



alzchem
group

AGILE SCIENCE PURE RESULTS

Alzchem Group AG

QUARTERLY STATEMENT Q3 2023



Alzchem at a Glance

~ € 398
mn

sales generated by Alzchem from
January to September 2023
January to September 2022:
~ € 409 mn

~ € 56
mn

EBITDA achieved by Alzchem from
January to September 2023
January to September 2022:
~ € 47 mn

MARKETS



HUMAN
NUTRITION



ANIMAL
NUTRITION



FINE
CHEMISTRY



PHARMA



AGRICULTURE



RENEWABLE
ENERGY



METALLURGY



CUSTOM
SOLUTIONS

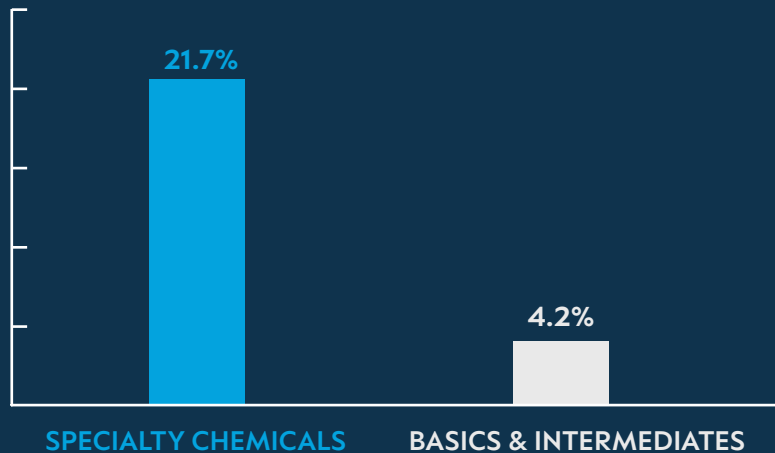


AGRI
SOLUTIONS

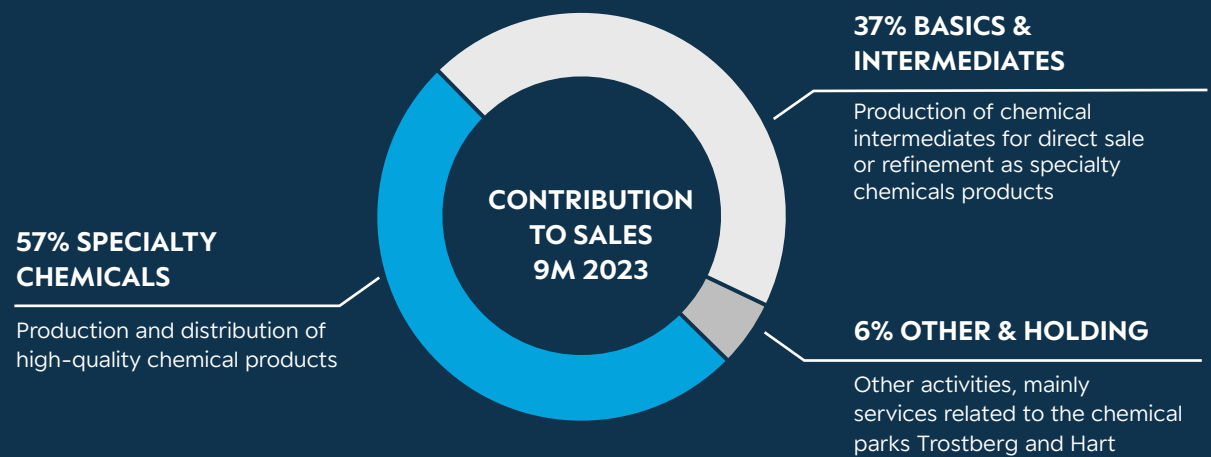


AUTOMOTIVE/
DEFENSE

EBITDA MARGIN BY MAIN SEGMENTS



THREE REPORTING SEGMENTS





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Alzchem again holds its ground with strong quarterly figures. Significant EBITDA growth to EUR 56.3 million. Sales increase in Specialty Chemicals supports positive development of EBITDA margin of 14.2% and 16.2% in the third quarter. EBITDA guidance for 2023 adjusted to approx. EUR 80 million.

- Sales in the first nine months 3% below previous year; development, however, contrary to negative industry trend.
- Specialty Chemicals segment continues to grow; decline in sales mainly relates to Basics & Intermediates segment.
- Human Nutrition market contributes significantly to growth.
- EBITDA EUR 9.3 million above previous year; EBITDA margin rises to 14.2%.
- Increase in free cash flow by EUR 66.8 million; normalization of inventories.
- Commissioning of new Creapure® capacities with very good utilization still expected in the fourth quarter of 2023 according to plan.
- Forecast for 2023 adjusted:
 - Sales expected to remain stable at prior-year level
 - EBITDA growing strongly to around EUR 80 million
 - EBITDA margin growing strongly

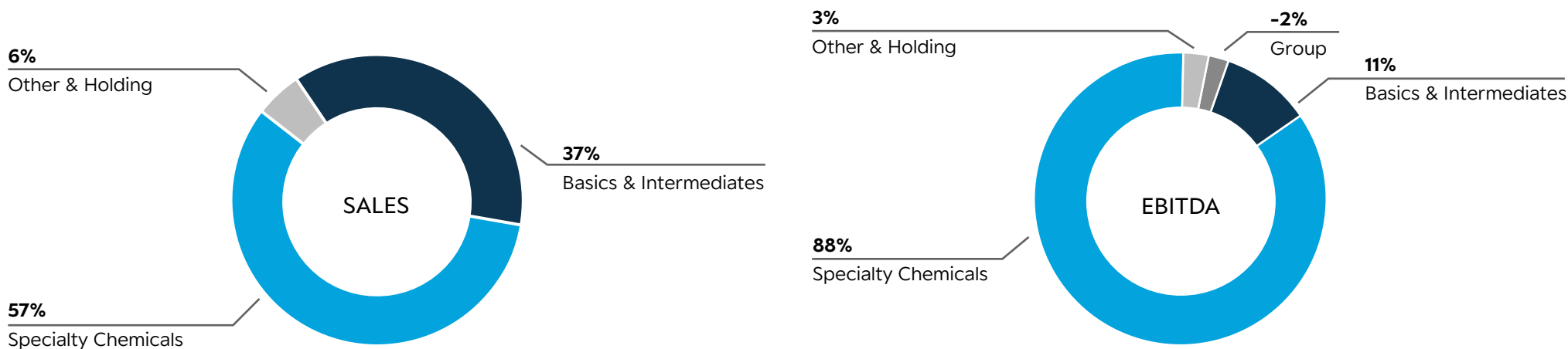
Note: Unless otherwise stated, all amounts are stated in EUR thousand. For computational reasons, rounding differences of ± one unit may occur in tables.

KEY FIGURES OF THE ALZCHEM GROUP

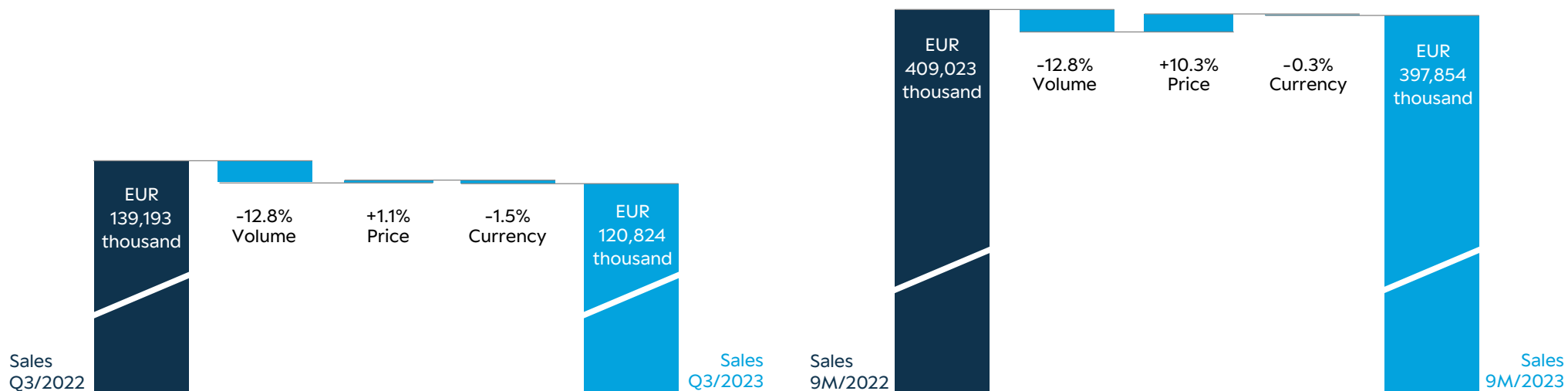
Key figure	Unit	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
Sales	EUR thousand	139,193	120,824	409,023	397,854
EBITDA	EUR thousand	12,147	19,534	47,025	56,324
EBITDA margin	%	8.7	16.2	11.5	14.2
EBIT	EUR thousand	5,823	12,960	28,098	37,095
Result for the period	EUR thousand	5,977	8,656	23,350	23,606
Earnings per share (undiluted and diluted)*	EUR	0.59	0.85	2.29	2.31
Equity ratio	%	31.9	37.6	31.9	37.6

* After transfer of shares to employees in 2023 calculated with the average number of outstanding shares: in the period 01/01-09/30/2023 with 10,167,317 shares and in the period 07/01-09/30/2023 with 10,176,335 shares. In the period 2022 calculated with 10,135,754 shares.

SALES AND EBITDA SHARE BY SEGMENT FOR THE NINE-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023



CHANGE IN SALES COMPARED TO PREVIOUS YEAR



1. Development of the Group

1.1 SIGNIFICANT DEVELOPMENTS IN THE NINE-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

Although the first nine months of 2023 were very challenging and intense for Alzchem, the company was able to develop positively against the overriding industry trend. While the German Chemical Industry Association (Verband der Chemischen Industrie – VCI) expects a decline in sales of around 8% for the German chemical and pharmaceutical industry this year, Alzchem recorded only a slight drop in sales of 2.7% in the nine-month period and is thus in a better position than the general situation and mood in the chemical industry would suggest. The basis for this good development in the current environment is the broad diversification of products and the company's high innovative strength, which leads to a steadily growing importance of the specialty chemicals business in the Specialty Chemicals segment and a unique position with numerous products such as Creapure[®], Dormex[®] and Creamino[®] or with the applications of guanidine salts. As a result, Alzchem was again able to grow in the Specialty Chemicals segment, but suffered a decline in sales in the Basics & Intermediates segment.

Alzchem is continuing to systematically drive forward the Group's reorganization in the direction of specialties. The response to the current conditions in Europe, including high energy prices and raw material costs, and additional CO₂ costs, is to reduce high-volume products, provided this does not have a negative impact on "Verbund production". This is particularly true in the Basics & Intermediates segment. Historically, high sales volumes have been achieved here with low margins. The reduction in sales in the Basics & Intermediates segment consequently leads to a greater importance and validity of the higher-margin products within the Specialty Chemicals segment. However, different developments can also be seen here in the individual areas. The more purely chemical products are unable to escape the general market trend and are also struggling with volume reductions (e.g. DYHARD[®] and Custom Manufacturing). On the other hand, the Human Nutrition (Creapure[®]), Animal Nutrition (Creamino[®]) and Agriculture (Dormex[®]) products, which are used as specialties close to the end customer, continued to expand very well or were maintained at a high volume level. There was also significant growth in the application area of guanidine salts (nitroguanidine), where Alzchem supplies customers with applications in airbags, crop protection and defense technology.

In the Human Nutrition business, market cultivation and the willingness to invest are now increasingly paying off. Alzchem achieved significant sales growth with Creapure[®] following

the commissioning of the new plant at the end of the last fiscal year. Due to the continued increase in customer demand, the next plant expansion is already underway and is scheduled to be completed and commissioned in the fourth quarter of 2023. The new capacities will be very well utilized right from the start. The prospects in this product area are quite excellent, as demand is rising steadily both through use in dietary supplements in the sports sector and as an additive in vegetarian and vegan diets. In addition, studies are revealing new areas of application, for example in the treatment of long covid syndrome, dialysis, and fatigue syndrome. In addition, this business unit launched a specially prepared creatine monohydrate as a fine, tasteless powder for use in the food industry under the brand name Creavitalis[®]. Initial sales of Creavitalis[®] give quite a positive outlook for future growth opportunities in the food industry.

Germany is discussing a lot about a possible industrial electricity price. Energy and raw material costs currently remain at a high level, as shown for example by electricity prices, which are currently still three times higher than before the start of the Ukraine war. The resulting significant competitive disadvantage compared to Asian and American competitors could only be offset to a very limited extent by a possible industrial electricity price, as Alzchem would probably have to pass this on to customers in Europe because many electricity-intensive products have price escalator clauses. Nevertheless, an industrial electricity price could improve competitiveness again in some product areas where Alzchem's cost level is currently significantly higher than that of competitors from Asia or Russia. Examples include agricultural fertilizers (Perlka[®]) and products from the pharmaceutical sector (building block dicyandiamide). For these products in particular, Alzchem is currently pursuing a fixed price strategy, deliberately accepting volume losses if customers only look at the price. In the long term, the "Carbon Border Adjustment Mechanism" (CBAM), which was launched on October 1, 2023, is likely to prove much more effective in international competition. This new EU border adjustment mechanism for CO₂ is intended to raise the price of emissions-intensive imports from third countries to the European price level in order to compensate in this way for the current considerable competitive disadvantages of companies in the EU as a result of stricter climate protection requirements. It remains to be seen how the transitional phase of this mechanism will establish itself.



Alzchem's transformation towards specialty chemicals is also visible on the earnings side. Despite a decline in sales and continued cost pressure, Alzchem achieved growth in EBITDA and also in the EBITDA margin. EBITDA rose to EUR 56,324 thousand (+EUR 9,299 thousand) and the EBITDA margin to 14.2% (previous year: 11.5%). This is mainly due to the higher sales volume of products in the Specialty Chemicals segment, the deliberate decision not to engage in a price war with Asian competitors in the Basics & Intermediates segment, and also the much more stable – albeit high – cost situation, which allows more predictable pricing vis-à-vis customers. Last year, Alzchem's pricing lagged behind the permanent rise in costs.

Operating cash flow developed very positively in the first nine months of 2023. The significantly improved situation in the supply chains and logistics compared to the previous year allowed Alzchem to reduce its own safety stocks on the raw materials and finished goods side to a considerable extent. At the same time, capital expenditure was within the planned framework, which does not envisage any major investments in 2023, but certainly noticeable expansion and infrastructure investments. Against this background, Alzchem succeeded in generating a clearly positive free cash flow of EUR 30,483 thousand, which was EUR 66,780 thousand higher than the previous year.

The Annual General Meeting on May 11, 2023, approved, among other things, a dividend of EUR 1.05 per share, equivalent to a payment to shareholders of EUR 10,685 thousand.

In February 2023, EUR 30 million was converted from short-term working capital financing into long-term financing with unchanged financing lines. This successful refinancing significantly reduced the short-term line utilization. Due to the strong positive free cash flow, it

was possible to further reduce short-term financing lines and the use of factoring beyond the refinancing.

In addition to the current further expansion of the Creapure® plant, other investments have also started or are currently under review. An incremental expansion was initiated in the multi-purpose facilities, which will enable Alzchem to serve even more specific customer requests in the area of custom manufacturing in the future. This is being done as the first of three steps to expand the multi-purpose facilities. The first sales from this are expected in 2025. The expansion of existing production capacities is currently being examined with a customer in the ceramic products sector (mainly Silzot®). Planning is also underway for the expansion of the production plant for nitroguanidine at the Waldkraiburg site and, based on a customer inquiry, an investment is currently being analyzed that could increase production capacity for higher-grade nitriles. In addition, work has begun on the construction of an in-house photovoltaic plant, which is intended to make a further contribution to emission-free energy supply at the Trostberg site.

Alzchem is keeping a close eye on general global economic developments. In particular, the lower level of energy costs and the continuing increase in importance of the North American market are repeatedly leading to considerations regarding the company's own production site in the USA. Whether this can be done by acquiring an existing business or by building a new plant is currently the subject of intensive discussion. The first possible locations and acquisition objects have already been inspected.

1.2 NON-APPROVAL OF ALZOGUR® ACTIVE INGREDIENT BY THE EU COMMISSION

In June 2023, the responsible EU Biocides Committee approved a proposal from the EU Commission not to grant the active ingredient of Alzogur® (cyanamide) authorization as a biocide at EU level. The EU Commission justified the non-authorization by stating that, on the basis of the available data, it could not be proven beyond doubt that the active ingredient was unlikely to have any unacceptable effects on human health and the environment. Alzchem considers this decision to be incorrect due to significant technical, legal and procedural deficiencies and therefore filed an appeal against it with the European Court in August 2023. The aim is to prevent Alzogur®, which has been used successfully for decades with national approvals to control dysentery pathogens in pigsties and the larvae of the stable fly as their vector, from no longer being available for the market. Due to the denied approval – and notwithstanding the lawsuit filed by Alzchem – Alzogur® can only be sold until June 2024 and used in the pigsty until December 2024. Alzchem will do everything in its powers to achieve a positive decision by the ECJ for the company and its customers by then.

1.3 RESULTS OF OPERATIONS

CONSOLIDATED INCOME STATEMENT (IFRS, UNAUDITED)

In EUR thousand	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
Sales	139,193	120,824	409,023	397,854
Changes in inventories of finished and unfinished products	-1,959	147	26,652	10,168
Other operating income	5,955	3,104	15,761	10,584
Cost of materials	-75,308	-48,545	-222,871	-187,077
Personnel expenses	-31,316	-34,679	-101,602	-105,953
Other operating expenses	-24,418	-21,317	-79,938	-69,252
EBITDA	12,147	19,534	47,025	56,324
Depreciation and amortization	-6,324	-6,574	-18,927	-19,229
EBIT	5,823	12,960	28,098	37,095
Other interest and similar income	2,466	661	6,041	816
Interest and similar expenses	-753	-1,586	-1,999	-5,129
Financial result	1,713	-925	4,042	-4,313
Result from ordinary business activities	7,536	12,035	32,140	32,782
Taxes on income and earnings	-1,559	-3,379	-8,790	-9,176
Consolidated result for the period	5,977	8,656	23,350	23,606
thereof non-controlling interests	43	43	128	128
thereof shares of the shareholders of Alzchem Group AG	5,934	8,613	23,222	23,478
Earnings per share in EUR (undiluted and diluted)*	0.59	0.85	2.29	2.31

* After transfer of shares to employees in 2023 calculated with the average number of outstanding shares: in the period 01/01-09/30/2023 with 10,167,317 shares and in the period 07/01-09/30/2023 with 10,176,335 shares. In the period 2022 calculated with 10,135,754 shares.

DEVELOPMENT IN THE NINE-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

In the first nine months of the fiscal year 2023, Alzchem generated sales of EUR 397,854 thousand, down EUR 11,169 thousand or 3% on the same period of the previous year. After a cumulative increase in sales was still recorded in the first half of 2023, there was a slight decline in sales in the third quarter of 2023. The segments contributed to this sales development in different ways. While sales in the Specialty Chemicals growth segment increased once again by EUR 14,041 thousand, the Basics & Intermediates segment recorded a decline in sales of EUR 27,280 thousand, mainly driven by volumes and price formulas. Even the slight rise in sales in the Other & Holding segment was unable to compensate for the decrease in sales in the Basics & Intermediates segment. It is apparent that sales are no longer determined predominantly by price developments – as in the previous year – but more by volume developments. In the Basics & Intermediates segment, Alzchem is now foregoing certain low-margin business in the price war with Asian competitors and is consciously accepting volume declines if this does not affect the optimal production process. As a result, the Specialty Chemicals segment's share of Group sales is permanently and automatically increased.

The cost of materials is considered together with changes in inventories as the "extended cost of materials ratio". In the first nine months of fiscal year 2023, the cost of materials was EUR 187,077 thousand, EUR 35,794 thousand lower than in the previous year. Changes in inventories were also significantly lower (-EUR 16,484 thousand) than in the previous year, which was still characterized by the build-up of safety stocks that are not currently necessary. The further shift of sales to the specialty chemicals sector is also reflected in the cost of materials, which is not as electricity-intensive for these products. The extended cost of materials ratio has therefore fallen again and is now 44%, compared with 48% in the previous year. The key figures also show the effects of the lower costs for energy and other raw materials compared to the previous year, even if the key figures from the times before the Ukraine war have not yet been reached again.

Other operating income was EUR 5,177 thousand down on the previous year. This was mainly due to lower own work capitalized and lower foreign currency gains. In the previous year, own work capitalized was strongly influenced by own construction work on the expansion of the Creapure® plant. As a result of the slightly more restrained investment policy, own work capitalized was significantly lower in the reporting period.

Personnel expenses in the first nine months of 2023 amounted to EUR 105,953 thousand, up 4% on the previous year. This mainly reflects collectively agreed pay rises and special payments. By contrast, the number of employees remained largely stable.

Other operating expenses amounted to EUR 69,252 thousand in the reporting period, down EUR 10,685 thousand on the previous year. Significant decreases were recorded in selling expenses and external services. There was a slight easing in the general inflation rates, which were still evident in almost every cost item in the previous year. Foreign currency losses increased compared with the previous year. In general, the previous year was still affected by accruals necessary during the year due to the constant and sharp rise in costs at that time, which were not necessary to the same extent in this period.

In the first nine months of the fiscal year 2023, Alzchem generated EBITDA of EUR 56,324 thousand, which was EUR 9,299 thousand or 20% higher than in the previous year. Both operating segments, Basics & Intermediates and Specialty Chemicals, exceeded the previous year's figures. The previous year was affected by enormous electricity price increases and electricity price spikes, particularly in the period from July to September, which could not be passed on to customers at the same speed and thus had a negative impact on EBITDA. Although electricity prices are still very high compared to the period before the Ukraine war, Alzchem has managed to price this high level stably into sales. However, EBITDA is not influenced by electricity prices alone. Other raw material increases and higher personnel expenses also had to be taken into account in Alzchem's pricing mechanism. This was particularly successful in the Specialty Chemicals segment. However, the deliberate pricing strategy of focusing on higher-margin businesses while accepting lower volumes in the Basics & Intermediates segment also contributed to the positive development of Alzchem's EBITDA and EBITDA margin. The EBITDA margin in the reporting period was 14.2%, significantly above the 11.5% of the same period last year.

Depreciation and amortization increased as planned by EUR 302 thousand to EUR 19,229 thousand.



The financial result developed in exactly the opposite direction to the same period of the previous year. It amounted to EUR -4,313 thousand and was thus significantly lower than in the previous year, when a positive financial result of EUR 4,042 thousand was posted. This development is mainly due to the changed interest rate environment. Following significant inflation-inhibiting interest rate cuts by the central banks, interest rates have risen sharply compared with the previous year. This has an impact on cash and non-cash interest effects at Alzchem. The interest expenses for the variable-interest utilization of short-term financing lines, factoring and the refinancing carried out at the beginning of the year have an impact on payments. Here, the rise in interest rates led to an increase in interest expenses of EUR 1,486 thousand compared to the previous year. As the other non-current loans are at fixed interest rates, the increased interest rate environment has no impact on this. However, the interest expense will decrease as a result of scheduled repayments. Non-cash interest effects, however, have a significantly greater impact on the development of the financial result. These result from interest rate change effects from the measurement of non-current provisions and pension obligations. The discount rates for non-current provisions increased slightly on September 30, 2023 compared with the last measurement date of December 31, 2022, and therefore interest rate change effects resulted in measurement interest income that was significantly lower than in the previous year. In the previous year, there was still a significant increase in interest rates, which resulted in valuation-related interest income of

EUR 5,336 thousand. In the fiscal year 2023, higher interest expenses are to be recognized for the pension obligations, as the interest rates as of December 31 of a year are always used for this purpose for the subsequent period. These were higher on December 31, 2022 than on December 31, 2021 and resulted in EUR 1,432 thousand higher interest expense in the first nine months of fiscal year 2023 than in the same period of the previous year.

A tax expense of EUR 9,176 thousand was recognized in the first nine months, which was therefore EUR 386 thousand higher than in the previous year. With a tax rate of 28.0% (previous year: 27.4%), the tax expense thus developed in line with the increased business result.

In total, the consolidated result for the nine-month period 2023 amounted to EUR 23,606 thousand, which was EUR 257 thousand or 1% higher than in the previous year.

As a result of the improved consolidated result for the period, earnings per share also increased. In the reporting period, earnings per share amounted to EUR 2.31, thus increasing by EUR 0.02 or 1% compared to the previous year. The transfer of previously held treasury shares to employees in fiscal year 2023 resulted in a slight increase in shares outstanding compared to the prior-year period. In the period from January 1 to September 30, 2023, earnings per share were calculated using a weighted average number of shares outstanding of 10,167,317 and in the period from January 1 to September 30, 2022 of 10,135,754.

DEVELOPMENT IN THE 3RD QUARTER OF 2023

For the three-month period from July 1 to September 30, 2023, a decline in sales of EUR 18,369 thousand to EUR 120,824 thousand was recorded compared with the prior-year quarter. Contrary to the development in the nine-month period, the decline in sales affected both manufacturing segments, albeit to a significantly different extent. In the Basics & Intermediates segment, sales were down by around 26% and in the Specialty Chemicals segment by only 5%. The Other & Holding segment was 5% above the previous year's level.

The picture for the cost of materials was the same as for the nine-month period. The highs of the previous year, particularly in the third quarter, were not repeated this time. The cost of materials in the third quarter of 2023 amounted to EUR 48,545 thousand, compared with EUR 75,308 thousand in the previous year. Thus, a decrease of EUR 26,764 thousand or 36% was recorded. The "extended cost of materials ratio" consequently also decreased from 55% to now 40% and shows the more balanced cost structure.

Other operating income amounted to EUR 3,104 thousand in the third quarter of 2023, down EUR 2,851 thousand on the previous year. As in the analysis of the nine-month period, this was the result of lower own work capitalized due to the deliberately restrained investment activity and lower foreign currency gains.

Personnel expenses increased by EUR 3,362 thousand year-on-year to EUR 34,678 thousand, reflecting collectively agreed pay rises, the pro rata recognition of one-off payments under collective agreements (inflation compensation) not incurred in the previous year, and higher accruals for performance-related remuneration, which had to be recognized due to the increase in the forecast for EBITDA in the third quarter of 2023.

At EUR 21,317 thousand, other operating expenses were EUR 3,101 thousand lower than in the previous year. Significant decreases were also recorded here in selling expenses due to lower freight rates, in other third-party services and in general cost deferrals for price increases.

Overall, EBITDA showed a similar development to the entire first nine months of the fiscal year 2023. While sales were below the previous year's level, EBITDA increased. This development affected all three segments. Essentially, therefore, the same effects are also decisive as those affecting the nine-month period. On the one hand, the increased share of sales accounted for by Specialty Chemicals led to a larger share of EBITDA. On the other hand, the electricity price developments in the third quarter of 2022 were much more volatile than in

the third quarter of 2023 and, above all, could not be planned or implemented in terms of sales. Due to the different development of both key figures, profitability also increased again: The EBITDA margin climbed from 8.7% to now 16.2%.

In line with the development in the nine-month period, depreciation and amortization also increased as planned by EUR 250 thousand in the third quarter of 2023.

The financial result showed the same development as in the first nine months, although not to the same extent. The financial result in the third quarter of 2023 amounted to EUR -925 thousand, compared with a positive financial result of EUR 1,713 thousand in the previous year. The previous year was still characterized by high non-cash interest income from the measurement of provisions, which no longer occurred in the same amount in the third quarter of 2023, as the interest rate development was much more stable. This was offset by higher interest on pension obligations and cash interest expenses from short-term financing and factoring were higher than in the previous year due to the current interest rate environment.

Tax expense amounted to EUR 3,379 thousand and was therefore EUR 1,820 thousand higher than in the previous year as a result of the earnings situation. The Group tax rate was therefore 28%. In the previous year, this was still 21%, as the interest income recognized from the measurement of provisions did not have to be taken into account for tax purposes and the actual taxable income was therefore significantly lower.

Consolidated result for the third quarter of 2023 amounted to EUR 8,656 thousand and was therefore EUR 2,677 thousand higher than in the previous year.

In the analysis of the third quarter, earnings per share also increased as a result of the higher consolidated result for the period. It amounted to EUR 0.85 and was thus EUR 0.26 or 44% higher than in the previous year. The transfer of previously held treasury shares to employees in fiscal year 2023 resulted in a slight increase in shares outstanding compared to the same period of the previous year. In the period from July 1 to September 30, 2023, earnings per share were calculated using a weighted average number of shares outstanding of 10,176,335 and in the period from July 1 to September 30, 2022 of 10,135,754.

1.4 FINANCIAL POSITION

CONSOLIDATED CASH FLOW STATEMENT (IFRS, UNAUDITED)

In EUR thousand	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
Cash flow from operating activities	3,070	4,890	-14,099	44,705
Cash outflow from investing activities	-7,177	-5,645	-22,198	-14,222
Free cash flow	-4,107	-755	-36,297	30,483
Cash inflow/outflow from financing activities	3,310	8,000	37,263	-22,813
Net decrease (-)/increase (+) in cash and cash equivalents	-797	7,245	966	7,670

DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

The financial position of the Alzchem Group remained stable in the first nine months of the fiscal year and was characterized by a balanced relationship between operating and financial cash flow. Since the beginning of the fiscal year, Alzchem has been able to generate a very positive operating cash flow, which was used among other things for investment activities and the repayment of financial liabilities.

The Group received EUR 44,705 thousand in financial funds from operating activities in the first nine months of the fiscal year 2023. This means that cash flow from operating activities was EUR 58,804 thousand higher than in the same period of the previous year, which was characterized by the strong build-up of working capital as a result of the supply chain and logistics problems and the enormous increases in raw material costs. However, this effect has been consistently countered since the second half of 2022 and strict working capital management has been implemented. The positive effects are now becoming apparent in the current fiscal year. Alzchem generated a cash outflow of EUR 4,464 thousand from the change in working capital in the first nine months of 2023, compared with a cash outflow of EUR 56,847 thousand in the same period of the previous year. The EUR 9,299 thousand increase in EBITDA also led to an improvement in operating cash flow compared with the same period of the previous year.

Alzchem's investing activities amounted to EUR 14,222 thousand in the first nine months of the fiscal year 2023. Investments were therefore EUR 7,976 thousand below the previous year's level. This development is deliberately controlled and the result of a restrained investment policy at the beginning of the fiscal year. Under constant observation of the economic environment, each investment project was again critically reviewed and therefore not all of them were implemented. However, this does not apply to the urgently needed investment in the renewed expansion of creatine capacities (for Creapure®, LIVADUR® and Creavitalis®) and the consistent continuation of the renewal of our own network operations. In the previous year, investment activity focused mainly on the expansion of the creatine production facility, with significantly higher amounts. Nevertheless, various investment projects for further growth as well as infrastructure and efficiency measures have already been initiated this year, which will already be visible in the fourth quarter of 2023.



Due to the strong operating cash flow, free cash flow is also significantly improved compared to the previous year. After deduction of investments, free cash flow amounted to EUR 30,483 thousand, which represents an improvement of EUR 66,780 thousand compared to the previous year.

Cash flow from financing activities was influenced by various – in part opposing – effects in the first nine months and amounted to EUR -22,813 thousand, compared with a cash inflow of EUR 37,263 thousand in the previous year. The successful refinancing in February 2023 led to a reduction in short-term financing lines and, in the opposite direction, to an inflow of long-term financing funds. The existing potential financing lines could be retained in full, thus securing Alzchem's financial flexibility. As a result of the positive free cash flow, it was possible to repay more than the EUR 30 million in refinanced short-term financing lines, so that in total an outflow of funds of EUR 33,863 thousand was recorded for the repayment of short-term financing lines. In the previous year, an inflow of funds in the amount of EUR 56,956 thousand was necessary to finance the enormous increase in working capital. In May 2023, a dividend of EUR 10,685 thousand (previous year: EUR 10,136 thousand) was paid to shareholders. Furthermore, scheduled long-term loan repayments and repayments of lease liabilities were made, resulting in cash outflows of EUR 8,093 thousand (previous year: EUR 9,387 thousand).

Cash and cash equivalents amounted to EUR 16,732 thousand as of September 30, 2023, which, taking into account currency effects, corresponded to an inflow of EUR 7,670 thousand compared with December 31, 2022. Due to foreign currency payments due shortly after September 30, 2023, cash and cash equivalents were higher than usual.

DEVELOPMENT IN THE 3RD QUARTER OF 2023

In the third quarter of 2023, a positive cash flow from operating activities of EUR 4,890 thousand was also generated. Thus, this was also above the previous year's figure of EUR 3,070 thousand. Due to upcoming scheduled shutdowns of production facilities in the fall and in the fourth quarter of 2023, more inventory was produced in the facilities involved in order to remain able to deliver during the overhaul work. This resulted in a slight increase in inventories, which impacted operating cash flow. Likewise, due to the business development, more tax payments had to be made than in the prior year and the use of factoring was reduced.

EUR 5,645 thousand was spent on investing activities in the third quarter of 2023, which represents a year-on-year decrease of EUR 1,532 thousand. In the three-month period 2023, as well, mainly the expansion of the Creapure® plant and the renewal of the network infrastructure were driven forward here. However, initial expenditures were also made for the company's own photovoltaic plant and the incremental expansion in the multi-purpose plants, which Alzchem will continue to drive forward in the coming months.

Alzchem's financing activities resulted in an inflow of cash and cash equivalents of EUR 8,000 thousand in the third quarter of 2023, which was EUR 4,690 thousand more than in the third quarter of the previous year, mainly to finance operations.

Cash and cash equivalents amounted to EUR 16,732 thousand as of September 30, 2023, which, taking into account currency effects, corresponded to an inflow of EUR 7,245 thousand in the third quarter of 2023 (previous year: EUR -797 thousand).

1.5 NET ASSETS

CONSOLIDATED BALANCE SHEET (IFRS, UNAUDITED)

In EUR thousand	12/31/2022	09/30/2023	Delta
Assets			
Intangible assets	2,954	3,237	283
Property, plant and equipment	181,526	176,435	-5,091
Lease usage rights	6,250	5,132	-1,118
Financial assets	6	6	0
Other receivables and other assets	1,531	1,538	7
Deferred tax assets	15,956	15,218	-738
Non-current assets	208,223	201,566	-6,657
Inventories	122,404	125,269	2,865
Trade receivables	55,712	63,069	7,357
Financial assets	5,228	1,748	-3,480
Other receivables and other assets	19,743	17,928	-1,815
Income tax claims	2,307	2,817	510
Cash and cash equivalents	9,243	16,732	7,489
Total current assets	214,637	227,563	12,926
Total assets	422,860	429,130	6,270
Capital			
Equity	145,946	161,442	15,496
Non-current liabilities	144,808	165,406	20,598
Current liabilities	132,106	102,282	-29,824
Balance sheet total	422,860	429,130	6,270



Alzchem's total assets amounted to EUR 429,178 thousand as of September 30, 2023, thus recording an increase of EUR 6,270 thousand compared to December 31, 2022.

The development was different in the current and non-current assets. A decrease was recorded in the non-current area. The restraint in investment activities described above led to a reduction in non-current assets, as depreciation and amortization exceeded capital expenditure. In addition, the interest-related decrease in pension obligations also resulted in a reduction in the deferred tax assets recognized thereon. Current assets developed in the opposite direction to non-current assets, rising by a total of EUR 12,926 thousand. Inventories increased only slightly. Within the third quarter of 2023, several planned annual shutdowns of production facilities took place. In order to remain able to deliver, inventories were built up in advance, which will be reduced again in the fourth quarter. Trade receivables have increased by EUR 7,357 thousand since the last balance sheet date. In addition to the sales figures, the receivables are also influenced by the amount of factoring utilization. Compared to December 31, 2022, the utilization of factoring was significantly reduced. Furthermore, no extensions of payment terms or bad debt losses were recorded on the customer side. In some countries of the world, there are increasing difficulties in the free convertibility of the currency and generation of EUR or USD as a means of payment. The Group is responding to this by supplying customers in these countries predominantly only on a prepayment basis. In cases where delivery has already taken place, Alzchem is already in coordination with local authorities and banks to secure payment of receivables.

Alzchem's equity has increased by EUR 15,496 thousand to EUR 161,442 thousand since December 31, 2022. This led to a rise in the equity ratio to 37.6% as of September 30, 2023, compared to 34.5% as of December 31, 2022. As always, equity was influenced by three effects, some of which had opposing effects. The consolidated result for the period, which amounted to EUR 23,606 thousand in the first nine months of 2023 (previous year: EUR 23,223 thousand), had a positive impact on equity. The dividend paid in May 2023 reduced equity by EUR 10,685 thousand (previous year: EUR 10,136 thousand). The development of pension obligations also had a positive impact on equity. The changes in the actuarial assumptions regarding the risk-free interest rate used to measure the pension obligations resulted in an increase in equity of EUR 4,056 thousand as of September 30, 2023. In contrast, the deferred taxes to be recognized in the opposite direction reduced equity by EUR 1,136 thousand. Thus, viewed in total, there was an increase in equity of EUR 2,920 thousand due to the interest rate changes alone. The development of the pension obligations is significantly influenced by actuarial parameters. Although their change does not affect the consolidated result, it is recognized directly in equity under other comprehensive income. The risk-free market inter-

est rate plays a significant role in the actuarial parameters. If this market interest rate falls, pension obligations increase, 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	Q3/ 2022	H1/ 2023	Q3/ 2023
Discount rate	1.75	1.75	1.90	0.90	0.50	1.00	3.70	3.40	3.60	4.00

Alzchem's non-current liabilities increased by EUR 20,598 thousand during the period under review and amounted to EUR 165,406 thousand as of September 30, 2023. Non-current liabilities were significantly influenced by the refinancing at the beginning of the fiscal year, when EUR 30 million of short-term financing lines were refinanced into EUR 30 million of long-term loan liabilities. Furthermore, scheduled repayments of loan and lease liabilities led to a decrease in non-current liabilities of EUR 6,657 thousand. Pension obligations were also reduced. The rise in the discount rate to 4.00% led to a reduction in pension obligations of EUR 2,920 thousand. However, the pension payments made by Alzchem to former employees also have a decreasing influence on the development of pension obligations. These pension payments have developed historically as follows:

in EUR thousand	2016	2017	2018	2019	2020	2021	2022	Q3/ 2022	H1/ 2023	Q3/ 2023
Pensions paid	-583	-674	-725	-1,005	-1,181	-1,516	-1,685	-1,253	-998	-1,439

No new employees have been included in the pension plan since 2007, as these are old programs from Alzchem's history. Due to the age structure, pension payments were relatively low in the past and are now slowly increasing as more employees eligible for the plan retire. The plan is structured in such a way that future pension payments extend over a very long projected period of approximately 30 years and thus do not significantly affect Alzchem's financial performance.

Current liabilities have decreased by EUR 29,824 thousand since December 31, 2022, and stood at EUR 102,282 thousand as of September 30, 2023, reflecting the offsetting effect from the successful refinancing, which led to a repayment of current liabilities by EUR 30 million. Overall, the utilization of the short-term financing lines decreased by EUR 33,863 thousand and thus exceeded the refinancing.

2. Development in the segments

2.1 SPECIALTY CHEMICALS SEGMENT

In EUR thousand	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
External sales	72,967	69,545	214,459	228,501
EBITDA	14,637	18,541	45,225	49,496
EBITDA margin	20.06%	26.66%	21.09%	21.66%
Inventories	76,785	67,621	76,785	67,621

DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

In the Specialty Chemicals segment, the growth trend continued steadily, albeit not in all areas. In the first nine months of fiscal year 2023, sales amounted to EUR 228,501 thousand, up EUR 14,042 thousand or 6.5% on the previous year. This development varies in part across the product areas and also shows a combination of volume and price effects. While some areas continued to record strong volume growth, the current economic situation led to lower sales volumes in other areas, and other areas again remained stable at the level of the previous year.

Of particular note was the performance of the Dietary Supplements business with its strong Creapure® brand. At the beginning of the fiscal year, the capacity expansion carried out last year was fully commissioned here, which is now helping to meet the significant increase in customer demand. Alzchem was able to establish a strong brand here with the Creapure® product name, which is internationally recognized and in high demand. In the meantime, the vast majority of customers use the Creapure® logo in the labeling of their own end-customer products as a strong “Made in Bavaria” seal of quality. Work is currently already underway on an additional expansion of production capacities, which is already expected to lead to volume increases in the fourth quarter of 2023.

As already seen in the first half of 2023, the product area of guanidine salts (including nitroguanidine) continued to grow in volume and thus also in sales. This is predominantly driven by shifts away from the previous applications of the agrochemical and automotive industries towards defense technology application areas, which were historically not in such demand, but have now been able to develop a sales market again.

In the Animal Nutrition product area with the Creamino® brand, volume and sales growth was achieved despite the highly competitive price situation. The consistent presence and further expansion of sales activities in all major global markets are paying off and will continue to contribute to growth.

Slight declines in sales were recorded in Custom Manufacturing of multi-purpose plants, in the automotive sector with the DYHARD® brand, and in the pharmaceutical sector (Bioselect®). The reasons for this vary. In terms of capacity utilization in the multi-purpose plants, Alzchem cannot completely escape the general trend in the chemical industry, despite considerable specialization. The customers here are mostly the large companies in the chemical industry, which have specific products manufactured by Alzchem for them in small quantities per formula. At present, these customers are confronted with declining volumes. However, Alzchem considers this to be only a temporary phase, as its plants are well diversified and can therefore serve a wide product mix. This diversification has historically proven to be very valuable and resistant to crises. For this reason, Alzchem sees further growth in Custom Manufacturing and has already begun an incremental expansion at one facility that will allow it to serve specific customer needs even more precisely. This will allow Alzchem to transfer projects already in development to production in a timely manner. Alzchem also considers the declines in the pharmaceutical sector (Bioselect®) to be only a temporary development, which is still being affected by the special economic situation caused by the corona pandemic and in which customers are still busy with their own destocking. However, since the applications in biotechnology, diagnostics and pharmaceuticals go far beyond Corona tests, a recovery in demand can be assumed based on current customer discussions. The agricultural product area (DORMEX®) is also below the previous year's sales in terms of volume. There is considerable competition here from Asian competitors who produce much more cheaply – however, the season starts again in the fourth quarter and it remains to be seen how capable the competition will be of delivering. Customers appreciate above all Alzchem's quality and ability to deliver, which ensures the supply of fresh fruit in Europe and not least also in the USA.



The growth in sales also led to an increase in EBITDA. In the first nine months of the fiscal year 2023, the segment generated EBITDA of EUR 49,496 thousand, EUR 4,271 thousand or 9.4% more than in the previous year. The EBITDA margin in the current reporting period was thus 21.7%, an improvement on the previous year's figure of 21.1%. This reflects the general trend in the first nine months of 2023: Whereas last year pricing was not always able to keep pace with the rapid cost increases, energy and raw material costs are now no longer fluctuating at last year's intensity and selling prices represent the current cost level. This is then also reflected in the segment's improved EBITDA, even if the development in the individual product areas does vary.

The segment's inventories amounted to EUR 67,621 thousand, well below the previous year's figure. This mainly reflects the results of working capital management with a focus on lower inventories and lower security buffers in the purchasing and sales areas. Furthermore, the improved availability of logistics also means that inventories can be delivered more quickly and in a more timely manner.

DEVELOPMENT IN THE 3RD QUARTER OF 2023

Looking at the third quarter of the fiscal year alone, the segment suffered a slight decline in sales of EUR 3,422 thousand (5%). In general, the picture was the same as seen over the nine-month period. While the Dietary Supplements product area with Creapure® was able to grow substantially and guanidine salts as well as the Animal Nutrition product area with Creamino® were also above the previous year's level, the other product areas showed mainly volume-related declines in sales. Even though prices had to be and were adjusted upward, this did not fully compensate for the volume declines. In some cases, however, sales were postponed until the fourth quarter of 2023 because customers postponed call-off dates.

EBITDA in the third quarter of 2023 clearly showed the effect of a more balanced price/cost strategy, as was also the case over the entire nine months of the fiscal year. In addition to the positive sales mix in the quarter, a more predictable cost level also enabled a successful pricing strategy to be pursued. This led to EBITDA of EUR 18,541 thousand, an increase of EUR 3,904 thousand (+27%) on the previous year. This resulted in an EBITDA margin of 26.7%, which was significantly higher than the 20.0% achieved in the previous year.

For the reporting date view of inventories, the same statement applies as for the 9-month period.

2.2 BASICS & INTERMEDIATES SEGMENT

In EUR thousand	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
External sales	59,557	44,271	174,925	147,645
EBITDA	-2,621	1,065	1,073	6,256
EBITDA margin	-4.40%	2.41%	0.61%	4.24%
Inventories	52,195	55,847	52,195	55,847

DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

The Basics & Intermediates segment closed the reporting period with sales of EUR 147,645 thousand. Sales were thus EUR 27,280 thousand below the level of the previous year. The decline in sales is mainly attributable to volume effects, although price increases compared to the previous year were also necessary. Nevertheless, the latter were unable to compensate for the volume effect. In some cases, however, the decline in volumes was deliberately accepted.

Manufacturing costs in the Basics & intermediates segment are generally much more dependent on energy costs than is the case in the Specialty Chemicals segment. As energy costs were still well above the level before the Ukraine war, manufacturing costs also significantly exceeded the historically customary level. This was compounded by general inflation rates and increases in other key raw materials. All of this forced Alzchem to adjust its own sales prices accordingly in order to achieve an economically reasonable price level. Some products in the Basics & intermediates segment face strong Asian competition, which has much lower energy and CO₂ costs to process than Alzchem. Alzchem cannot and does not want to match the prices of these competitors, as they do not permit economically sustainable operations. Some customers then switch to the Asian competition and place lower volume orders with Alzchem. It remains to be seen how sustainably the Asian competition can maintain this price level. Alzchem has deliberately decided to accept lower sales volumes in favor of economi-

cally viable sales prices, as long as this does not have a negative impact on “Verbund production” overall. This effect mainly affects the pharmaceutical sector (building block di-cyandiamide), in which Alzchem is the sole producer in Europe, and agriculture with the fertilizer Perlka®. In the case of the latter, there is also the fact that natural gas-based alternative products from Russia are currently available at much lower prices (with the support of the German government, among others), as they are not subject to an embargo. Nevertheless, current orders in the agricultural sector give reason to hope for a slight recovery in demand.

The NITRALZ® product area, with applications in the pharmaceutical, agrochemical and basic chemicals industries, was able to develop almost at the level of the previous year, but faces equally strong Asian competition. Nevertheless, at the request of customers, a minor investment is currently being examined here which could increase production capacity for higher-grade nitriles. European customers in particular are thus putting delivery reliability and quality before cost effects.

Sales in the metallurgical business were slightly lower than in the previous year. In addition to the effect of price escalator clauses, volumes here were also slightly below the prior-year level. Increasing competition from Eastern Europe but also the general economic situation of European steel producers were the drivers here.

However, the decline in sales did not have the same effect on segment EBITDA. In the first nine months of the fiscal year 2023, this amounted to EUR 6,256 thousand and was thus significantly higher (+EUR 5,183 thousand) than in the previous year. As a result, the EBITDA margin also increased from 0.6% to 4.2%. Two effects were decisive here: Firstly, the decision to forego lower-margin business and the price war with Asian or Russian competitors had a positive impact on EBITDA. Lower volumes were sold, but at higher prices. In addition, the enormous electricity price spikes in July to September of the previous year had a negative impact on earnings, particularly in the electricity-intensive Basics & Intermediates segment. So far this year, the segment has not been affected by these special effects, and the reasonably constant – albeit very high – level of electricity prices is helping to stabilize prices on the market.

The segment’s inventories were slightly higher than a year earlier. This year, the overhaul of the carbide furnaces took place later than last year, which is why carbide inventories and downstream production chain inventories were built up in advance to ensure supply capability – however, the peak levels have been reached and are already being reduced.

DEVELOPMENT IN THE 3RD QUARTER OF 2023

In terms of sales, business development in the Basics & Intermediates segment in the third quarter of 2023 was in line with the nine-month period. Sales amounted to EUR 44,271 thousand and were thus EUR 15,286 thousand lower than in the previous year. The decline in sales is predominantly volume-based and the analysis does not differ significantly from the analysis of the nine-month period 2023. Index- and commodity-based price formulas also led to a slight decline in the price level compared to the third quarter of the previous year, when the peaks in energy costs drove prices up accordingly through the price formulas.

The comments on the development in the individual product areas in relation to the nine-month period also apply to the analysis of the third quarter.

EBITDA in the third quarter of 2023 amounted to EUR 1,065 thousand and was thus significantly higher than in the previous year, when negative EBITDA (EUR -2,621 thousand) was recorded. The explanations for the nine-month period 2023 can also be cited here with equal significance. Deliberate volume reductions and lower fluctuations in electricity prices than in the previous year have been decisive factors here and have thus been able to increase the EBITDA margin from -4.4% in the previous year to now 2.4%.

When looking at inventories as of the reporting date, the same statement applies as for the nine-month period.

2.3 OTHER & HOLDING SEGMENT

In EUR thousand	3rd quarter 2022	3rd quarter 2023	January 1 – September 30, 2022	January 1 – September 30, 2023
External sales	6,670	7,007	19,639	21,709
EBITDA	1,038	721	1,729	1,634
EBITDA margin	15.56%	10.29%	8.80%	7.53%
Inventories	5,259	3,433	5,259	3,433

DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2023

Sales in the Other & Holding segment were slightly higher than in the previous year (+EUR 2,070 thousand). This essentially corresponds to the passing on of cost increases to chemical park customers. The services used by Alzchem's chemical park customers were mainly of a variable nature (energy supply, technical services and network operation).

However, the segment's earnings were slightly below the previous year's figure. This was mainly due to internal technical measures and network costs that cannot be passed on to chemical park customers.

Inventories as of the reporting date were EUR 3,433 thousand lower than in the previous year. As this mainly related to consumables and supplies, this reflects the somewhat lower cost level.

DEVELOPMENT IN THE 3RD QUARTER OF 2023

The comments on the nine-month period also apply to the analysis of the third quarter of 2023.

3. Sustainability at Alzchem

In the combined management report as of December 31, 2021, we reported on Alzchem's non-financial matters and efforts. There have been no fundamental changes to these statements. However, as a responsible company in the Bavarian region, we also want to inform our stakeholders about our sustainability activities in the first nine months of the fiscal year 2023 as part of this quarterly report as of September 30, 2023.

3.1 CLIMATE ROADMAP OF THE ALZCHEM GROUP: OUR PATH TO CLIMATE NEUTRALITY

Alzchem continues to see sustainable management as an elementary prerequisite for maintaining and further developing its economic, social and ecological performance. The roadmap to climate neutrality was developed with a package of measures and presented to the Annual General Meeting in May 2023 for a vote. More than 95% of shareholders voted in favor of implementing the measures defined in the climate roadmap, thus also supporting the social responsibility this entails.

The package of measures was developed by the Management Board together with an internal sustainability committee. The targeted climate neutrality is to be achieved primarily in two ways: through independence from fossil fuels (defossilization) and climate-neutral production. This is accompanied by the conversion of combustion processes to renewable alternatives, for example in the form of electricity or hydrogen.

STEP BY STEP TO CHANGE

Alzchem already has low CO₂ emissions in the production process compared with the rest of the industry. In total, about one third of the total emissions can currently be used internally as a raw material and thus recycled. The remaining two-thirds of CO₂ emissions, amounting to approximately 110,000 tons (base 2022), are to be drastically reduced in the future. Alzchem considers these so-called Scope 1 emissions, i.e. the emissions released by its own company, to be the central adjusting screw that it intends to turn with all its might in order to achieve "green zero" (net zero) as quickly as possible. They are therefore at the heart of the climate roadmap.

The following four principles have emerged for Alzchem's green path:

- Alzchem wants to close production cycles more efficiently,
- Alzchem wants to reduce the amount of energy required,
- Alzchem wants to make more intensive use of the waste heat generated in production processes, and
- Alzchem wants to avoid any form of waste of resources.

This is to be achieved through four concrete packages of measures derived from the above principles:

Package 1:

CO₂ liquefaction/utilization of CO₂ as a raw material by applying modern processes

Package 2:

Sustainable raw material management through alternative raw materials

Package 3:

Heat recovery through the use of waste heat

Package 4:

Efficiency increases through optimization of production processes



3.2 OTHER ACTIVITIES IN THE AREA OF SUSTAINABILITY

ALZCHEM RECEIVES ECOVADIS AWARD FOR ITS SUSTAINABILITY SUCCESSES

Corporate social responsibility is on everyone's lips and is also an essential point of orientation for Alzchem in its actions. Alzchem has therefore again successfully undergone an independent CSR rating by EcoVadis, the world's largest provider of sustainability ratings for companies, in 2023 and has once again improved on its performance in 2022. In recognition of its sustainability successes, Alzchem was once again awarded the gold medal, which reflects its responsible approach to people and the environment.

With 77 out of 100 achievable points, Alzchem is among the top two percent of companies worldwide assessed by EcoVadis in the field of manufacturing chemical base materials. The result thus underscores Alzchem's commitment to sustainable corporate action as well as its social responsibility. Among the various ESG issues, Alzchem achieved a near-optimal score for environmental issues. The company also improved again on labor and human rights. The areas of ethics and sustainable procurement in turn confirmed their already very high ratings of previous years.

ENVIRONMENTAL STATEMENT 2023

Alzchem regularly documents, monitors and evaluates the impact of its activities in terms of environmental protection

and sustainability and defines targets for improving its environmental performance. For the year 2023, an updated environmental statement has been prepared, which has been audited by an independent environmental auditor according to EMAS criteria and published on Alzchem's website.

In this way, Alzchem creates transparency regarding its own CO₂ footprint, among other things. In particular, the reduction of energy consumption, the avoidance or recycling of waste, and the independent reprocessing of wastewater in the central wastewater treatment plant at the Trostberg site play a central role in this.

INFORMATION ON SAFETY

With a new brochure, Alzchem provides information about safety measures at the Trostberg, Hart and Waldkraiburg sites and about the correct behavior in the event of incidents. For many decades, Alzchem has been operating industrial facilities at these sites that are subject to the so-called Major Accidents Ordinance. This ordinance regulates the handling of hazardous substances and prescribes a high safety standard in order to avoid incidents as far as possible. A wide range of in-house safety initiatives, a highly trained fire department, and safety precautions in the plants and facilities that are constantly optimized in cooperation with the responsible authorities also help to minimize hazards both for employees and for people in the neighborhood. Should an incident nevertheless occur, additional precau-

tionary measures limit the impact on people, the environment and property.

All information on safety measures and possible incidents is now summarized in a brochure, supplemented by a leaflet with behavioral instructions and telephone numbers where additional information can be obtained, for example in the event of unusual perceptions.

The information packages were sent directly to the neighbors of the sites; for the interested public, all the information contained in the brochure is available online at alzchem.com/en/company/quality-environment/.

"ALZSTADTKINDER" DAYCARE CENTER

In August, the new "AlzStadtKinder" daycare center on Heinrich-Braun-Straße in Trostberg was inaugurated and is now a new refuge for romping and playing. The successful appearance in wooden post and beam construction and the child-friendly room layout were completely adapted to the needs of the children and educators. The kindergarten "AlzStadtKinder" is based on a cooperation with the city of Trostberg. The kindergarten was built on an Alzchem property – in return, places are reserved for Alzchem employees.

The offer of a kindergarten or a place in a kindergarten is another important milestone for Alzchem's attractiveness as an employer – in this way the wish of many employees for a good work-life balance is met.



4. Forecast

In an ad hoc announcement dated October 18, 2023, the forecast made in the consolidated financial statements as of December 31, 2022 was adjusted. The following table provides an overview of the ranges and values of the Group's financial performance indicators for the fiscal year 2023 as forecast in the consolidated financial statements as of December 31, 2022 and now adjusted:

Forecast	2022	Original forecast 2023	Adjusted forecast 2023
Group sales	EUR 542.2 million	Lower limit: slightly growing Upper limit: up to EUR 590 million	At previous year's level or slightly below
Adjusted EBITDA*	EUR 61.4 million	Lower limit: slightly growing Upper limit: up to EUR 70 million	Strongly growing to approx. EUR 80 million
Adjusted EBITDA margin*	11.3%	Lower limit: stable Upper limit: up to 12%	Noticeably growing
Inventories	EUR 122.4 million	Stable	Slightly to significantly decreasing
Inventory intensity (previously inventory ratio)	22.6%	Stable	Slightly to significantly decreasing
Equity ratio	34.5%	Noticeably growing	Significantly growing

* No adjustments were made.

In our original sales forecast for 2023, we assumed that the main growth driver would be volume effects. We had also expected price effects following the developments on the raw material and energy markets. Volume increases were forecast via the expansion of creatine production and at Creamino® and also in the multipurpose plants. However, the sales development in the first nine months of fiscal year 2023 showed that the price effects could not compensate for the volume effects. In addition, in the Basics & Intermediates segment we have increasingly refrained from low-margin business, deliberately accepting volume declines provided this does not have a negative impact on „Verbund production“. Added to this are lower orders from customers in the chemical industry in the multi-purpose plants due to the general economic situation of companies in the basic chemicals sector. Incoming orders continue to show a positive trend and are at the level of the previous year, albeit with shifts between the individual segments. However, as sales in the first nine months were slightly below the level of the previous year, we see sales for the full year 2023 at around the level of the previous year, taking into account the current ordering

behavior, and cannot further confirm the slight growth previously forecast. We expect the segments to develop differently and continue to focus systematically on products in the specialty chemicals sector. In the Specialty Chemicals segment, we can therefore confirm our growth forecasts, while the Basics & Intermediates segment is anticipated to close the year significantly below the previous year's level. We also expect slight growth in the Other & Holding segment. However, we anticipate that the decline in the Basics & Intermediates segment will be greater than the growth in the Specialty Chemicals and Other & Holding segments. In our original forecast, we assumed that there would be no recession. However, Germany is already in recession. In our forecast, we expect this to be only a short-term development, not a sustainable one. Should a sustained and prolonged recession materialize, this could have a negative impact on sales development.

The further increase in the Specialty Chemicals segment's share of Alzchem's total sales in the first nine months of the year will also lead to a better development in EBITDA. We now expect EBITDA to grow strongly and see this at around EUR 80 million. Several factors are contributing to this development. First of all, we were able to successfully stimulate demand in certain product areas in the Specialty Chemicals segment and pursue a consistent pricing strategy there, which will lead to a higher absolute contribution to earnings. Furthermore, the deliberate decision not to engage in a price war with Asian competitors, while accepting volume reductions, has had a positive impact on EBITDA, as products can be sold at economically sustainable prices. Finally, the situation on the energy and raw material markets has increasingly stabilized, so that our results are no longer exposed to the fluctuations we had assumed in our original forecast. This development is helping us to set stable prices with our customers and is also making it easier to plan our earnings. In terms of segments, we therefore expect a much higher growth contribution to EBITDA from the Specialty

Chemicals segment than from the Basics & Intermediates segment, even though both are growing. This forecast is based on the assumption that the situation on the energy and raw materials markets will remain stable. However, if unexpected increases occur here again, this may in turn have a negative impact on the forecast EBITDA.

Since the EBITDA margin is calculated as the ratio of EBITDA to sales, we also expect the EBITDA margin to grow significantly year-on-year, taking into account the adjusted forecast.

Current price developments on the raw material and energy markets also have an impact on the valuation of inventories. Compared with the price level as of December 31, 2022, there are lower valuation effects in inventories. Furthermore, current production planning foresees lower carbide production in the final quarter of fiscal year 2023 than assumed at the beginning. As a result of the combination of these two effects, we now expect inventories at the end of the fiscal year to be at a slightly to significantly lower level than at December 31, 2022. The inventory intensity will also develop in line with this.

The development of EBITDA and the interest rates used to measure pension obligations will also have an impact on the equity ratio. In the forecast at the beginning of the fiscal year, we had assumed a slight decrease in the discount rate, which would have led to a reduction in equity. The current development shows rather stable to rising interest rates for the valuation of pension obligations, which has a positive effect on equity. Both effects together should have a stronger impact on equity than Alzchem's significantly lower interest result compared to the previous year. We therefore now expect a significant increase in the equity ratio.

The possible effects of a prolonged or sustained recession in Germany and Europe are not reflected in this forecast and are not currently foreseeable by us. However, we would like to point out that a longer-than-anticipated recession in the German, European and global economy could also have a negative impact on Alzchem's results of operations.

5. Significant events after the balance sheet date

After the balance sheet date, no significant events occurred that could have an impact on the net assets, financial position and results of operations of Alzchem.

List of abbreviations

AG	Aktiengesellschaft (stock corporation)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EU	European Union
EUR	Euro
LLC	Limited Liability Company
USA	United States of America
USD	US Dollar

Financial Calendar 2024

March 1, 2024*	Annual Report 2023
April 30, 2024*	Q1 Quarterly Report 2024
May 7, 2024*	Annual General Meeting 2024
August 1, 2024*	Half-yearly Financial Report 2024
November 7, 2024*	Q3 Quarterly Report 2024

*Subject to change

Remarks

This quarterly statement 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 quarterly statement does not use the masculine, feminine and diverse (m/f/d) forms of language simultaneously. All references to persons apply equally to all genders.

This quarterly statement is also available in German. In the event of deviations, only the German version is legally binding.

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