonuses, provisions for annual leave in the event of a pension claim and other social benefits for employees. They are recognized on the basis of actuarial assumptions and discounted to reflect the respective maturities.

Provisions for guarantees from product sales are recognized on the basis of past experience. The amount recognized is reviewed annually and adjusted to reflect current developments.

The provisions for subsequent customer compensation and commissions relate to supply contracts with customers that run beyond the balance sheet date and to which subsequent price discounts are granted if certain minimum purchase volumes are exceeded.

The other provisions mainly relate to provisions for other fees and premiums not yet invoiced, the amount of which is still uncertain.

## 24. LOAN LIABILITIES TO BANKS

in EUR thousand	12/31/2021	12/31/2022
Residual term at balance sheet date of less than one year	10,490	66,408
thereof current portion of loan liabilities	10,490	10,055
Residual term at balance sheet date of more than one year	37,553	27,498
	<b>48,043</b>	<b>93,906</b>

The non-current loan liabilities to banks bear fixed interest rates of between 1.25% 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.

As of December 31, 2022, current liabilities to banks consist of the utilization of short-term financing lines in addition to the current portion of loan liabilities (EUR 10,055 thousand; December 31, 2021: EUR 10,490 thousand). Drawings are primarily made on money market loans. The interest rate is variable and depends on the 1-month or 3-month EURIBOR plus a bank-specific margin. As of the balance sheet date of the previous year, no short-term financing lines were utilized.

Based on the customary payment agreements with the banks, the maturities and thus the cash outflow from current loan liabilities to banks are as follows:

in EUR thousand	12/31/2021	12/31/2022
<b>Carrying amount</b>	<b>10,490</b>	<b>66,408</b>
due in the following time bands:		
< 30 days	0	56,353
30 - 90 days	2,949	2,514
90 - 180 days	2,514	2,514
180 days - 1 year	5,027	5,027

The loan liabilities to banks are secured by property, plant and equipment with a carrying amount of EUR 13,336 thousand (December 31, 2021: EUR 13,772 thousand) as of the reporting date. All liabilities to banks are denominated in euros.





Loan liabilities developed as follows in the reporting period:

	Current loan liabilities	Non-current loan liabilities
	EUR thousand	EUR thousand
Status 01/01/2021	12,704	48,042
Cash-effective change		
Repayment	-12,704	0
Borrowing	0	0
Cash-effective change		
Accrued interest	0	0
Reclassification	10,490	-10,490
<b>Status 12/31/2021</b>	<b>10,490</b>	<b>37,553</b>
<b>Status 01/01/2022</b>	<b>10,490</b>	<b>37,553</b>
Cash-effective change		
Repayment	-10,490	0
Borrowing	56,353	0
Cash-effective change		
Accrued interest	0	0
Reclassification	10,055	-10,055
<b>Status 12/31/2022</b>	<b>66,408</b>	<b>27,498</b>

## 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	12/31/2021	12/31/2022
<b>Carrying amount</b>	<b>32,780</b>	<b>37,386</b>
due in the following time bands:		
< 30 days	30,220	36,102
30 - 90 days	1,368	1,025
90 - 180 days	1	0
180 days - 1 year	1,191	259

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	12/31/2021	12/31/2022
<b>Total</b>	<b>4,178</b>	<b>2,483</b>
USD	2,192	1,016
SEK	1,255	1,056
CNY	697	407
JPY	0	0
Other	34	4

With the exception of the customary country-specific retention of title, no collateral has been pledged for the reported trade payables. 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	12/31/2021	12/31/2022
Personnel liabilities	14,430	13,046
Liabilities from energy taxes	3,790	3,652
Other tax liabilities	3,210	2,825
Liabilities from bonus settlements to customers	1,765	1,366
Liability towards employers' liability insurance association	161	236
Other	2,864	1,934
	<b>26,220</b>	<b>23,059</b>

Other current liabilities include other financial liabilities of EUR 5,425 thousand (December 31, 2021: EUR 5,876 thousand). This includes the following amounts in foreign currency translated into euros:

in EUR thousand	12/31/2021	12/31/2022
Total	265	15
USD	251	15
CNY	0	0
JPY	14	0
Other	0	0

The maturities and thus the cash outflow of current financial liabilities are as follows:

in EUR thousand	12/31/2021	12/31/2022
<b>Carrying amount</b>	<b>5,876</b>	<b>5,425</b>
due in the following time bands:		
< 30 days	122	557
30 - 90 days	1,607	810
90 - 180 days	3,826	3,652
180 days - 1 year	321	406

As of the balance sheet date, non-current other liabilities amounted to EUR 171 thousand (December 31, 2021: EUR 171 thousand). These comprise financial liabilities denominated in EUR in full in each case.

Due to the requirement in the previous year to recognize a continuing involvement for the receivables sold as part of factoring, a liability of EUR 106 thousand was recognized under other liabilities as of December 31, 2021. No continuing involvement had to be recognized as of December 31, 2022.

## 27. INCOME TAX LIABILITIES

Income tax liabilities include EUR 1,351 thousand (December 31, 2021: EUR 1,789 thousand) in domestic income tax liabilities and EUR 250 thousand (December 31, 2021: EUR 73 thousand) in foreign income tax liabilities.

## 28. CONSOLIDATED 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 broken down into cash inflows/outflows from operating activities, investing activities and financing activities.



in EUR thousand	01/01 - 12/31/2021	01/01 - 12/31/2022
Cash outflow (-)/inflow (+) from operating activities (net cash flow)	43,016	-4,240
Cash outflow from investing activities	-28,479	-28,511
<b>Free Cash flow</b>	<b>14,537</b>	<b>-32,751</b>
Cash inflow (+)/outflow (-) from financing activities	-23,620	33,647
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>-9,083</b>	<b>896</b>

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2022 amount to EUR 9,243 thousand (December 31, 2021: EUR 8,285 thousand) and comprise immediately available bank balances, checks and cash on hand.

Other non-cash income and expenses of EUR 2,891 thousand (previous year: EUR 4,178 thousand) mainly include valuation allowances on inventories, additions to or reversals of pension provisions, other provisions and liabilities, as well as the measurement of derivatives and the granting of shares in accordance with IFRS 2.

No company acquisitions took place 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 department, 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 primarily through its operating business.

Alzchem Trostberg GmbH acts as a 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 external financing.

Through the Group's internal financial clearing system, short-term liquidity surpluses of individual Group companies are used to internally finance the cash requirements of other Group companies. This contributes to a reduction in the volume of external debt financing and an optimization of cash and capital investments, and thus has a positive impact on the Group's interest result.

At the level of the Alzchem Group, consolidated and integrated liquidity planning is prepared on the basis of the latest corporate planning/forecast, including additional special effects that can be identified at short notice.



The Alzchem Group is financed mainly by the liquid funds generated by the Group's operating business. 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 12/31/2021	50,000	0	50,000
As of 12/31/2022	77,500	56,353	21,147

The sale of customer receivables to a factor is used as a further short-term financing instrument. The maximum factoring volume amounted to EUR 40 million as of December 31, 2022 (December 31, 2021: EUR 30 million). Receivables sold under factoring as of the balance sheet date, reduced by the agreed retentions, amounted to EUR 26,639 thousand (December 31, 2021: EUR 22,395 thousand).

To finance investments, long-term loans were concluded in the fiscal years 2013, 2015, 2017 and 2020. No new long-term loans were taken out in the fiscal year 2022. As of the balance sheet date, the outstanding loan balance related to these long-term financings amounts to EUR 37,553 thousand (December 31, 2021: EUR 48,043 thousand). The current portion of these financings amounted to EUR 10,055 thousand at the balance sheet date (December 31, 2021: EUR 10,490 thousand).

Other current financial liabilities from non-derivative financial instruments amounted to EUR 42,982 thousand at the balance sheet date (December 31, 2021: EUR 38,656 thousand).

## MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows the maturity structure of the contractual, undiscounted cash flows from interest and redemption payments of the non-derivative financial liabilities:

12/31/2021 in EUR thousand	Up to 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
<b>Total</b>	<b>49,752</b>	<b>34,046</b>	<b>4,779</b>	<b>88,577</b>

12/31/2022 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Loan liabilities to banks	66,861	28,146	0	95,007
Trade payables	37,386	0	0	37,386
Other financial liabilities	5,425	171	0	5,596
<b>Total</b>	<b>109,672</b>	<b>28,317</b>	<b>0</b>	<b>137,989</b>

The Alzchem Group has not violated any payment agreements or contractually regulated agreements in financing contracts (covenants) with regard to its financial liabilities.

The undiscounted payment 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 of EUR 136,887 thousand (December 31, 2021: EUR 86,870 thousand) reported by the Group as of December 31, 2022, EUR 13,336 thousand (December 31, 2021: EUR 13,772 thousand) or 10% (December 31, 2021: 16%) are secured.

The collateral is composed as follows:

#### 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

#### 12/31/2022

in EUR thousand	Land charge over land and buildings	Technical equipment and machinery	Total
Loan liabilities to banks	11,000	2,336	13,336

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:

	12/31/2021		12/31/2022	
	EUR thousand	%	EUR thousand	%
Total	86,870	100	136,887	100
Germany	77,368	89	129,851	95
Europe – EU (without Germany)	6,785	8	5,508	4
Europe – Other	96	< 1	11	< 1
Rest of the world	2,621	3	1,517	1

## 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. Valuation allowances on trade receivables 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 therefore only exposed to credit risks 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, 2021 and December 31, 2022:

<b>12/31/2021</b>	<b>Maximum default risk</b>	<b>Collateral held</b>		<b>Calculated risk</b>
<b>Balance sheet item/valuation category</b>	<b>EUR thousand</b>	<b>EUR thousand</b>	<b>%</b>	<b>EUR thousand</b>
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
<b>Total financial assets</b>	<b>60,872</b>	<b>18,642</b>	<b>31</b>	<b>42,230</b>

<b>12/31/2022</b>	<b>Maximum default risk</b>	<b>Collateral held</b>		<b>Calculated risk</b>
<b>Balance sheet item/valuation category</b>	<b>EUR thousand</b>	<b>EUR thousand</b>	<b>%</b>	<b>EUR thousand</b>
Financial assets				
At fair value through profit or loss	5,233	0	0	5,233
Other receivables and other assets				
At amortized cost	12,411	0	0	12,411
Trade receivables				
At amortized cost	11,559	3,074	27	8,485
At fair value through other comprehensive income	44,153	25,928	59	18,226
Cash and cash equivalents				
At amortized cost	9,243	0	0	9,243
<b>Total financial assets</b>	<b>82,600</b>	<b>29,001</b>	<b>35</b>	<b>53,598</b>

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 valuation allowances in an adequate amount. The development of valuation allowances on trade receivables is presented in Note 18.





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:

<b>12/31/2021</b>	<b>Gross carrying amount</b>	<b>Not due</b>	<b>Overdue in days</b>		
<b>Balance sheet item/valuation category in EUR thousand</b>			<b>1 - 30</b>	<b>31 - 120</b>	<b>&gt; 120</b>
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
<b>Total financial assets</b>	<b>61,200</b>	<b>59,275</b>	<b>1,131</b>	<b>96</b>	<b>698</b>

<b>12/31/2022</b>	<b>Gross carrying amount</b>	<b>Not due</b>	<b>Overdue in days</b>		
<b>Balance sheet item/valuation category in EUR thousand</b>			<b>1 - 30</b>	<b>31 - 120</b>	<b>&gt; 120</b>
Financial assets					
At fair value through profit or loss	5,233	5,233	0	0	0
Other receivables and other assets					
At amortized cost	12,411	12,411	0	0	0
Trade receivables					
At amortized cost	11,553	10,988	327	144	94
At fair value through other comprehensive income	44,449	42,175	1,666	100	508
Cash and cash equivalents					
At amortized cost	9,243	9,243	0	0	0
<b>Total financial assets</b>	<b>82,889</b>	<b>80,050</b>	<b>1,993</b>	<b>244</b>	<b>602</b>



If the total financial assets of the Group are allocated to regions, the following risk concentrations arise:

	12/31/2021		12/31/2022	
	EUR thousand	%	EUR thousand	%
Total	60,872	100	82,600	100
Germany	29,338	48	33,825	41
Europe – EU (without Germany)	8,282	14	9,340	11
Europe – Other	1,776	3	1,232	2
Rest of the world	21,476	35	38,203	46

## 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 can 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 arising from future transactions. However, no hedging transactions were used in the periods currently presented.

Of the primary financial instruments reported in the Group, EUR 40,149 thousand (December 31, 2021: EUR 21,837 thousand) relate to financial assets denominated in foreign currencies and EUR 2,498 thousand (December 31, 2021: EUR 4,443 thousand) to financial liabilities denominated in foreign currencies. The risk concentration related to foreign currencies is as follows:

Financial assets	12/31/2021		12/31/2022	
	EUR thousand	%	EUR thousand	%
Total	21,837	100	40,149	100
USD	11,208	51	26,856	67
JPY	2,441	11	4,746	12
SEK	5,525	25	4,521	11
CNY	2,550	12	3,951	10
Other	113	1	75	< 1

Financial liabilities	12/31/2021		12/31/2022	
	EUR thousand	%	EUR thousand	%
Total	4,443	100	2,498	100
SEK	1,255	28	1,056	42
USD	2,443	55	1,030	41
CNY	697	16	408	16
JPY	13	< 1	0	0
Other	35	1	4	< 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 USD, JPY, CNY and SEK currencies that are significant for the Alzchem Group were used.



As of the balance sheet date, the Alzchem Group is exposed to currency risks that 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, 2022, the reported equity in functional currency would have changed by EUR -3,416 thousand (December 31, 2021: EUR -1,574 thousand) or EUR 4,176 thousand (December 31, 2021: EUR 1,924 thousand).

The hypothetical impact on earnings (before taxes) of EUR -3,416 thousand (December 31, 2021: EUR -1,574 thousand) and EUR 4,176 thousand (December 31, 2021: EUR 1,924 thousand) results in detail from the following currency sensitivities:

in EUR thousand	12/31/2021		12/31/2022	
	+10%	-10%	+10%	-10%
<b>Total income statement</b>	<b>-1,574</b>	<b>1,924</b>	<b>-3,416</b>	<b>4,176</b>
EUR/USD	-797	974	-2,348	2,870
EUR/JPY	-221	270	-431	527
EUR/CNY	-168	206	-322	394
EUR/SEK	-388	474	-315	385
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Effect total equity</b>	<b>-1,574</b>	<b>1,924</b>	<b>-3,416</b>	<b>4,176</b>

## 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 loan liabilities to banks have fixed interest rates and are therefore not subject to interest rate risks. The short-term financing lines drawn down as of December 31, 2022 are subject to variable interest rates. If the average interest rate for the utilization of the financing lines in the fiscal year 2022 had been 0.5 percentage points higher or lower than the actual interest rate, the reported result for the period or equity (before taxes) would have decreased or improved by EUR 180 thousand. In the previous year, there were no variable interest rates and thus no interest rate risk.

## 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 transactions in the fiscal year 2022 relate to the purchase of electricity exclusively for the Group's own requirements. The forward purchases for electricity purchases in Germany concluded in the fiscal year 2022 for the fiscal year 2023 were also sold again in the fiscal year 2022. As both transactions are based on the same volume of electricity purchases (in MW), market price changes for both transactions always offset each other in full, so there is no market price change risk.

## 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:

12/31/2021	At amortized cost		At fair value		Total amount	
	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			
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value	
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
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	
<b>Total financial assets</b>	<b>27,796</b>	<b>33,056</b>	<b>20</b>	<b>60,872</b>	<b>60,872</b>	



12/31/2022	At amortized cost		At fair value		Total amount	
	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			
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Financial assets	–	–	5,233	5,233	5,233	5,233
Other receivables and other assets	12,411	–	–	12,411	12,411	12,411
Trade receivables	11,559	44,153	–	55,712	55,712	55,712
Cash and cash equivalents	9,243	–	–	9,243	9,243	9,243
<b>Total financial assets</b>	<b>33,213</b>	<b>44,153</b>	<b>5,233</b>	<b>82,600</b>	<b>82,600</b>	<b>82,600</b>



The following table shows the carrying amounts and fair values of financial liabilities by measurement category in accordance with IFRS 9:

12/31/2021	At amortized cost		Total amount	
	Financial liabilities measured at amortized cost			
	Carrying amount	Carrying amount	Fair value	
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	
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	
<b>Total financial liabilities</b>	<b>86,870</b>	<b>86,870</b>	<b>88,887</b>	

12/31/2022	At amortized cost		Total amount	
	Financial liabilities measured at amortized cost			
	Carrying amount	Carrying amount	Fair value	
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	
Loan liabilities to banks	93,906	93,906	92,626	
Trade payables	37,386	37,386	37,386	
Other liabilities	5,595	5,595	5,595	
<b>Total financial liabilities</b>	<b>136,887</b>	<b>136,887</b>	<b>135,607</b>	





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.

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 hierarchy level of IFRS 13.

Certain financial assets are measured at fair value on a recurring basis and allocated to the appropriate IFRS 9 categories. The following table shows these financial assets and their measurement levels under IFRS 13:

#### 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
<b>Total assets</b>	<b>33,056</b>	<b>20</b>	<b>33,076</b>

#### 12/31/2021 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
- Measured at fair value through other comprehensive income	44,153	–	44,153
Financial assets			
- Measured at fair value through profit or loss	5,228	6	5,234
<b>Total assets</b>	<b>49,381</b>	<b>6</b>	<b>49,387</b>

Financial liabilities were not recognized at fair value in the reporting period.

In the reporting period, there were no reclassifications between the individual fair value hierarchies.

The fair value of electricity derivatives measured at fair value through profit or loss is allocated to Level 2.

The fair value of trade receivables measured at fair value through other comprehensive income is allocated 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, for which the buyer 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. 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. Compared to the



previous year, the reported value decreased by EUR 14 thousand. An investment in the USA was sold in the fiscal year 2022 with a previously recognized reversal of impairment losses of EUR 474 thousand. In the reporting period, income of EUR 207 thousand (previous year: EUR 17 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:

01/01-12/31/2021 in EUR thousand	Interest	Currency translations	Impairment losses/ reversals	Changes in the fair value of derivatives	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	8	216	95	0	0	319	0
Financial assets at fair value through profit or loss	0	0	0	0	17	17	0
Financial assets measured at fair value through other comprehensive income	0	1.202	-42	0	0	1.160	36
Financial liabilities measured at amortized cost	-785	-1.388	0	0	0	-2.173	0
	<b>-777</b>	<b>30</b>	<b>53</b>	<b>0</b>	<b>17</b>	<b>-677</b>	<b>36</b>

01/01-12/31/2022 in EUR thousand	Interest	Currency translations	Impairment losses/ reversals	Changes in the fair value of derivatives	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	48	-76	0	0	0	-28	0
Financial assets at fair value through profit or loss	0	0	474	5,228	207	5,909	0
Financial assets measured at fair value through other comprehensive income	0	730	32	0	0	762	27
Financial liabilities measured at amortized cost	-1,122	-552	0	0	0	-1,674	0
	<b>-1,074</b>	<b>102</b>	<b>506</b>	<b>5,228</b>	<b>207</b>	<b>4,969</b>	<b>27</b>

In the reporting periods, no interest income was received from impaired trade receivables. The effects of currency translations are reported under other operating income or other operating expenses. The other effects are included in the financial result.

## DERIVATIVES AND HEDGE ACCOUNTING

The Alzchem Group uses hedging transactions in some cases to hedge currency risks arising from future transactions. However, no currency hedges were used in the periods currently presented.

As of December 31, 2022, derivatives from the sale of power strips had to be recognized. Alzchem had purchased these electricity strips in advance for the calendar year 2023, but decided to sell them again due to market conditions. As a result of the sale, the so-called "own use exemption" of IFRS 9 no longer applies to these contracts and the derivatives consequently had to be recognized at fair value. They are reported in the balance sheet under current financial assets. There were no derivative financial instruments at the reporting date of the previous year.

## OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are only offset if net settlement is possible at any time and is also planned. At Alzchem, this applies to the electricity trading derivatives in the fiscal year 2022. The netted derivatives are included in current other financial assets with a net value of EUR 5,228 thousand and consist of EUR 16,791 thousand in sales derivatives and EUR 11,563 thousand in purchase derivatives. There are no other collateral or offsetting agreements that cannot be recognized in the balance sheet.

## 30. COMPANY ACQUISITIONS

There were no company acquisitions to be accounted for in the periods currently presented.

## VII. OTHER NOTES

### 31. OTHER FINANCIAL OBLIGATIONS

In addition to the lease liabilities already recognized in accordance with IFRS 16, the Alzchem Group 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:

12/31/2021 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,460	507	41	2,008

12/31/2022 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,383	304	28	1,715

Purchase commitments amounted to EUR 70,384 thousand as of December 31, 2022 (December 31, 2021: EUR 103,817 thousand). These mainly comprise long-term purchase commitments for lime and electricity supplies (previous year only) and for property, plant and equipment.

The disclosures on leases in accordance with IFRS 16 are included in the separate Note 13 Leases.

### 32. CONTINGENCIES

There are contingent liabilities of EUR 2.1 million until 2038 for possible environmental obligations arising from the sale of the alloying operation in 2008. However, due to the industrial structure at the site, the company excludes such a risk.

### 33. CORPORATE BODIES

The members of the Management Board of Alzchem Group AG appointed during the reporting period were:

- Andreas Niedermaier, Qualified Economical Engineer (FH) – CEO
- Klaus Englmaier, Qualified Engineer (FH) – 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 1,804 thousand in the reporting period (previous year: EUR 1,959 thousand). The remuneration can be broken down as follows:

in EUR thousand	01/01 - 12/31/2021	01/01 - 12/31/2022
Fixed remuneration	760	775
Bonus	852	840
Remuneration in kind/other remuneration	42	41
Post-employment benefits	146	148
Share-based payment (Long-Term Incentive)	159	0
	<b>1,959</b>	<b>1,804</b>

The resulting outstanding balances as of December 31, 2022 amount to EUR 840 thousand (December 31, 2021: EUR 852 thousand) and are shown within other current liabilities. Provisions for post-employment benefits for members of the Management Board amount to EUR 845 thousand (December 31, 2021: EUR 1,332 thousand) and are shown within provisions for pensions and similar obligations. The provision for share-based payment of EUR 103 thousand (December 31, 2021: EUR 403 thousand) is part of non-current other provisions. The individual remuneration of the Management Board members of Alzchem Group AG is included in the separate Remuneration Report 2022 of Alzchem Group AG.

According to the Articles of Association, the Supervisory Board of the Group parent company Alzchem Group AG, consisting of four members, shall hold one meeting in the calendar quarter and must hold two meetings in the calendar half-year.

In the year under review, the following persons were members of the Supervisory Board:

- 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, Otto Wolf (until March 31, 2022) and Christian Ortbauer (since April 1, 2022) were members of the Supervisory Board of Alzchem Trostberg GmbH during the reporting period. The aforementioned Supervisory Board members are also persons in key positions of the Alzchem Group in accordance with IAS 24. The remuneration of all Supervisory Board members amounted to EUR 180 thousand (previous year: EUR 160 thousand), which resulted in outstanding balances at the reporting date of EUR 180 thousand (December 31, 2021: EUR 160 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 2022 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 have entered into Management Board contracts in the fiscal year 2019 which regulate, 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. SAR 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 Management Board member, a certain portion of the SAR can be exercised, i.e. converted into a cash amount to be paid out as a bonus within



six weeks after the end of the respective exercise period, if the conditions for this are met. SAR not redeemed at the end of the last exercise period are forfeited. The entitlement to receive SAR 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 stipulated maximum amount, a cap is applied in this amount; the bonus exceeding the maximum amount is forfeited.

In addition, each Management Board member was required 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 SAR were granted to the Management Board members in the reporting period under the Management Board contracts for the year 2019. As of December 31, 2022 and December 31, 2021, the number of SAR granted (2019) amounted to 250,000.

The fair value was determined based on a Monte Carlo model and the expense recognized in personnel expenses was allocated on a straight-line basis from the grant date to the beginning of the exercise period. In the fiscal year 2022, income of EUR 351 thousand (previous year: EUR 159 thousand expense) was recognized from this plan, resulting in a provision of EUR 52 thousand (previous year: EUR 403 thousand). The valuation was based on the following parameters:

	<b>12/31/2021</b>	<b>12/31/2022</b>
Residual term (in years)	1.5 - 2.1	0.5 - 1.1
Expected volatility	23.5% - 32.2%	28.0% - 31.7%
Risk-free interest rate	-0.64% to -0.65%	2.14% to 2.56%
Share price at valuation date	EUR 23.40	EUR 16.90

As the Management Board members are entitled to payment of dividends granted between January 1, 2020 and the date of exercise, it was not possible to explicitly model the dividend in 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 these stock appreciation rights (SAR) 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 SAR is EUR 0.00. The exercise price for the SAR is EUR 0.00. The exercise price for the SAR is EUR 0.00.

### STOCK APPRECIATION RIGHTS 2022

The Management Board members Klaus Englmaier and Dr. Georg Weichselbaumer concluded new Management Board contracts in the fiscal year 2022 which, among other things, provide for the granting of stock appreciation rights (“Stock Appreciation Rights 2022”/“SAR 2022”). The number of SAR 2022 to be allocated per tranche is calculated by dividing the allocation amount by the “assumed 4-year share price increase” determined by the Supervisory Board. An SAR 2022 grants an entitlement to payment of a cash amount depending on the exercise price (average of the Xetra-weighted closing prices of the Alzchem Group AG share in the last 30 trading days before the date of exercise of the SAR + the dividends paid since the allocation date), reduced by the allocation price (average of the Xetra-weighted closing prices of the Alzchem Group AG share in the last 60 trading days before the allocation date). The exercise periods of the SAR are to be determined by the Supervisory Board. The minimum holding period for exercising the SAR ends no earlier than four years after the allocation date.

The SAR were granted under a so-called “long-term incentive” (LTI) agreement. For the individual beneficiaries, in addition to a payout cap on the total LTI, a payout cap was also defined with regard to the total remuneration, which is to be taken into account in the accounting for the SAR 2022. In the event of significant detrimental breaches of duty towards the Alzchem Group, the Supervisory Board can demand the full or partial return of the LTI tranche granted for a given year within a one-year period. This also applies to LTIs that have already been paid out. The new Management Board contracts have only been in force since January 1, 2023 and therefore SAR 2022 can also be allocated in the fiscal year 2023 at the earliest. Under the rules of IFRS 2, the vesting period and thus the start of recognition as personnel expense may already be before the date of the actual grant of SAR 2022 if the grant date to be determined in accordance with IFRS 2 falls on an earlier date. The grant date was defined as the date of agreement on the new Management Board contracts, thus April 26, 2022.

The SAR 2022 is also a cash-settled share-based payment in accordance with the provisions of IFRS 2. 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 2022, personnel expenses of



EUR 51 thousand (previous year: EUR 0 thousand) were recognized from this plan, resulting in a provision of EUR 51 thousand (previous year: EUR 0 thousand). The valuation was based on the following parameters:

	<b>12/31/2022</b>
Residual term (in years)	4.0 - 6.0
Expected volatility	28.4% - 30.7%
Risk-free interest rate	2.51% to 2.58%
Share price at valuation date	EUR 16.90

As the members of the Management Board are entitled to payment of dividends granted between the grant date and the exercise date, it was not possible to explicitly model the dividend in 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 (SAR) at hand are not options and the subscription rights securitize a payment in the amount of the share price valid at the time of exercise, the exercise price for the SAR is EUR 0.00.

#### SHARES GRANTED TO EMPLOYEES IN 2022

The share-based remuneration granted to certain employees in the fiscal year 2022 resulted in personnel expenses of EUR 677 thousand. In total, employees were granted 40,581 shares from treasury shares. The fair value of the shares on the grant date (December 12 to 14, 2022) was used to measure the equity instruments to be granted. The transfer will take place in the fiscal year 2023.

## 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 related parties of the Alzchem Group.

No transactions were conducted with related parties in the reporting period.

## 36. LITIGATIONS 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 any potential obligation or claims cannot be reliably determined due to the high level of uncertainty associated with such proceedings.

## 37. FEES FOR THE AUDITORS

The auditors of the consolidated financial statements of Alzchem Group AG as of December 31, 2021 and 2022 were Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Munich branch.

Fees totaling EUR 273 thousand (previous year: EUR 257 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 2022. This includes EUR 30 thousand (previous year: EUR 15 thousand) attributable to the previous year. The remuneration is divided between the following services:

<b>in EUR thousand</b>	<b>01/01 - 12/31/2021</b>	<b>01/01 - 12/31/2022</b>
Other audit and assurance services	3	13
Audit services	254	260
Tax consulting services	0	0
Other services	0	0
<b>Total</b>	<b>257</b>	<b>273</b>



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, 2022:

Company name	Seat	Share in capital in %
Subsidiaries		
Alzchem Trostberg GmbH	Trostberg, Germany	100
Alzchem International GmbH	Trostberg, Germany	94
Alzchem Stahltechnik GmbH	Trostberg, Germany	100
Suppliva GmbH (formerly Alzchem Nutrition GmbH)	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
Alzchem UK Ltd.	Coventry, United Kingdom	100

The share of 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

After the end of the fiscal year 2022 and up to the date of preparation of the consolidated financial statements, there were no events with a significant impact on the net assets, financial position and results of operations.

## 40. CORPORATE GOVERNANCE


In December 2022, 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, 2023

Alzchem Group AG

The Management Board

  
Andreas Niedermaier (CEO)

  
Klaus Englmaier (COO)

  
Dr. Georg Weichselbaumer (CSO)

# DECLARATION ON THE REMUNERATION TRANSPARENCY ACT

# 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 was to be prepared for the first time in 2018 for the year 2016. The report must be attached to the combined management report as an appendix and disclosed in the company register, sec. 22 para. 4 of the German Remuneration Transparency Act (Entgelttransparenzgesetz). It is not part of the consolidated financial statements or the combined management report.

Alzchem ensures that its employees receive fair remuneration and remuneration transparency. This is achieved in detail as follows:

- Alzchem Trostberg GmbH and 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 regularly carries out function evaluations in summary form with its operating partner for the area of collective bargaining employees in accordance with collective bargaining regulations as defined in the Federal Collective Agreement on Remuneration via evaluation commissions with equal representation, which meet at least six times a year. Equivalent functions are combined into job families by means of a company agreement, thus ensuring a fair and gender-neutral evaluation of functions and, as a result, gender-neutral grouping and pay determination with regard to our employees. An evaluation committee with equal representation meets regularly to evaluate new job families in a gender-neutral and uniform manner.
- 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 also an evaluation commission here with equal representation, which ensures gender-neutral and uniform evaluation and classifications of functions.

- Alzchem promotes a working environment that is friendly to women and families. This is achieved primarily through flexible working hours agreed with the company partner and a variety of part-time models.

- The declarations on gender-neutral function evaluation ensure that functions are evaluated exclusively in terms of qualitative aspiration and function-specific requirements, which are completely independent of the gender of the job or function holder.

As of the reporting date December 31, 2022, the Alzchem Group employed 1,322 men (including the 3 members of the Management Board) (previous year: 1,314) and 175 women (previous year: 167) on a full-time basis, and 73 men (previous year: 58) and 120 women (previous year: 119) on a part-time basis.

For some years now, Alzchem has increasingly offered mobile working. This is particularly popular with young parents. This is a further contribution to improving the compatibility of family and career.

Alzchem has set itself the goal of increasing the proportion of female managers in upper management (first and second management levels). This has already been raised significantly in recent years and currently stands at over 12% (2018: 0%).



# RESPONSIBILITY STATEMENT



# 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, 2023

Alzchem Group AG

The Management Board

Andreas Niedermaier (CEO)

Klaus Englmaier (COO)

Dr. Georg Weichselbaumer (CSO)





# FURTHER INFORMATION







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 company register.

# Independent auditor's report

to Alzchem Group AG (formerly: 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 (formerly: AlzChem Group AG), Trostberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, 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, 2022, 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 (formerly: AlzChem Group AG), Trostberg, for the fiscal year from January 1 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the non-financial (Group) statement contained in section 9 of the combined management

report and the Group corporate governance statement contained in section 10 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, 2022 and of its results of operations for the fiscal year from January 1 to December 31, 2022 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, 2022. 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 (formerly: AlzChem Group AG), Trostberg, the balance sheet item “provisions for pensions and similar obligations” includes EUR 90.1 million (21% 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 190.2 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 comprehensive 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 2022 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,
- the Declaration on the Remuneration Transparency Act,
- the other parts of the published 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 10 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 due to fraud (i.e. manipulation of the financial statements and misstatement of assets) or error.

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 due to fraud or error 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 in the consolidated financial statements and the combined management report due to fraud or error, 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 that result from fraud is higher than the risk of not detecting material misstatements that result from error, as fraud may involve collusion, counterfeiting, 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 presentation, structure and content of the consolidated financial statements as a whole, 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 directing, supervising 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 significant deficiencies in internal control that we identify during our audit.

We provide a statement to those charged with supervision that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to affect our independence and, if relevant, the actions taken or safeguards implemented to eliminate independence threats.

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 “alzchem-groupag-2022-12-31-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 combined management report for the fiscal year from January 1 to December 31, 2022, 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 (06.2022)) 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).

#### Legal uncertainty regarding the conformity of the interpretation of the relevant European regulations

The consolidated financial statements converted into the ESEF format are not fully machine-readable in a meaningful way due to the conversion process chosen by the company with regard to the notes information in the iXBRL format (“block tagging”). The legal conformity of the legal repre-

sentatives’ interpretation that meaningful machine evaluability of the structured notes information is not explicitly required by Delegated Regulation (EU) 2019/815 when block tagging the notes is subject to significant legal uncertainty, which thus also represents an inherent uncertainty in our audit.

#### 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 require-



ments 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 5, 2022. We were appointed by the Supervisory Board on October 21, 2022. We have served as auditors of the consolidated financial statements of Alzchem Group AG (formerly: Alz-Chem 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 Audit Committee 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 entered in the company register – 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, 2023

Ebner Stolz GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl	Olga Resnik
Certified Public Accountant	Certified Public Accountant



# List of abbreviations

AB	Aktiebolag
AG	Aktiengesellschaft (stock corporation)
CEO	Chief Executive Officer
COO	Chief Operating 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
EUR	Euro
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
SEK	Swedish Krona
SIC	Standing Interpretations Committee
USA	United States of America
USD	United States Dollar

# Imprint

## PUBLISHER

Alzchem Group AG  
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# Financial calendar 2023

January 29 to February 28, 2023	Quiet Period*
February 28, 2023	Annual Report 2022
April 4 to May 4, 2023	Quiet Period
May 4, 2023	Quarterly Statement 1st Quarter of 2023
May 11, 2023	Annual General Meeting 2023
July 4 to August 3, 2023	Quiet Period
August 3, 2023	Half-year financial report 2023
September 26 to October 26, 2023	Quiet Period
October 26, 2023	Quarterly Statement 3rd Quarter 2023

\* In a "quiet period", Alzchem Group AG only communicates with the capital market to a limited extent before publishing quarterly or annual statements.

# 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.



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