



ANNUAL REPORT 2020



ALZCHEM AT A GLANCE

INNOVATIVE SINCE

1908

~ € 379 mn

sales generated by AlzChem
in the fiscal year 2020

Fiscal year 2019: ~ € 376 mn



1,631

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

Fiscal year 2019: 1,623

* Average number over the fiscal year 2020

~ € 53.8 mn

EBITDA achieved by AlzChem
in the fiscal year 2020

Fiscal year 2019: ~ € 50.1 mn

MARKETS



NUTRITION



FINE CHEMISTRY



PHARMA



AGRICULTURE



METALLURGY



RENEWABLE
ENERGY

€ 1.94

earnings per share in the fiscal year 2020

Fiscal year 2019: € 2.23

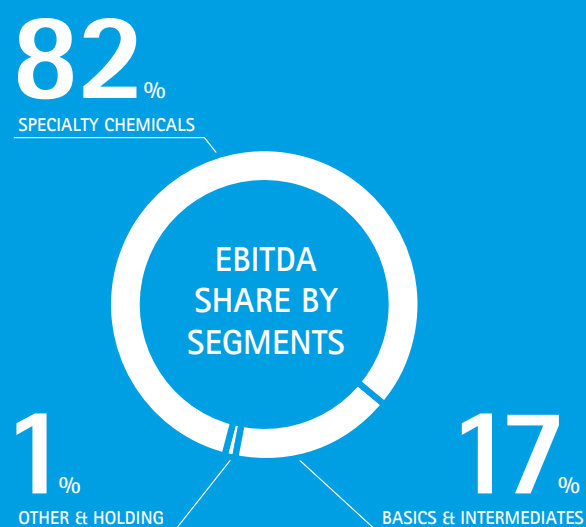
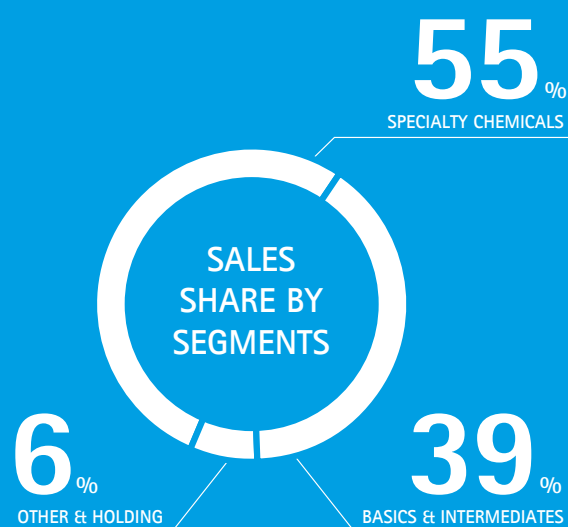
KEY FIGURES

In EUR thousand	2016	2017	2018 ^{a)}	2019	2020	CAGR ^{b)}
Group sales	327,185	353,920	375,217	376,072	379,257	4%
EBITDA	38,614	45,668	49,379	50,078	53,805	9%
EBITDA margin	11.80%	12.90%	13.16%	13.32%	14.19%	
EBIT	25,581	31,678	34,192	30,586	30,708	5%
Consolidated net income	15,283	20,572	22,783	18,147	19,865	7%
Earnings per share in EUR (undiluted and diluted) ^{c)}	1.50	2.00	2.23	1.77	1.94	7%
Group equity ratio	20.27%	20.66%	21.81%	17.91%	19.38%	
Inventory ratio	19.58%	20.17%	21.02%	19.84%	17.77%	

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

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

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



SPECIALTY CHEMICALS SEGMENT

BUSINESS ACTIVITIES

Production and distribution of high-quality chemical products

OVERVIEW

SALES in € mn

207

EBITDA in € mn

44

KEY FIGURES

In EUR thousand	2016	2017	2018*	2019	2020
External sales	169,222	185,681	209,414	200,022	207,431
EBITDA	39,245	42,709	50,692	41,684	44,125
EBITDA margin	23.2%	23.0%	24.2%	20.8%	21.3%
Inventories	37,355	44,315	49,672	44,183	38,410
Inventory ratio	22.1%	23.9%	24%	22%	19%

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

KEY BRANDS

CREAMINO

Bioselect[®]

Dormex[®]

LIVADUR[®]

Creapure[®]

Silzot[®]

DYHARD[®]

BASICS & INTERMEDIATES SEGMENT

BUSINESS ACTIVITIES

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

OVERVIEW

SALES in € mn

146

EBITDA in € mn

9

KEY FIGURES

In EUR thousand	2016	2017	2018*	2019	2020
External sales	133,592	140,869	139,966	149,408	146,434
EBITDA	6,961	5,592	-889	5,247	8,981
EBITDA margin	5.2%	4.0%	-0.6%	3.5%	6.1%
Inventories	25,308	26,091	28,125	30,924	27,639
Inventory ratio	18.9%	18.5%	20%	21%	19%

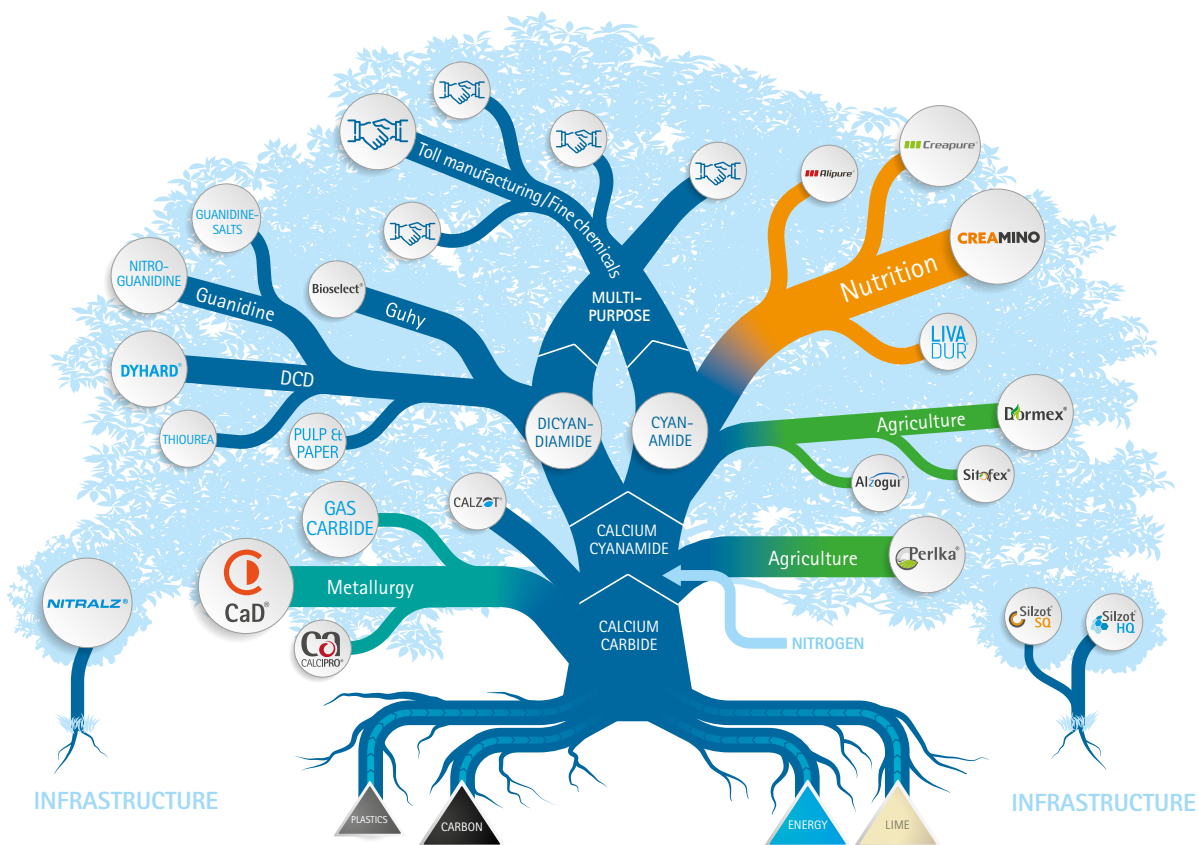
* The full-year figures for the period from January 1 to December 31, 2018 are calculated by adding the audited figures for the two short fiscal years from January 1 to June 30, 2018 and July 1 to December 31, 2018.

KEY BRANDS



NITRALZ®

CALZOT®



“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.

OUR VISION

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

1. BACKBONE NCN CHAIN

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

2. VALUE CREATION FOR OUR CUSTOMERS

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

3. INNOVATION AND GROWTH

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

4. FOCUS

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

5. SUSTAINABILITY

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



OUR PRINCIPLES OF CONDUCT

We build on principles of conduct to realize our visions:

Strengthening mutual trust...

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

Entrepreneurial action...

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

Striving for the highest quality...

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

Development of constructive solutions...

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

In dialog with our business partners and the public...

... we search for responsible and attractive solutions

Speed and agility...

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

PHARMA MATERIALS

AlzChem: Innovation meets tradition



AlzChem has more than 60 years of experience in the development and manufacture of advanced, high-quality intermediates for pharmaceutical applications. Thanks to our deep market and customer understanding and our stable supply chain, we are able to develop highly reliable customized solutions and offer comprehensive service. Our customers traditionally benefit from the following advantages:



RELIABILITY & HIGH QUALITY

„Made in Germany“: We are the only Western manufacturer for most of our product groups and have a highly integrated, European supply chain.



OUR CUSTOMER ORIENTATION

We offer our partners a high, flexible and agile standard of service, including technical support. Our focus is on long-term customer relationships. We speak the language of our customers.



INNOVATION

We have new ideas in terms of advanced intermediates and actively support the product development of our customers.



SUSTAINABILITY, HEALTH & SAFETY

Our manufacturing processes are environmentally friendly and we focus on sustainable production. When it comes to safety, we follow a zero-tolerance philosophy.



OUR KNOW-HOW

AlzChem is successfully positioning itself in the specialty chemicals markets with proven and new products not only around NCN chemistry – based on many years of experience and core competence.



The AlzChem products for the pharmaceutical industry are very **complex** – as are their areas of application, such as vital **drugs** for type 2 diabetes and heart disease, or as a component of „corona tests“.

PRODUCT WORLDS CLOSE TO LIFE

at AlzChem



METFORMIN/DCD

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



NITRALZ®

Our NITRALZ® products are used as raw materials for the production of various APIs (= active pharmaceutical ingredients), including the drug group 'Sartans', which has been established on the world market for many years. Sartans have a blood pressure lowering effect and are used in the treatment of cardiovascular and also kidney diseases. Our advanced distillation process provides us with a reliably high quality standard and purity, which is essential for the field of application in active ingredients.

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

BIOSELECT®



Nothing has kept us in suspense in 2020 like the corona virus. As a supplier of raw materials for the pharmaceutical industry, AlzChem contributes to the production of "corona tests": AlzChem precursors are used in tests to detect SARS-CoV-2 as well as in tests to detect antibodies.



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.

SUSTAINABILITY

Calcium cyanamide – how a newly discovered application can permanently change agriculture

112 years after the start of calcium cyanamide production at the Alz, AlzChem made a groundbreaking discovery: Even the addition of small amounts of calcium cyanamide to manure blocks almost all of the climate-damaging methane and CO₂ emissions from the manure during storage (Figure 1). A corresponding patent has been filed.

It is particularly exciting that gas formation starts again after a certain time. Via calcium cyanamide, bacterial activity and thus CO₂/methane production can be positively influenced (Figure 2). The fact that the manure does not lose its fertilizing effect, but has a positive effect on plants, is particularly important for farmers. Analyses of the manure's constituents even showed that it is enhanced by the use of calcium cyanamide. A higher proportion of ammonium nitrogen

increases the plant availability of the manure – which is ideal for the farmer, as it enables him to achieve higher yields.

These effects hit the nerve of the time. The German government has set a target of reducing greenhouse gas emissions by at least 55% by 2030. On the one hand, farm manure such as manure is to be used for energy and, on the other hand, emissions from livestock farming are to be reduced. Manure storage and spreading still account for 19.2% of methane emissions in Germany today. It is precisely here that AlzChem, with its calcium cyanamide, can help to significantly reduce these emissions and thus make a considerable contribution to the reduction of greenhouse gases.

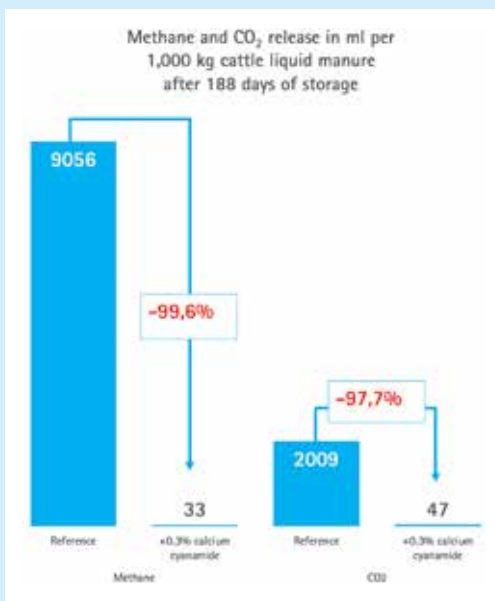


Figure 1: Overview of emission reduction through the addition of calcium cyanamide to manure

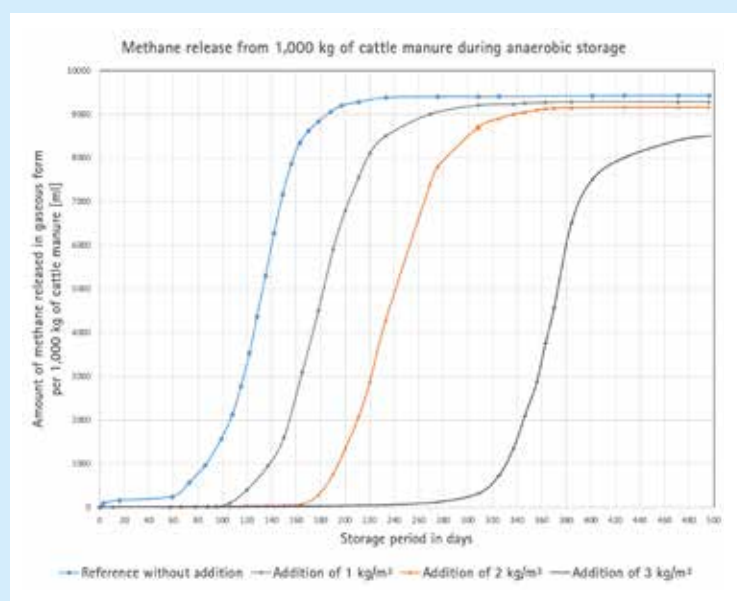


Figure 2: Inhibition of methane emission of manure with different treatment concentration



Sustainability at AlzChem

After more than 100 internal test series and over 2,700 gas analyses, the effect of the gas reduction was also confirmed by an external institute in October 2020. Based on numerous preliminary discussions with various universities, authorities and ministries of agriculture, AlzChem is confident that by treating manure with calcium cyanamide, it has found a solution for reducing greenhouse gases from agriculture that also gives farmers higher yields. In the coming months, AlzChem will conduct further large-scale trials in order to be able to make a sustainable contribution to climate protection under the trade name EMINEX® from mid-2021.



Corn sample harvest

Idyllic and sustainable agriculture will only be possible in the future by using innovative products and technologies like EMINEX®!





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.

CONTENT

TO THE SHAREHOLDERS

- 14** Interview with the Management Board
- 19** Report of the Supervisory Board
- 26** AlzChem share

ALZCHEM GROUP AG COMBINED MANAGEMENT REPORT

- 29** Fundamentals of the Group
- 32** Business report
- 46** Situation of AlzChem Group AG (individual financial statements HGB)
- 50** Risk and opportunity report
- 66** Forecast report
- 69** Internal control system related to the accounting process
(report in accordance with sec. 315 para. 4 HGB)
- 70** Report according to sec. 289a and sec. 315a HGB
- 79** Combined non-financial Group statement (sustainability report)
- 92** Corporate Governance statement
- 100** Responsibility statement
- 100** Supplementary report
- 101** Appendix I

ALZCHEM GROUP AG CONSOLIDATED FINANCIAL STATEMENTS

- 103** Consolidated income statement
- 104** Consolidated statement of comprehensive income
- 104** Consolidated balance sheet
- 106** Consolidated statement of changes in equity
- 108** Consolidated cash flow statement
- 110** Notes to the consolidated financial statements

FURTHER INFORMATION

- 171** Independent auditor's report
- 176** List of abbreviations
- 177** Imprint
- 177** Financial calendar 2021
- 177** Remarks

INTERVIEW WITH THE MANAGEMENT BOARD

DEAR SIR,
IS ALZCHEM RESILIENT?

Andreas Niedermaier: We would not necessarily use this adjective. However, if you mean that we have come through the Corona crisis very robustly so far, have maintained our original forecast despite variations during the year, and have managed a very successful business year, especially in this environment, with slightly higher sales of EUR 379.3 million and a 7.4% increase in EBITDA to EUR 53.8 million, then you are right.

Dr. Georg Weichselbaumer: Our success factor is the "Verbund Production" and the very broadly diversified product portfolio that we generate from it. The products and applications along the NCN chain, which we cover completely in our own company, are extremely broadly diversified and we thus benefit from three global megatrends at the same time, namely global population growth, the desire for healthy aging and energy efficiency.

Klaus Englmaier: We have always known that we have a strong economic resilience. Now, after 2008/09, we have once again been able to show that our company is very crisis-resistant. However, the strengths of the "Verbund Production" must first be successfully transferred to the road - especially in such an environment as 2020, for example through our fully integrated business model, our international set-up, our leading position in our markets, which we have built up over many years, as well as our sustained R&D efforts, in order to be able to offer innovative products in the present and to transform our success into the future.

DID YOU MAYBE EVEN
BENEFIT FROM THE
CORONA CRISIS IN 2020?

Niedermaier: There can be no talk of benefiting when you see the enormous efforts we, like the entire economy, have had to make to manage the far-reaching consequences of the crisis as well as possible. For example, we have introduced staggered shifts, significantly increased remote working and, of course, implemented the necessary hygiene measures throughout the company. Overall, however, we have been far less severely affected than other sectors.

Dr. Weichselbaumer: On the product side, of course, we had a special boom in 2020 for Bioselect®, which is an integral part of the COVID-19 test kits - both in PCR and antigen tests. Demand has increased rapidly. There was a significant rise in volumes, and we had to solve this quickly in terms of production and capacity - on the one hand, because we wanted to take advantage of the market opportunities, and on the other hand, because of our social responsibility to enable the testing capacities that are in demand in the short term.

Niedermaier: Our team of employees did a great job - as they did with all the other challenges posed by the Corona crisis. This success in 2020 was only possible thanks to the special commitment of our entire team. For this reason, we were also able to pay out a Corona bonus to our employees. Somewhat „unexpectedly“, we also became a manufacturer of disinfectants during the Corona crisis. In the phase when there was a certain general shortage, we built up appropriate capacities at short notice and supported the district by a free distribution.



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

Niedermaier: We are happy to accept a flattening, as this would mean that the Corona crisis would be over. However, I am afraid that this topic will be with us for a long time to come, especially as far as the necessary test capacities are concerned.

Dr. Weichselbaumer: We are not worried about Bioselect® at all. Even independently of the Corona special boom, this product area with applications in the pharmaceutical industry for biopharmaceuticals or biosimilars is developing very well and is showing stable growth. Therefore, the pharmaceutical sector around Bioselect® will be our focus market in 2021. It is part of our business model that individual product areas can develop in line with the market in moderate wave movements, but balance each other out and that the overall development shows a stable upward trend.

Dr. Weichselbaumer: Sectors such as automotive and metallurgy did not have an easy year in 2020. We also felt the effects of this downturn. The good news, however, is that by the end of 2020, there were signs of a significant recovery in these sectors, which we hope will continue in 2021.

Niedermaier: We grew by more than 10% with Creamino® in 2020. We can be satisfied with that, but we had actually set ourselves even higher targets. After all, the sales structures are already established following the switch to own distribution, and the approval procedures in many areas, especially for poultry, have been successfully completed or are well underway, particularly for additional animal species – and that worldwide.

ARE YOU NOT AFRAID THAT WITH A FLATTENING OF THE INFECTION FIGURES, BUSINESS WITH BIOSELECT® WILL SLUMP BECAUSE FEWER TEST KITS WILL BE NEEDED?

WHICH AREAS DID NOT PERFORM SO WELL IN 2020?

YOU YOURSELF REPEATEDLY REFER TO CREAMINO® AS AN IMPORTANT PRODUCT OF THE FUTURE. WHAT WAS THE DEVELOPMENT LIKE HERE?

WHAT WERE THE REASONS FOR THE DAMPENED DEVELOPMENT THEN?

Englmaier: Here, the Corona crisis did indeed have a negative impact. There were two main factors: firstly, there was a noticeable drop in meat consumption worldwide, for example due to restaurant closures, a lack of major events, fewer family celebrations and hardly any vacation travel. And secondly, many of our customers understandably had more pressing problems during the Corona crisis than working with us to further improve nutritional efficiency for livestock. However, that is only postponed, not canceled.

Dr. Weichselbaumer: For us, it was important to see that our market drivers were stable and intact at all times. Global population growth is not disappearing, and we are offering an important contribution to solving the nutritional challenges this poses for our planet. It was important to see that our investments were and are successful in their strategic importance and in their actual implementation. By this, I mean our switch to own distribution and the expansion of our production capacities. We have mastered this very successfully and thus created a great basis for the future to shift up a gear or two in the next few years after the slight growth in 2020.

KEYWORD INVESTMENTS: IN 2020, YOU INVESTED PRIMARILY IN YOUR NITRALZ® CAPACITIES. WHAT IS THE STATUS HERE?

Englmaier: Yes, with a volume of around EUR 12 million, this was our largest investment in 2020. We are on budget and within the planned time horizon for the realization of the plant and will thus increase our capacities, which were only expanded in 2019, by a further 50%. We expect the start-up and ramp-up phase in Q2 2021, so that we will have the new capacities available from the second half of 2021 at the latest.



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

Niedermaier: The main driver in the very good development of nitriles is our growing pharmaceuticals business. Our focus in 2021 will be on this market. However, the increasing importance of pharmaceutical applications goes much further and is providing impetus for Bioselect® and our multi-purpose plants, for example. The stronger focus on the pharmaceutical business is not new for us, but it has again gained significant momentum in 2020. As this will also be the case in 2021 and in the coming years, we have placed our editorial focus on this in this Annual Report.

WHERE WILL THE FOCUS
BE IN 2021?

Dr. Weichselbaumer: Of course, Creamino® also remains a focal point and a very central driver of our further growth. When the situation returns to normal after the Corona crisis, we will be able to move up another gear – I am firmly convinced of this. We are also making very good progress with our medium-term perspective of developing strongly future-oriented market potential through further registrations with new customers, in additional regions and for further animal species. We should not forget LIVADUR® – our nutritional supplement for active people in the second half of life. Of course, its sales significance cannot yet be compared at all with Creamino®. However, it is a very exciting product for us, as it is the first time we are directly addressing end consumers. The test phase has been successfully completed, the logistics are in place – now it is a question of implementing the right market approach for our core market of Germany.

Niedermaier: Yes, in concrete financial terms, we want to increase sales to up to EUR 400 million in 2021. Our goal for EBITDA is a stable to slightly increasing development. Taking into account the still slightly uncertain environment due to Corona, we currently consider an EBITDA target of up to EUR 57 million to be realistic – partly because we will probably have to accept significantly higher raw material prices.

IS THERE ALREADY A
CONCRETE OVERALL
FORECAST FOR 2021?

Englmaier: Environmental protection and especially our carbon footprint are an ongoing topic for us – not just since today, because we have been active here for many years and very emphatically. However, you are right: the goal of making our company CO₂-neutral is a medium-term one. Unfortunately, this cannot be implemented in the short term for a specialty chemicals company.

AWAY FROM FINANCIALS,
TOWARDS NON-FINANCIALS:
YOUR CARBON FOOTPRINT
REMAINS A RATHER MEDIUM-
TERM TOPIC?

Dr. Weichselbaumer: I believe that the claim to be CO₂-neutral in the medium term alone is already quite unique in the specialty chemicals industry. However, this is not just an aspiration. On the contrary, we are already making significant progress. One very important factor is that our energy-intensive processes run on electricity as the main source of energy. As more than 50% of the electricity we procure now comes from renewable sources – with a further upward trend – we have a massive advantage here over processes that require fossil fuels.

ARE YOU THE TESLA OF SPECIALTY CHEMICALS?

Englmaier: I definitely would not go that far. After all, the entire industry is moving in the right direction, as the Roadmap Chemie 2050 of the industry association VCI shows. We are in the middle of a very dynamic development for our company. At the same time, our efforts do not stop at energy use. We are constantly working on innovations to make our business even more sustainable. One example is the new nitrile production plant we just mentioned. Here, AlzChem is once again relying on gas phase technology that has been continuously optimized by our own engineers and chemists and that sets the state of the art and benchmarks in terms of raw material yield and environmental aspects.

Dr. Weichselbaumer: To identify even more fields for greater sustainability and environmental protection, we have now additionally installed an internal team of experts. In this way, we aim to repeat the successes we achieved with landfill waste. In a first step, we successively reduced the amount of waste going to landfills and returned an increasing proportion of it to the material cycle as recyclable materials. Today, the amount of landfill waste is close to zero! The goal has thus been achieved. On the product side, we are also developing in a targeted manner into sustainable topics. For example, we have developed new applications for our calcium cyanamide in agriculture that will significantly reduce CO₂ and methane emissions.

Niedermaier: Climate protection is a key concern for us, but at the same time, our strategic projects go well beyond this. For example, we have launched a new company-wide program that focuses on further enhancing our innovative strength, product development and digitalization. With the internally named AlzFit 2025 program, we want to make another significant leap here. Just one example: We are now using new Big Data analytics to identify additional factors influencing product quality and derive appropriate measures to improve processes. Overall, the very difficult year 2020 has shown that we are excellently positioned in the Group. We intend to underpin this again significantly in 2021 with even stronger growth in sales and earnings. At the same time, we are focusing and strengthening innovations and efficiency in the company with all due vigor so that we can continue to develop dynamically and successfully in the medium and long term.

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,
dear Shareholders,

2020 will go down in history as the "Corona year" – not only for people worldwide, but also for our company. Rarely has an event caused such great upheaval in economic life as the COVID-19 virus. And yet, the past twelve months have again been extraordinarily successful for AlzChem: Not only sales, but also earnings and profit margin have climbed to record levels. Our company is anything but a Corona profiteer. Rather, our success reflects the solid positioning as a high-growth, high-profit niche supplier with a focus on specialty chemical products that our company has achieved in recent years. The fact that we have been able to continue along this path despite the many challenges posed by the corona pandemic is the most remarkable success for the company in 2020.

FOCUS OF THE SUPERVISORY BOARD'S WORK

In an exceptional situation such as that of the past fiscal year, it is primarily the Management Board that is called upon – its primary objective was (and continues to be) to protect the health and lives not only of our employees, but also of all those working in the vicinity of our company. This was not only a matter of responding to the constantly changing legal requirements, but above all of implementing them as precisely as possible for our company. In the process, a large number of projects – from the reorganization of shift operations and the redesign of offices to the redesign of canteen operations – were initiated to integrate the necessary hygiene requirements into AlzChem's working environment. In addition, however, it was of at least equal importance to successfully shape business operations in line with the company's goals. In fact, it was mainly thanks to the proactive and committed approach of the entire management team that the company succeeded in mastering the crisis situation to the benefit of employees, customers and suppliers. The fact that we also succeeded

in exploiting special business opportunities made a major contribution to the extremely pleasing result for the year.

The Supervisory Board received regular and detailed reports on this, including at two separate meetings. In the view of the Supervisory Board, the Management Board has fulfilled this enormous responsibility, which affects all areas of the company, in an exemplary manner – not least in the form of granting a „Corona bonus“ to employees, the payment of which the Supervisory Board supported with full conviction.

In addition to dealing with the Corona pandemic, there were further operational focal points in the work of the Supervisory Board that also demanded our full attention:

- In particular, the Supervisory Board dealt – both gratifyingly and surprisingly – with the Bioselect® products, which have rapidly gained in importance. They were used above all in the PCR and antigen tests, which were applied by the millions during the Corona crisis. However, AlzChem has not only made money with this project - thanks to the determined actions of the Management Board and all employees in the short-term ramp-up and further expansion of production capacities, the company has also succeeded in making an important contribution to the fight against the pandemic.
- The further progress of our nitrile investment posed completely different challenges in the year under review. Its main purpose is to make AlzChem fit for the future by significantly expanding and modernizing its production capacities. Among other things, this involved securing the financing of the project by means of a debt participation of AlzChem Group AG and supporting the planned growth steps. Naturally, we will continue to focus intensively on this highly attractive business in the future.

- Following its successful completion in 2019, the Creamino® investment with the construction of the new production facility remained an important topic. After the successful start, the Supervisory Board still paid close attention to this project. We will continue to closely monitor this growth project in the future – not least because this business area in particular is of central importance for the company's development.
- Finally, the new format of the "virtual Annual General Meeting", which the company successfully implemented in May 2020 as one of the first in Germany, has also made considerable demands on the Supervisory Board. We have assumed the role envisaged by the legislator for our body as a guardian of the shareholders' rights, which are necessarily limited in the digital format, with great responsibility in the sense of maintaining a minimum of "shareholder democracy".

As already mentioned, despite the extremely difficult environment, particularly in the second half of the year, the company succeeded in maintaining its position above the previous year's level with sales of EUR 379,257 thousand. In terms of perspective, it is particularly worth mentioning that AlzChem was also able to increase EBITDA once again to EUR 53,805 thousand, thereby raising the company's profitability to an EBITDA margin of 14.2%. We on the Supervisory Board closely followed this extremely pleasing, albeit fluctuating, development throughout the entire fiscal year 2020, in close cooperation with the Management Board, not least because of the associated obligations under capital market law.



The Supervisory Board of AlzChem Group AG, from left to right: Dr. Caspar Freiherr von Schnurbein, Markus Zöllner (Supervisory Board Chairman), Prof. Dr. Martina Heigl-Murauer and Steve Röper

CONSISTENCY ON THE MANAGEMENT BOARD

In the year under review, there were no personnel changes within the Management Board, which was last reconstituted in 2019.

However, the Supervisory Board devoted considerable attention to the long-term succession planning for the Management Board, which was discussed jointly with the Management Board. The concept adopted by mutual agreement in this regard will be discussed and updated with the Management Board on an annual basis in the future. On this occasion, the Supervisory Board also resolved an age limit for the members of the Management Board. It corresponds to the individual standard age limit under the statutory pension scheme. Details on these two governance issues can be found in the Corporate Governance Report included in the Corporate Governance Statement.

Another important task for the Supervisory Board in the year under review was to develop a new remuneration system for the Management Board that complies with the law and the Code and is suitable for the conditions prevailing at AlzChem. The Supervisory Board dealt with this in detail at the end of the reporting year and then again in March 2021. Subject to approval by the Annual General Meeting, this new system will form the basis for amending or revising existing service contracts with members of the Management Board and for the remuneration of future members of the Management Board.

WORKING METHODS OF THE SUPERVISORY BOARD

In the fiscal year 2020, 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 about the legality and regularity of the activities of the Management Board.

The Supervisory Board continuously dealt with the current situation of the company and the future development of the AlzChem Group. In addition to the focal points and personnel issues already mentioned, the Supervisory Board meetings

dealt with the development of sales and earnings, the net assets and financial position, investment plans and the budget, human resources planning, the situation (including the risk situation) of the AlzChem Group, the risk management system, compliance (on which the Compliance Officer reported in detail to the Supervisory Board), the internal control system (also taking into account the experience of the Wirecard scandal) and – with a particular focus – further corporate development and strategy. The focus was also on the dynamics of the sales and procurement markets, and on securing the long-term competitiveness of the AlzChem Group.

A particular focus was on the deviations in the course of the fiscal year from the planning agreed months earlier due to the effects of the Corona pandemic. The two ad hoc releases of October 2020 and January 2021 bear witness to the challenges that the economic ups and downs have posed to the company and its management team in this regard. Notwithstanding these difficulties, the Management Board fully complied with its information obligations at all times and informed the Supervisory Board regularly, promptly and comprehensively, both in writing and verbally, about all significant developments of the AlzChem Group.

The Supervisory Board discussed in detail all reports and documents received from the Management Board. Deviations from plans not attributable to the Corona virus were also explained in detail by the Management Board and reviewed with great care by the Supervisory Board. Transactions requiring approval – such as the award of a contract to audit the archiving system used in the financial department or the construction of a new exhaust gas treatment plant – 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 consultation.

Outside the meetings of the Supervisory Board and the Audit Committee, the Chairman of the Supervisory Board maintained a regular, intensive exchange of information with the Management Board in order to be continuously informed about the current business situation and all significant business transactions. This exchange took place at all times in an open and constructive atmosphere.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD AND COMMITTEES

In the fiscal year 2020, the Supervisory Board held a total of eight meetings – mainly due to the challenges posed by the Corona pandemic – on March 12, April 24, May 5, May 19, August 4, October 15, November 2 and December 3, 2020; only one meeting was held in person, the others were held virtually due to the pandemic. In addition, four resolutions were adopted by written procedure.

With one excused exception (Ms. Prof. Dr. Heigl-Murauer), the members of the Supervisory Board participated in full in all meetings and resolutions of the body.

The Audit Committee, consisting of Ms. Prof. Dr. Heigl-Murauer (as Chairman) and Mr. Dr. von Schnurbein and Mr. Zöllner, held a total of two meetings in the fiscal year 2020, on March 12 and May 5, 2020; one meeting was held in person and one as a virtual meeting. The committee reviewed in detail – taking into account the auditor's audit reports and in discussion with the auditor – the annual financial statements prepared in accordance with the German Commercial Code, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and the combined management report for 2019. The committee also discussed the proposal to be submitted to the Annual General Meeting 2020 on the election of the auditor, as well as issues relating to accounting, the internal control system, and risk management. In addition, the combined management report was discussed in detail, the corresponding recommendations to the Supervisory Board were prepared, and the results of the audits were reported to the Supervisory Board.

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

With one excused exception (Ms. Prof. Dr. Heigl-Murauer), the members of the Audit Committee fully participated in all meetings and resolutions of the body.

The Nomination Committee, consisting of Mr. Zöllner (as Chairman), Mr. Röper and Mr. Dr. von Schnurbein, held one meeting in the reporting period. The purpose of this meeting was to nominate suitable candidates to the Supervisory Board for its resolution proposal to the Annual General Meeting 2020. Following the reconstitution of the Supervisory Board in May 2020, the Nomination Committee was not reappointed – initially for lack of a specific task, but also as a result of the Supervisory Board's internal efficiency review.

RELATED PARTY TRANSACTIONS (RPT)

In its meeting on August 4, 2020, the Supervisory Board resolved that the review of whether transactions „are conducted in the ordinary course of business and at arm's length with related parties“ (sec. 111a (2) sentence 1 AktG) will be carried out by the full Supervisory Board in the usual consultation and resolution procedure; for reasons of efficiency, a special committee was not set up. The related persons involved in the specific transaction to be reviewed are excluded from participation in the review process by the full Supervisory Board.

At the same meeting, the Supervisory Board reviewed the company's revised cash pooling agreement with AlzChem International GmbH and noted that this financing transaction, which is typical of the Group, is a routine transaction which, moreover, was concluded in all respects at standard market conditions for agreements of this type (including with regard to interest, termination options and the information rights of the cash pool participants). Accordingly, the Supervisory Board saw no obstacle in exempting this contract from the special review and reporting pursuant to sections 111b and c AktG.

There were no other RPT-related business transactions to be presented to the Supervisory Board in the reporting year.

ONBOARDING; EDUCATION AND TRAINING

On May 19, 2020, the incumbent members of the Supervisory Board were confirmed in their offices by the Annual General Meeting. They are therefore well acquainted with the legal and factual circumstances within the AlzChem Group.

In principle, however, all members of the Supervisory Board appointed for the first time are provided by the company with a so-called onboarding package, which, among other things, provides information about the corporate structure of the AlzChem Group, its business model and the products it sells. Furthermore, the company supports all members of the Supervisory Board, including those already in office, within the framework of the statutory provisions, in the education and training measures required for their work. In the reporting year, this included a training course offered by the company on the technical possibilities of the newly created "Sharepoint" platform for documents relating to the Supervisory Board. In addition, in the fiscal year 2020, the members of the Supervisory Board received training on the new provisions of the German Corporate Governance Code and the Shareholder Rights Directive Implementation Act ("ARUG II") affecting them and the company. The members of the Supervisory Board also took advantage of a wide range of training opportunities offered by providers on their own initiative in the fiscal year 2020. The content concerned – in the reporting year: Corporate Governance, accounting, digitization, new legal developments, etc. – is documented by the Supervisory Board office on an ongoing basis.

CORPORATE GOVERNANCE

An integral part of the Supervisory Board meetings of AlzChem Group AG is the implementation of good Corporate Governance. In doing so, the Supervisory Board – in close consultation with the Management Board, which is like-minded in this respect – is primarily guided by the standards of good Corporate Governance formulated in the German Corporate Governance Code. From March 2020, this was the updated GCGC 2020. A particular challenge was to incorporate the numerous compensation recommendations of the significantly expanded Code into the new Management Board compensation system, which was discussed in detail by the Supervisory Board and will be the subject of the

Annual General Meeting in May 2021. Overall, however, the fact that the company had already largely converted its governance structures to the GCGC 2020 in the previous year, or had at least initiated the necessary steps to do so, proved its worth. In this context, for example, the update of the competency profile and the catalog of objectives for the Supervisory Board, which took place early in the reporting year, is worth mentioning.

Accordingly, the Management Board and Supervisory Board were able to adopt the Declaration of Compliance in accordance with sec. 161 AktG for the first time in December 2020 without any deviation from the applicable Code and publish it immediately thereafter. The two deviations still disclosed there, which have since been resolved in the matter, relate solely to the GCGC 2017, which has since been replaced.

The Declaration of Compliance – like the older declarations – can be accessed at any time on the internet at www.alzchem.com in the Investor Relations section. In accordance with principle 22 GCGC 2020, the Management Board explains the Corporate Governance practiced by the company – both for itself and for the Supervisory Board – in the Corporate Governance Report included in the Annual Report and summarized with the Corporate Governance Statement.

EFFICIENCY REVIEW

The Supervisory Board regularly reviews the efficiency of its activities. In line with the customary two-year cycle, one such review 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 subsequently presented to the members of the Supervisory Board in 2020. The results showed that the Supervisory Board members are generally very satisfied with the organization, process and efficiency of the Supervisory Board's work. The suggestions made by the Supervisory Board members (including the abolition of committees, the holding of training courses on topics relevant to the Supervisory Board and the increased use of video conferences in Supervisory Board work) were gratefully taken up by the Supervisory Board Chairman and implemented in the course of the reporting year.

In this context, it is also worth mentioning that the Supervisory Board has adopted new Rules of Procedure following the corresponding amendments to the Articles of Association. Thus, our body now operates on the basis of an all-round updated legal foundation – no small advantage in these times of hardly feasible face-to-face meetings.

In the reporting period, the individual members of the Supervisory Board and the Management Board did not have any conflicts of interest that would have had to be disclosed to the Supervisory Board (for „Related Party Transactions“ see above).

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of AlzChem Group AG were prepared in accordance with the rules of the German Commercial Code (HGB), and the consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS). As in the previous year, the company prepared a combined management report for AlzChem Group AG and the Group for the fiscal year 2020. In accordance with the resolution of the Annual General Meeting on May 19, 2020, 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 2020 and, in this context, also determined the remuneration of the auditor. Furthermore, together with the auditor, the Supervisory Board determined the focal points of the audit to be carried out by the auditor.

The auditor 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 its audit, which did not lead to any objections. The annual financial statements and the consolidated financial statements for 2020 received an unqualified audit opinion from the auditor. In addition, as part of its assessment of the risk management system, the auditor concluded that the Management Board had taken the measures required under sec. 91 (2) AktG to identify at

an early stage any risks that could jeopardize the continued existence of the company.

The Supervisory Board then examined the annual financial statements and consolidated financial statements for the fiscal year 2020 and the combined management report – taking into account the auditor's report – for completeness and accuracy. All documents and the auditor's reports were submitted to the Supervisory Board in good time and were discussed and reviewed in detail at the Supervisory Board's balance sheet meeting on March 4, 2021 in the presence of all Supervisory Board members. The auditor reported there on the main findings of its audit and was available to the Supervisory Board to answer questions and provide additional information. In particular, the Supervisory Board reviewed 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 and whether the statements made in the combined management report correspond to the Supervisory Board's own assessment.

After its own thorough review of the documents submitted to it, the Supervisory Board raised no objections to them, agreed with the audit reports and approved the annual financial statements, the consolidated financial statements and the combined management report. The annual financial statements of AlzChem Group AG prepared by the Management Board were thus adopted.

The Supervisory Board discussed in detail the Management Board's proposal for the appropriation of profits to distribute a dividend of EUR 0.77 per share and to carry forward the remaining balance sheet profit to new account against the background of the company's liquidity and its financial and investment planning. Following a detailed review, the Supervisory Board agreed with the Management Board's proposal for the appropriation of profits, which provides for a distribution ratio of approximately 40%.

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

COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

In the fiscal year 2020, the Management Board consisted of Mr. Andreas Niedermaier (CEO), who has been appointed until December 31, 2023, and Mr. Klaus Dieter Englmaier (COO) and Dr. Georg Weichselbaumer (CSO), whose mandates each run until December 31, 2022.

There were no changes in the composition of the Supervisory Board in the reporting period due to the re-election of the previous members. Accordingly, the members of the Supervisory Board remain Mr. Markus Zöllner (Chairman), Mr. Dr. Caspar Freiherr von Schnurbein (Deputy Chairman), Ms. Prof. Dr. Martina Heigl-Murauer and Mr. Steve Röper.

All in all, the AlzChem Group delivered an extraordinary performance in the fiscal year 2020. Despite all the difficulties caused by the COVID-19 pandemic, the company succeeded in impressively demonstrating its operational strength even under surprising and fundamentally changed circumstances. This would not have been possible without the motivation, perseverance and commitment, but above all the adaptability, of our employees. They therefore deserve our greatest thanks.

Trostberg, March 4, 2021



Markus Zöllner
Chairman of the Supervisory Board
AlzChem Group AG

ALZCHEM SHARE

PERFORMANCE OF THE ALZCHEM SHARE

The AlzChem share started the fiscal year 2020 with a Xetra closing price of EUR 20.80. The high for the year was reached on August 24, 2020 at EUR 26.20 and the low for the year on April 1, 2020 at EUR 13.00. The Xetra closing price on

December 30, 2020 was EUR 21.40, corresponding to a market capitalization of EUR 217.8 million and a share price performance of 2.9% over the reporting period.

MASTER DATA

ISIN/WKN	DE000A2YNT30/A2YNT3
Stock exchange symbol	ACT
Type and number of shares	10,176,335 no-par value bearer shares
Trading segment	Regulated Market (Prime Standard)
Designated Sponsor	Baader Bank AG, ODDO SEYDLER BANK AG

KEY FIGURES

Xetra closing price basis	01/01 – 12/31/2020
Price on 01/02	EUR 20.80
Highest price	EUR 26.20
Lowest price	EUR 13.00
Price on 12/30	EUR 21.40
Total performance	2.9%
Earnings per share	EUR 1.94
Market capitalization on 12/30	EUR 217.8 million

SHAREHOLDER STRUCTURE

SHAREHOLDER	%
LIVIA Corporate Development SE	37.6
HDI Vier CE GmbH	20.5
four two na GmbH	15.8
Free float*	26.1
thereof M&G plc	7.6

* Information on free float in accordance with sec. 2.3 of the „Guide to the DAX Equity Indices“ in the currently applicable version

METFORMIN/DCD



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

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

COMBINED MANAGEMENT REPORT

for the fiscal year from January 1, 2020 to December 31, 2020

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 2020, 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. 315a (1) and sec. 289a HGB and the remuneration report are presented in a separate section 9 and are part of the combined management report audited by the auditors of the consolidated financial statements.

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

Voluntary disclosures for the calendar year 2018

In order to make the development of the AlzChem Group over time transparent over more than two periods and to ensure comparability with the full calendar year 2018, key financial figures relating to the income statement, statement of comprehensive income and cash flow statement for the

full year 2018 are also provided and explained in part on a supplementary and voluntary basis.

These are unaudited and have been calculated by adding the respective audited financial figures for the short fiscal year 2018/I and the short fiscal year 2018/II. The period comprising both short fiscal years is also referred to as "calendar year 2018" or "2018".

2. COVID-19

The COVID-19 pandemic also presented the AlzChem Group with new and in some cases unexpected challenges, but after just under 12 months of the pandemic, it can be stated that AlzChem has so far come through this difficult phase very well and in some cases considers itself to be in an even stronger position than before the pandemic. The top priority was and still is the health of the employees, which was ensured with a large number of measures in production, research and administration. At the same time, solutions had to be found in order to continue to produce, analyze, research, dispose of, transport, sell, advise – in other words, to successfully maintain operations. In this area of tension, AlzChem relied on a stable and efficient internal IT department and IT infrastructure, as well as on the willingness of our workforce to cooperate actively in overcoming the crisis. The high level of commitment also enabled the Group to pay out a so-called Corona bonus of EUR 500 per full-time employee to show its appreciation and thanks – because satisfaction and success can only be achieved in the long term with motivated employees.

The effects of the pandemic on the individual business areas are described in the comments on the annual financial statements and in the forecast report in this combined management report as well as in the notes to the consolidated financial statements with regard to accounting.

3. FUNDAMENTALS OF THE GROUP

3.1. BUSINESS MODEL

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

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

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

- **Nutrition:** The nutrition segment comprises the marketing of high-quality products of the Creapure®, LIVADUR®, Your Encour!® brands for the food and sports food industries as dietary supplements and as additives in the manufacture of cosmetics. Furthermore, the products are used in the pharmaceutical industry. The relatively new animal food supplement Creamino® makes a valuable contribution in the field of livestock farming.
- **Pharmaceuticals and fine chemicals:** Based on carbon, lime and nitrogen, the AlzChem Group builds on a widely ramified product family tree ("Verbund System"). In the multi-purpose plants (custom manufacturing), the basic products are refined and a wide range of fine chemicals is produced. At the top of the "Verbund System", for example, is a product such as Bioselect®, which is increasingly being used in the pharmaceutical industry (production of "large molecules"). AlzChem precursors are used both in tests that detect the Corona virus and in tests that detect antibodies.
- **Agriculture:** In addition to specialty fertilizers, such as Perlka®, and growth regulators, such as Dormex®, for viticulture and fruit growing, the product range of the AlzChem Group also includes plant strengthening agents.
- **Renewable energies:** With its DYHARD® product range, the AlzChem Group is involved in the development of ever larger wind turbines and is generally represented

in lightweight construction (aircraft, automotive) with epoxy resin hot curing agents.

- **Metallurgy:** Here, the company serves two important areas in the steel industry: hot metal desulfurization and secondary metallurgy.
- **Service:** As the site operator of two chemical parks, the AlzChem Group is responsible for the production and distribution of various infrastructure services.

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

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

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

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

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

3.2. GROUP STRUCTURE

There were no changes to the Group structure in the fiscal year 2020. AlzChem Group AG acts as the parent company

(without own business activities) of the AlzChem Group. The following companies belonged to the scope of consolidation of the AlzChem Group as of the reporting date December 31, 2020:

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

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

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

3.3. CONTROL SYSTEM

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

- Management Board meetings in 2-week intervals,
- Regular meetings of the management team,
- Regular coordination of production and technology,
- Regular coordination of sales and marketing including innovation management, supply chain management as well as production,
- Regular meetings for controlling and resource allocation of the innovation management department,
- Regular liquidity management and financing management (daily, monthly).

Adjustment of the key performance indicators

- In the fiscal year 2020, AlzChem received EUR 10 million in loans for expansion investments. Negotiations with the banks involved have shown that the focus of capital monitoring and capital management is essentially concentrated on the Group equity ratio and that compliance with contractual agreements is also tied to this. For this reason, AlzChem is reporting the Group equity ratio as a capital management parameter from this fiscal year onwards and is also presenting this for the previous year. The management parameter debt ratio, which was reported until the previous year, is no longer relevant for these purposes and is therefore no longer presented.
- In the fiscal year 2020, AlzChem has adjusted the information to be disclosed in the segment reporting. The key figures depreciation and amortization and EBIT are no longer presented at segment level. The Management of AlzChem has restructured the financial information provided to them on a regular basis and has moved to a liquidity-based management of the individual segments. In the opinion of the Management, the key figure EBITDA represents a good approximation to the liquidity flows in the individual segments. Depreciation and amortization, and consequently EBIT, on the other hand, are not liquidity-related indicators and are no longer reported to the Management at segment level. As segment reporting is intended to follow internal reporting, the two indicators are also no longer presented

in segment reporting. Furthermore, the key figure EBITDA margin was introduced as the ratio of EBITDA to sales of the respective segment. The segment reporting for the previous year has been adjusted accordingly.

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 figures	Calculation
Group equity ratio	$\frac{\text{Equity}}{\text{Balance sheet total}}$
Inventory ratio	$\frac{\text{Inventories}}{\text{Sales}}$
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	$\frac{\text{EBITDA}}{\text{Sales}}$

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

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

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

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

If there are service relationships between the segments, these are calculated using Group costing rules and in compliance with transfer price specifications and are not presented as sales in the respective segment, but as consolidated figures. In addition, inventories are reported and monitored at segment level.

3.4. INNOVATION MANAGEMENT, RESEARCH & DEVELOPMENT

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

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

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

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

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

For the Specialty Chemicals segment, expenses as a percentage of sales for the fiscal year 2020 were 2.67% (previous year: 3.10%).

Total capitalized services in this area (mainly investments in property, plant and equipment) amounted to EUR 427 thousand (previous year: EUR 697 thousand). This mainly involved the regular replacement of analytical equipment such as gas chromatographs in the various departments of the innovation management unit.

Research & development expenses in the Basics & Intermediates segment amounted to 1.75% (previous year: 1.47%) of sales in the reporting period.

In total, 109 people (previous year: 107) were employed in research & development in the AlzChem Group in the fiscal year 2020.

4. BUSINESS REPORT

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

4.1. MACROECONOMIC AND INDUSTRY-RELATED FRAMEWORK CONDITIONS

4.1.1. MACROECONOMIC FRAMEWORK CONDITIONS

In the third quarter of 2020, the global economy recovered a significant part of the declines in production levels suffered in the first half of the year due to the COVID-19 pandemic. At present, the recovery is being slowed by another wave of infection and measures to contain it, but in the global aggregate, output remains on an upward trajectory.

While gross domestic product in Europe probably declined again in the fourth quarter of 2020, it is likely to continue rising in most of the rest of the world; in China, economic momentum is currently even quite high. For 2020, IfW Kiel expects a decline in global GDP of 3.8%.

Source: Kiel Institute Economic Outlook World Economy in Winter 2020 12/16/2020 No. 73 (2020/Q4)

The recovery of the German economy is being delayed. The main reasons are the resurgence of the Corona pandemic and the shutdown measures reintroduced in November. As some of these measures are likely to remain in place in the coming months, gross domestic product is expected to decline in Q4/2020 and Q1/2021. However, these declines will not reach the magnitude of spring 2020. For example, the burdens will be more concentrated on individual, consumer-related sectors. In addition, exports are likely to remain on an upward trend in view of the comparatively robust global economy. For 2020, the IfW expects a decline in gross domestic product of 5.2%.

Source: Kiel Institute Economic Outlook German Economy in Winter 2020 12/16/2020 No. 74 (2020/Q4)

4.1.2. INDUSTRY-RELATED FRAMEWORK CONDITIONS

Development of the worldwide chemical and pharmaceutical industry

Following the first global lockdown measures in the spring of the past fiscal year, the low point was reached in mid-2020. Domestic demand in China in particular then triggered the recovery phase in the second half of the year. However, the impact was not homogeneous, as some subsectors fared better than others. The recovery was also markedly different geographically, with a strong recovery in China, a slower recovery in Europe and a recovery somewhere in between in the USA. In terms of chemical prices, this was even more pronounced: Prices and margins bottomed out in the first half of the year due to inventory reductions and low utilization rates, as well as falling raw material prices, only to rebound sharply in the second half thanks to the sequential recovery, low inventory levels and restocking, and isolated capacity outages.

Source: Chemanager (January 25, 2021)

Development of the steel industry

The COVID-19 pandemic has lowered forecasts for steel consumption and the general economic outlook in the EU. The lockdown measures taken by governments, which began in earnest in March 2020, have had a serious impact on production activity and the steel processing industries.

As a result of the Corona pandemic, the economic situation of the steel industry in Germany and also in Europe has once again deteriorated significantly. In the first eight months of 2020, German crude steel production fell by 17% and the industry's sales in Germany by as much as 20% – starting from an already very low level. Although the economic crises have probably bottomed out in the meantime, the ongoing recovery – also against the background of high infection figures – appears to be fragile and subject to many uncertainties.

Source: Annual Report 2020 of the German Steel Federation

4.2. BUSINESS DEVELOPMENT

4.2.1. PRELIMINARY REMARKS

In light of the rapidly changing economic and legal environment and the resulting opportunities, but also risks, the Management Board established an optimization project called AlzFit 2025 in 2020. The Management would like to a.) anchor the project idea as well as the approaches of agile and flexible project management even more deeply in the daily work of the employees and b.) also create the necessary framework conditions for this. The central goals of AlzFit 2025 are digitalization and structured innovation.

Another focus of the future business orientation – sustainability in products and processes – was taken into account by the Management Board in the form that, in addition to transferring the concept of sustainability into daily work, a group of experts was formed to deal with the issue on a cross-company basis.

4.2.2. SALES AND REVENUE

The order and contract situation of the completed fiscal year 2020 was still slightly above the previous year's level in the first two quarters, but dropped drastically in the third quarter and recovered almost as strongly in the months of November and December.

The operating business development in the reporting period was positive for the AlzChem Group despite all the fluctuations, Corona distortions and in view of the general economic conditions. Following the abrupt decline in the third fiscal quarter of 2020 and a cautious outlook for the final quarter, there were signs of a recovery across wide areas of the customer base in mid-November, so that the sales mark of EUR 380 million was still almost reached in the year-end spurt. Although the original expectations of the Management Board for the fiscal year 2020 envisaged a higher leap in growth, the Management Board is quite satisfied with what has been achieved under the present conditions.

Particularly noteworthy was the rapid and uncomplicated decision-making process with regard to the expansion of plant capacity (Bioselect®) for important components of the COVID-19 test kits. However, it was not only AlzChem raw materials for the pharmaceutical sector that were able to demonstrate their advantages during the pandemic, but also the high reliability, quality, delivery reliability and flexibility showed that customers worldwide placed even greater trust in chemical solutions "Made in Bavaria".

The „Verbund System“ and thus a secure supply of raw materials were a further guarantee of solid business development in 2020. In summary, sales of EUR 379,257 thousand were thus achieved (previous year: EUR 376,072 thousand).

The Specialty Chemicals segment was affected both positively and negatively by the pandemic. Bioselect®, an important component of the COVID-19 tests, experienced a real boom in sales. Significant volume increases were also achieved with the broad-based chemical solutions from the multi-purpose plants. With a high level of competence in being able to accompany products through various stages of development within AlzChem, it was possible to achieve notable increases

in sales. A negative impact was felt from the pandemic on products destined for the automotive industry, petroleum extraction and dietary supplements. After an encouraging first quarter, exceptionally sharp declines became apparent from the middle of the second quarter. AlzChem reacted by shifting personnel capacity and building up inventories in a controlled manner, which proved to be the key to success during the recovery phase. Sales of products in the plant growth segment were roughly on a par with the previous year, and volumes of healthy and efficient animal nutrition (Creamino®) increased by just over 10% despite the adverse market environment. With segment sales of EUR 207,431 thousand, attractive growth of 3.70% (previous year: EUR 200,022 thousand) was achieved despite all the distortions.

The Basics & Intermediates segment was hit particularly hard by the effects of the pandemic. Products for metallurgical applications essentially shared the fate of customers in the steel industry (see 4.1.2). Active and flexible management of volume flows within the NCN chain made it possible to compensate for part of the decline in sales, but it was not possible to fully offset the overall decline of up to 60%. A positive aspect is that during the pandemic, the long-standing partnerships made it possible to act together and not just react. Largely unaffected by the pandemic, NITRALZ® continued on its growth path. The trend in favor of "Made in Bavaria" for Perlka® and dicyandiamide was extremely gratifying. Dicyandiamide volumes to the pharmaceutical sector in particular showed a noticeable increase compared to the previous year. Due to the overlapping effect from metallurgy, segment sales of EUR 146,434 thousand were not quite able to match the previous year's figure (EUR 149,408 thousand) despite growth impulses.

Demand for services at the Trostberg, Schalchen and Hart sites was also slightly down on the previous year due to pandemic-related factors. Declines in sales volumes were particularly noticeable in the second and third quarters, with the result that lower volumes of mainly volume-dependent services were sold. The Other & Holding segment thus generated segment sales of EUR 25,392 thousand (previous year: EUR 26,643 thousand), which was also only slightly below the previous year.

In a very challenging fiscal year 2020, the strategic approaches of the Management Board proved to be on target:

- Maintaining a broad business base
- Ensuring flexible plant structures
- Adherence to strict but future-oriented cost management
- Driving forward investments in the future in various business areas and
- continued high investment in a motivated and well-trained workforce.

Proximity to our business partners, customers, suppliers, logistics partners and employees proved to be another key to success.

The currency markets continued to be volatile in 2020 and had a positive impact on sales development in the first half of the year and a negative impact in the second half.

Although the volume breakdown by sales region showed percentage shifts between the Rest of World and Europe Rest regions compared with the previous year, these were of minor importance in absolute terms. Volume declines in the EU were mainly attributable to shipments to the steel sector.

4.2.3. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

4.2.3.1. RESULTS OF OPERATIONS

in EUR thousand	2018	2019	2020
Sales revenues	375,217	376,072	379,257
Change in finished goods and work in progress	5,461	-4,862	-2,514
Other operating income	13,436	17,147	10,671
Cost of materials	-155,429	-142,391	-132,507
Personnel expenses	-114,185	-122,088	-127,409
Other operating expenses	-75,121	-73,800	-73,693
EBITDA	49,379	50,078	53,805
Depreciation and amortization	-15,187	-19,492	-23,097
EBIT	34,192	30,586	30,708
Other interest and similar income	542	302	325
Interest and similar expenses	-2,815	-5,396	-3,835
thereof non-cash	-1,855	-4,550	-2,634
Financial result	-2,273	-5,094	-3,510
Result from ordinary business activities	31,919	25,492	27,198
Taxes on income and profit	-9,136	-7,345	-7,333
Consolidated net income	22,783	18,147	19,865
thereof non-controlling interests	139	171	171
thereof interests of shareholders of AlzChem Group AG	22,644	17,976	19,694
Earning per share in EUR (undiluted and diluted)*	2.23	1.77	1.94

* converted to the current number of shares (10,176,335 shares)

In the fiscal year 2020, consolidated sales amounted to EUR 379,257 thousand (previous year: EUR 376,072 thousand). This corresponds to slight sales growth of 0.8%. The stable sales development was mainly attributable to the Specialty Chemicals segment, which offset the decline in sales in the other two segments. The Bioselect® and NITRALZ® businesses

in particular, flanked by high capacity utilization in the multi-purpose plants, were able to compensate for negative COVID-19 effects. In addition to the pandemic-related decline in sales in the automotive industry, the sector is also undergoing a noticeable upheaval for AlzChem products.

Sales by region were as follows:

in EUR thousand	2018	2019	2020
Germany	160,236	121,258	125,517
European Union (without Germany)	102,403	110,254	99,878
Rest of Europe (incl. UK from 2019)	22,047	30,002	34,218
NAFTA	38,700	49,127	48,711
Asia	34,167	38,486	40,674
Rest of the world	17,666	26,945	30,259
Total	375,217	376,072	379,257

Despite negative deviations, mainly resulting from a direct impact of lower shipments to the steel and automotive industries, sales in 2020 in Germany were kept within the Management Board's expectation horizon and thus above the previous year. Higher shipments from Bioselect®, multi-purpose plants and Perlka® more than compensated for the decline.

In the European Union, the impact of the pandemic on customers' purchasing behavior was even more apparent. There were lower shipments to the steel industry, to lightweight construction applications and to the dietary supplements market. Volumes of our fertilizer Perlka® also developed in the opposite direction in this geographical environment.

Deliveries to the rest of Europe increased significantly compared to the calendar year 2019. Here, the NITRALZ® volumes and increased shipments from our multi-purpose plants also contributed to this.

Business in the NAFTA region stabilized at the level of the previous year in the fiscal year 2020. Volume declines for the Creapure® product were offset by increases for dicyandiamide.

The USD/EUR currency exchange rate was unable to positively influence AlzChem's sales and thus also earnings performance in 2020; in the second half of the year in particular, the negative effect accumulated to EUR 1 million, with this mainly impacting the earnings of the Specialty Chemicals segment.

NITRALZ® and dicyandiamide were also sold very successfully in the Asian region, with the result that slightly lower shipments to Japan also led to a balanced sales development in this region.

In the rest of the world, further Creamino® customers were successfully acquired in Australia. In addition, the market expansion of the growth regulator Dormex® was successfully driven forward.

The decrease in other operating income is mainly caused by lower reversals of provisions for sales and personnel of EUR 513 thousand (previous year: EUR 3,374 thousand) and significantly lower own work capitalized of EUR 6,345 thousand (previous year: EUR 8,460 thousand) in connection with adjusted investing activities.

Income from exchange rate gains of EUR 2,154 thousand (previous year: EUR 2,695 thousand) is offset by expenses from exchange rate losses of EUR 3,961 thousand (previous year: EUR 2,363 thousand) reported under other operating expenses.

The cost of materials amounted to EUR 132,507 thousand in the reporting period (previous year: EUR 142,391 thousand). The development was characterized on the one hand by a direct correlation with sales and the price, and on the other hand by a change in the product mix. The cost of materials ratio ((cost of materials + change in inventories)/sales) was 35.6% in the fiscal year 2020 (2019: 39.2%).

The significant decrease is mainly explained by declining raw material costs, lower electricity prices at the German sites and lower expenses for indirect CO₂ certificate costs. Based on a long-term purchasing strategy, the Group was also able to limit or exclude negative effects on electricity prices in 2020 within a volatile environment, particularly at the end of the year. In addition to the pure price effects, changes in volumes and product mix also have an impact, specifically the increase in chemical products, mainly NITRALZ® and Bioselect®, volumes from the multi-purpose plants and the decline in

metallurgical products, which led to the ratio not falling even further.

Personnel expenses amounted to EUR 127,409 thousand in the fiscal year 2020 (previous year: EUR 122,088 thousand). A comparison with the calendar year 2019 shows that personnel expenses as a percentage of sales increased slightly to 33.6% (previous year: 32.5%). The reasons for this are the small increase in the workforce in the area of innovation management, the further strengthening of the sales team,

the annual pay increase including the new pay component of the future amount, the Corona bonus paid out (EUR 500 per full-time employee at the production sites), and the higher addition to the provision for employee profit sharing. In addition, there was an increase in expenses for the Employers' Liability Insurance Association of the Chemical Industry and higher personnel expenses from the addition to pension provisions.

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

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

Other operating expenses of EUR 73,693 thousand (previous year: EUR 73,800 thousand) are characterized by lower selling expenses, which amounted to EUR 14,887 thousand in fiscal year 2020. Due to the product mix, they are thus lower than the figure for 2019 of EUR 16,383 thousand. Other significant items include externally purchased maintenance costs of EUR 10,665 thousand (previous year: EUR 10,295 thousand), environmental and waste disposal costs of EUR 9,456 thousand (previous year: EUR 8,561 thousand), and other external services of EUR 8,246 thousand (previous year: EUR 9,359 thousand). In the case of other external services, it became apparent that the proportion of temporary workers could be significantly reduced, particularly in the third and fourth quarters.

The increase in environmental and waste disposal costs is primarily due to the increase in the volume of chemical products from the multi-purpose plants. Adjusted for the expense effect of foreign currency valuation, other operating expenses were reduced by EUR 1,705 thousand.

In addition to the effects already described, a key factor was the significant reduction in travel, which had a positive impact on the Group result with costs down by EUR 1,022 thousand.

EBITDA amounted to EUR 53,805 thousand in the fiscal year 2020 (previous year: EUR 50,078 thousand).

Depreciation and amortization in total are as follows:

in EUR thousand	2018	2019	2020
Amortization on intangible assets	474	518	635
Depreciation on property, plant and equipment	14,713	17,295	20,444
Depreciation and amortization own assets	15,187	17,813	21,079
Amortization on lease usage rights	-	1,679	2,018
Total depreciation and amortization	15,187	19,492	23,097

The increased volume of depreciation and amortization is attributable to the extensive investment activity for the growth of the Group in the past fiscal years 2017, 2018, 2019 and 2020. Due to the first-time application of IFRS 16 in the fiscal year 2019, amortization on the now capitalized lease

usage rights was recognized for the first time in the fiscal year 2019.

The financial result for the fiscal year 2020 in the amount of EUR -3,510 thousand (previous year: EUR -5,094 thousand)

was mainly characterized by interest and similar expenses. These mainly include non-cash interest expenses from the compounding of non-current provisions for pensions in the amount of EUR 1,206 thousand (previous year: EUR 2,082 thousand) and landfills in the amount of EUR 1,133 thousand (previous year: EUR 1,730 thousand). The cash interest (paid) breaks down into bank and factoring interest incurred in particular for the non-current loans and amounted to EUR 1,196 thousand (previous year: EUR 1,225 thousand).

In the fiscal year 2020, the effective Group tax rate was 27.0% (previous year: 28.8%). This includes EUR 6,985 thousand (previous year: EUR 7,930 thousand) in current tax expense

and deferred tax expense of EUR 348 thousand (previous year: income of EUR 585 thousand). Effects from a tax audit completed in the fiscal year 2020 led to a slight increase in current tax expenses and, at the same time, to reversal effects from adjustments of subsequent periods in current and deferred tax income. Overall, this resulted in a slight reduction in the Group tax rate.

Consolidated net income for the fiscal year 2020 amounted to EUR 19,865 thousand (previous year: EUR 18,147 thousand). This results in earnings per share of EUR 1.94 (previous year: EUR 1.77) calculated on 10,176,335 no-par value shares.

4.2.3.1.1. DEVELOPMENT OF THE SEGMENTS

4.2.3.1.2. SPECIALTY CHEMICALS SEGMENT

Key figures for the segment

In EUR thousand	2018	2019	2020	% Change
External sales	209,414	200,022	207,431	3.7%
EBITDA	50,692	41,684	44,125	5.8%
EBITDA margin	24.2%	20.8%	21.3%	0.5% points
Inventories	49,672	44,183	38,410	-13.1%
Inventory ratio	24%	22%	19%	-3% points

The development of the Specialty Chemicals segment in 2020 was characterized by an enormous increase in both sales volumes and revenues for Bioselect® products. As a key component of the COVID-19 test kits, AlzChem was able to significantly increase its capacities and thus its production volumes at the Waldkraiburg site in a very short time. AlzChem's contribution to healthy animal nutrition with the product Creamino® continued to grow in volume despite the unfavorable economic environment. Efforts in the area of multi-purpose plants (custom manufacturing) were also successful. With clear double-digit sales growth, the product portfolio was successfully expanded. Relatively hard hit by the effects of the pandemic was the DYHARD® business, as a supplier for lightweight construction, aircraft and automotive applications and for oil production. Here, significant volume declines were recorded. The effects were equally noticeable in the dietary supplements business. However, there was a considerable geographical difference in the development of

the markets, so that the strategy of market expansion already proved to be a compensating factor this year. The specialty agrochemical application Dormex® was able to confirm the positive development of the previous year in 2020.

The successfully implemented project to reduce inventories showed positive effects for another year in succession, so that inventories were once again significantly cut thanks to optimized production planning and the supply chain. AlzChem continues to operate in the area of tension between low inventory levels and high delivery capacity. The past year has confirmed the Management's decision to give a slightly higher weighting to delivery capability. In a volatile environment, attractive market opportunities could thus be exploited through rapid product availability.

4.2.3.1.3. BASICS & INTERMEDIATES SEGMENT

Key figures for the segment

In EUR thousand	2018	2019	2020	% Change
External sales	139,966	149,408	146,434	-2.0%
EBITDA	-889	5,247	8,981	71.2%
EBITDA margin	-0.6%	3.5%	6.1%	2.6% points
Inventories	28,125	30,924	27,639	-10.6%
Inventory ratio	20%	21%	19%	-2% points

Sales in the Basics & Intermediates segment added up to EUR 146,434 thousand in the reporting period. The segment was positively influenced by the business development of the NITRALZ® product area. The successful commissioning of the expanded plant park was able to further drive the upward trend of the segment. In addition, the basic businesses of the agriculture and dicyandiamide product areas closed the year in part well above the previous year's level. The metallurgy business was hit very hard by the pandemic. Although AlzChem was able to respond very quickly to the changing market environment and adjust its cost and production structure, the extent of the market distortions was too

great to fully compensate. On the cost side, the segment benefited significantly from falling raw material prices and (for AlzChem) falling electricity prices. In addition, the first measures from the AlzFit 2025 optimization project launched by the Management Board were already having an effect.

Inventories were also very successfully reduced in the Basics & Intermediates segment. Despite the partly extreme fluctuations within the NCN volumes, it was possible to react quickly to market changes on the basis of an integrated production planning model.

4.2.3.1.4. OTHER & HOLDING SEGMENT

Key figures for the segment

In EUR thousand	2018	2019	2020	% Change
External sales	25,825	26,643	25,392	-4.7%
EBITDA	192	4,506	989	-78.1%
EBITDA margin	0.7%	16.9%	3.9%	-13% points
Inventories	3,766	3,586	3,555	-0.9%
Inventory ratio	15%	13%	14%	+1% point

Despite a relatively stable business volume at the chemical parks in Trostberg and Hart, the previous year's result could not be matched. On the one hand, there was a noticeable decline in the volume of electricity purchased from our power grid (so-called energy price, capacity price) due to the performance of the plants and, on the other hand, the decline in sales had an impact on the purchase of variable and thus rather personnel-intensive services. Slightly higher maintenance measures within the chemical park contributed

to the negative deviation on the cost side. In the previous year, the segment also benefited from an out-of-period compensation payment from the insurance company.

The development in segment inventories at a volume of EUR 3,555 thousand is to be seen, among other things, in connection with regular fluctuations in consumables and supplies.

4.2.3.2. FINANCIAL POSITION

4.2.3.2.1. CAPITAL STRUCTURE

When selecting the financial instruments, the focus is on financing with matching maturities, which is achieved by controlling the maturities. In the past fiscal year, AlzChem Trostberg GmbH made scheduled repayments of EUR 11,934 thousand for the completed project financing, but was also able to raise EUR 10,000 thousand in additional growth funds in the form of long-term loans.

In addition to the project-related financing measures with a term of more than 1 year and a balance sheet date value of EUR 48,042 thousand (previous year: EUR 50,747 thousand), the AlzChem Group has a stable position through short- to medium-term financing agreements (see Liquidity) in order to be able to support the operating business.

4.2.3.2.2. INVESTMENTS

In the fiscal year 2020, payments for investment measures amounted to EUR 28,832 thousand (previous year: EUR 41,382 thousand). Investments were mainly made in the areas of production and infrastructure. The investment objectives were primarily the expansion of capacities, the maintenance, the expansion, the modernization and the rationalization of the existing plant park as well as the further development of the infrastructure. The most significant investments in terms of amount in the fiscal year 2020 were:

- Capacity expansion in the NITRALZ® product area (EUR 6.5 million, total project costs: EUR 11.5 million),
- Construction of a regenerative thermal exhaust air purification plant (EUR 3.8 million, total project costs: EUR 5.6 million),
- Modernization of the power grid and power infrastructure (EUR 4.7 million in various measures).

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 not part of internal reporting.

4.2.3.2.3. LIQUIDITY

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

Long-term project-related financing for measures already implemented with a term of more than 1 year amounted to EUR 48,042 thousand as of the balance sheet date (previous year: EUR 50,747 thousand). To finance investments, long-term loans were concluded in the fiscal years 2013, 2015 and 2017 with a final disbursement in the fiscal year 2019. In the fiscal year 2020, another long-term financing (EUR 10,000 thousand) was concluded in connection with the ongoing plant expansions. These obligations were serviced as scheduled in the reporting year.

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

As of the reporting date December 31, 2020, EUR 0 thousand (excl. EUR 80 thousand customs guarantee) (previous year: EUR 0) of these lines had been utilized. The value of current loan liabilities to banks of EUR 12,704 thousand (previous year: EUR 11,935 thousand) reported as of December 31, 2020 corresponds in full to the current share of the above-mentioned non-current loans.

Furthermore, the company uses factoring as a financing instrument. Here, only around 31% (previous year: 39%) of the available financing framework of EUR 30,000 thousand was utilized on average in the fiscal year 2020. 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 existing financing instruments.

Cash and cash equivalents amounted to EUR 17,117 thousand as of December 31, 2020 (December 31, 2019: EUR 9,061 thousand). The collateral provided to the Government of Upper Bavaria for the operation of the own landfills in the

amount of EUR 5,902 thousand (December 31, 2019: EUR 5,902 thousand) is reported 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	2018	2019	2020
Cash and cash equivalents on January 1 or July 1	12,802	12,857	9,061
Cash inflow from operating activities	34,655	43,631	48,710
Cash outflow from investment activities	-39,885	-41,327	-28,829
Cash outflow (-)/cash inflow (+) from financing activities	5,250	-6,173	-11,734
Changes in cash and cash equivalents	20	-3,869	8,147
Changes in cash and cash equivalents due to exchange rates	35	73	-91
Cash and cash equivalents on December 31 or June 30	12,857	9,061	17,117

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2020 amount to EUR 17,117 thousand (December 31, 2019: EUR 9,061 thousand) and comprise immediately available bank balances, checks and cash on hand.

In the fiscal year 2020, a positive cash inflow from operating activities of EUR 48,710 thousand (previous year: EUR 43,631 thousand) was generated as a result of the pleasing operating results and a significant optimization of current assets.

In the fiscal year 2020, the cash outflow from investing activities consists of investments in property, plant and equipment of EUR 28,832 thousand and proceeds in connection

with the disposal of non-current assets of EUR 3 thousand. In the previous year, the cash outflow from investing activities totaled EUR 41,327 thousand.

In the fiscal year 2020, the cash outflow from financing activities resulted from the inflow of the investment loan (EUR 10,000 thousand), the scheduled repayment of loan liabilities (EUR 11,934 thousand), the repayment of lease liabilities (EUR 1,996 thousand), the payment of profit claims to non-controlling shareholders (EUR 171 thousand) and a dividend payment (EUR 7,632 thousand).

4.2.3.3. NET ASSETS

	12/31/2018		12/31/2019		12/31/2020	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Intangible assets	870	<1%	1,541	<1%	1,810	1%
Property, plant, and equipment	144,265	46%	165,702	48%	175,062	49%
Lease usage rights	-	-	9,770	3%	8,524	2%
Financial assets	20	<1%	20	<1%	20	<1%
Other receivables and other assets	891	<1%	470	<1%	630	<1%
Deferred tax assets	24,954	8%	34,477	10%	35,795	10%
Non-current assets	171,000	55%	211,980	62%	221,841	63%
Inventories	78,856	25%	74,607	22%	67,402	19%
Trade receivables	34,351	11%	32,501	9%	33,124	9%
Other receivables and other assets	14,510	5%	14,051	4%	13,501	4%
Income tax claims	1,977	1%	383	<1%	1,311	<1%
Cash and cash equivalents	12,857	4%	9,061	3%	17,117	5%
Current assets	142,551	45%	130,603	38%	132,455	37%
Total assets	313,551	100%	342,583	100%	354,296	100%
Capital						
Equity	68,392	22%	61,350	18%	68,658	19%
Non-current liabilities	164,001	52%	220,748	64%	225,767	64%
Current liabilities	81,158	26%	60,485	18%	59,871	17%
Balance sheet total	313,551	100%	342,583	100%	354,296	100%

Assets have climbed by EUR 11,713 thousand to EUR 354,296 thousand since December 31, 2019. The year-on-year increase is mainly due to the high level of investment activity in property, plant and equipment and the rise in cash and cash equivalents, which more than compensated for the decline in inventories.

The decrease in inventories by EUR 7,205 thousand to EUR 67,402 thousand reflects the Group's efforts to reduce current assets and thus create free monetary capacity.

The inventory intensity (inventories to balance sheet total) is 19% (December 31, 2019: 22%) and thus also reflects the operating activities.

Trade receivables rose slightly by EUR 623 thousand to EUR 33,124 thousand. Receivables sold under factoring, reduced by the agreed retentions, amount to EUR 19,443 thousand

(December 31, 2019: EUR 15,314 thousand). Factoring was used to optimize interest rates.

In addition to inventories, the Management Board also issued targets for the reduction of operating payment terms (trade receivables excluding factoring/sales revenue*365 = operating payment term) with regard to further optimization, so that despite a difficult economic environment and the partly tense situation of our customers, payment terms at Group level were kept stable at 54 days (previous year: 54 days).

For the increase in property, plant and equipment, please refer to section 4.2.3.2.2. investments.

The rise in deferred tax assets by EUR 1,318 thousand is mainly due to the increase in pension provisions of the AlzChem Group. A value of EUR 27,157 thousand (December 31, 2019:

EUR 25,697 thousand) was recognized in deferred tax assets on the pension provisions.

The Group equity ratio improved by 1.5 percentage points to 19.4% as of December 31, 2020. This was primarily attributable to the positive operating business performance and the effects of strict net working capital management.

The rise in non-current liabilities is mainly due to a further increase in pension provisions.

The significant increase in pension provisions is based on a discount rate of 0.5% (December 31, 2019: 0.9%). The change in pension provisions due to changes in actuarial parameters was recognized in other comprehensive income in the amount of EUR -6,112 thousand (previous year: EUR -22,457 thousand) and not in the consolidated result for the year.

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

Current liabilities decreased by EUR 614 thousand to EUR 59,871 thousand and thus remained almost unchanged.

4.2.3.4. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

4.2.3.4.1. FINANCIAL PERFORMANCE INDICATORS

Key figure	Unit	2018	2019	2020	% Change
Group equity ratio	%	21.8	17.9	19.4	+1.5% points
EBITDA	EUR thousand	49,379	50,078	53,805	7.4%
EBITDA margin	%	13.2	13.3	14.2	+0.9% points
Inventories	EUR thousand	78,856	74,607	67,402	-9.6%
Inventory ratio	%	21.0	19.8	17.8	-2.0% points
Sales	EUR thousand	375,217	376,072	379,257	0.8%

4.2.3.4.2. NON-FINANCIAL PERFORMANCE INDICATORS

In the combined sustainability report or combined corporate social responsibility report (CSR report), the following topics are explained in detail.

The non-financial goals of the AlzChem Group 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 materiality for the addressees of the annual financial statements.

Sustainable customer loyalty:

The business of AlzChem 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 are recruited from the company's own integrated training. This is reflected in the high training rate of 8% of the AlzChem Group compared to the rest of the industry.

Every year, around 46 trainees start their training in commercial, metal and electrical engineering as well as chemical and logistics areas at AlzChem.

Management systems:

The course of business is sustainably geared towards 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 ISO27001 and DIN27019 certification obtained by the Group had the following specific reasons: The German Federal Network Agency demanded that public distribution network operators implement the requirements pursuant to sec. 11 (1a) EnWG with regard to IT security by January 31, 2018. For AlzChem Netz GmbH as a network operator, the introduction of ISO27001 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, emission levels, etc. The transparency thus created demonstrates the great importance of responsible interaction with the environment within the AlzChem Group.

4.2.4. OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Management Board of AlzChem Group AG is satisfied with the course of business in the fiscal year 2020 and the economic situation overall. The company showed a robust character in a turbulent macroeconomic environment. The stable basis of the NCN "Verbund structure" and the basic chemicals business proved to be a fundamental pillar for the targeted strategic further development of the specialty chemicals business.

As a result of the pandemic, the terms short and medium term almost have to be redefined. The time horizons in which fluctuations or upheavals can occur or companies have to react are becoming shorter and shorter. Proximity to business partners, customers, suppliers, logistics partners and employees has been a key to success at this point. In 2020, the AlzChem Group also pushed ahead with future investments as well as invested in new business areas.

The very ambitious sales target for 2020 was not quite achieved, but with slight growth of just under 1%, the trend is moving in the right direction. However, strict cost management and successfully implemented optimization measures meant that the ambitious earnings targets were achieved along the forecasts.

Despite the extensive investments, cash and cash equivalents increased significantly thanks to strong operating cash flow, strict net working capital management and temporary utilization of the existing financing framework.

For the fiscal year 2020, the Management Board and the Supervisory Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.77 (previous year: EUR 0.75) per no-par value share entitled to dividend from the balance sheet profit.

The order and contract situation in the fiscal year 2020 was approximately in line with the previous year's level in quarters one and two, was significantly below the previous year's figures in the third quarter, and exceeded the previous year's figures in the fourth quarter.

4.2.5. COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The full forecast at Group and segment level for the fiscal year 2020 was as follows at the time the consolidated financial statements for the fiscal year 2019 were prepared:

Forecast for 2020	Unit	2019	Forecast 2020
Consolidated sales	EUR thousand	376,072	slightly rising to sharply rising
Adjusted EBITDA*	EUR thousand	50,078	stable to sharply rising
Adjusted EBITDA margin*	%	13.3	stable
Adjusted EBIT*	EUR thousand	30,586	stable to sharply rising
Inventory ratio	%	19.8	stable to slightly declining
Equity ratio	%	17.9	slightly rising
Debt ratio		0.79	stable

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

In view of an increasingly challenging environment as a result of the COVID-19 pandemic, AlzChem Group AG adjusted its forecast for the fiscal year 2020 twice.

- The Group expected consolidated sales and adjusted EBITDA to be stable to slightly declining from October 14, 2020 due to the very weak third quarter of 2020.
- The Group expected consolidated sales to reach EUR 379 million and adjusted EBITDA to increase to at least EUR 53 million from January 14, 2021, following a very strong fourth quarter.

Following an extremely positive business performance at the end of 2020, AlzChem was able to almost reaffirm its original forecast.

A review of the original forecast as of December 31, 2020, shows the following developments in the fiscal year 2020:

ACTUAL 2020	Unit	2020	Development 2020
Consolidated sales	EUR thousand	379,257	moderately increasing
Adjusted EBITDA*	EUR thousand	53,805	sharply rising
Adjusted EBITDA margin*	%	14.2	moderately increasing
Adjusted EBIT*	EUR thousand	30,708	moderately increasing
Inventory ratio	%	17.8	slightly declining
Equity ratio	%	19.4	slightly rising
Debt ratio	Ratio	0.76	moderately declining

* Adjustments have not been 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 forecasts for the fiscal year 2020 were largely met.

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

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

As the parent company of the Group, AlzChem Group AG assumes the management and/or supervisory functions of the subsidiaries and, in addition to its holding function, also

performs Group-wide commercial activities. The earnings situation of AlzChem Group AG is mainly influenced by the receipt of profits via the profit and loss transfer agreement with AlzChem Trostberg GmbH and the offsetting 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 and taxes
Annual net profit	Absolute value

5.1. BUSINESS PERFORMANCE

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

5.1.1. RESULTS OF OPERATIONS

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

In EUR thousand	2018	2019	2020	% Change
Sales revenues	3,294	4,554	3,678	-19.2%
Other operating income	2,110	2,268	2,571	13.4%
Personnel expenses	-2,253	-3,335	-2,604	-21.9%
Other operating expenses	-3,151	-3,416	-3,585	5.0%
EBIT	0	71	60	-15.9%
Income from investments	36,877	22,478	22,091	-1.7%
Interest and similar income	26	29	51	77.7%
Interest and similar expenses	108	-122	-107	-12.4%
Taxes on income and profit	-9,383	-7,411	-6,984	-5.8%
Annual net result	27,413	15,046	15,111	0.4%

The decrease in sales compared with the previous year resulted from lower allocable personnel expenses. The previous year's personnel expenses included a temporary four-member Management Board and a one-time payment in connection with the Management Board's newly issued stock appreciation rights. Neither of these effects occurred again in 2020.

Other operating income mainly includes the recharging of premiums from Group insurance policies to affiliated companies.

The reduction in personnel expenses compared with the previous year resulted from the temporary increase in the number of Management Board members to four in 2019 and the financial compensation for the personal investment

agreed in the share-based remuneration of the Management Board members. Both effects did not recur in the fiscal year 2020.

Other operating expenses break down as follows:

In EUR thousand	2018	2019	2020
Insurances	1,897	2,104	2,424
Expertise and audit expenses	304	115	96
Consulting expenses	335	473	442
Other expenses	615	724	623
Σ Other operating expenses	3,151	3,416	3,585

Other operating expenses mainly include expenses for the preparation of expert opinions and the audit of the annual financial statements in the amount of EUR 96 thousand (previous year: EUR 115 thousand) as well as consulting costs in connection with interim and annual financial statements and for capital market and commercial law. The increase in insurance expenses compared to 2019 is based on increased policies.

Income from investments results exclusively from the profit transfer (including tax allocations) of AlzChem Trostberg GmbH.

As in the previous year, interest and similar income primarily comprises interest income from the release of deferred income.

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

Taxes on income and profit result from the current income tax expense of EUR 7,033 thousand (previous year: EUR 7,633 thousand) on the company's taxable profit. This comprises the results of the subsidiaries included in the consolidated tax group for income tax purposes. Furthermore, deferred tax

income of EUR 49 thousand was recognized (previous year: income of EUR 222 thousand). The decrease in current income tax expense of EUR 7,033 thousand (previous year: EUR 7,633 thousand) primarily reflects the completed tax audit and the resulting consequential effects on the years up to 2019.

5.1.2. FINANCIAL POSITION

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

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

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

5.1.3. NET ASSETS

	12/31/2018		12/31/2019		12/31/2020	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Financial assets	230,744	89%	230,744	88%	230,744	86%
Non-current assets	230,744	89%	230,744	88%	230,744	86%
Receivables and other assets	26,619	10%	31,209	12%	37,088	14%
Cash and cash equivalents	34	<1%	0	0%	0	0%
Current assets	26,653	10%	31,209	12%	37,088	14%
Accrued income	296	<1%	254	<1%	280	<1%
Deferred tax assets	297	<1%	343	<1%	388	<1%
Σ Assets	257,989	100%	262,549	100%	268,500	100%

Receivables and other assets primarily reflect receivables from affiliated companies and income tax assets. The change compared with December 31, 2019 is mainly due to higher financial receivables from AlzChem Trostberg GmbH as a result of the accumulated profit and loss transfer claims.

The allocation of deferred tax assets to the companies in the income tax group according to causation (the basis for this is provided by the so-called tax allocation agreements 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.

	12/31/2018		12/31/2019		12/31/2020	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Capital						
Equity	249,307	97%	255,194	97%	262,673	98%
Provisions	3,419	1%	4,723	2%	2,704	1%
Liabilities	3,740	1%	1,312	1%	1,832	1%
Deferred income	525	<1%	498	<1%	471	<1%
Deferred tax liabilities	999	<1%	823	<1%	820	<1%
Σ Capital	257,989	100%	262,549	100%	268,500	100%

The decrease in provisions mainly results from tax provisions (completed tax audit until 2019) and the lower build-up of performance-related personnel provisions during the year for the fiscal year 2020 (omission of the share-based remuneration).

The liabilities are largely due to affiliated companies and primarily result from value-added tax liabilities of AlzChem Group AG as the controlling company to the integrated controlled companies.

Deferred income primarily comprises the difference between the consideration received for the assumption of pension obligations and the amount of the accrual under commercial law. The amount is released over the duration of the pension provisions of 21.9 years.

The slight change in deferred tax liabilities is based on the absence of the aperiodic effect of the previous year (increase in the tax carrying amount of the investment due to the recognition of reduced transfers prior to the tax group).

5.1.4. FINANCIAL PERFORMANCE INDICATORS

Key figure	Calculation	Unit	2018	2019	2020	% Change
Sales	Absolute value	EUR thousand	3,294	4,554	3,678	-19.2%
EBIT	Earnings before interest and taxes	EUR thousand	0	71	60	-15.9%
Annual net profit	Absolute value	EUR thousand	27,413	15,046	15,111	0.4%

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

5.2. COMPARISON OF THE EXPECTED WITH THE ACTUAL DEVELOPMENT

The full forecast at the level of AlzChem Group AG for the fiscal year 2020 was as follows at the time the annual financial statements for the fiscal year 2019 were prepared:

Forecast for 2020	Unit	2019	Forecast 2020
Sales	EUR thousand	4,554	slightly declining to sharply declining
EBIT	EUR thousand	71	slightly rising to sharply rising
Annual net profit	EUR thousand	15,046	stable to slightly declining

A review of the forecast as of December 31, 2020, shows the following developments in the fiscal year 2020:

ACTUAL 2020	Unit	2020	Development 2020
Sales	EUR thousand	3,678	sharply declining
EBIT	EUR thousand	60	sharp decline in percentage terms
Annual net profit	EUR thousand	15,111	stable

With the exception of EBIT, the key figures of the forecast could be achieved. The EBIT reflects the higher expenses of the insurance companies.

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

Derived from the Group forecast and its material impact on AlzChem Group AG (financial statements prepared in accordance with commercial law) the company issues the following forecast for AlzChem Group AG for fiscal year 2021:

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

Operating sales of AlzChem Group AG will experience an increasing trend in the fiscal year 2021.

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

In terms of annual net profit, an increase in income from profit transfer is expected in line with the above statements and the Group's forecast.

6. RISK AND OPPORTUNITY REPORT

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

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

6.1. RISK REPORT

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

In addition, strict debtor and creditor management is carried out with regard to a timely dunning process including internal credit management for all debtors. Here, maximum volumes have been defined per debtor, which must not be exceeded. In addition, there is rolling, short-term and long-term earnings and financial planning with a monthly liquidity forecast. Monthly project plans within the framework of the

REACH (regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals; REACH is the European chemicals regulation for the registration, evaluation, authorization and restriction of chemical substances. It has been in force since 2007 and aims to ensure a high level of protection for human health and the environment. At the same time, it aims to ensure the free movement of chemicals in the internal market and to promote competitiveness and innovation) regulation ensure the unimpeded flow of goods to the customer. In the energy sector, AlzChem works closely with external consultants.

The risk management of the AlzChem Group comprises the entirety of all measures for a systematic and transparent handling of risks and is an integral part of corporate 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. 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
Risk exposure of EBITDA	< 2%	2% - < 10%	10% - < 25%	from 25%

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

In the course of this risk management process, the following issues have been identified which could have a significant or significantly adverse effect on the future development of the company.

As a consequence of the "Verbund Structure" of the AlzChem Group, the risks listed below have a similar effect on the three operating segments of the Group.

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

6.1.1. COVID-19 RISKS

The spread of COVID-19 intensified again in the winter of 2020/2021, and the number of new infections increased rapidly in many countries. The current impact of the pandemic varies significantly between regions and customer sectors. Depending on epidemiological trends and political pressures, governments are expected to ease economic restrictions to

reduce the associated damage. The extent and duration of individual impacts on AlzChem's businesses are therefore extremely difficult to predict. For example, if mitigation measures are initiated in the short term or take an unpredictably long time to implement, this could significantly impact the business in a manner that exceeds current expectations and goes beyond mitigation measures already in place. AlzChem could face unexpected closures of sites, facilities or office buildings of suppliers, customers or its own operations, which would affect its ability to produce or deliver its own products, solutions and services. The most significant uncertainties of the COVID-19 crisis are its duration - including, for example, possible additional waves of infection or mutations of the virus - and the economic costs of the lockdown measures. Since the beginning of the third quarter of the fiscal year 2020, AlzChem has felt the impact, in some cases very clearly, in its business activities. The purchasing behavior of customers has changed significantly, orders have been canceled or planned investments postponed. The company was also theoretically exposed to an increased risk of default, but this has remained a theoretical scenario to date and has not led to any adjustments. Likewise, the supply chains had to be kept stable, which, with a few exceptions, functioned smoothly. In connection with the pandemic, there may also be a higher risk of insolvency among AlzChem's global business partners (customers and suppliers).

Analyses were carried out in all functional areas of AlzChem and measures were taken to carefully monitor and mitigate the various effects of COVID-19. In addition to the economic

impact and ensuring smooth operations, the focus of action is on the health of the workforce at the sites in Germany, the USA, China and Sweden. Management regularly reviews the effectiveness of the measures taken and makes adjustments at short notice if necessary.

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

6.1.2. OPERATING RISKS

6.1.2.1. RISK OF INCREASING PROCUREMENT PRICES

The most important raw 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.

AlzChem procures energy mainly in the form of electricity, but also in the form of natural gas. Energy costs are influenced by various factors, including the availability of certain energy sources and fluctuations in energy prices. Energy prices, especially electricity prices, may rise in the future. The energy costs of large energy-intensive companies are particularly dependent on the regulatory environment. This includes taxes and certain regulatory charges on energy consumption or network use, which can account for a significant proportion of energy costs for large energy-intensive companies. In Germany, these taxes and charges could be raised in the future to compensate for the higher costs resulting from the phase-out of nuclear power and the switch from fossil fuels to renewable energy sources. In addition, AlzChem is dependent on certain exemptions from charges and taxes on energy.

The company has long-term electricity supply contracts in Germany with fixed electricity prices for certain electricity volumes for the years 2021 to 2022 and has agreed fixed prices for certain electricity volumes in Sweden for the years

2021 to 2022. On the one hand, this reduces the risk of rising electricity prices to a certain extent, but on the other hand, these agreements put AlzChem at a relative disadvantage compared to its competitors in a scenario of falling electricity prices. Furthermore, AlzChem is dependent in Germany on the respective suppliers fulfilling their contractual obligations to AlzChem to supply the agreed quantities of electricity at the fixed price.

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

An increase in raw material and energy prices can have significant negative effects on the business situation, net assets, financial position and results of operations of AlzChem, especially in this currently very volatile economic situation.

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

6.1.2.2. MARKET RISK

AlzChem offers a large number of different NCN-based chemical products in diversified markets, some of which are cyclical, highly volatile and sensitive to, among others, consumer spending and preferences, consumer confidence and income, unemployment rates, interest rates and

energy prices. Therefore, demand for AlzChem's products may be affected by negative developments in diversified sectors and industries, in particular in the agricultural, feed, pharmaceutical, cosmetics, chemicals, metals, renewable energy and automotive industries, as well as in the food and beverage sectors nutrition market.

In the agricultural sector, the demand for AlzChem products depends on the production level, which is why the company is exposed to seasonal fluctuations as well as meteorological and climatic conditions. As the company usually sells its products through wholesalers or importers, changes in the retail trade in this sector, such as a potential shift to other wholesalers or importers or to direct marketing, may adversely affect the company. In addition, AlzChem's products are designed for certain methods of industrialized agriculture, so that a shift in consumer preferences towards agricultural products from non-industrialized agriculture could indirectly lead to a decline in demand. In addition, technological progress, for example in the field of genetic engineering, may lead to an increased use of other agricultural methods for which AlzChem products are no longer or only to a limited extent required.

In the feed and agrochemical industries, a change in consumer habits and preferences, for example an increasing trend to eat only meat from organic livestock farming, could lead to a decline in demand for AlzChem products. If consumers choose to consume less meat, it is in principle possible that this will also have a negative impact on the demand for AlzChem products.

In the pharmaceutical, cosmetic and chemical industries, the medicinal products for which AlzChem manufactures chemical building blocks usually undergo a product life cycle, at the end of which a new generation of the medicinal product is launched on the market.

There is therefore a risk that AlzChem's products will no longer be needed in future generations of the medicinal products concerned or that AlzChem's customers will purchase them from a different supplier. In the cosmetics sector, the company

is exposed to cyclical fluctuations in consumer markets, while in the chemical products sector there is a risk of a decline in demand as a result of an economic downturn.

In the steel industry, demand for AlzChem's products is also exposed to the risk of an economic downturn. In addition, technological changes in steel production, such as the hydrogen application or a possible shift to steel production from scrap that does not require desulphurization, could lead to a decline in demand for AlzChem products. After the European steel industry has lost ground to its Chinese competitors in the past and has seen a trend towards consolidation, it cannot be ruled out that these developments will also have a negative impact on AlzChem.

In the renewable energy sector, AlzChem is exposed to developments in the photovoltaic and wind energy industries, as both are innovative industries with potential for continuous technological change, which could lead to a decline in demand for AlzChem's products or even make them superfluous. In China, government subsidies for the use of renewable energies are to be reduced.

In the automotive industry, AlzChem is particularly dependent on demand for passenger cars and commercial vehicles, which is directly linked to the state of the world economy. For example, a further economic slowdown in China, which is now the world's largest market for passenger cars and commercial vehicles, would have a negative impact on vehicle demand.

In the food sector, AlzChem's dietary supplements are subject to cyclical fluctuations in consumer markets. In addition, demand depends on the general acceptance of dietary supplements.

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

products. During upswings, customers tend to replenish their inventories, which may result in higher demand for AlzChem's products. This build-up and decrease of inventories affects both actual and projected demand for AlzChem's products and may result in unexpected or unexpectedly strong fluctuations in demand. This in turn can result in unexpected changes in production volumes and capacity utilization at AlzChem that are highly correlated with the company's operating result due to the costs and investments required to operate the production facilities.

A decline in demand in one of AlzChem's markets could have material adverse effects on AlzChem's business, net assets, financial position and results of operations, particularly in this currently very volatile economic environment.

In terms of market risk, management assumes a medium to high probability of occurrence and a medium impact on the net assets, financial position and results of operations.

6.1.2.3. COMPETITION RISKS

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

Some competitors – mainly in emerging markets – may deliver certain products below the normal market prices, forcing AlzChem to lower their sales prices, which could have material adverse effects on margins and profitability. Various factors

may affect the price at which a competitor is prepared to deliver its products, including access to cheap commodities and government grants to which AlzChem has no access. In addition, state-owned or state-supported competitors could resort to dumping measures such as capacity increases and/or price reductions.

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

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

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

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

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

6.1.2.4. SUBSTITUTION RISKS

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

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

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

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

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

6.1.2.5. DISTRIBUTION RISKS

Despite the high product diversification of the Group portfolio, there is a certain concentration on the customer side. AlzChem supplies a large number of global players in the global chemical industry and is thus exposed to an industry-specific risk. This is countered with a wide range of products and contract-based cooperation. In addition to customer-specific product developments, substances for a wide variety of applications are also researched, sampled and manufactured.

The completed change of Creamino® distribution to own distribution could result in customers buying less, as AlzChem is less well known and is not perceived as a feed expert. AlzChem is subject to a latent risk in connection with its entry into own distribution of the product Creamino® purely due to the fact that the market approach is now carried out directly via or from the AlzChem sales organization. Beginning in 2019 and completed in 2020, a complete sales organization and application technology have been set up. Creamino® is very well positioned and established on the market worldwide, and we have a worldwide functioning sales organization in agriculture. We are now extending this range sustainably and substantially with the addition of Creamino®. New regions and new animal species are also on our agenda. We are currently assuming that the growth curve will take a short breather, mainly due to COVID-19, but could continue to rise steadily in the long term.

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

6.1.3. FINANCIAL MARKET RISKS

6.1.3.1. CURRENCY RISK

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

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

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

Additional currency risks arise from exchange rate changes in recorded financial and operating positions (including receivables and payables) and expected operating positions. These items include commodities and/or the sale of products whose prices are denominated in currencies other than the functional currency of the operating unit. Unfavorable exchange rate changes may result in higher costs or lower

sales than expected at the time of the contract, as well as lower margins. The transactions concluded by AlzChem Group companies in foreign currencies relate to the procurement of raw materials and the sale of goods. In particular, the purchase of raw materials is to a large extent in USD and CNY. In addition, a significant portion of sales is in USD, CNY and JPY. Although AlzChem's US dollar-denominated purchases and sales are to a certain extent a "natural hedge", the cost of US dollar-denominated purchases during the reporting period was less than half of the value of US dollar-denominated sales in those periods. As a result, changes in the USD, CNY and/or JPY exchange rates against the EUR may have a significant impact on AlzChem's financial position and results of operations.

In addition to the direct impact of currency fluctuations on AlzChem's Consolidated Income Statement and therefore the company's consolidated equity base, foreign exchange movements may also affect the operating business. Changes in foreign exchange rates (such as an appreciation of the EUR against the JPY and a depreciation of the EUR against the USD/CNY) would negatively affect AlzChem's competitiveness in certain markets.

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

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

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

6.1.3.2. INTEREST RATE DEVELOPMENTS AS A RISK FOR PENSION OBLIGATIONS

The AlzChem Group has obligations to current and former employees from pensions and other post-employment benefits. Changes in relevant valuation parameters, such as the discount rate, mortality rates, wage and salary increase rates, and pension growth rates, may result in an increase in the present value of pension obligations. The provision for pensions determined in accordance with IAS 19 was recognized in the amount of EUR 141,775 thousand (previous year: EUR 134,629 thousand) in the AlzChem Group.

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

With regard to interest rate risk, management assumes a high probability of occurrence and a very low impact on its net assets, financial position and results of operations. The Management Board periodically conducts a scenario review with regard to compliance with the financial covenants figures, thus ensuring that changes can be detected at an early stage and countermeasures can be initiated on this basis.

6.1.3.3. LIQUIDITY RISKS

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

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

As of December 31, 2020, AlzChem had not entered into any hedging transactions (sec. 315 para. 2 no. 1 HGB), so that no risks for or effects on the net assets, financial position and results of operations are to be expected.

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

6.1.4. REGULATORY RISKS

6.1.4.1. ENERGY LAW

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

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

The EEG regulates the financial support of energy from renewable sources. Moreover, as a basic principle, utilities have to pay the so-called EEG levy to finance the promotion of renewable energy for every kWh of electricity they supply

to end users. Utilities pay the end users the EEG surcharge. However, under certain conditions, the EEG provides for reductions in the EEG surcharge for energy-intensive companies in selected sectors (the special compensation scheme was approved by the EU Commission in July 2014 for ten years under state aid law). This reduction can be granted annually at the request of the Federal Office of Economics and Export Control (BAFA). In the past, AlzChem has benefited from reductions in the EEG surcharge at three points of sale and also used this reduction scheme in 2020. In December 2019, new requirements were imposed on the application concerning the special compensation arrangements by resolution of the so-called Energy Collection Act. AlzChem still considers itself in a position to meet the application requirements for the year 2022 and will submit the required documents on time by June 30, 2021.

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

Under the KWKG, a moderate financing for combined heat and power (CHP) is provided. This financing is based on a surcharge on the network charges (KWKG surcharge) and thus leads to an increase in the general energy prices. This surcharge is always charged in full with an annual consumption of up to 1 GWh. However, energy-intensive companies such as AlzChem benefit from a limitation of the KWKG surcharge. Following discussions between the German Government and the European Commission, the KWKG, and in particular the regime for energy-intensive companies, has been amended to bring it into line with EU state aid rules. Under the regulations, which came into force on January 1, 2017, companies meeting the requirements for reducing the EEG surcharge are also entitled

to a reduction in the CHP levy. In its press release of May 23, 2017 (European Commission – press release, Brussels, May 23, 2017 "State aid: Commission approves reductions in CHP levies for energy-intensive companies in Germany and Italy" IP/17/1440), the EU Commission approved under the EU State aid rules the rebate for levies for energy-intensive businesses (the Commission's approval is limited to 10 years according to recital 39 of Decision C (2017) 3400 final of May 23, 2017).

Under the energy price compensation scheme, eligible companies can apply for State aid to be financially compensated for the rising electricity prices due to emissions trading. The state aid is limited to companies from certain economic sectors with particularly high-flow production processes – such as AlzChem. The grant will be granted at the discretion of the competent authority, upon application by the beneficiary; there is no legal entitlement to the grant of the aid. For the first time in 2014, companies were able to apply for compensation for indirect CO₂ costs in 2013. AlzChem has been granted electricity price compensation in the past. The company also expects to receive such electricity price compensation for the future.

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

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

- The aid intensity decreases from the current 85% to 75%.
- The list of sectors and subsectors eligible for aid will be reduced from 13 sectors and 7 subsectors to 10 sectors and 20 subsectors.
- A „cap“ on costs for companies particularly vulnerable to carbon leakage will be newly introduced. It amounts to 1.5% of gross value added.

- In order to benefit from electricity price compensation, companies subject to energy audits must meet one of the following conditions:
 - » implement the recommendations in the audit report, provided that the payback period does not exceed three years.
 - » cover at least 30% of their electricity needs from CO₂-free sources.
 - » invest at least 50% of the aid amount in projects that lead to a significant reduction in greenhouse gas emissions (below the EU ETS benchmarks).

It cannot be ruled out that the amended regulations will have an impact on the granting of electricity price compensation. However, AlzChem currently assumes that the application requirements can also be met in the future and that the electricity price compensation can continue to be claimed.

Furthermore, AlzChem, as a distribution network operator, is currently benefiting from an agreement with a neighboring distribution network operator that requires both parties to pool two network connections and to calculate a common network charge. In the case of a pooled calculation of network user charges, the network charges generally fall because the cost intensive peak loads are straightened out.

Pooling is thus beneficial for AlzChem because it reduces network usage fees. However, according to a recent court decision, it is currently unclear whether the legal basis for this pooling, sec. 17 para. 2a StromNEV, is valid. Although the Federal Court of Justice recognized the pooling regulations in two decisions in 2018 (EnVR 22/17 and EnVR 32/17), we believe that a latent residual risk cannot be completely ruled out.

Furthermore, there is the possibility that the conditions or the scope of the aforementioned cost and tax reductions and exemption regulations – the reductions in

- the EEG surcharge,
- the network charges and
- the KWKG surcharge,
- the electricity price remuneration,
- the exemptions from the electricity tax, as well as
- the pooling of network connections and
- the collection of a common network user charge

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

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

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

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

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

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

6.1.4.2. BREXIT

The AlzChem Group also has business relations with companies from the United Kingdom. Due to its rather subordinate scope, the Group now assumes with a medium to high probability of occurrence that there will also be lasting changes or administrative hurdles in the B2B business, but that these will not be of major significance for the net assets, financial position and results of operations.

6.1.4.3. APPROVALS

In August 2019, the European Chemicals Agency (ECHA) published a preliminary opinion prepared on behalf of the EU Commission, which proposes to prohibit the use of calcium cyanamide as a fertilizer after a three-year transition period. In September 2019, a six-month public consultation process on this expert opinion began, in which AlzChem also participated with extensive newer data not previously included in the opinion. AlzChem assumes that the previously proposed ban on use cannot be maintained unchanged or may even be dropped altogether if these data are taken into account appropriately. Nevertheless, it cannot be ruled out that the final expert opinion will continue to recommend a ban on use.

If the EU Commission were to follow such a recommendation, AlzChem would have to prepare itself for lower demand for Perlka® in its capacity as a fertilizer and possibly also for other products to which the ECHA argumentation could be applied. It is not certain whether the transition period of several years regularly available for a ban on use would be sufficient to fully compensate in particular for the loss of sales threatened by this - for example, through growth in other markets or areas of application or with other products.

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

6.1.4.4. GREEN DEAL

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

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

AlzChem sees the following risks, among others:

- Consistency and feasibility of the goals will be missed.
- Further financial and bureaucratic burdens for companies
- Ideological discussions override discussions that are open to technology and thus lead not to the most economically and ecologically sensible solution, but to the solution that is currently most favored politically.

- Decisions on product approvals and restrictions should be based on balanced scientific studies.
- Carbon leakage (shifting of carbon dioxide emissions to third countries) leads to the achievement of climate goals in Europe, but to a migration of the industry out of Europe.
- The importance of animal health, resulting food quality, and environmental impacts are not considered coherently in the Green Deal.
- The development of a negative list for energy-intensive processes would mean exclusion from the capital market for quite a few companies and reduce investment incentives to develop innovative technologies.

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

6.1.5. COMPLIANCE RISKS

The AlzChem Group operates production facilities in Germany and Sweden as well as sales companies in the US and China, so that due to the complex international and national legal situation there is already the latent risk of a breach of the rule. For this reason, the Group has appointed a compliance manager and set up a compliance organization. The compliance management system aims to ensure the lawful, responsible and sustainable conduct of our employees. Potential violations should be recognized in advance and systematically prevented.

The compliance management system thus makes a significant contribution to the integration of compliance in our operating business units and their processes. Regular training courses for employees in Germany, Sweden, US and China are intended to increase understanding and sensitivity to the issue. With regard to the risk of fundamental compliance violations, the management assumes that the established organization has a high impact, so that a very low probability of occurrence and a very small negative impact on the net assets, financial position and results of operations is seen.

6.1.6. LEGAL, PROCESS AND LAW CHANGE RISKS

The AlzChem Group is exposed to numerous risks arising from legal disputes or proceedings. These include, in particular, risks in the areas of product liability, antitrust law, competition law, patent law, tax law and environmental protection. Currently, the Group is not in any significant court or arbitration proceedings that could have a material impact on the economic position of the Group.

AlzChem's business activities, in particular its sites, facilities, products and operations, must comply with and are influenced by a variety of different regulatory requirements in the countries in which the company operates. The regulatory framework for AlzChem's business is subject to ongoing legislative changes and developments that may require costly compliance measures. In particular, the regulatory framework for environmental protection, health and safety matters in general and for the manufacture and placing on the market of products is subject to frequent changes, which in most cases lead to the imposition of stricter requirements. These stricter requirements usually result from scientific progress or from a change in the social acceptance of risks, which is relevant for AlzChem's product portfolio consisting of health and safety-sensitive products.

Constant legislative change and development are of great importance to AlzChem as the company operates in regulated areas where authorizations, permits, certificates and other permits, such as product permits and water-related permits, are usually granted for a limited period of time only and only be extended if – possibly amended – requirements are met. In principle, there is no certainty that AlzChem will be in a position to extend all permits, certificates and permissions required for its business activities.

In addition, existing permits, authorizations, certificates and permissions may be subject to restrictions or obligations by the competent authority at a later date in order to impose more stringent legal requirements. In particular, AlzChem's existing

authorizations, approvals, allowances and registrations, listings or other forms of approval for placing products on the market may be limited in time or revoked due to the evolving scientific knowledge that underlies certain risk assessments.

In addition, many legal – especially environmental – regulations refer to undefined legal terms such as “state of the art” or “state of science and technology”. For this reason, given technological advances and scientific developments, it may be necessary to adapt equipment, systems and other equipment, processes and products without any explicit legal change.

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

6.1.7. IT RISKS

The worldwide increase in threats to information security and greater professionalism in computer crime are leading to risks relating to the security of products, systems and networks, as well as risks relating to the confidentiality, availability and reliability of data. A threat to critical IT systems and applications can have a direct impact on production or supply chain operations.

If data is not available or is manipulated, this can jeopardize, for example, plant security and the accuracy of financial reporting. Unauthorized access to sensitive data, such as information relevant to competition law or research results, can endanger our competitive position. In addition, there is the associated loss of reputation.

To minimize such risks, information security is an integral part of AlzChem’s business processes. The newly introduced information security management system (ISMS) certified in an initial certification audit in July 2017 was recertified by TÜV Süd in April 2018 and subjected to repeat audits in April 2019 and November 2020. In October 2018, October 2019 and November 2020, the mandatory internal auditing along the ISO27001/27019 requirements took place. This was carried out

by the external auditors of Complimant AG. All measures from the previous audits were immediately recorded for processing and are consistently documented in a traceable manner. The current ISO27001 and 27019 certificates are valid until July 24, 2021. The recertification by TÜV Süd is planned for the end of March (remotely possible, if necessary) and the end of April 2021 with one week each.

After the first run through of the 3-year audit cycle, the management system can be attested a very good degree of maturity on the basis of the mentioned standards. The lively exchange between the departments as well as the ISM team and board meetings are very positive and make an important contribution to this. In the last monitoring audit by TÜV Süd, the audit result “Information security is at a very high level, thanks to the commitment of the employees involved in operating the ISMS.” was cited as a positive aspect.

The AlzChem Group’s security policy is set out in the IMS manual (chapter 7) and made clear to employees throughout the company.

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

6.1.8. SUMMARY PRESENTATION OF THE RISK SITUATION

With the exception of the COVID-19 risk, the fundamental risk environment of the AlzChem Group has not changed significantly compared to the fiscal year 2019. The current valuation shows that today none of the previously reported risks threaten the existence of the company. In addition, AlzChem was unable to identify any interdependencies that could threaten the survival of the company. Due to the wide-ranging product portfolio, the expertise and market expertise as well as the sustained innovative strength, the company is convinced that it can realize the opportunities arising from the entrepreneurial activities and successfully meet the challenges arising from the aforementioned risks.

6.2. OPPORTUNITY REPORT

As part of the risk management, AlzChem also regularly identifies and evaluates opportunities that arise in the business areas. However, these represent only a small but for the company the most significant part of the possibilities that are offered. Moreover, the evaluation of the opportunities is subject to continuous changes. The most significant opportunities listed here are pursued with equal weight by AlzChem. The opportunities are pursued and transferred them into the internal control parameters. Please refer to the performance indicators mentioned above.

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

6.2.1. DIVERSIFICATION

The AlzChem Group operates a stable NCN pedigree with the main products calcium carbide, fertilizer Perlka®, cyanamide, dicyandiamide, nitroguanidine and other high-quality derivatives such as DYHARD®, Creapure® and Creamino®. The company strives to leverage the opportunities for growth through a combination of diversification, market penetration and market development. In addition to traditional products, the company continues to invest in new products such as Creamino®, NITRALZ®, LIVADUR®, Your Encour!® and CalciPro®.

The entire product range is sold predominantly in the markets of nutrition, animal nutrition, fine and specialty chemicals, pharmaceuticals, agriculture and metallurgy. Due to the broad product range and the large number of end markets, the company has so far developed with stable revenue and earnings growth. This high degree of diversification permanently supports a very balanced sales and earnings growth, with its pillars in many different market segments and

sectors. To date, the Group has always succeeded in offsetting or even more than compensating for economic or regional sales fluctuations in one sector by growth in another segment or country.

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

6.2.2. GLOBAL PRESENCE

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

6.2.3. MARKET ENTRY BARRIERS

AlzChem profits from the barriers to entry to the markets in which the company operates. For potential new competitors, it may be time consuming and costly to introduce an integrated production network similar to that operated by AlzChem, obtain certifications, registrations and approvals for equipment and products in a highly regulated market environment and the level of AlzChem to achieve know-how and industrial property rights.

Integrated "Production Verbund"

AlzChem is a vertically integrated manufacturer of specialty chemicals in the "NCN Verbund". Competitors focus on different sectors of the "NCN Verbund", while AlzChem's integrated "Production Verbund" allows it to cover the entire NCN chain. The integrated "Production Verbund" gives the company special flexibility in order to be better able to handle changes in the demand for individual products.

In addition, AlzChem is less dependent on specific industries due to its broad product range and focus on different

markets. The diversified business model in conjunction with the integrated manufacturing network makes it more likely that negative developments in one industry can be offset by positive developments in other industries, in particular due to the synergies that AlzChem can achieve in the production process and in research and development because many of the company's products are based on the "NCN Verbund".

In addition, the Specialty Chemicals segment is not dependent on external suppliers of calcium carbide-based intermediates. AlzChem is thus less exposed to adverse market trends. In the view of the company, all of these factors require an efficient and resilient business model that has proven to be stable and, due to its cost-competitiveness, financially successful. AlzChem is able to leverage its manufacturing facilities for a variety of products, despite the high degree of specialization of the Specialty Chemicals segment, giving the company, in its view, a competitive edge in resource efficiency as a result of vertical integration.

Regulatory entry barriers in the markets

Some of the sectors in which AlzChem operates are heavily regulated. This applies in particular to the market for chemical products in general, the market for biocidal products and plant protection products, the market for food supplements and animal feed additives and the pharmaceutical and cosmetics sectors. AlzChem has the necessary approvals, registrations and certifications to produce and distribute its products in these highly regulated markets. The company has obtained certain certifications, registrations and approvals, which may be difficult, expensive or time-consuming for potential competitors to obtain. For example, AlzChem operates facilities that are in line with the principles of good manufacturing practice (GMP). Compliance with this GMP is a regulatory requirement for, among other things, the production of medical and cosmetic products in the EU. AlzChem has also obtained two health claims for its Creapure® product, and may therefore provide specifics when promoting the product.

Know-how, brands and industrial property rights

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

In addition, several AlzChem products are protected by patents that prevent competitors from imitating AlzChem products and selling them at lower prices. As of the current reporting date, the company holds 474 granted patents and another 74 patent applications. AlzChem also holds 819 registered trademarks and 87 trademark applications.

6.2.4. GROWTH POTENTIAL IN LINE WITH MEGATRENDS

AlzChem sells its products in diversified markets that are expected to evolve in line with global megatrends and have the potential to grow steadily, thus benefiting AlzChem's business development.

Population growth

In 1900, about 1.7 billion people lived worldwide. Only 17 years later, the world population amounted to around 7.6 billion. The United Nations expects a realistic increase to over 8.6 billion people by 2030.

Source: UN forecast on world population development

AlzChem considers itself well positioned to benefit from this megatrend. The fertilizers and other agricultural products of its Specialty Chemicals and Basics & Intermediates segments are driving the growth of industrial agricultural production. Creamino®, for example, is a patented feed additive in the AlzChem Specialty Chemicals segment, which is used worldwide. It leads to a better supply of the important biomolecule creatine. This improves the energy supply and ultimately promotes healthy growth and efficient feed consumption. In addition to its use for poultry, Creamino®

could be used more widely in pig feed in Europe, but also worldwide which enables better feed conversion, increased carcass weight, shorter fattening time and, in the case of poultry, a higher proportion of breast meat. Therefore, AlzChem is convinced that it can benefit from the increasing industrialization and standardization of meat production, which are compounded by the limited availability of land and population growth.

Healthy aging

AlzChem expects the pharmaceutical industry, and in particular the segment of active pharmaceutical ingredients (API), to benefit from an aging population, increasing consumer health awareness (especially in emerging markets), the emergence of new carriers in the pharmaceuticals industry, and increased lifestyle and age-related illnesses.

AlzChem estimates that the food industry is impacted by increasing consumer health awareness and innovation in health technologies. The products Creapure®, LIVADUR® and Your Encour!®, dietary supplements previously marketed by AlzChem primarily to the sports nutrition industry to promote muscle growth and physical performance, and Bioselect®, which consists of high purity guanidine hydrochloride and is used in biotechnology, diagnostics and the pharmaceutical industry (e.g. COVID-19 test kits), should benefit from these megatrends – especially since some of these products may also be used in niche areas of cosmetics and healthcare.

Energy efficiency

On December 12, 2015, 195 countries signed the Paris Agreement to reduce greenhouse gas emissions. AlzChem expects these and other related policy developments to contribute to the megatrend of replacing fossil fuels with renewables in the medium to long term. Against the background of continued greenhouse gas emissions, extremely high temperatures and a sharp rise in ice melting in the Arctic, the company expects that there will and must be a worldwide increase in photovoltaic and wind power plants as sources of renewable energy.

The Specialty Chemicals segment includes, amongst others, the DYHARD® product group which reduces the weight of automobiles and aircraft in wind turbines, but also in the automotive and aerospace industries, and thus improves their energy efficiency. For the full year 2020, more than half of the Specialty Chemicals segment's sales was attributable to the megatrends of population growth, healthy aging and energy efficiency.

6.2.5. STRONG BRANDS

AlzChem has approximately 819 registered trademarks and has filed approximately 87 trademark applications. This broad, established range of trademarks offers the company special market opportunities.

CREAMINO

Silzot

Dormex

Bioselect

DYHARD

**LIVA
DUR**

Creapure

Perlka

6.2.6. DIRECT SALES

AlzChem has continued to successively expand its direct sales channels for various products in the past fiscal year. This will be maintained in 2021 so that AlzChem can offer a more attractive price and service range based on greater customer proximity. The successive expansion of own brands and the intensification of our own distribution of our Creamino® also create numerous opportunities and possibilities. For AlzChem, there is the chance that it will now be able to extend the integration, which is already deeply anchored in the company DNA, to the full added value of the currently most promising product. The proximity to customers enables AlzChem to respond more specifically to the requirements and wishes of the customers and thus constantly adapt its chemical solutions to customer and market requirements.

6.2.7. SUMMARY PRESENTATION OF OPPORTUNITIES

Although the pure number of reported risks described may appear to be higher than the number of the identified concrete opportunities, AlzChem considers the distribution of risks and opportunities to be balanced. A balanced overall picture is also reinforced by the fact that sales revenues and economic success are based on a stable mix of new, high-growth products and brands established in the market in various industries. As markets differ in their structure and economic cycles, this diversification contributes to risk mitigation. AlzChem made targeted investments in the growth product Creamino® in 2018 and 2019. In 2020, the focus of investments was on expanding NITRALZ® capacities and developing approaches for backing Creapure® own brands with a higher presence in the market. In addition, AlzChem continues to rely on its high innovative strength and thus continues to invest in its own research & development department with over 100 employees.

The activities listed above provide significant opportunities for the medium to long term beyond the underlying forecast horizon. AlzChem is pursuing the opportunities that arise and specifies the anticipated effects in terms of the forecasted

development of sales revenues, EBITDA and consolidated net income. Furthermore, AlzChem will actively seek new opportunities, examine their implementation and, if necessary, promote them. If, in addition to the forecasted developments, opportunities arise or occur sooner than expected, this could have a positive impact on net assets, financial position and results of operations.

7. FORECAST REPORT

The forecasts of the AlzChem Group for the fiscal year 2021 are based on the following assumptions:

- Global growth of 4.0% to 6.0%
- EUR/US dollar exchange rate of USD 1.18
- No significant price increases on the purchasing markets
- Existing approvals are retained
- The economy recovers noticeably from the COVID-19 pandemic by the second quarter of 2021 at the latest.

The following table provides an overview of the projected ranges and values of financial performance indicators of the Group for the fiscal year 2021:

Forecast for 2021	Unit	2020	Forecast 2021
Group sales	EUR thousand	379,257	slightly increasing to increasing (up to EUR 400 million)
Adjusted EBITDA*	EUR thousand	53,805	stable to slightly increasing (up to EUR 57 million)
Adjusted EBITDA margin*	%	14.2	slightly declining to stable
Inventory ratio	%	19.0	very slightly increasing to stable
Equity ratio	%	19.4	stable to slightly increasing

* Adjustments were not made.

The planned sales growth is to be achieved organically. Volume effects are the primary growth driver. Price effects will play a role to the extent that the situation on the raw material markets may require. The goal will continue to be to develop the product mix even further towards complex molecules and value-added chain-intensive products, thus generating additional impetus for sales and earnings.

The business development in the segments shows stable growth. In the Specialty Chemicals segment, we expect to expand our Creamino® business and gradually convert our research and development pipeline into products. AlzChem will continue to expand its successful multi-purpose plant strategy and also work the pharmaceutical sector around the Bioselect® brand as a focus market.

The Basics & Intermediates segment will be supported by further growth in the NITRALZ® product area. The agriculture sector is also expected to remain at least stable. There is some degree of uncertainty about developments in the automotive and steel sectors, although it is doubtful whether or to what extent a recovery will already begin in 2021.

The Other & Holding segment is expected to generate stable sales at the chemical parks in Trostberg and Hart.

The commissioning of the additional capacities in the NITRALZ® plants will enable further volume growth for the Group from the second half of 2021. In 2021, efforts will also continue to adapt the plant infrastructure to the increased requirements. In line with this, continuous process optimization and bottleneck elimination will be driven forward.

On the earnings side, AlzChem expects the raw materials markets to recover, so that significant cost increases are anticipated. The energy sector is also still classified as volatile and challenging in the forecast. Particularly with a view to the development of spot prices in recent weeks, there has been a significant jump upwards. However, the forwards to 2022 remain at a level still above the electricity transactions already concluded by AlzChem.

Personnel expenses of the AlzChem Group are expected to rise by approx. 3.5%, triggered by slight staff increase and regular collective bargaining adjustments.

In summary, AlzChem aims to build on a stable or partly growing Basics & Intermediates business by developing the products of the Specialty Chemicals segment and anchoring them more strongly and more broadly in the market. AlzChem continues to plan to serve niche and volume markets with a highly diversified product and customer portfolio and to attract attention with special customer solutions.

A slightly lower year-on-year to very slightly increasing development is forecast for the financial performance indicator inventories. Based on the findings of the successful optimization project, additional measures will be implemented and driven forward again more intensively in 2021. AlzChem

continues to expect seasonal ups and downs in inventories. AlzChem is also continuing its efforts to store electricity in the form of product, so that temporary fluctuations in procurement prices can be smoothed out under certain circumstances.

One of the Group's maxims is an extremely high and extremely flexible supply capability. This objective competes to a certain extent with the inventory target, but is weighted higher by management in the long term.

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

- the commissioning of the expanded NITRALZ® production capacities
- the continuous renewal of the distribution network structure of AlzChem Netz GmbH,
- the investment in emission reduction within the NCN "Verbund Production"
- the modernization of guanidinium nitrate capacities at the Schalchen site and
- expansion of Bioselect® capacities at the Waldkraiburg site.

Based on the assumption of slightly rising to rising revenues and thus also a positive business development, and taking into account the dividend payment of EUR 7.836 million planned for May 2021 (previous year 2019: EUR 7.632 million), the Management Board expects a stable to slightly increasing equity ratio through the consolidated annual result. A conservative interest rate was used as the basis for planning pension provision. Any further reductions in the discount rate would have a one-to-one negative impact on the projected key figure equity ratio.

On the basis of a stable investment activity in 2021, strict cash management, optimization projects initiated, the forecast margin development and scheduled loan repayments, the Management Board expects debt to remain stable. The short, medium and long-term financing of the AlzChem Group is secured on a sustainable basis.

With regard to non-financial performance indicators (see 4.2.3.4.2.)

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

AlzChem is also optimistic that the forecasts will be achieved.

The company is striving to maintain customer loyalty at the level of previous years and, if possible, even intensify it in selected business areas. One success factor of the AlzChem business model is proximity to the customer. This creates the opportunity to respond quickly to customer inquiries and problems.

In the area of training, the number of trainees is being maintained, but the percentage figure may fall slightly due to the increase in the workforce.

All management systems and certificates will continue to be maintained. AlzChem is striving to optimize the key figures for environment and energy for five main reasons, which generally means a reduction:

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

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

The forecasts are based on unchanged regulatory assumptions, such as the continuation of the Renewable Energy Sources Act (EEG), sec. 19 para. 2 StromNEV, electricity price compensation or product approvals. It also contains forward-looking statements based on current management 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 those relating to future market and economic conditions, the behavior of other market participants, the successful integration of potential new acquisitions and the realization of expected synergy effects as well as governmental measures. If any of these or other uncertainties occur, or if the assumptions on which these statements are based prove incorrect, actual results may differ materially from those expressed or implied by such statements.

In its forecast for the fiscal year 2021, AlzChem assumes that COVID-19 will not have a lasting negative impact on the global economy. Under this assumption, the company expects relatively robust growth in global GDP. AlzChem anticipates that key customer industries will continue to face challenges related to COVID-19 and industry-specific structural changes, and that this will result in AlzChem's businesses continuing to be differentially impacted by COVID-19 effects in 2021. With development of the vaccination strategy as well as easing of the lockdown, the company expects significant impetus, particularly at the end of the first quarter.

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.

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

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

The purpose of the accounting-related internal control system is to ensure that accounting is consistent and in accordance with legal requirements, generally accepted accounting principles and internal guidelines. The accounting process itself includes those operational processes that provide the cash flow for financial reporting, the process of preparing the annual financial statements and consolidated financial statements, and the sources of information and processes from which the material disclosures in the Consolidated Financial Statements are derived.

To ensure proper and consistent accounting, the basic principles of separation of functions, dual control and IT access restrictions apply to avoid unauthorized access to accounting-related content. Reporting to central finance department is based on a standardized reporting tool implemented throughout the Group. Other control measures

that cover risks in the main processes and thus ensure reliable accounting and reporting are usually designed decentralized in the specialist departments.

The information flow of all production companies included in the Consolidated Financial Statements are located in an IT technical SAP environment with a uniform system configuration and are therefore subject to uniform chart of accounts, account assignment specifications, processes and process controls. The distribution companies work with ERP solutions adapted to the size of the company. AlzChem LLC was also already connected to SAP in the fiscal year 2019.

Control of 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 questioned in the course of the monthly reporting by employees in the Financial Controlling and General Ledger Accounting department. Group reporting is based on a monthly Excel consolidation tool, which contains comprehensive checking and validation routines. For special areas of accounting, for example, pension assessments to determine the relevant pension provisions (IAS 19), measurement of financial instruments and disclosures in the notes (IFRS 9, IFRS 7, IFRS 13, IFRS 15, IFRS 16) and share-based remuneration accounting (IFRS 2) rely on external experts.

In addition, there are binding procedural instructions in the German companies which have a concrete effect on the accounting, e.g. procedure in purchasing, disposal of non-current assets and settlement of prepayment. In particular, the "four-eye principle" is ensured via a standardized SAP workflow (XFlow) and a system-based signature policy. Accounting and controlling data are only accessible to a restricted or defined group of persons with the help of an SAP access concept.

Accounting-related information is continuously exchanged with the Head of Controlling, Accounting and 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 members of the Management Board on a regular basis with the financial ratios of the Group. Regarding the foreign companies, reports are handed over to the responsible management on a monthly basis and Board meetings are held.

9. REPORT PURSUANT TO SEC. 289A PARA. 1 AND SEC. 315A PARA. 1 HGB

Unless stated otherwise, the following information applies to the entire reporting year (fiscal year 2020) and, in particular, to the balance sheet date.

9.1. COMPOSITION OF THE SUBSCRIBED CAPITAL

The subscribed capital represents the nominal capital of the parent company. The capital reserves include all amounts of equity that have been externally transferred to the company and that are not subscribed capital. Minority interests in the company's equity are reported as non-controlling interests. The subscribed capital of AlzChem Group AG in the amount of EUR 101,763,350 consists of 10,176,335 no-par value bearer shares at the balance sheet date. After the implementation of the reverse split resolved by the Annual General Meeting 2019, the notional share in the share capital per share remains unchanged at EUR 10.00. There are no different classes of shares. The company does not hold any treasury shares. The company has not issued any shares with special rights. The same rights and obligations are associated with all shares.

Company	Subscribed capital 12/31/2020
AlzChem Group AG, Trostberg, Germany	EUR 101,763 thousand
AlzChem Trostberg GmbH, Trostberg, Germany	EUR 11,000 thousand
NIGU Chemie GmbH, Waldkraiburg, Germany	EUR 1,410 thousand
AlzChem International GmbH, Trostberg, Germany	EUR 1,000 thousand
AlzChem Stahltechnik GmbH, Trostberg, Germany	EUR 25 thousand
AlzChem Nutrition GmbH, Trostberg, Germany	EUR 25 thousand
AlzChem Netz GmbH, Trostberg, Germany	EUR 300 thousand
AlzChem LLC, Atlanta, USA	USD 0 thousand
AlzChem Shanghai Co. Ltd., Shanghai, China	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	USD 25 thousand

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

Each share grants one vote at the Annual General Meeting. Restrictions on the voting rights of the shares may arise in particular from the provisions of the German Stock Corporation Act (AktG). For example, under certain conditions, shareholders are subject to a voting ban pursuant to sec. 136 AktG. In addition, violations of the duty to notify pursuant to sec. 33 of the German Securities Trading Act (WpHG) may result in at least partially non-existent rights under shares, including voting rights, in accordance with sec. 44 WpHG. Contractual restrictions affecting voting rights from the shares are not known to the Management Board.

The Articles of Association of AlzChem Group AG do not contain any restrictions on the transfer of shares.

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

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

The following direct and indirect participations in the capital of AlzChem Group AG, which exceed 10% of the voting rights, have been notified to the company by the shareholders in accordance with secs. 33 and 34 WpHG:

Mr. Dr. Martin Vorderwülbecke, Munich, notified the company on October 19, 2018, that the share of voting rights held by HDI Vier CE GmbH in AlzChem Group AG fell below the threshold of 25% of the voting rights on October 17, 2018, and now amounted, directly or indirectly held, to 20,789,353 voting rights (= 20.43% of the total voting rights of the company). However, based on a voluntary notification by Mr. Dr. Vorderwülbecke from the previous fiscal year, the company is aware that HDI Vier CE GmbH held 2,083,163 voting rights (= 20.47% of the voting rights of the company as a whole) at that time.

Mr. Prof. Dr. Dr. Peter Löw, Starnberg, notified the company on October 4, 2017, that the share of voting rights held by LIVIA Corporate Development SE in AlzChem Group AG fell below the threshold of 50% on October 2, 2017, and now amounted, directly or indirectly held, to 48,544,070 voting rights (= 47.7% of the total voting rights of the company). However, on the basis of a voluntary notification by LIVIA Corporate Development SE from the previous fiscal year, the company is aware that it held only 3,830,586 voting rights (= 37.64% of the total voting rights of the company) at that time.

Mr. Markus Zöllner, Bichl, notified the company on October 4, 2017, that the share of voting rights held by Edelweiß Holding GmbH in AlzChem Group AG exceeded the threshold of 15% of the voting rights on October 2, 2017, and now amounted, directly or indirectly held, to 20,139,007 voting rights (= 19.79% of the voting rights of the company in total). However, based on a voluntary notification by Mr. Zöllner and a directors' dealings notification from the previous fiscal year, the company is aware that four two na GmbH (as universal successor to Edelweiß Holding GmbH) only held 1,609,309 voting rights (= 15.8% of the total voting rights of the company) at that time.

9.4. HOLDERS OF SHARES WITH SPECIAL RIGHTS

There are no shares in the company that confer on holders a special right, in particular control over the company, in comparison to the other shareholders.

9.5. TYPE OF VOTING RIGHT CONTROL FOR EMPLOYEE SHARES IN CAPITAL

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

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

The requirements for the appointment and dismissal of members of the Management Board and for amendments to the Articles of Association are based on the provisions of the Articles of Association and the German Stock Corporation Act. According 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. In accordance with sec. 84 para. 1 AktG, the members of the Management Board are appointed for a maximum of five years. Reappointments are permitted. The Supervisory Board appoints the members of the Management Board by resolution with a simple majority of the votes cast. In accordance with 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 must appoint the member in urgent cases at the request of one of the parties involved in accordance with sec. 85 AktG.

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

Changes 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 changes to the Articles of Association require a majority of at least three-quarters of the share capital represented at the time the resolution is passed, in accordance with sec. 179 para. 2 AktG. Sec. 21 para. 1 of the company's Articles of Association stipulates that resolutions are generally adopted by a simple majority of the votes cast and, if 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.

In accordance with sec. 16 of the Articles of Association of AlzChem Group AG, the Supervisory Board is authorized to resolve changes to the Articles of Association that affect only their wording. In accordance with sec. 11 para. 4 of the Articles of Association, the resolutions of the Supervisory Board are adopted by a majority of the votes cast, unless mandatory legal provisions or the Articles of Association require otherwise. If a vote results in a tie, the Chairman of the Supervisory Board is entitled to a second vote in a second ballot, which may be ordered by the Chairman of the Supervisory Board.

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

9.7.1. AUTHORIZED CAPITAL

According to sec. 5 para. 5 of the company's Articles of Association, the Management Board is authorized until July 31, 2022, to increase the capital of AlzChem Group AG with the approval of the Supervisory Board once or several times by a total of up to EUR 10,063,333.00 (written: ten million sixty-three thousand three hundred-thirty-three euros) by issuing up to 10,063,333 new no-par-value bearer shares against cash and/or non-cash contributions (Authorized Capital 2017). In principle, the shareholders must be granted a subscription right. The statutory subscription right may also be granted in such a way that the new shares are taken over by a credit institution appointed by the Management Board or a consortium of credit institutions with the obligation to offer them to the shareholders of the company for subscription.

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

- in the case of a capital increase against non-cash contributions, in particular for the acquisition of companies, parts of companies or participations in companies;
- in the case of capital increases against cash contributions, if the issue price of the new shares issued under exclusion of subscription rights in accordance with sec. 186 (3.4) AktG is not significantly lower than the stock exchange price of the already listed shares of the same class and equipment and that to the ones under exclusion of the subscription right pursuant to sec. 186 (3.4) AktG, no more than 10% of the share capital existing at the time this authorization takes effect and the capital stock existing at the time this authorization is exercised. Shares which were issued or sold in the direct or corresponding application of sec. 186 (3.4) AktG during the term of this authorization up to the time of their exercise are to be offset against this limit of 10% of the share capital;
- to avoid fractional amounts;
- to issue shares to members of the company's Board of Directors, members of the representative body of a company affiliated with the company or employees of the company or any of its affiliates, in return for cash and/or non-cash contributions under shareholder or other share-based programs; employment relationship or relationship with the company or its affiliated company at the time of the grant of the share issue. If shares are to be granted to members of the Management Board of the company, the Supervisory Board of the company shall decide on this alone.

The Management Board is authorized, with the consent 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 conditions of the share issue, including a profit-sharing deviating from sec. 60 para. 2 AktG. The Supervisory Board is authorized to adjust the Articles of Association of the company accordingly after full or partial utilization or the expiration of the authorized capital, in particular with regard to the amount of the share capital and the number of existing no-par-value shares.

The above presentation reflects the content adopted by the Annual General Meeting 2017 and incorporated into the Articles of Association of the company. However, the following should be noted with regard to the number of shares available for a capital increase from Authorized Capital 2017: The Authorized Capital 2017 has not been formally adjusted in the context of the reverse split of shares at a ratio of 10 to 1 as resolved by the Annual General Meeting 2019. The number of shares to be issued under this capital has, however, also been reduced in the ratio of 10 to 1 due to the lack of the continued existence of the previous shares, each of which has a notional interest of EUR 1 in the share capital, and therefore - with an unchanged maximum increase amount of EUR 10,063,333.00 - now actually amounts to only 1,006,333 shares.

9.7.2. CONTINGENT CAPITAL

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

9.7.3. AUTHORIZATION TO PURCHASE AND USE TREASURY SHARES

In order to give AlzChem Group AG the opportunity to acquire and re-sell treasury shares, the Annual General Meeting has authorized AlzChem Group AG in accordance with sec. 71 para 1.8 AktG to treasury shares until the end of July 31, 2022, in a volume of up to 10% of the existing share capital at the time of the resolution. The shares acquired on the basis of this authorization, together with other shares of the company which AlzChem Group AG holds at the time of the acquisition or which are attributable to it pursuant to secs. 71d or 71e AktG, may at no time exceed 10% of the share capital. The authorization may not be used by AlzChem Group AG for the purpose of trading in treasury shares.

The authorization may be exploited in whole or in part, on one or more occasions by AlzChem Group AG or by dependent or majority-owned companies of AlzChem Group AG or by third parties acting on behalf of AlzChem Group AG or dependent or majority-owned AlzChem Group AG companies act. At the

discretion of the Management Board, the purchase can 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 purchase price (excluding incidental acquisition costs) may not be more than 10% higher or lower than the price of the share in Xetra trading (or in a comparable successor system) determined by the opening auction on the trading day.

In the case of acquisition via a public purchase offer, the bid price offered or the limits on the purchase price range per share (excluding incidental acquisition costs) may not exceed the closing price in Xetra trading (or a comparable successor system) on the third exchange trading day prior to the public announcement of the offer by more than 10% above or below. If, after publication of the public offer, significant deviations from the relevant price occur, the offer can be adjusted.

In this case, the price on the third exchange trading day before the public announcement of any adjustment will be switched off. The volume of the offer can be limited. If the subscription of the offer exceeds the fixed volume, the acceptance must take place according to quota(s). A preferential acceptance of small numbers up to 100 tendered shares per shareholder can 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:

(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 through offers to all shareholders. When selling via the stock exchange there is no subscription right of the shareholders. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders 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 through offers to all shareholders if the acquired treasury shares are sold at a price, which is not materially lower than the stock exchange price of shares of the company with the same equipment at the time of the sale. The subscription right of the shareholders is excluded. This authorization is limited to a total of 10% of the share capital existing at the time of the resolution of the Annual General Meeting or, if this is lower, of the share capital of the company existing at the time this authorization is exercised. Shares issued or sold by direct or indirect application of sec. 186 (3.4) AktG during the term of this authorization are to 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 acquired on the basis of this authorization as (partial) consideration as part of mergers 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 or transfer treasury shares of the company acquired on the basis of this authorization to employees of the company or its affiliates. The Supervisory Board is authorized to offer or transfer treasury shares of the company, which were acquired on the basis of this authorization or a previously issued authorization, to members of the Management Board of the company for acquisition.

(5) The Management Board is further authorized, with the approval of the Supervisory Board, to collect treasury shares of the company acquired on the basis of this authorization, without the cancellation or its execution requiring a further resolution by the Annual General Meeting. The authorization to collect may be exercised in whole or in part. The confiscation leads to capital reduction. By way of derogation, the Management Board may determine that the share capital is not reduced, but that the share of the remaining shareholders in the share capital increases in accordance with sec. 8 para. 3 AktG. In this case, the Supervisory Board is authorized to adjust the number of shares in the Articles of Association.

The subscription right of the shareholders is excluded in the execution of the measures under (2) to (5).

All aforementioned authorizations may be exercised once or several times, in whole or in part, individually or jointly.

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

In individual loan agreements, there are standard market regulations which link legal consequences, such as the right to extraordinary termination, to a majority acquisition or control of the company.

9.9. COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

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

9.10. PRINCIPLES OF THE REMUNERATION SYSTEM IN ACCORDANCE WITH SEC. 315A PARA. 2 HGB (IN THE VERSION APPLICABLE UNTIL DECEMBER 31, 2020) (REMUNERATION REPORT)

As part of the combined management report, the remuneration report explains the basic principles of the remuneration system for the Management Board and the Supervisory Board of AlzChem Group AG and the remuneration of the individual members of these bodies in accordance with legal requirements and the recommendations of the German Corporate Governance Code. Transparent and comprehensible reporting on this represents a key element of good corporate governance for the company.

The remuneration system for the bodies of the company is designed to promote sustainable corporate development. The remuneration structures are based on the principles of appropriateness and performance orientation. These basic principles apply not only to the remuneration of the Management Board and Supervisory Board, but also to the remuneration structure of the company's employees.

9.10.1. REMUNERATION OF THE MANAGEMENT BOARD

Management Board members; remuneration principles

In the fiscal year 2020, the Management Board of AlzChem Group AG consisted of Andreas Niedermaier (CEO), Klaus Englmaier (COO) and Dr. Georg Weichselbaumer (CSO).

The remuneration of the Management Board members is based on the size, complexity and economic situation of the company and on the performance of the Management Board. Management Board remuneration and Management Board remuneration systems at comparable companies were used as a further benchmark. At the time they were concluded, the contracts with the Management Board members fully complied with the requirements of the German Corporate Governance Code (in the version of February 7, 2017 applicable at that time).

Structure of the Management Board remuneration

In 2019, the members of the Management Board concluded service agreements with the company based on their respective periods of appointment, expiring automatically at the end of the fiscal years 2022 (Englmaier, Dr. Weichselbaumer) and 2023 (Niedermaier), i.e. without the need for termination. These have been in force for Mr. Niedermaier and Dr. Weichselbaumer since July 1, 2019, and for Mr. Englmaier since January 1, 2020. The remuneration of the Management Board regulated in these service agreements is as follows:

- Fixed remuneration
- Annual variable remuneration ("bonus" or "short-term incentive" or "STI")
- Share-based, long-term oriented remuneration ("long-term incentive" or "LTI")
- One-time special bonus
- Remuneration in kind and other additional benefits
- Company pension scheme

Details of the remuneration components:

- The fixed remuneration is a fixed payment related to the full year, which is paid in equal monthly instalments.
- The annual variable remuneration is based on the degree of target achievement for previously defined objectives. In the service agreement, the targets relating to the

Group's financial key figures (EBITDA) are fixed for the entire term of the agreement. At the end of the fiscal year, the degree of target achievement and the bonus to be paid as a result are determined. If the bonus exceeds a contractually agreed maximum amount, the corresponding amount is capped; the bonus exceeding the maximum amount is forfeited.

- As a long-term incentive, Management Board members receive a certain number of stock appreciation rights (SAR) with a multi-year assessment basis. A SAR does not entitle the holder to transfer shares, but to payment of a bonus (LTI) if the average closing price 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 higher than the average closing price of the AlzChem Group AG share in the 60 trading days before January 1, 2020 (whereby this "base price" increases by 3 percentage points each year from January 1, 2020). In the two or three exercise periods in January 2023, 2024 or 2025, depending on the Management Board member, a certain portion of the SARs can be exercised, i.e. converted into a cash amount to be paid out within six weeks of the end of the respective exercise period, provided the relevant conditions are met. SAR not redeemed at the end of the last exercise period expire. If the bonus exceeds a contractually agreed maximum amount, the bonus is capped at this amount; the bonus in excess of the maximum amount is forfeited. In addition, all Management Board members received a one-time special bonus paid in cash in the fiscal year 2020 for services rendered in the fiscal year 2019. The entitlement to receive the special bonus was also linked to the acquisition of Treasury Shares 1 to be made by the Management Board members by the end of the fiscal year 2019.

The entitlement to receive SAR is linked to the purchase of a certain number of AlzChem shares from private funds of the Management Board member ("Treasury Shares 1"). In addition, each member of the Management Board has committed to acquire a further tranche of shares in the company ("Treasury Shares 2"). If the Treasury Shares 1 or 2 are sold by the Management Board member before the end of the last (= second or third) exercise period of the SAR, the company is entitled to demand a compensation payment from the Management Board member depending on the number of treasury shares sold.

- Remuneration in kind and other additional compensation (fringe benefits) include the provision of a company car, a mobile phone, a directors' and officers' liability insurance (D&O), an accident insurance policy and (in the case of Mr. Niedermaier) compensation payments for savings made by the company due to the change in the social security status of the Management Board member.
- The expenses for the company pension scheme of the Management Board members include the allocation to provisions for direct commitments ('service costs' in accordance with IAS 19) and current employer contributions to a reinsured provident fund.

Change of control

As of the balance sheet date, there were no agreements with the members of the Management Board in the event of a change of control following a takeover bid.

Commitments to Management Board members in the event of termination of their activities

The employment contracts expressly state that they do not give rise to any entitlement to severance pay. Any severance payment agreements in the event of premature termination

of the employment contract are limited to two annual fixed salaries, but at most to the remuneration for the remaining term of the employment contract. No severance payment is payable in the event that the company terminates the employment contract for good cause.

Maximum remuneration

If the total remuneration paid to a Management Board member (fixed remuneration, STI, LTI, benefits in kind, additional benefits, company pension scheme) exceeds a contractually agreed maximum amount during the agreed term of the service contract, a cap is applied in the corresponding amount; the portion of the remuneration exceeding the maximum amount is forfeited.

Amount of total remuneration

Based on the model tables of the German Corporate Governance Code (German Corporate Governance Code (version of February 7, 2017) appendices model tables 1 and 2 to sec. 4.2.5 para. 3 (1st and 2nd indent), AlzChem reports on the benefits granted and amounts received by the members of the Management Board in the reporting year as follows:

Granted benefits in EUR thousand	Andreas Niedermaier, CFO until 06/30/2019, since 07/01/2019 CEO					Klaus Englmaier, COO				
	October 2, 2017					October 2, 2017				
Entry/exit date	2018	2019	2020	Min	Max	2018	2019	2020	Min	Max
Reporting year	220	260	300			180	180	230		
Fixed remuneration	220	260	300			180	180	230		
Fringe benefits	20	20	21			15	13	13		
Σ	240	280	321			195	193	243		
One year variable remuneration	316	306	380	0	700	178	178	214	0	400
Special bonus treasury shares		250					175			
Multi-year variable remuneration (total)	2	31	69	0	2,000	1	23	49	0	1,000
Plan description (contracts until 12/31/2019)										
Plan description (contracts until 07/01/2019)	Long Term Incentive until 01/31/2025					Long Term Incentive until 01/31/2024				
Σ	558	867	770			374	569	506		
Benefit expenses	42	48	57			33	34	42		
Total remuneration	600	915	827			407	603	548		

Granted benefits = Recognized expenses

**Granted benefits
in EUR thousand****Dr. Georg Weichselbaumer, CSO****Ulli Seibel, CEO until 06/30/2019,
CPO from 07/01/2019 until 12/31/2019**

Entry/exit date				July 1, 2019		October 2, 2017/ December 31, 2019				
Reporting year	2018	2019	2020	Min	Max	2018	2019	2020	Min	Max
Fixed remuneration	-	115	230			280	280	-		
Fringe benefits	-	7	11			12	12	-		
Σ	-	122	241			292	292	-		
One year variable remuneration	-	66	179	0	300	395	395	-	0	800
Special bonus treasury shares	-	175						-		
Multi-year variable remuneration (total)	-	23	49	0	1,000	2	0	-	0	1,300
Plan description (contracts until 12/31/2019)	Long Term Incentive until 31.03.2020									
Plan description (contracts until 07/01/2019)	Long Term Incentive until 01/31/2025									
Σ	-	386	469			689	687	-		
Benefit expenses	-	15	37			56	56			
Total remuneration	-	401	507			745	743	-		

Granted benefits = Recognized expenses

Inflow in EUR thousand**Andreas Niedermaier,
CFO until 06/30/2019, since 07/01/2019 CEO****Klaus Englmaier, COO**

Entry/exit date				October 2, 2017		
Reporting year	2018	2019	2020	2018	2019	2020
Fixed remuneration	220	260	300	180	180	230
Fringe benefits	20	20	21	15	13	13
Σ	240	280	321	195	193	243
One year variable remuneration	292	315	311	164	177	180
Multi-year variable remuneration	0	0	250	0	0	175
LTI until 03/31/2020	0	0	0	0	0	0
LTI until 01/31/2025 and 2024	0	0	0	0	0	0
Σ	532	595	882	359	370	598
Benefit expenses	42	48	57	33	34	42
Total remuneration	574	643	939	392	404	640

Inflow = Amounts paid

Inflow in EUR thousand**Dr. Georg Weichselbaumer, CSO****Ulli Seibel, CEO until 06/30/2019,
CPO from 07/01/2019 until 12/31/2019**

Entry/exit date				July 1, 2019		October 2, 2017/ December 31, 2019		
Reporting year	2018	2019	2020	2018	2019	2020		
Fixed remuneration	-	115	230	280	280	0		
Fringe benefits	-	7	11	12	12	0		
Σ	-	122	241	292	292	0		
One year variable remuneration	-	0	68	365	394	401		
Multi-year variable remuneration	-	0	175	0	0	0		
LTI until 03/31/2020	-	0	0	0	0	0		
LTI until 01/31/2025 and 2024	-	0	0	0	0	0		
Σ	-	122	484	657	686	401		
Benefit expenses	-	15	37	56	56	22		
Total remuneration	-	137	521	713	742	423		

Inflow = Amounts paid

Pension commitments

As of December 31, 2020, pension entitlements from direct commitments amount to EUR 365 thousand for Andreas Niedermaier (December 31, 2019: EUR 349 thousand), EUR 973 thousand for Klaus Englmaier (December 31, 2019: EUR 893 thousand) and EUR 0 thousand for Dr. Georg Weichselbaumer (December 31, 2019: EUR 0 thousand).

Other

The members of the Management Board do not receive loans or advances from the company.

9.10.2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board of AlzChem Group AG has been partially revised by the Annual General Meeting 2020. It applies in this form from January 1, 2020 and is regulated in detail as follows in accordance with sec. 14 of the Articles of Association:

Each member of the Supervisory Board receives fixed remuneration of EUR 20,000 payable after the end of the fiscal year for each full fiscal year of membership on the Supervisory Board. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman receives 1.5 times this amount.

Membership of a Supervisory Board committee is remunerated with an additional 10% of the basic remuneration of the respective Supervisory Board member. However, this requires that the respective committee has met at least twice in meetings during the fiscal year and that the Supervisory Board member has participated in these meetings.

Supervisory Board members who were members of the Supervisory Board or a committee for only part of the fiscal year or who held the office of Chairman of the Supervisory Board or a committee or Deputy Chairman of the Supervisory Board for only part of the fiscal year shall receive pro rata remuneration (with the minimum meeting requirement remaining unchanged), rounded up to full months.

The members of the Supervisory Board are further reimbursed for all expenses and for any value-added tax payable on their remuneration and expenses. In addition, they are included in a directors' and officers' (D&O) liability insurance for corporate bodies and certain executives, if the company maintains such an insurance; the premiums for the D&O insurance are covered by the company.

Members of the Supervisory Board who are also members of the Supervisory Board of another company of the AlzChem Group must have the remuneration they receive in their capacity as members of the Supervisory Board of AlzChem Group AG offset against any Supervisory Board remuneration to which they are entitled in the other company.

Markus Zöllner (as Chairman), Steve Röper, Prof. Dr. Martina Heigl-Murauer and Dr. Caspar Freiherr von Schnurbein (as Deputy Chairman) were appointed to the Supervisory Boards of both AlzChem Group AG and AlzChem Trostberg GmbH – there, together with two employee representatives – in the fiscal year 2020. In this capacity, they received the following remuneration:

The members of the Supervisory Board received remuneration of EUR 139 thousand in the reporting period.

Remuneration of Supervisory Board in EUR thousand	2017	2018	2019	2020
Markus Zöllner, Chairman of the Supervisory Board	40	44	44	44
Dr. Caspar Freiherr von Schnurbein	20	22	22	33
Steve Röper	20	20	20	20
Prof. Dr. Martina Heigl-Murauer	20	22	22	20
∑ Remuneration of the Supervisory Board	100	108	108	117

In addition, EUR 22 thousand was paid for back payments on prior-year remuneration.

The members of the Supervisory Board do not receive loans or advances from the company.

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

The aim of the report 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 and 315c in connection with sec. 289c HGB.

For the preparation of the report, AlzChem has followed the Chemie³ (Chemie³ is the initiative of the German chemical industry) reporting guide for SMEs. The practice-oriented guideline for sustainability reporting is aimed at medium-sized companies that want to establish or expand their sustainability reporting. The contents and structure of the report are based on the dimensions of sustainability defined by the company as well as the legal requirements: supply chain, environment, employees, social matters, compliance, respect for human rights, fight against corruption and bribery, and safety.

AlzChem – more than an employer

Our principles of reliability, trust, fairness, open communication, responsibility and quality are the benchmark for cooperation in the company, but also for contact with customers, suppliers and the public. Working at 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 is proud of the company's tradition and eager to take the most forward-looking 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 Bavaria region are the focus of our actions – goals that we also pursue in the areas of the environment, safety, health and quality. We face this important challenge.

As a founding member of the first and second Bavarian Environmental Pact, we feel committed to the motto "Sustainable Business in the 21st Century". The core idea of the Bavarian Environmental Pact is to bundle the efforts of the

state and industry in order to achieve joint progress towards sustainable, environmentally compatible development.

The Bavarian Environmental Pact is an agreement between the Bavarian state government and Bavarian industry. It is based on the shared conviction of the state and industry that natural resources can be better protected with the help of voluntary and reliable cooperation between the state and industry than with laws and regulations.

Significant companies of the AlzChem Group have been EMAS-registered since 1997 and prepare an Environmental Statement every year. The current Environmental Statement 2019 presents the AlzChem Group and its Integrated Management System, publishes the key figures of the Trostberg, Schalchen, Hart and Waldkraiburg sites and presents the current environmental, safety and quality program.

EMAS (Eco-Management and Audit Scheme) as a community system for voluntary environmental management and auditing is an instrument developed by the European Community in 1993 for companies that want to improve their environmental performance. The current legal basis is Regulation (EC) No. 1221/2009. This amendment became effective on January 11, 2010. The structure of an environmental management system and the processes also correspond to ISO 14001 for EMAS since 2001.

COVID-19

The COVID-19 pandemic as the all-defining topic of 2020 has also presented AlzChem with new challenges as an employer. Thanks to numerous measures taken, it was possible to ensure the protection of employees and maintain operations and production. In addition to a flexible and comprehensive arrangement for mobile working, many offices have now been staffed with only one employee or staffing levels have been reduced. To enable all employees to return to work safely, they were provided with masks free of charge and, among other things, office workplaces were separated by installing partition walls. The meeting and social rooms were redesigned to comply with the specified distance regulations. In general, AlzChem wants to reduce personal appointments

by expanding the possibilities of online meetings and thus protect employees in the best possible way.

In order to continue to be perceived as an attractive employer, AlzChem once again invited interested schoolchildren to its Training Day this year. Due to the COVID-19 pandemic, AlzChem organized this personal on-site appointment at the Trostberg Chemical Park as an online meeting without further ado. In addition to videos about all eight training occupations, there was the opportunity for an exchange with current trainees and their instructors in a live chat.

Due to the rapid spread of the coronavirus and the resulting shortage of disinfectants, AlzChem was asked for support by the district of Traunstein at the beginning of the pandemic. After all the technical and organizational requirements for this special production could be met within a very short time, the district of Traunstein was quickly supplied. Although disinfectants are not part of AlzChem's product portfolio, we are all the more pleased that we were able to help in this exceptional situation so quickly and without complications.

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

Regenerative thermal oxidation plant (RTO plant)

As a responsible company in the Bavarian region, AlzChem is committed to further improving environmental protection. In the first half of 2020, initial preparations began for the construction of a so-called RTO plant (regenerative thermal oxidation). This waste gas treatment plant purifies the waste gas stream from our calcium cyanamide production plants in a very energy-efficient manner without generating any by-products. The commissioning of the RTO plant in 2021 will mean that not inconsiderable quantities of acetylene, ammonia and carbon monoxide will no longer be emitted. It thus contributes to maintaining or improving our environmental balance.

Electromobility

Electromobility is a key to climate-friendly mobility worldwide. The operation of electric vehicles generates significantly less CO₂, especially in combination 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, Management has decided to convert AlzChem's company car fleet to electric and hybrid vehicles. In the medium term, AlzChem would like to convert its company car fleet almost entirely to electric and hybrid vehicles in the interests of the environment.

Since the expansion of the charging infrastructure is a basic prerequisite for the breakthrough of electromobility, the first necessary charging infrastructure for "refueling" the vehicles has also already been provided - 7 charging points were established at the Trostberg site in 2020. Further charging points are planned for the coming years. To encourage rethinking in this area among as many employees as possible, our charging stations are also available to employees outside the company car scheme.

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

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

10.2. KEY FIGURES OF THE GROUP

Area	Key figure	2018	2019	2020
Strategy and growth	Sales in EUR million	375.2	376.1	379.3
	EBITDA in EUR million	49.3	50.1	53.8
	EBITDA margin	13.1%	13.3%	14.2%
Governance and compliance	Share of women in the Supervisory Board	25%	25%	25%
	Share of women in the Management Board	0%	0%	0%
Employees	Fluctuation rate ¹	3.7%	3.5%	3.5%
	Average length of service in years	19.0	18.4	18.3
	Number of training days per employee	1.21	1.42	0.49
	Share of women in management positions ²	10%	11%	11%
	Training ratio ³	9.3%	9.6%	10.0%
Value chain and products	R&D expenses in EUR million	8.7	9.3	9.4
	R&D ratio ⁴	2.3%	2.5%	2.5%
Environment ⁵	Production volume/production output in 1,000 tons ⁶	594	561	539
	Electrical energy consumption in MWh/a ⁷	677,618	676,379	639,842
	Fuel consumption in MWh/a	192,843	183,907	194,761
	Heat recovery in MWh/a ⁸	16,841	17,072	17,387
	CO ₂ emissions in t/a	109,037	111,676	100,426
	CO ₂ not emitted in t/a ⁹	49,155	49,167	50,385
	Dust emissions in t/a	39	29	29
	Waste water volume (CSB) in kg/a	94,470	77,391	80,420
	Waste volume in t/a	41,753	35,082	38,158
	thereof dangerous t/a	29,193	25,307	27,382
	Environmental protection expenses in EUR million	18.6	18.2	19.2
Safety	1,000 man ratio ¹⁰	4.9	7.1	7.1
	KSUND key figure ¹¹	17.2	15.0	14.7
	PSIR (Process Safety Incident Rate) ¹²	4.3	3.6	2.4
	LTIR (Lost Time Injury Rate) ¹³	6.5	5.6	8.1

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

2 Only above-tariff area

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

4 Ratio of R&D expenditure to sales

5 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 area may vary considerably from year to year.

6 The information in the sustainability report 2019 may deviate from the key figures in subsequent reports (e.g. environmental statement) under certain circumstances.

7 Concerns all production sites including Sundsvall (Sweden).

8 Concerns only the Trostberg site.

9 Concerns only the German sites.

10 1,000 man ratio – number of reportable accidents at work per 1,000 full-time employees

11 Key figure for safety and accidents with external medical treatment (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 a year in terms of working hours (relates only to the German sites).

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

10.3. SUSTAINABILITY IN THE COMPANY

With our products, we want to participate in a sustainable future development. We have defined population growth, healthy aging and energy efficiency as sustainable growth drivers to which we want to contribute with our products.

Healthy aging

The world population, especially in western industrial nations, is constantly aging. The average global life expectancy in 2000 was around 66.4 years. Already in 2016, global life expectancy averaged approx. 72.0 years. Scientists expect life expectancy to rise significantly in the coming years. Medical progress is a key factor in the prevention and treatment of diseases. So-called civilization diseases and age-related diseases are no exceptions, however. At the same time, awareness of health and nutrition is gaining in importance, so older people in particular are increasingly active in sports and consciously paying attention to a healthy diet. With its products, the AlzChem Group wants to support these developments in the pharmaceutical, cosmetics and healthcare sectors.

Sources: WHO homepage and Lancet Medical Journal homepage (January 21, 2021)

Energy efficiency

Energy efficiency and renewable energy are gaining in importance worldwide. This is on the one hand due to legal and regulatory requirements; on the other hand, many new technologies are now at a stage where the economic benefit is attractive. Accordingly, the demand for photovoltaic and wind power plants is increasing. Globally installed wind and solar power systems increased from about 130 GW in 2008 to about 1,050 GW in 2018, which corresponds to average annual growth of about 23%. This growth trend is expected to continue in the future. AlzChem sees itself well positioned to participate in this development.

Source: International Renewable Energy Agency (IRENA): Renewable Capacity Statistics 2020

Population growth

In 1900, around 1.7 billion people lived on our planet. By the year 2000, this figure had increased to more than 6.1 billion. Only 17 years later, in 2017, the world population amounted to around 7.6 billion. The United Nations expects a realistic increase by 2030 to about 8.6 billion people. At the same time, agricultural areas are limited worldwide. Against this background, efficient processes are necessary to provide the growing population with food for the future as well as possible. The AlzChem Group's products meet these requirements and can be used in increasingly optimized agricultural production.

Source: UN World Population Development Forecast (January 21, 2021).

By expanding the annual production capacity for Creamino®, the growing demand can be met and the product's growth potential fully exploited. The main growth driver in this market is the rapidly growing world population with limited agricultural land, so that greater efficiency in agriculture is becoming increasingly important for supply security. With its considerable potential for reducing greenhouse gas emissions, Creamino® also meets the growing demand for more sustainability in food production.

If Creamino® production capacities are fully utilized, the use of Creamino® will enable savings of approximately 39,750 t CO₂ and approximately 150,000 hectares of farmland. The annual land consumption in Germany, which amounts to approx. 21,000 ha, should serve as a benchmark.

Source: German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (January 21, 2021)

Greenhouse emissions

More than 112 years after the start of calcium cyanamide production at the Alz, AlzChem was able to develop a new field of application for calcium cyanamide. During storage, manure emits the climate-damaging gases methane and CO₂. Even the addition of small amounts of calcium cyanamide to manure blocks almost all gas formation from 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 hits the nerve of the time perfectly. The German government has set a target of reducing greenhouse gas emissions by at least 55% by 2030. On the one hand, farm manure such as manure is to be used for energy, and on the other hand, emissions from livestock farming are to be reduced. However, 19.2% of methane emissions in Germany are caused by manure storage and spreading. This is precisely where EMINEX® can help to significantly reduce these emissions and thus make a substantial contribution to the reduction of greenhouse gases.

In addition to reducing emissions, it is particularly important for farmers that the slurry retains its fertilizing effect and has a positive impact on plants. Analyses of the slurry's constituents showed that it is even upgraded in terms of quality. A higher proportion of ammonium nitrogen increases the plant availability of the slurry. This is ideal for farmers, as it means that additional higher yields can be achieved.

After numerous preliminary discussions with various universities, authorities and ministries of agriculture, we are confident that by treating manure with EMINEX®, we have found a solution for reducing greenhouse gases from agriculture that also gives farmers higher yields.

The launch of EMINEX® will start as early as 2021.

Sustainability management

In order to be able to act effectively in a sustainable manner, a fixed organizational structure with clear responsibilities for the topic of sustainability is required. For this reason, a so-

called "Sustainability Core Team" was established at the end of 2020. The core team is supported by the COO, Klaus Englmaier, as a mentor.

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

AlzChem's sustainability activities are intended to combine the economic, ecological and social aspects of management action. In the course of this, scenarios for achieving CO₂ neutrality are to be developed, and the impact of the topic of sustainability on our product portfolio is to be quantified.

10.4. SUPPLY CHAIN

"Verbund Production"

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

Regenerative waste streams

The AlzChem Group is constantly striving to improve the recycling rate as well as the proportion of recycled materials. Where we can, 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 manufacturing 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 enables AlzChem to reduce the amount of CO₂ emitted annually by approximately 50,000 tons.
- The use of process water in the various manufacturing processes necessarily leads to contaminated process wastewater. Contaminated process wastewater is, on the one hand, recycled internally instead of fresh water (if possible in terms of quality and environmental compatibility). On the other hand, the wastewater is treated in the company's own central wastewater treatment plant (ZABA). As a result, only a small residual amount of process water has to be disposed of as waste.

Auditing

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

Purchasing/supplier approval

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

Also, as a member of the BME Compliance Initiative (Bundesverband Materialwirtschaft, Einkauf und Logistik

e.V. - German Association for Supply Chain Management, Procurement and Logistics), we have committed ourselves to requiring all our suppliers to comply with the Code of Conduct laid down by this initiative and to ensuring this through audits.

Production

AlzChem's German production sites are located in Trostberg, Schalchen, Hart and Waldkraiburg. They are regulated by a very detailed body of legislation, the implementation of which we regularly review together with the local monitoring authorities. An analogous procedure also applies to our Swedish production site in Sundsvall.

Safety is one of the highest corporate objectives. 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 requirements for the use of our products are constantly updated and made available to users in our safety data sheets. We thus take our responsibility seriously and not only assume that all of our suppliers and contractors take the same approach, but also ensure it through checks.

Quality control

AlzChem has its own testing laboratories. The area is independent of the production. The release of our products is carried out by authorized laboratory managers of the Analytical division. The laboratories in Trostberg are also accredited to DIN EN ISO 17025 and GLP certified. We take return samples from all production batches and store them under suitable conditions. The ISO 9001 certified quality management system ensures that customer requirements are

systematically identified, evaluated and implemented in order to fully meet them.

Our German locations are certified in accordance with the standards ISO 9001, ISO 14001, EMAS, ISO 50001, ISO 27001 and OHRIS. The latter complies with the requirements of OHSAS 18001/ISO 45001. Our test laboratory in Trostberg is accredited to ISO 17025. The mentioned certificates can be viewed on the homepage of AlzChem Group AG.

10.5. ENVIRONMENTAL MATTERS, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NR. 1 HGB

The AlzChem Group is committed to constantly improving environmental protection. In 2020, environmental protection expenditures amounted to almost EUR 19.2 million (previous year: EUR 18.2 million).

The current environmental program with the defined goals and associated measures can be found in the environmental statement (AlzChem Group AG homepage) to be published annually for each location.

The main objectives of environmental protection are the reduction of energy consumption, reduction and prevention of waste, protection of waters as well as immission and noise control.

In order to achieve these goals, the German production companies of the AlzChem Group have introduced various management systems in the areas of environmental, quality and energy management. These management systems are part of the Integrated Management System (IMS) described above, the advantage of which is that, compared with several isolated management systems, they allow leaner, more efficient management by exploiting synergies. The Integrated Management System of the AlzChem Group is described in the so-called IMS manual, among other things. It contains relevant processes and regulations as well as responsibilities and tasks.

We regularly monitor, document and evaluate the effects of our activities on the environment by determining environment-

related indicators. The presentation of environmental performance in the context of sustainability indicators is intended to provide a quantitative overview of the most important trends for AlzChem. The use of flue gas (CO₂) in the production processes enables us to reduce the amount of CO₂ emitted annually by 50,000 metric tons. Furthermore, we have been able to increase the amount of energy from heat recovery and thus make a positive contribution to climate protection in addition to the amount of CO₂ used. In recent years, dust emissions into the air have been kept at a very low level overall. NOX emissions have also been significantly reduced in recent years through various improvements in fuel quality. Wherever possible, production-specific waste is recycled back into the production process or otherwise utilized internally.

Essentially, we base our assessment of environmental performance on the requirements of EMAS and ISO 14001. For further information, please refer to the published environmental statements.

AlzChem can react flexibly to changes in demand on the market due to its highly diversified product range. Due to the resulting changes in production, the indicators mentioned in the environmental statement and sustainability report can vary considerably from year to year. Apart from production-related fluctuations, there were no significant deviations for 2020 as a whole from the previous year.

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

Relevant authorities also regularly check compliance with the requirements from approval notices and environmental law in the operation of our facilities. In order to be able to carry out these reviews as efficiently as possible for both the Authority and the AlzChem Group, a project was developed in cooperation with the authorities and with other companies in the Chemical Triangle, the model of "cooperative plant monitoring".

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

Water/waste water

We are committed to the responsible use of water, we want to use water as sparingly as possible and further reduce our water consumption. A good water supply is one of the most important prerequisites for a smooth production process as water is one of the most important auxiliaries for the chemical industry.

The soil conditions of our Trostberg, Hart, Schalchen and Waldkraiburg sites are characterized by thick, very porous gravel layers, which contain significant groundwater resources. This geological feature allows us to extract the total cooling, service and drinking water from our own groundwater wells.

The implemented water management of the German AlzChem sites allows a monitoring of the wastewater, which consists mainly of cooling and rainwater. Only a small fraction of wastewater (about 0.5%) has to be cleaned in a wastewater treatment plant.

The cooling water supply for Nordic Carbide AB is ensured by the local site operator at the mouth of the Ljungan, with an average water supply of 200 m³/s. For carbide production, a maximum of 0.5 m³/s is required, so that the environmental intervention can be described as very low.

Waste/flue gas

The total volume of waste from our sites varied compared with previous years. In 2020, this mainly resulted from waste generated during construction and demolition work and from the product range of the multi-purpose plants. Production-specific waste represents the largest share, while non-production-specific waste relates to all other waste. As far as possible, production-specific waste is recycled in internal production processes. Environmental targets in the area of waste help to avoid waste or to reduce the amount of waste.

The annual emissions report of the exhaust gas incineration plant (AGV) for the Trostberg Chemical Park was published in April 2020. AlzChem thus informs the public about the proper operation of the AGV. As in previous years, the prescribed limits were continuously monitored in 2019. There were no exceedances of the daily mean values. By operating the AGV, AlzChem ensures the reliable disposal of waste gases and chemical waters at the Trostberg Chemical Park and thus avoids unnecessary transports of hazardous waste.

Energy management system

AlzChem as an "energy-intensive" company strives to further optimize its handling of the energy resource. Energy management involves systematically carrying out the energetic assessment of the operating areas, the energy performance indicators, the energy targets and the action plans for the continuous improvement of energy-related performance.

For further and location-related information as well as the corresponding goals, we refer here to the yearly published environmental statement.

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

We are committed to our colleagues and, in addition to an attractive remuneration system, we offer job security, collegial action and the opportunity to shape your professional development yourself. Our principles of conduct - reliability, fairness, trust, responsibility and quality - are the benchmark for cooperation within the company, but also in contact with customers and suppliers.

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

We pursue the goal of attracting, retaining, and motivating suitable employees. We want to create a sustainable, stable environment for our employees - without the need for restructuring or compulsory redundancies. We pay particular attention to the satisfaction and commitment of our

employees. The level of fluctuation and the average length of service give us an indication of how satisfied our employees actually are. These indicators were 3.5% in 2020 (2019: 3.5%) and 18.3 years (2019: 18.4 years). With these two indicators, AlzChem clearly stands out from the average values for length of service (11.5 years) and fluctuation (16%) in Germany.

Sources: IWD - Institut der deutschen Wirtschaft and Benchmarking Center Europe (January 21, 2021)

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

Flexible working hours

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

Attractive remuneration

In addition to the tariff conditions, we offer remuneration based on personal performance and position or responsibility. Moreover, our employees receive a profit sharing that is dependent on the company's success. Company and social benefits are an integral part of our remuneration system. Functional evaluation, which combines operational functions with equivalent and comparable work tasks (jobs), is intended to ensure that a consistent and fair cross-comparison evaluation policy is guaranteed across all sites as well as employees (male/female). Each employee of our German sites is included in our Group accident insurance, which covers both the company and the private sector in the event of a claim.

Health management

The well-being of our employees is crucial to our mutual success and the resulting improved competitiveness of our company. In addition to the professional, intellectual and social competence, health is the most valuable asset our

employees bring to the company. Therefore, the company provides a variety of offers that give you the opportunity to individually put together your health program, from nutrition and exercise to health care.

Medical service (company doctor and paramedic)

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

Operational integration management

Returning to work after illness is often easy. In some cases, however, continuing to work as previously is not immediately possible. In cooperation with the integration team, measures are being developed which continue to make it possible to provide employment that is suitable for handicapped employees. The measures are varied and may include, for example, changes in the content of an activity, personnel support or technical changes in the workplace.

Ideas management

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

Company pension scheme

Our company pension scheme is implemented as part of a modular system. In the various building blocks, both the employer and the employee pay in monthly amounts that are available to the employee after retirement. Furthermore, we offer our employees a long-term account, to which they can contribute both remuneration and holidays or retirement.

Demography fund

The demography fund is not a monetary fund in the classical sense, but a pot created by the company which collects the demography contributions made by the employer for the tariff employees in order to address the challenges of demographic change. The funds from this pot are used to finance instruments for shaping demographic change. In contrast to collective bargaining increases, there is no individual entitlement on the part of the employee, but only collective leeway for the operating parties.

Further education

In order to be able to maintain our position in our field of activity in the future as well, we need a future-oriented, qualified workforce. We offer our employees in every professional field professional training and further education at the workplace or in specialized institutions. Our human resources development is designed to identify and develop potential and talent in the company at an early stage. A wide range of modules in the areas of management development, qualification, knowledge management, health management and corporate culture round off our personnel development concept. We address the needs of our employees individually. In this way, we lay the foundation for filling key positions from our own ranks.

Training

AlzChem is one of the largest trainers in the region. Within the framework of practical training in the relevant specialist departments, we offer our trainees a state-of-the-art training laboratory and ideal training workshops as well as a varied commercial training. The high quality of our training is also recognized by international corporations - so much that they have their young employees trained by us.

In order to continue to be perceived as an attractive employer, AlzChem again invited interested school children to this year's Training Day, which was held as an online meeting due to the COVID-19 pandemic. The effort paid off. On September 1, 2020, 46 young people started their training at the Trostberg

Chemical Park in commercial, metalworking, electrical engineering and chemical fields. As in previous years, the trainee ratio in 2020 at the Trostberg Chemical Park is again at a high level of 10%. The average in the chemical industry in Bavaria is 4.5%. We are pleased that we were able to offer an almost normal start to working life in the past turbulent year as well.

10.7. SOCIAL MATTERS, SEC. 315C HGB IN CONNECTION WITH SEC. 289C PARA. 2 NO. 3 HGB

Political and civic engagement of companies and their employees in a democratic environment is indispensable for the functioning of the economy and society. AlzChem Group AG welcomes the social commitment of its employees in youth work, adult education, sports, in the charitable and in the cultural field. It has set itself the goal of actively improving the social life in its locations.

The AlzChem Group is involved, supports children 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 (Wissensfabrik - Unternehmen für Deutschland; Homepage (January 21, 2021)).

As a company with regional roots, we assume responsibility, especially in the regional environment of our locations. In 2020, the AlzChem Group continued to be involved in numerous donation and sponsoring projects. The funds provided were used to support numerous projects and measures focusing on social, sports, cultural and educational activities.

AlzChem is a member of the Trostberg Förderkreis der Wirtschaft, which has set itself the task of promoting education, art, local heritage, music and other cultural purposes as well as sports and social facilities in Trostberg.

AlzChem promotes education

We value teaching the next generation the fascination of chemistry and the natural sciences at an early stage, and thus showing them the diverse career prospects of the AlzChem

Group. The AlzChem education initiative not only includes financial contributions to schools in the catchment area of our sites, but also cooperation in the field of natural science learning content.

With projects such as "NaWi - Natural Science, how does that work?", we arouse the curiosity of even the very youngest children. As sponsoring partners, AlzChem and BASF have concluded cooperation agreements with kindergartens and elementary schools in the region through an educational partnership. These receive experimental kits and teacher scripts with instructions and background information. Our NaWi team members pass on their knowledge to the teachers at the participating school. They become acquainted with the experiments and gain confidence in using the materials. The event is recognized as a teacher training. Teachers handle implementation. NaWi experiments become an integral part of the physical education at primary schools. After about six months, the NaWi team members and teachers meet to exchange results and experiences from the project. In addition, a scientific evaluation is carried out.

The projects, which celebrated their 10th anniversary in 2017, are a successful and already proven campaign and cooperation of AlzChem Group AG, BASF in Trostberg and Wissensfabrik. "Wissensfabrik – Unternehmen für Deutschland" is an open platform for all companies, educational institutions and initiatives that promote and share knowledge as the key to more economic growth. Wissensfabrik and we have an important goal: to make the next generation and thus the location Germany fit for the future. We see it as our responsibility to provide impetus and to support schools, universities and politics in their educational mission.

Taking time for young people is a tradition and a high priority at AlzChem. With NaWi, the promotion of young people at AlzChem starts at kindergarten. School children can complete internships, trial apprenticeships or workshops in the training laboratory at AlzChem. As a passionate chemical company, we are happy to pass on our enthusiasm. AlzChem Group AG sees its commitment to the next generation as an investment in both its own and the regional future. We feel very close to the region and would like to offer children and young people career prospects in the spirit of good neighborliness.

10.8. COMPLIANCE, RESPECT FOR HUMAN RIGHTS AND FIGHTING CORRUPTION AND BRIBERY, SEC. 315C IN CONNECTION WITH SEC. 289C PARA. 2 NO. 4 AND 5 HGB

The term compliance refers to the entirety of all measures to be observed that constitute the compliance of a company and its employees with regard to the legal requirements and prohibitions. In addition, the conformity of the entrepreneurial business is to be ensured with all social guidelines and core values. These include, in particular, the observance of human rights and the fight against corruption and bribery.

The AlzChem Group is also committed to these goals. No employee, job applicant or business associate may be disadvantaged or preferred on grounds of race or ethnicity, gender, religion or belief, disability, age or sexual identity. Any kind of harassment is prohibited.

In order to achieve these goals, the AlzChem Group has established a compliance system that serves to prevent or limit the damage, detect and terminate infringements and fulfill statutory obligations.

AlzChem Group AG has joined the Code of Conduct of the Federal Association for Materials Management, Purchasing and Logistics (BME). The company is committed to stopping bribery and adhering to ethical principles towards customers, competitors and business partners. All business actions and decisions must be in accordance with applicable law.

Furthermore, AlzChem Group AG has implemented its own guidelines, which summarize the corporate policy principles and standards of AlzChem, with which all employees must be familiar. They provide orientation on the fundamental legal and ethical obligations of AlzChem employees and give them the security they need to behave correctly in their jobs.

To strengthen the compliance function, AlzChem has long since set up a whistleblower system with an external reporting office ("Whistleblower Hotline", email: alzchem@heussen-law.de, telephone: 089/29097-498). Heussen Rechtsanwaltsgesellschaft mbH, an independent law firm based in Munich, is available to AlzChem Group employees,

but also to business partners and customers, for example. In addition, anyone with a compliance issue can contact the company's Compliance Officer. The attorneys at Heussen Rechtsanwalts-gesellschaft mbH are subject to a duty of confidentiality in accordance with the professional regulations applicable to attorneys and will treat the identity of the employee and the information provided confidentially, to the extent desired by the employee and legally possible, also in relation to companies of the AlzChem Group. Contacting the "Whistleblower Hotline" or the Compliance Officer will not result in any disadvantages for the employees concerned unless they themselves have 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 national and supranational legal provisions (e.g. EU regulations), but also to the legal provisions of other countries. All business matters and processes must therefore be managed in such a way that they comply with all applicable laws and other binding regulations within the scope of which AlzChem conducts its business. Our employees are prohibited from issuing any instruction in the course of their business that deviates from this or from our corporate guidelines.

Consequently, any active or passive bribery or acceptance of benefits, as well as any attempt to do so, is strictly prohibited. AlzChem's actions are intended to avoid even the appearance that employees are seeking to influence their business partners and interlocutors through extraneous means. In the AlzChem Group, gifts, favors, hospitality or other benefits may only be granted or accepted if they do not exceed the scope of business customs in the region concerned, do not have an inappropriately high value and are within the scope of what is permitted by law or labor 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.

For this reason, any form of corruption, including so-called acceleration payments, is prohibited at the AlzChem Group. Here, the relevant laws as well as our corporate guidelines also 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 procedure based on objective and comprehensible criteria. Contracts are awarded on the basis of competitive bids as far as possible and reasonable. When selecting suppliers, AlzChem ensures that they act in accordance with the principles of the corporate guidelines. Incentives such as performance-related commissions, discounts, price reductions or free delivery of goods must ensure at any time compliance with the various legal regulations. Therefore, business incentives in the AlzChem Group must be documented comprehensively and correctly. In order to prevent prohibited actions, payment for deliveries and services is made directly to the respective contractual partner. Payment in cash is prohibited, except in minor cases.

Furthermore, reference is made to the corporate governance report.

10.9. SAFETY

The protection of people from adverse effects on their safety and health caused by products, business and production processes, as well as the responsible handling of the environment and natural resources are elementary components of responsible corporate action for the AlzChem Group AG. Starting from compliance with laws and agreements as a basis, we work to continuously improve our 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, we also assume responsibility for the safety and protection of

our environment and our residents. For over 100 years, we have been operating plants at the Trostberg and Hart sites that are subject to the so-called Major Accidents Ordinance. This ordinance regulates the protection of people and the environment from the consequences of possible incidents in technical plants, in which hazardous substances could possibly escape. A wide range of our own safety initiatives, a well-trained plant fire brigade and the extensive safety precautions in our plants and facilities, which have been optimized in cooperation with the authorities, help to minimize dangers for our employees and the people in our neighborhood. As a company of "ChemDelta Bavaria" (joint initiative of the companies in the Bavarian chemical triangle), we provide information on safety measures and the correct behavior in the event of incidents in a current brochure. The information contained in the brochure can be viewed at any time on the homepage of AlzChem Group AG.

The carbide plant in Sweden falls within the scope of the European SEVESO III Directive and is therefore subject to the relevant Swedish laws, which are comparable to the German Major Accidents Ordinance.

Occupational and plant safety/industrial safety measures

AlzChem has implemented an occupational health and safety management system in accordance with OHRIS (Occupational Health and Risk Management System). The long-standing certification was extended by the government of Upper Bavaria by three years in 2018.

All companies located at the sites operated by AlzChem participate in joint safety work in seven working committees. The Safety Steering Committee is the key authority in safety and health work at the German sites of AlzChem Group AG. The Safety Steering Committee, which usually meets monthly, controls and coordinates the activities of the safety and health program.

Safety audits are an important instrument of our safety management system for avoiding unsafe actions. Their aim is to motivate all employees to act safely on a regular basis and to identify and remedy misconduct and safety deficiencies. We also encourage our employees to report so-called near-accidents. The technical term for a near-accident is "near miss". There is great potential in near miss cases, as much can be learned from them before anything happens. Near misses therefore give us the opportunity to actively deal with mistakes and dangers.

Another important pillar of occupational health and safety is the various types of risk assessment. This effort has paid off and is reflected in the corresponding key figures for occupational safety: the 1,000-man ratio - i.e. the number of reportable occupational accidents per 1,000 full-time employees - was 7.1 at the German sites in 2020 as a whole, far below the average value of 19.03.

Source: DGUV Homepage (January 21, 2021)

In addition to the 1,000-man ratio, the AlzChem Group determines its own safety performance using the KSUND key figure. KSUND is a key figure for safety and accidents involving external medical care and takes into account not only our own employees, but also employees under the AÜG and contractor employees. For the full year 2020, the KSUND rate is 14.7, which is below the previous year's figure and below the target of 15.3.

In the reporting year 2020, a key figure on plant safety was collected for the first time throughout the company: the so-called "PSIR - Process Safety Incident Rate" according to the standard of the German Chemical Industry Association (VCI). PSI events are defined as 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 a year in relation to 1,000,000 working hours. In 2020, the PSI rate for AlzChem was 2.4. Starting in 2021, the PSIR will be used at AlzChem as a control parameter for continuous and sustainable improvement in plant safety.

In 2020, regular inspections by the supervisory authorities, such as the incident inspection at the Trostberg plant, took place. In addition, new processes as well as process and plant modifications are examined for their hazard potential. A systematic approach to emergency and incident management has been developed in the event of an alarm. It is good practice that numerous exercises have again been carried out in recent years in order to be prepared and able to act in the event of an incident.

Information security

Our asset-based information security risk management not only takes into account the technical infrastructure, but effectively involves the entire organization, including human behavior and immaterial damage classes.

In order to achieve the optimum security level for the AlzChem Group, for example, protective zones have been defined for physical security, information has been classified using a so-called "confidentiality matrix" and procedural instructions have been used to achieve an equal understanding of the security process in practice.

Regular information on specific occasions and mandatory training courses ensure that the subject of information security remains 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.

The operational safety - 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-based basis and continually review them to ensure they are up-to-date.

Legal conformity

AlzChem complies with the legal requirements in the field of environmental protection. In addition to the notices of approval, the Federal Immission Control Act with its ordinances (e.g. the Hazardous Incident Ordinance, 17th BImSchV), the Water Resources Act, the Wastewater Ordinance, the Ordinance on Installations for Handling Substances Hazardous to Water (VAwS) and various laws and ordinances on waste law and nature conservation law are essential. In order to implement compliance with legal requirements and to monitor the rules and regulations, AlzChem uses the so-called dialogue system "Law in Operation", which is regularly updated. In this system, all regulations are checked for relevance and assigned to the respective departments. Changes are entered into the database in monthly updates and made available to the affected departments for information purposes.

11. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SEC. 315D HGB IN CONNECTION WITH SEC. 289F HGB

11.1. CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE ACCORDING TO SEC. 161 AKTG

11.1.1. CORPORATE GOVERNANCE AND GERMAN CORPORATE GOVERNANCE CODE (GCGC)

Corporate governance comprises all principles for the management and supervision of a company. In this sense, corporate governance as an expression of good and responsible management is an essential part of the management philosophy of the AlzChem Group.

The principles of corporate governance primarily concern the cooperation within the Management Board and the Supervisory Board and between the two bodies, as well as the relationship with our shareholders, both in and outside the Annual General Meeting. This also includes transparent and comprehensible reporting on the remuneration structure of the company's bodies and the specific remuneration of their members (see 9.10 above). Finally, the principles of corporate governance also apply to the relationship of our company

with the persons and institutions that have an economic relationship with us.

For AlzChem, the starting point for ensuring responsible management and control of the company with a view to sustained value enhancement is therefore - in addition to compliance with the relevant legal standards - the German Corporate Governance Code (GCGC).

11.1.2. GOVERNANCE TOPICS INTENDED FOR DISCLOSURE BY THE GCGC

In accordance with the recommendations of the GCGC, the following governance topics are to be reported separately in the Corporate Governance Statement:

- At its meeting on August 4, 2020, the Supervisory Board resolved on long-term succession planning for the Management Board. For this purpose, the Management Board presented to the Supervisory Board, among other things, the AlzChem employees suitable for a future Management Board function and the time horizons envisaged in this respect. 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).
- At the same meeting, the Supervisory Board set the age limit for Management Board members as their respective (possibly fictitious) standard retirement age under the statutory pension scheme. Accordingly, the Supervisory Board shall appoint Management Board members only for a period ending no later than the end of the month in which their individual standard age limit is reached (B.5 GCGC).

For recommendations C.1 sentence 1 GCGC (catalog of objectives and competence profile for the Supervisory Board), C.1 sentence 5 GCGC (appropriate number of independent Supervisory Board members), C.2 GCGC (age limit for Supervisory Board members), C.3 GCGC (length of service on the Supervisory Board) and C.6 (independence of Supervisory Board members), please refer to the information in section 11.2.

11.1.3. DECLARATION OF COMPLIANCE 2020

DECLARATION OF COMPLIANCE PURSUANT TO SEC. 161 AKTG

The Management Board and Supervisory Board of AlzChem Group AG ("company") declare in accordance with sec. 161 AktG:

The company's last Declaration of Compliance was issued in December 2019.

Since that date, the company has complied with the recommendations of the "Government Commission German Corporate Governance Code" in the version of February 7, 2017 ("GCGC 2017") published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, with the deviations explained below:

Deductible for D&O insurance for Supervisory Board members (sec. 3.8 para. 3 GCGC 2017)

The D&O insurance taken out by the company does not provide for a deductible for members of the Supervisory Board, in particular a deductible of at least 10% of the damage up to at least one and a half times the fixed annual remuneration. Such a deductible is not required by law for Supervisory Board members; rather, Supervisory Board members are exempt from mandatory deductibles. In view of the role of the Supervisory Board, which is also reflected in the different remuneration structure compared with the Management Board, this distinction in the treatment of the Management Board and Supervisory Board appears appropriate. Neither the Management Board nor the Supervisory Board saw a deductible as an effective way of increasing the motivation and sense of responsibility of the Supervisory Board members.

Determination of the target pension level for pension commitments in favor of the Management Board members (sec. 4.2.3 GCGC 2017)

The GCGC 2017 recommended that the Supervisory Board should define the target pension level for pension commitments in favor of the Management Board members - also according to the length of service on the Management Board - taking into account the resulting annual and long-term expenses for the company. The Supervisory Board has

not defined such a pension level. Instead, each Management Board member is entitled to a contribution-based pension module, the amount of which is determined as a percentage of the individual Management Board member's annual base salary and, where appropriate, part of his or her variable remuneration. This gives the Supervisory Board an idea of the annual and long-term expenses for the company, which also depend on actuarial effects due to the formation of reserves. It was already in line with common practice not to define an intended pension payment but to use a defined contribution and defined benefit system.

On December 16, 2019, the "Government Commission German Corporate Governance Code" presented a new version of the German Corporate Governance Code, which entered into force on March 20, 2020 by publication of the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette ("GCGC 2020"). Since that date, the company has complied with the recommendations of the GCGC 2020 and intends to continue to comply with them in the future.

Trostberg, in December 2020

AlzChem Group AG

For the Supervisory Board



Markus Zöllner

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)

11.2. RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The company complies with all legal provisions applicable to it and - with the deviations explained above, but all relating to the past - now complies with all recommendations of the German Corporate Governance Code.

In addition, the internal corporate guidelines for the entrepreneurial activities of the company and its employees, which are available to everyone on our website at www.alzchem.com, are particularly relevant for corporate governance.

11.2.1. WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

11.2.1.1. MANAGEMENT BOARD

The members of the Management Board manage the business of the company on their own responsibility in the interest of the company in accordance with the law, the Articles of Association, the rules of procedure for the Management Board and the schedule of responsibilities. The Management Board observes the recommendations of the German Corporate Governance Code and reports and justifies any deviations in the Declaration of Compliance. The Management Board is responsible for defining the company's business objectives, basic strategic orientation, business policy and group organization, coordinating these with the Supervisory Board and ensuring their implementation. It is responsible for ensuring compliance with statutory provisions and internal company guidelines and works to ensure that these are observed by the Group companies (compliance). It is also responsible for ensuring appropriate risk management and risk controlling within the company.

In the fiscal year 2020, the Management Board comprised of the three members Mr. Niedermaier, Mr. Englmaier and Mr. Dr. Weichselbaumer. Mr. Niedermaier is a member of the Management Board and has been appointed Chairman. The Management Board works on the basis of the Rules of Procedure for the Management Board adopted by the Supervisory Board by resolution of March 12, 2020. The current Rules of Procedure for the Management Board are published on the company's website at www.alzchem.com.

The Chairman of the Management Board coordinates the cooperation within the Management Board as well as the information of the Supervisory Board and maintains regular contact with the Chairman of the Supervisory Board. He must work to ensure that the management of the Management Board departments is uniformly aligned with the objectives defined by the Management Board resolutions. It may at any time request information from the members of the Management Board on individual matters relating to their areas of responsibility and determine that it is to be informed in advance of certain types of transactions. The Chairman of the Management Board represents the Management Board and the company to the public in matters affecting the entire

company. He may delegate these duties for certain types of matters or, in individual cases, to another Management Board member.

The responsibilities of the individual members of the Management Board are defined in the schedule of responsibilities last adopted for the company in March 2020, which - also in the event of future changes - is proposed by the members of the Management Board and requires the approval of the Supervisory Board. The current schedule of responsibilities provides for the following allocation of responsibilities.

	Andreas Niedermaier CEO	Klaus Englmaier COO	Dr. Georg Weichselbaumer CSO
Essential functions	Strategy	Production	Marketing
	Investor relations	Technology	Sales
	Communication	Environment, safety, health, quality	Innovation management
	Law		Product approval
	Risk management		
	HR		
	IT		
	Supply Chain Management		
	Controlling, finance, taxes		
	Insurance		

Within his or her area of responsibility, each member of the Management Board makes decisions independently, with attention being paid to the overall responsibility and collegiality of the Management Board as a whole. If a matter affects the portfolios of more than one member of the Management Board, they decide jointly. If no agreement is reached, each member of the Management Board involved is obliged to bring about a resolution by the Management Board as a whole. In this case, the measure must not be taken until the decision of the Management Board, unless immediate implementation is required at the discretion of the Management Board to avoid imminent serious disadvantages for the company. The Management Board member concerned must then inform the Management Board of such an event without delay.

The Management Board fulfils its reporting obligations to the Supervisory Board as set out in sec. 90 AktG and other legal provisions, the Articles of Association and the Rules of

Procedure, whereby the Management Board reports to the entire Board and, on important occasions, to the Chairman of the Supervisory Board. Reports by the Management Board to the Supervisory Board are generally to be submitted in text form, unless the law provides otherwise. If necessary in individual cases due to particular urgency, oral reports are to be made to the Supervisory Board.

As part of its reporting, the Management Board informs the Supervisory Board regularly, promptly and comprehensively, particularly in the course of its meetings, in particular about fundamental issues of corporate planning, the net assets, financial position and results of operations and profitability, as well as the business development of the company and its subsidiaries. The Management Board must respond to any deviations from previously prepared plans and targets by stating the reasons. The reports of the Management Board must also contain information on the risk situation, risk management and compliance.

Unless otherwise determined by the Supervisory Board, the Management Board shall report to the Supervisory Board at the last meeting of the Supervisory Board of a fiscal year on the intended business policy and other fundamental issues of corporate planning and shall submit to the Supervisory Board the budget for the following fiscal year (including financial, investment and personnel planning). In doing so, it shall in particular address any deviations in the actual course of business from the plans and targets presented earlier, stating the reasons. Unless otherwise determined by the Supervisory Board, the Management Board informs and informs the Supervisory Board about the profitability of the company, in particular the return on equity, at the Supervisory Board meeting at which the annual financial statements are discussed.

Unless otherwise determined by the Supervisory Board, the Management Board regularly reports to the Supervisory Board at the regular Supervisory Board meetings on the course of business, especially on revenue and earnings, the situation of the company, in particular the risk situation and risk management, and on all issues of business policy and profitability relevant to the company.

In addition, the Chairman of the Management Board reports to the Chairman of the Supervisory Board in good time on transactions that could be of considerable importance for the profitability or liquidity of the company. Notwithstanding existing reservations of approval by the Supervisory Board for significant transactions and the reporting obligations laid down in particular in sec. 90 AktG, the Management Board informs the Chairman of the Supervisory Board promptly and comprehensively about all business matters that are of particular importance due to their financial impact and/or their significance for general corporate policy, including in particular the risk situation and risk management.

11.2.1.2. SUPERVISORY BOARD

Tasks

The Supervisory Board advises the Management Board on the management of the company and monitors its conduct of business (see also the report of the Supervisory Board in this annual report on the activities of the Supervisory Board). The Supervisory Board ensures that the Management Board

fulfils 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 last updated in March 2020. The recommendations of the German Corporate Governance Code concerning the Supervisory Board are observed, unless otherwise stated in the Declaration of Compliance to be published on the company's website in accordance with sec. 161 AktG. The members of the Supervisory Board have equal rights and duties and are not bound by instructions. In performing its duties, the Supervisory Board cooperates closely and in a spirit of trust with the Management Board for the benefit of the company. The Supervisory Board regularly reviews the efficiency of its activities. The last efficiency review for the Supervisory Board took place in the fiscal year 2020. To carry out the review, the members of the Supervisory Board each answered 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 May 19, 2020. The results showed that the Supervisory Board members are generally very satisfied with the organization, process and efficiency of the Supervisory Board's work. The suggestions made by the members of the Supervisory Board (including the abolition of committees, the holding of training courses on topics relevant to the Supervisory Board and the increased use of video conferences in the Supervisory Board's work) were taken up and implemented by the Chairman of the Supervisory Board.

Composition/goals/competence profile

Pursuant to sec. 8 para. 1 of the Articles of Association, the Supervisory Board of AlzChem Group AG (Group parent company) consists of four members most recently elected by the Annual General Meeting in May 2020. The Supervisory Board is to be composed in such a way that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties.

Taking into account the recommendations of the German Corporate Governance Code, the Supervisory Board specifies concrete objectives for its composition (C.1 GCGC). For the Supervisory Board of the company, these objectives, which were last resolved by the Supervisory Board in March 2020, essentially consist of ensuring the full range of professional

and company-specific expertise on the Supervisory Board as a whole, 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 GCGC recommends that the Supervisory Board should establish a competence profile. The Supervisory Board also complied with this recommendation in its resolution of March 12, 2020. According to this, the members of the Supervisory Board as a whole should have the professional skills required to perform their duties in the best possible way (professional diversity). In particular, they must be familiar with the chemical industry. It would also be desirable for the Supervisory Board to have appropriate representation of chemical and technological expertise based on training, professional activity or special personal interest. Finally, the Supervisory Board should have expertise in the areas

- 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

The Supervisory Board is convinced that, despite its small size, the existing Supervisory Board fulfills the specified competence profile in full; it also meets the targets it has set itself (including diversity targets). 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.

Requirements for each Supervisory Board member

Each member of the Supervisory Board ensures that he or she has sufficient time to perform his or her duties. At the time of his election or re-election, a member of the Supervisory Board shall not be older than 65 years of age and, starting with the listing of the company in 2017, shall not serve on the Supervisory Board for more than 12 years.

The Supervisory Board shall include what it considers to be a sufficient number of independent members; in the opinion of the Supervisory Board of the Company, this should be at least 75% of the Supervisory Board members (C.6 GCGC). A Supervisory Board member shall be deemed independent in particular if he or she is independent of the company, its Management Board and its shareholders. Otherwise, the standards of the GCGC are to be used as a basis for determining (in)dependence. Notwithstanding this, the ownership structure of the company must also be taken into account with regard to the composition of the Supervisory Board. Based on these standards, the Supervisory Board considers all its members to be independent.

At least one member of the Supervisory Board must have expertise in the fields of accounting or auditing (sec. 100 (5) AktG). On the Supervisory Board of the company, the role of this so-called financial expert is currently held by Ms. Prof. Dr. Heigl-Murauer. In addition, the Supervisory Board members as a whole must be familiar with the sector in which the company operates. This requirement is ensured by adherence to the competence profile that the Supervisory Board has given itself.

Furthermore, the Supervisory Board shall not include 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. The members of the Supervisory Board shall not exercise any executive or advisory functions at major competitors of the company and shall not have a personal relationship with a major competitor.

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 chairmanship mandate) in non-group listed companies or companies with comparable requirements in addition to their Supervisory Board mandate for the company. The above rules must be taken into account when proposing candidates for election to the Supervisory Board.

Chairman and Deputy Chairman of the Supervisory Board

At the beginning of its term of office, the Supervisory Board shall elect a Chairman and a Deputy Chairman from among its members at a meeting held without special notice. If necessary, further Deputy Chairmen may be elected.

Unless a shorter term of office is determined at the time of election, the Supervisory Board elects the Chairman and Deputy Chairman/Chairmen for the term of office of the elected Supervisory Board member. If the Chairman or a Deputy Chairman resigns from the Supervisory Board during his term of office, a new election for the resigning member shall be held immediately. The election shall be conducted by the oldest Supervisory Board member present.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. He informs the other members of the Supervisory Board on a regular basis, in particular in the event of measures taken in connection with transactions requiring urgent approval. Declarations of intent by the Supervisory Board are 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, 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. The Deputy Chairman is not entitled to the second vote of the Chairman pursuant to sec. 11 para. 3 of the Articles of Association.

Rules of Procedure of the Supervisory Board

The Supervisory Board has adopted rules of procedure - most recently in a resolution dated March 12, 2020 - which form the basis of its activities, in particular the cooperation within the body. The current rules of procedure of the Supervisory Board - as well as the Rules of Procedure of the Management Board - are published on the company's website at www.alzchem.com.

Composition of the Supervisory Board

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

Member	Since	Last 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 vis-à-vis the major shareholders of the company; in the opinion of the Supervisory Board, the Supervisory Board therefore comprises an appropriate number of independent members within the meaning of recommendation C.1 sentence 5, C.6 GCGC.

The Chairman of the Supervisory Board is Markus Zöllner; his Deputy is Mr. Dr. Caspar Freiherr von Schnurbein.

Committees of the Supervisory Board

The Supervisory Board maintained an Audit Committee and a Nomination Committee until the end of its last term of office

in May 2020. The Audit Committee consisted of Ms. Prof. Dr. Martina Heigl-Murauer (Chairman), Mr. Dr. Caspar Freiherr von Schnurbein and Markus Zöllner. The members of the Nomination Committee were Mr. Markus Zöllner (Chairman), Dr. Caspar Freiherr von Schnurbein and Steve Röper. The Nomination Committee held one meeting during the reporting period; the Audit Committee met two times. One member did not attend one meeting of the Audit Committee due to illness; apart from this, the committee members attended all meetings and passed all resolutions.

The committees regularly reported to the Supervisory Board on the meetings they held and the resolutions they passed. With regard to the working methods of the committees, the rules of procedure of the Supervisory Board (publicly available on the company's website at www.alzchem.com) declare that their main procedural rules also apply to the committees.

Following its reconstitution after the Annual General Meeting in May 2020, the Supervisory Board deliberately refrained from forming committees. This follows the unanimous findings of the Supervisory Board's internal efficiency review, which saw no advantage in forming committees in view of the already small overall body of only four members. Instead, the issues otherwise assigned to the committees will in future be dealt with by the full Supervisory Board.

Frequency of meetings; individual participation in meetings

The Supervisory Board met eight times in the reporting period. In addition, four resolutions were adopted by written procedure. With one excused exception, all members attended all meetings and resolutions.

For the rest, 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 elected by the shareholders and two by the employees in accordance with the provisions of the One-Third Participation Act. On behalf of the shareholders, it was composed in the year under review of the four members of the Supervisory Board who are also members of the Supervisory Board of AlzChem Group AG (Prof. Dr. Heigl-Murauer, Mr. Röper, Dr. Freiherr von Schnurbein and Mr. Zöllner) and, as employee representatives, Mr. Karl Held and Mr. Otto Wolf. The Chairman of the Supervisory Board is Mr. Markus Zöllner, his deputy is Mr. Karl Held. The Supervisory Board had initially formed an Audit Committee consisting of three members – Ms. Prof. Dr. Heigl-Murauer (Chair) and Mr. Zöllner and Mr. Held – and a Nomination Committee – which has not yet been active in this function. These committees were dissolved by resolution of the Supervisory Board on March 12, 2020. The reasons for this are the same as those given for AlzChem Group AG. As there, the tasks previously performed by the committees will in future be carried out by the Supervisory Board of AlzChem Trostberg GmbH.

11.2.1.3. 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. In the period under review, no conflicts of interest arose among the members of the Management Board and the Supervisory Board.

11.3. DIVERSITY CONCEPT

The composition of the Management Board of AlzChem Group AG must be balanced and appropriate to the company, so that its members as a whole have the knowledge, skills and experience required to manage an internationally active chemical group. The basic suitability criteria for a Management Board position are, in particular, personality, integrity, convincing leadership qualities, professional qualifications for the department to be assumed, previous 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 most mutually complementary profiles of its members. 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 different professional experience as well as comprehensive 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.

A decision as to which person, if any, should be appointed to a specific position on the Management Board must be made after considering all circumstances of the individual case.

11.4. 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

proportion of women on their respective Supervisory Boards and Management Boards 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. The companies concerned have complied with this as follows:

- On November 22, 2018, the Supervisory Board of AlzChem Group AG set the target figures for the percentage of women on the Supervisory Board and Management Board to be achieved by June 30, 2022, at 25% (for the Supervisory Board) and 0% (for the Management Board). As of December 31, 2020, the percentage of women on the Supervisory Board was 25% and on the Management Board 0%. In addition, the Management Board of AlzChem Group AG has set the target for the proportion of women for the first and second management levels below the Management Board at 0% by June 30, 2022. It should be noted that only very few employees work for AlzChem Group AG, which essentially functions as a holding company. Under the given circumstances, the determination of (interim) target achievement for the first and second management levels below the Management Board at the end of the reporting year is obsolete.
- On September 29, 2017, the Supervisory Board of AlzChem Trostberg GmbH set the target figures for the proportion of women on the Supervisory Board and in management, to be achieved by June 30, 2022, as follows: Supervisory Board 16.66% and management 0%. In addition, by resolution of 29 June 2017, the Management Board confirmed the target figures of the previous year and set the target value for the period until 30 June 2022 for the proportion of women for the first management level below the Management Board at 0% and for the second management level below the Management Board at 8%. As of December 31, 2020, the target figure for the second management level below the Management Board has already been reached, at 21.6% (previous year: 11.7%); for the first management level below the Management Board, (interim) target achievement by the end of the reporting year is obsolete. Due to the specific conditions in the chemical industry, the company does not currently consider target figures that comply with the legal guideline of 30% to be achievable.

12. SUPPLEMENTARY REPORT

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. By resolution of the Management Board dated January 29, 2021, the Management Board of the company decided to launch a share buyback program with an equivalent value of up to EUR 1,000,000.00. To the extent permitted by law, the company may suspend or interrupt the share buyback program at any time.

Furthermore, after the end of the fiscal year and up to the date of preparation of the consolidated financial statements, no further matters arose with a material effect on the net assets, financial position and results of operations.

13. RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that, in accordance with applicable accounting principles, the Consolidated Financial Statements give a true and fair view of the Group's net assets, financial position and results of operations, while the combined management report accurately presents the course of business including the business results and the situation of the Group in a way that clearly demonstrates the current opportunities and risks of expected Group development.

Trostberg, February 26, 2021

AlzChem Group AG

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)

APPENDIX I

DECLARATION ON THE FEE TRANSPARENCY LAW ACCORDING TO SEC. 264 PARA. 3, SEC. 289 HGB

The Act on the Promotion of Pay Transparency between Women and Men entered into force on July 6, 2017. The main focus of the law is the right of individual employees to information on the remuneration of the opposite sex in companies with more than 200 employees. In addition, the Act contains a request to the employer to conduct investigations into compliance with the requirement of equal pay and a reporting obligation on the part of employers with more than 500 employees regarding statistical data 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 must be prepared for the first time in 2018 for the year 2016. The report is to be attached to the management report as an annex and published in the Federal Gazette, sec. 22 para. 4 of the Pay Transparency Act. It does not form part of the annual financial statement documents or the management report.

AlzChem guarantees its employees fair remuneration and transparency of remuneration. This is achieved in detail as follows:

- AlzChem Trostberg GmbH, NIGU Chemie GmbH and Nordic Carbide AB are members of the VBCI and IKEM employers' associations and apply the collective agreements of the chemical industry. The collective agreements and pay tables can be viewed by all employees.
- AlzChem regularly carries out function evaluations in summary form with its company partner for the area of tariff employees in accordance with the provisions of collective agreements. Equivalent functions are combined into job families, thus ensuring fair and gender-neutral classification and remuneration.

- AlzChem has also agreed with its company partner on a binding set of rules for gender-neutral, competitive salary determination and development for non-pay-scale employees and senior managers. In addition, there is an evaluation commission with equal representation of men and women, which ensures a gender-neutral and uniform evaluation and classification of positions.
- AlzChem promotes a women- and family-friendly working environment. This is achieved above all through flexible working hours agreed with the company partner and a variety of part-time models.

As of December 31, 2020, the AlzChem Group employed 1,299 men (including the 3 members of the Management Board) (previous year: 1,303) and 165 women (previous year: 169) on a full-time basis, and 57 men (previous year: 53) and 123 women (previous year: 110) on a part-time basis.

A man wearing a light-colored sweater, a blue and white striped tie, and a straw hat with a black band is sitting on a patterned blanket on the ground. He is leaning against a large tree trunk on the left. A golden retriever is sitting next to him, looking towards the right. The background is a lush green park with trees and a bright sky. The overall scene is peaceful and outdoors.

NITRALZ®

Our NITRALZ® products are used as raw materials for the production of various APIs (= active pharmaceutical ingredients), including the drug group ‚Sartans‘, which has been established on the world market for many years. Sartans have a blood pressure lowering effect and are used in the treatment of cardiovascular and also kidney diseases. Our advanced distillation process provides us with a reliably high quality standard and purity, which is essential for the field of application in active ingredients.

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2020

CONSOLIDATED INCOME STATEMENT

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

in EUR thousand	Notes No.	01/01 - 01/31/2019	01/01 - 12/31/2020
Revenues	1	376,072	379,257
Change in inventories of finished and unfinished products		-4,862	-2,514
Other operating income	2	17,147	10,671
Cost of materials	3	-142,391	-132,507
Personnel expenses	4	-122,088	-127,409
Other operating expenses	5	-73,800	-73,693
EBITDA		50,078	53,805
Depreciation and amortization	6/10/11/12	-19,492	-23,097
EBIT		30,586	30,708
Other interest and similar income	7	302	325
Interest and similar expenses	7	-5,396	-3,835
Financial result	7	-5,094	-3,510
Result from ordinary business activities		25,492	27,198
Taxes on income and earnings	8	-7,345	-7,333
Consolidated net income		18,147	19,865
Non-controlling interests in the consolidated net income	9	171	171
Shares of the shareholders of AlzChem Group AG in the consolidated net income		17,976	19,694
Earnings per share in EUR (undiluted and diluted)	IV	1.77	1.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

in EUR thousand	Notes No.	01/01 - 12/31/2019	01/01 - 12/31/2020
Consolidated net income	20	18,147	19,865
Other income			
Items that are not reclassified to the income statement			
Result from the revaluation of defined benefit plans		-22,457	-6,112
Deferred taxes		6,289	1,711
Total items that are not reclassified to the income statement		-16,168	-4,401
Items that will later be reclassified to the income statement			
Profit from the market valuation of financial assets		2	-7
Difference from currency translation		138	-519
Deferred taxes		-1	2
Total items that will later be reclassified to the income statement		139	-524
Other income	20	-16,029	-4,925
Non-controlling interests in other income		0	0
Shares of the shareholders of AlzChem Group AG in other income		-16,029	-4,925
Consolidated comprehensive income	20	2,118	14,940
Non-controlling interests in other consolidated comprehensive income		171	171
Shares of the shareholders of AlzChem Group AG in the consolidated comprehensive income		1,947	14,769

CONSOLIDATED BALANCE SHEET

OF ALZCHEM GROUP AG, TROSTBERG, AS OF DECEMBER 31, 2020

Assets in EUR thousand	Notes No.	12/31/2019	12/31/2020
Non-current assets			
Intangible assets	10	1,541	1,810
Property, plant, and equipment	11	165,702	175,062
Lease usage rights	12	9,770	8,524
Financial assets	13	20	20
Other receivables and other assets	14	470	630
Deferred tax assets	15	34,477	35,795
Total non-current assets		211,980	221,841
Current assets			
Inventories	16	74,607	67,402
Trade receivables	17	32,501	33,124
Other receivables and other assets	14	14,051	13,501
Deferred tax assets	18	383	1,311
Cash and cash equivalents	19	9,061	17,117
Total current assets		130,603	132,455
Total assets		342,583	354,296

Equity and liabilities in EUR thousand	Notes No.	12/31/2019	12/31/2020
Equity			
Capital and reserves			
Subscribed capital	20	101,763	101,763
Capital reserve adjustment item reverse acquisition	20	-88,128	-88,128
Capital reserve	20	24,981	24,981
Other accumulated equity	20	-48,152	-53,077
Balance sheet profit	20	69,294	81,356
		59,758	66,895
Non-controlling interests	20	1,592	1,763
Total equity		61,350	68,658
Liabilities			
Non-current liabilities			
Provisions for pensions and similar obligations	21	134,629	141,775
Other provisions	22	22,404	24,233
Loan liabilities to banks	23	50,747	48,042
Leasing liabilities	12	7,710	6,680
Other liabilities	25	513	342
Deferred tax liabilities	15	4,745	4,695
Total non-current liabilities		220,748	225,767
Current liabilities			
Other provisions	22	1,732	2,877
Loan liabilities to banks	23	11,935	12,704
Leasing liabilities	12	1,706	1,634
Trade payables	24	24,069	20,880
Other liabilities	25	19,172	21,583
Income tax liabilities	26	1,871	193
Total current liabilities		60,485	59,871
Total liabilities		281,233	285,638
Total equity and liabilities		342,583	354,296

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

in EUR thousand	Notes No.	Subscribed Capital	Capital reserve–adjustment item reverse acquisition	Capital reserve
As of 01/01/2019		101,763	-88,128	24,981
Dividend	IV	0	0	0
Total transactions with shareholders		0	0	0
Consolidated net income	20	0	0	0
Other income	20	0	0	0
Consolidated comprehensive income		0	0	0
As of 12/31/2019		101,763	-88,128	24,981
As of 01/01/2019		101,763	-88,128	24,981
Dividend	IV	0	0	0
Total transactions with shareholders		0	0	0
Consolidated net income	20	0	0	0
Other income	20	0	0	0
Consolidated comprehensive income		0	0	0
As of 12/31/2019		101,763	-88,128	24,981

Other accumulated equity	Balance sheet profit	Shares of the shareholders of AlzChem Group AG	Non-controlling interests	Total equity
-32,123	60,478	66,971	1,420	68,392
0	-9,159	-9,159	0	-9,159
0	-9,159	-9,159	0	-9,159
0	17,976	17,976	171	18,147
-16,029	0	-16,029	0	-16,029
-16,029	17,976	1,947	171	2,118
-48,152	69,294	59,758	1,592	61,350
-48,152	69,294	59,758	1,592	61,350
0	-7,632	-7,632	0	-7,632
0	-7,632	-7,632	0	-7,632
0	19,694	19,694	171	19,865
-4,925	0	-4,925	0	-4,925
-4,925	19,694	14,769	171	14,940
-53,077	81,356	66,895	1,763	68,658

CONSOLIDATED CASH FLOW STATEMENT

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

in EUR thousand	Notes No.	01/01 - 12/31/2019	01/01 - 12/31/2020
	27		
Consolidated earnings before taxes		25,492	27,198
Depreciation and amortization on fixed and intangible assets		19,492	23,097
Decrease in pension provisions		-1,005	-1,182
Profit from the sale of non-current assets		-45	-3
Other non-cash expenses (+) and income (-)		6,246	7,857
Financial result		5,094	3,510
Interest received		133	180
Interest paid		-1,225	-1,196
Income taxes paid		-6,191	-10,484
Increase (+)/decrease (-) in inventories		2,431	5,323
Increase (+)/decrease (-) in trade receivables and other receivables		1,636	-830
Decrease in trade payables, other liabilities and other provisions		-8,739	-5,008
Change in other balance sheet items		313	248
Cash inflow from operating activities (net cash flow)		43,631	48,710
Payments for investments in fixed assets		-41,382	-28,832
Proceeds from the sale of fixed assets		55	3
Cash outflow from investing activities		-41,327	-28,829
Free Cashflow		2,304	19,881
Proceeds from loans		30,102	10,000
Payments from short-term financing lines		-18,166	-1
Payments for the repayment of loan liabilities		-7,185	-11,934
Dividend payments		-9,159	-7,632
Dividend payment to non-controlling interests		-171	-171
Repayment of leasing liabilities		-1,594	-1,996
Cash outflow from financing activities		-6,173	-11,734
Net decrease (-)/increase (+) in cash and cash equivalents		-3,869	8,147
Cash and cash equivalents at the beginning of the period (at the closing rate of the previous year)		12,857	9,061
Changes due to exchange rate changes		73	-91
Cash and cash equivalents at the end of the period		9,061	17,117
Net decrease (-)/increase (+) in cash and cash equivalents		-3,869	8,147

BIOSELECT®



Coronavirus (2019-nCoV): - □ + □

Nothing has kept us in suspense in 2020 like the corona virus. As a supplier of raw materials for the pharmaceutical industry, AlzChem contributes to the production of "corona tests": AlzChem precursors are used in tests to detect SARS-CoV-2 as well as in tests to detect antibodies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

I. SEGMENT REPORTING

Segment reporting by operating segments for the period from January 1 to December 31, 2020:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Consolidation	Group
External sales	207,431	146,434	25,392		379,257
EBITDA	44,125	8,981	989	-290	53,805
EBITDA margin	21.3%	6.1%	3.9%		14.2%
Depreciation and amortization					-23,097
EBIT					30,708
Other interest and similar income					325
Other interest and similar expenses					-3,835
Financial result					-3,510
Result from ordinary business activities					27,198
Inventories as of 12/31/2020:	38,410	27,639	3,555	-2,201	67,402

Segment reporting by operating segments for the period from January 1 to December 31, 2019:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Consolidation	Group
External sales	200,022	149,408	26,643	-1	376,072
EBITDA	41,684	5,247	4,506	-1,359	50,078
EBITDA margin	20.8%	3.5%	16.9%		13.3%
Depreciation and amortization					-19,492
EBIT					30,586
Other interest and similar income					302
Other interest and similar expenses					-5,396
Financial result					-5,094
Result from ordinary business activities					25,492
Inventories as of 12/31/2019:	44,183	30,924	3,586	-4,086	74,607

Segment reporting by regions:

in EUR thousand	Domestic	Foreign	Group
External sales 01/01 – 12/31/2020:	125,517	253,740	379,257
External sales 01/01 – 12/31/2019:	121,258	254,814	376,072
Non-current assets as of 12/31/2020:	179,558	5,898	185,456
Non-current assets as of 12/31/2019:	172,451	4,562	177,013

In the fiscal year 2020, one customer contributed at least 10% of total Group revenue. In the prior-year period, no customer contributed at least 10% of total consolidated revenue in the reporting period. Revenues with the customer amounted to EUR 39,660 thousand in the fiscal year 2020 and are included in the Specialty Chemicals, Basics & Intermediates and Other & Holding segments in all reporting periods.

Segment reporting has been changed compared to the previous year. In the fiscal year 2020, AlzChem adjusted the information to be disclosed in the segment reporting - the key figures depreciation and amortization and EBIT are no longer presented at segment level. AlzChem's Management has restructured the financial information regularly provided to it and has moved to a more liquidity-based control of the individual segments. In the opinion of Management, the key figure EBITDA represents a good approximation of the liquidity flows in the individual segments. Depreciation and amortization, and consequently EBIT, on the other hand, are not liquidity-related indicators and are no longer reported to Management at segment level. As segment reporting is intended to follow internal reporting, the two indicators are also no longer presented in segment reporting. Furthermore, the key figure EBITDA margin was introduced as the ratio of EBITDA to sales of the respective segment. The segment reporting for the previous year has been adjusted accordingly.

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 engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The responsible corporate body is the Management Board of AlzChem Group AG.

The reportable segments within the AlzChem Group are

- Specialty Chemicals
- Basics & Intermediates
- Other & Holding

The Specialty Chemicals segment generates sales mainly from the sale of specialty chemicals products. The segment is characterized by innovative products that are used in the chemical industry, the food and feeding industry and in the field of renewable energies. The products for customers in the food industry are mainly based on compounds from NCN chemistry (nitrogen-carbon-nitrogen). The product Creapure® as the body's own dietary supplement is used as a dietary supplement in the sports sector, as a muscle-strengthening agent for the elderly, as well as in pharmaceuticals and cosmetics. For customer applications in "large molecules" production as well as diagnostics and here in particular for COVID-19 test kits, the product range around Bioselect® is used, which could grow very strongly in the last year. In the animal feeding industry, guanidinoacetic acid is mainly produced under the product name Creamino® as a feeding additive. The products that AlzChem sells to customers in the renewable energy sector are used in the manufacture of composites and adhesives (DYHARD®) and 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 agrochemical and pharmaceutical active ingredients and as a gas generator in blowing agents.

The Basics & Intermediates segment essentially combines the activities of composites chemistry based on the primary nitrogen-carbon-nitrogen bond (NCN chain). Based on lime, carbon and electricity, this segment produces raw materials for specialty chemicals, products for customers in agriculture and metallurgy, 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 metallurgy, this segment produces lime- and carbide-based auxiliaries for hot metal desulfurization as well as products for deoxidizing, desulfurizing and embrodering steel in the secondary metallurgy sector. In addition, the production and sale of guanidine salts as raw materials for agrochemicals and active pharmaceutical ingredients as well as the production of nitriles as intermediates for the processing chemical industry are allocated to this segment.

The segment Other & Holding includes all other activities of the Group. The sales generated here mainly comprise sales of services.

In preparing segment reporting in accordance with the internal management approach, the same accounting principles are applied as in the preparation of the IFRS consolidated financial statements.

External sales represent segment sales with external customers. The sales revenues shown by region refer to the billing address of the customers. EBITDA is the key performance indicator regularly used by management to assess the profitability of the segments. Intersegment revenues 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 cost allocation. Consequently, the performing segment is relieved of expenses and the receiving segment is charged with expenses. The cost rates applied are reviewed regularly, adjusted if necessary and do not include any profit mark-up rates. In general, the aim of internal cost allocation is to ensure that all costs are allocated to the relevant segment according to their origin and that no non-allocable expenses remain.

Inventories are the key asset figure that is regularly reported to management. Non-current assets, which according to IFRS 8 are to be reported according to specific regions, consist of intangible assets and property, plant and equipment.

The Consolidation column shows Group eliminations and Group postings that are only made for the purposes of preparing the consolidated financial statements. The sales revenues reported in this column include currency effects that could not be allocated to the other segments.

II. PRELIMINARY REMARK

The consolidated financial statements relate to AlzChem Group AG, a stock corporation (corporation) under German law with its registered office in Trostberg, Germany, and its subsidiaries. The head office of AlzChem Group AG is located at Dr.-Albert-Frank-Str. 32, Trostberg, Germany. The competent register 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 26, 2021.

The companies of the AlzChem Group develop, produce and trade in chemical products of all kinds and provide services, including as chemical park operators. From the basic raw materials lime, carbon and electricity, versatile products with a typical nitrogen-carbon-nitrogen compound are produced in very high quality in further production steps at the Trostberg (head office), Schalchen, Hart, Waldkraiburg and Sundsvall (Sweden) sites. In addition, smaller sales units are located in Atlanta (USA) and Shanghai (China).

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 at the balance sheet date can be found in the combined management report of the company and is continuously updated on the AlzChem website.

By shareholder resolution of February 11, 2021, NIGU Chemie GmbH, AlzChem Nutrition GmbH and AlzChem International GmbH were released from the obligation to disclose the annual financial statements and management report for fiscal year 2020 in accordance with sec. 264 (3) HGB. The exemption resolutions are published in the Federal Gazette by the subsidiaries NIGU Chemie GmbH, AlzChem Nutrition GmbH and AlzChem International GmbH.

III. NOTES TO THE PRINCIPLES AND METHODS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The consolidated financial statements of AlzChem Group AG were 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) were 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 (HGB), 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 present version of the consolidated financial statements complies with the provisions of sec. 315e HGB; this provision forms the legal basis for consolidated accounting 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, were applied that were mandatory at the balance sheet date of December 31, 2020. Early application of standards not yet mandatory as of December 31, 2020 was waived. This procedure results in the presentation of a true and fair view of the net assets, financial position and results of operations of the AlzChem Group.

The consolidated financial statements are presented in Euro (EUR), the functional currency of the parent company AlzChem Group AG. For reasons of clarity, the figures in the consolidated financial statements are given in thousands of Euro (EUR thousand) unless otherwise indicated. All figures have been rounded up or down to the nearest thousand Euro in accordance with commercial rounding, so that individual figures do not add up exactly to the stated total.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT WERE APPLIED FOR THE FIRST TIME IN THE FISCAL YEAR 2020

As of the beginning of the fiscal year 2020, the following standards and interpretations revised or newly issued by the IASB had to be newly applied:

Amendments to IAS 1 and IAS 8

The amendments to IAS 1 and 8 clarify the definition of the term 'material' within IFRS. Information is material if it is reasonably expected that its omission, misstatement or obfuscation could influence the decisions of the primary users of multi-purpose financial statements that they make on the basis of such financial statements that provide financial information about a particular entity. The first-time application of these amendments had no material impact on its net assets, financial position and results of operations of AlzChem.

Amendments to IAS 39/IFRS 7 and IFRS 9

The amendments to IAS 39/IFRS 7 and IFRS 9 from the interest rate benchmark reform deal with possible effects of the IBOR reform on the accounting treatment of certain hedging transactions. Certain hedge accounting rules have been amended so that companies apply these hedge accounting rules on the assumption that the reference interest rate on which the hedged cash flows and the cash flows from the hedging instrument are based is not changed by the reform of the reference interest rate. These changes are mandatory for all hedging relationships affected by the reform of the reference interest rate.

The first-time application of these amendments had no material impact on its net assets, financial position and results of operations of AlzChem.

Amendments to IFRS 3

The amendments to IFRS 3 clarify the definition of a business and aim to resolve the inconsistencies that arise when an entity determines whether it has acquired a business or a group of assets. The first-time application of these amendments had no material impact on its net assets, financial position and results of operations of AlzChem.

Amendments to the conceptual framework for the preparation and presentation of financial statements

The conceptual framework is not an IFRS standard and does not override any standard regulations. However, the revised conceptual framework will be used in the development of new standards and interpretations in the future. It contains some new concepts and provides updated definitions and recognition criteria for assets and liabilities. The changes in the conceptual framework have no impact on AlzChem's net assets, financial position and results of operations.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE APPLICATION IS NOT YET MANDATORY

The following standards, amendments to standards and interpretations have already been adopted but are not mandatory until reporting periods beginning on or after January 1, 2021 (or June 1, 2020 for amendments to IFRS 16). The AlzChem Group will apply these from January 1, 2021 or a date that may be prescribed later and has estimated the expected impact on the net assets, financial position and results of operations of the individual standards, amendments to standards and interpretations, insofar as this estimate was already possible.

Standards	Change concerns	Mandatory from	Adoption by EU Commission
IFRS 16	Amendments to IFRS 16: COVID-19-related rent concessions	06/01/2020	Yes
IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16	2nd phase of the IBOR reform	01/01/2021	Yes
IFRS 4	Extension of the temporary exemption from applying IFRS 9	01/01/2021	Yes
Diverse	Annual improvement project 2018 - 2020	01/01/2022	No
IAS 1	Classification of debt into current and non-current	01/01/2023	No
IFRS 17	Insurance contracts	01/01/2023	No
IAS 1	Disclosures of accounting policies	01/01/2023	No
IAS 8	Definition of accounting estimates	01/01/2023	No
IFRS 10/IAS 28	Sale of assets of an investor to or contribution to its associate or joint venture	Undetermined	No

As a result of the emergence of the COVID-19 pandemic, on May 28, 2020, the IASB issued amendments to IFRS 16 Leases to facilitate lessees' accounting for concessions, such as deferral of lease payments or lease price reductions, granted in direct connection with the COVID-19 pandemic outbreak. The amendments are effective for reporting periods beginning on or after June 1, 2020, with earlier application permitted. At the current time, such a situation does not exist in the AlzChem Group. Consequently, the amendments to IFRS 16 are not applied early.

On August 27, 2020, the IASB issued 'Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address matters

that could affect financial reporting following the reform of a benchmark interest rate, including its replacement with alternative benchmark interest rates. The amendments are intended to assist preparers of financial statements in providing useful information during the upcoming transition related to IBOR reform. They complement the requirements of the first phase of the project and basically start with the replacement of a reference interest rate by another reference interest rate.

AlzChem does not expect the first-time application of these amendments to have a material impact on the consolidated financial statements.

On May 14, 2020, the IASB issued annual improvements to IFRS 2018–2020 and amended the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards with special requirements for accounting for subsidiaries.
- IFRS 9 Financial Instruments with amendments to the '10% test' relating to the derecognition of financial liabilities. An entity only considers fees paid or received between the entity (the borrower) and the lender in the '10% test', including fees paid or received by either the entity or the lender on behalf of the other.
- IFRS 16 with clarifications on accounting for lease incentives.
- IAS 41 Agriculture.

AlzChem does not expect the first-time application of these amendments to have a material impact on the consolidated financial statements.

IFRS 4 Insurance Contracts and IFRS 17 Insurance Contracts are 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 AlzChem Group liabilities.

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 shorten the scope of accounting-related disclosures in AlzChem's notes to the consolidated financial statements. AlzChem will address these changes in a timely manner.

Due to an ongoing research project, the mandatory first-time application of the amendments to IFRS 10 and IAS 28 regarding the disposal of an investor's assets to, or contribution to, an associate or joint venture was postponed indefinitely by the standard setter. Therefore, the adoption into European law has also been postponed indefinitely.

The accounting and valuation methods presented below have been applied in the preparation of the consolidated financial statements.

ADJUSTMENT OF PRIOR-YEAR FIGURES

Segment reporting

In the fiscal year 2020, AlzChem has adjusted the information to be disclosed in the segment reporting. The key figures depreciation and amortization and EBIT are no longer presented at segment level. AlzChem's Management has restructured the financial information provided to it on a regular basis and has moved to a liquidity-based management of the individual segments. In the Management's opinion, the key figure EBITDA represents a good approximation of the liquidity flows in the individual segments. Depreciation and amortization, and consequently EBIT, on the other hand, are not liquidity-related indicators and are no longer reported to Management at segment level. As segment reporting is intended to follow internal reporting, the two indicators are also no longer presented in segment reporting. Furthermore, the key figure EBITDA margin was introduced as the ratio of EBITDA to sales of the respective segment. The segment reporting for the previous year has been adjusted accordingly.

Capital management

In the fiscal year 2020, AlzChem received a further EUR 10 million in loans for expansion investments. Negotiations with the banks involved have shown that the focus of capital monitoring and capital management is essentially concentrated on the Group equity ratio and that compliance with contractual agreements is also linked to this. For this reason, we are reporting the Group equity ratio as a capital management indicator from this fiscal year onwards and are also presenting this for the previous year. The debt ratio, which

was reported as a performance indicator until the previous year, is no longer relevant for these purposes and is therefore no longer presented.

Regional reporting for the United Kingdom

As a result of the United Kingdom's withdrawal from the EU, the regional allocation of the country to the "Europe - other" or "Rest of Europe" region has changed. Regional information is required in some places in the notes to the consolidated financial statements. If this information related to the United

Kingdom in the previous year, the corresponding figures in the prior-year figures have been reclassified to the "Europe - other" or "Rest of Europe" region.

SCOPE OF CONSOLIDATION/SHAREHOLDINGS

In addition to AlzChem Group AG, the following six domestic and four foreign subsidiaries in which AlzChem Group AG directly or indirectly holds a majority of the voting rights are included in the consolidated financial statements, as in the previous year:

Name, registered office	Share in capital in %	Currency	Subscribed capital in local currency
AlzChem Trostberg GmbH, Trostberg, Germany	100	EUR	EUR 11,000 thousand
Nigu Chemie GmbH, Waldkraiburg, Germany	100	EUR	EUR 1,410 thousand
AlzChem International GmbH, Trostberg, Germany	94	EUR	EUR 1,000 thousand
AlzChem Stahltechnik GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
AlzChem Nutrition GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
AlzChem Netz GmbH, Trostberg, Germany	100	EUR	EUR 300 thousand
AlzChem LLC, Atlanta, USA	100	USD	USD 0 thousand
AlzChem Shanghai Co. Ltd., Shanghai, China	100	CNY	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	100	SEK	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	100	USD	USD 25 thousand

Principles of consolidation

Subsidiaries are all companies that AlzChem Group AG directly or indirectly controls. AlzChem Group AG controls a company if it is exposed to fluctuating returns from its involvement in the company or has rights to such returns and can influence the returns by means of its power of control over the company. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group (full consolidation). They are deconsolidated from the date on which control ends.

The financial statements of domestic and foreign subsidiaries included in the consolidation are prepared in accordance with IFRS 10 using uniform accounting policies.

Intra-group profits and losses, sales revenues, expenses and income as well as receivables and liabilities between consolidated subsidiaries are eliminated. Where the conditions for the consolidation of third-party liabilities are met, this option is exercised. Intercompany profits are eliminated. The tax deferrals required by IAS 12 (Income Taxes) are made for temporary differences arising from consolidation measures.

Capital Consolidation

Capital consolidation of subsidiaries is performed in accordance with IFRS 10 (Consolidated Financial Statements) in conjunction with IFRS 3 (Business Combinations) by offsetting the carrying amount of the investment against the revalued equity of the subsidiary at the time of acquisition (purchase method) or against the statutory equity in the case of newly established companies.

Company Acquisitions/Reversed Company Acquisition

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 shares issued at the time of acquisition. Incidental acquisition costs are recognized as expenses. Identifiable assets, liabilities and contingent liabilities arising from the business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the balance of the net assets measured at fair value at the acquisition date is recognized as goodwill. If the consideration transferred is less than the acquired subsidiary's net assets measured at fair value, the difference is recognized directly in the income statement after a further review.

The historical contribution of AlzChem Trostberg GmbH including its subsidiaries to AlzChem Group AG was identified in accordance with IFRIC Agenda Decision March 2013 as an equity transaction of AlzChem Trostberg GmbH, which was to be accounted for as a share-based remuneration in accordance with the provisions of IFRS 2. This transaction was then accounted for in accordance with the accounting requirements for a reverse business combination under IFRS 3 B19 - B27, with the only exception that the transaction was not allowed to give rise to goodwill, but that such a difference was to be recognized immediately as an expense in accordance with IFRS 2.8. Consequently, the IFRS consolidated financial statements of AlzChem Group AG represent a continuation of the IFRS consolidated financial statements of AlzChem Trostberg GmbH since the date of the contribution in October 2017.

Currency Translation

The preparation currency and at the same time the functional currency of the AlzChem Group is the Euro (EUR).

In the individual financial statements of the subsidiaries that are maintained in Euro, business transactions in foreign currencies are measured at the exchange rate at the time of initial booking. Exchange rate gains and losses arising from the translation of monetary assets and liabilities up to the balance sheet date are taken into account. Gains and losses from exchange rate changes are recognized in 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 national currency. The functional and presentation currency of the parent company and therefore 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 (mean spot exchange rate) at the end of the period. Expenses, income and the result, however, are translated at average exchange rates. All resulting translation differences are recognized as a separate item in equity. The items in the consolidated cash flow statement are translated at average rates, while cash and cash equivalents are translated at the closing rate (mean spot exchange rate) at the end of the period.

The exchange rates of major currencies used for currency translation are shown in the following table:

		Closing rate*		Average rate*	
		12/31/2019	12/31/2020	01/01 - 12/31/2019	01/01 - 12/31/2020
USA	USD	1.123	1.2271	1.1196	1.1413
China	CNY	7.8205	8.0225	7.7339	7.8708
Sweden	SEK	10.4468	10.0343	10.5867	10.4881

* Equivalent for EUR 1

IV. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods were applied consistently.

NON-CURRENT ASSETS AND DEPRECIATION

Intangible Assets

Acquired intangible assets are recognized at cost.

All acquired intangible assets with a determinable useful life are subject to scheduled straight-line amortization. Scheduled amortization is based on the following useful lives, which are uniform throughout the Group:

Concessions, rights, licenses:	3 to 5 years or, if applicable, shorter contract period
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 acquisition or production costs if the conditions for capitalization are met.

If an impairment in value is identified that exceeds regular amortization, the asset is written down to the 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 business operations for more than one year are measured at cost less scheduled depreciation. Material components of property, plant and equipment are recognized and depreciated individually. Subsequent acquisition costs are only taken into account as part of the acquisition costs of the asset if it is probable that future economic benefits will flow to the Group and

the costs of the asset can be reliably determined. All other repairs and maintenance are recognized as expenses in the income statement in the fiscal year in which they are incurred. Financing costs are capitalized as a component of acquisition or production costs if the conditions for capitalization are met.

Land is not depreciated. All other assets are depreciated using the straight-line method, with acquisition costs being depreciated as follows over the expected useful life of the assets.

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 book values 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 immediately written down to the latter. Gains and losses from the disposal of property, plant and equipment are calculated as the difference between the proceeds of disposal and the residual carrying amount and recognized in profit or loss.

JOINTLY MANAGED ASSETS

In the case of assets that are jointly managed with a non-Group company, 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 must be 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. During the period under review, there was no additional capitalization of borrowing costs as the cost of property, plant and equipment. Other borrowing costs are recognized as an expense in the period in which they are incurred.

RESEARCH AND DEVELOPMENT EXPENSES

The AlzChem Group is involved in various research and development activities with the primary goal 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 specified in IAS 38 for the existence of an obligation to capitalize development costs showed that not all criteria were met as of the balance sheet date. As a result, development costs are also recognized as an expense in the income statement in the period in which they are incurred. However, the AlzChem Group continuously checks the existence of the criteria for new projects. If it is determined that the criteria for capitalizing development costs are met for individual projects, the costs incurred are capitalized.

LEASING

A lease is deemed to exist if the lessor contractually grants the lessee the right to control an identified asset for a specified period of time and the lessor receives consideration from the lessee in return.

As a general rule, assets for the rights of use obtained and liabilities for the payment obligations entered into must be capitalized in the lessee's balance sheet for all leases. The AlzChem Group does not apply this general rule to short-term leases (up to twelve months' term), leases for assets with a lower value and leases for intangible assets. In exercising an option, these continue to be recognized systematically as expenses over the term of the lease agreement. Smaller IT equipment, such as printers and photocopiers, which are mainly workplace-related, is classified as low-value assets.

As a lessee, AlzChem recognizes the leasing liabilities at the present value of the leasing 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 leasing 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 when a purchase option is exercised.
- Probable payments to be made in the event of premature termination.

When determining the term of leases, all facts and circumstances are taken into account that provide an economic incentive to exercise renewal options or not to exercise termination options. Changes to the term of the lease resulting from the exercise of renewal or termination options are only included in the term of the lease if it is sufficiently certain that a termination option will be renewed or not exercised.

On initial recognition, the right of use 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 incentive payments received.

The lease liability is subsequently compounded using the effective interest method and reduced by the lease payments. The actual lease payments are divided into an interest portion and a principal portion. The right-of-use asset is amortized on a straight-line basis over the shorter of its useful life and the lease term.

In the balance sheet, the lease usage rights are shown as a separate item from property, plant and equipment.

In determining the lease payments, non-lease components are not included in the determination of lease liabilities if a separation arises directly from the contract. If the contract does not contain a separation of these components, the non-leasing components are treated as the leasing components.

The interest rate used to value the rights of use and lease liabilities is the marginal interest rate, unless an interest rate is implicit in the lease. To determine the marginal interest rate on debt, reference interest rates are derived from risk-free interest rates with appropriate maturities, increased by credit risk premiums and adjusted by a country risk premium.

As lessor, AlzChem distinguishes each lease as a finance or rental lease. Leases in which AlzChem, as lessor, has transferred to the lessee all material opportunities and risks from the use of the leased asset are treated as finance leases within the meaning of IFRS 16. In these cases, the leased asset is recognized in the balance sheet of the lessee, i.e. not in the consolidated balance sheet. The assets from a finance lease are presented as receivables in the amount of the net investment in the lease. Leases in which AlzChem as lessor has not transferred all material risks and rewards are treated as rental leases (operating leases) within the meaning of IFRS 16. Lease payments for operating leases are recognized in the income statement on a straight-line basis over the term of the lease as part of sales revenue (as part of site services) and as other operating income.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer 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 an asset's fair value less costs to sell and its value in use. For the impairment test, assets are grouped together at the lowest level for which cash flows can be separately identified (cash-generating units).

If an impairment loss subsequently reverses, 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 value that would have been determined if no impairment loss had been recognized for the asset (the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

PUBLIC GRANTS AND SUBSIDIES

Government grants are recognized at fair value if it can be assumed with a high degree of certainty that the grant will be received and the AlzChem Group meets the necessary conditions for receiving the grants. Government grants for costs are recognized over the period in which the corresponding costs for which they were granted are incurred. In the fiscal year 2020, AlzChem did not claim any government grants by way of the Corona aid measures.

CURRENT INCOME TAXES/INCOME TAX LIABILITIES

The applicable income tax rate is calculated on the basis of the tax laws in force on the balance sheet date for the countries in which the company's subsidiaries operate.

Current taxes in Germany are calculated on the basis of a uniform corporate income tax rate of 15.0% on distributed and retained profits 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 burden is between 12.0% and 13.0%.

The profits generated by foreign subsidiaries are calculated 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 5.0% and 29.0%.

On the basis of these tax regulations, expected tax payments are taken into account through the appropriate and appropriate formation of income tax liabilities. The management of the

AlzChem Group regularly reviews tax returns, particularly with regard to matters that are open to interpretation and, if appropriate, forms income tax liabilities based on the amounts expected to be paid to the respective tax authorities.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognized for all temporary differences between the tax base of the 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 used with sufficient certainty in future periods, deferred tax assets are recognized for this purpose.

According to IAS 12.39, deferred taxes on temporary differences in connection with shares in subsidiaries ("outside basis differences") are only to be recognized in the consolidated financial statements if the following criteria are not met:

- the parent company, the shareholder or the partner company 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. The AlzChem Group does not currently plan to sell any companies, but would be able to control the timing of the sale. No deferred taxes are recognized in the consolidated financial statements of the AlzChem Group for 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 the income statement. 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.

INVENTORIES

Inventories include raw materials, consumables and supplies, work in progress, finished goods and merchandise, finished goods and merchandise and prepayments on inventories. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price achievable in the ordinary course of business less the necessary variable selling expenses. In addition to direct material and labor costs, production costs also include all directly attributable costs and appropriate portions of the necessary overheads and depreciation. Acquisition or production costs are determined on the basis of the average cost method. If necessary, write-downs are made for overreach, obsolescence and reduced marketability. Borrowing costs were not included in the acquisition or production costs, as there were no qualifying assets.

FINANCIAL INSTRUMENTS

Within the AlzChem Group, the following categories of financial assets have been used:

- Valued at amortized cost (AC),
- Mandatory measured at fair value through other comprehensive income (FVOCI),
- At fair value through profit or loss (FVTPL).

Financial liabilities include the following categories:

- Valued at amortized cost. There are no liabilities with trading intent at AlzChem.

FINANCIAL ASSETS

The shares in other equity participations reported under long-term financial assets belong without exception to the "at fair value through profit or loss" measurement category as the investment does not meet the cash flow criteria. No use was made of the option of recognizing equity investments at market value with no effect on income without subsequent recycling. The respective market price is used to determine the fair value of publicly listed financial assets. If there is no active market, fair value is determined by using the most recent market transactions or a valuation method (such as the discounted cash flow method). If the input parameters for such a valuation cannot be reliably determined with an effort that is appropriate for the materiality of the investment, the AlzChem Group assumes that the acquisition costs represent the best possible estimate of the current fair value.

Derivative financial instruments

There were no derivative financial instruments at both reporting dates.

RECEIVABLES AND OTHER ASSETS

Trade receivables

Trade receivables are initially recognized at fair value. The subsequent evaluation depends on the measurement category. In the AlzChem Group, a portion of the receivables is attributable to a mixed business model due to regular factoring sales of receivables. Since these receivables also meet the cash flow criteria, these are therefore classified as "mandatory measured at fair value through other comprehensive income". Trade receivables of companies without factoring activities are classified as "at amortized cost".

In both cases, valuation allowances based on the expected loss within the total term of the receivable are recognized in profit or loss. If there is no objective evidence of actual default

by the debtor, this value adjustment is corrected again via other comprehensive income for the receivables "mandatorily 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 received.

The calculation of expected losses is based on historical data of the AlzChem Group, where the expected default rates and recovery rates are determined depending on the age of the receivables. Where justified by the current economic outlook or other macroeconomic parameters, the historically determined default rates are adjusted accordingly. As of the reporting date, the AlzChem Group has not identified any factors that justify an adjustment of the historical rates. The corresponding rates are then applied to the receivables not covered by trade credit insurance without individually identified defaults. In accordance with the contractual provisions for factoring, the Group classifies receivables as defaulted if they have not been serviced 120 days after they are due.

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 long-term receivables - and deducting impairment losses. Where risks exist, these are taken into account by appropriate value adjustments. The same processes and guidelines are applied here as for the calculation of value adjustments of trade receivables.

Other receivables and other assets are allocated as financial assets to the category "at amortized cost", as they are in the "hold" business model and the cash flow criteria is met.

For the other receivables and other assets, a risk provision is determined upon addition in the amount of the expected loss within one year (risk provisioning level 1). If there has been a significant deterioration in the debtor's creditworthiness

since the receivables were acquired, the calculation horizon is extended to the entire term of the receivable (risk provisioning level 2). If an actual default of the debtor is determined, a reclassification is made to risk provisioning level 3. Here too, risk provisioning is determined on the basis of expected losses over the lifetime of the receivable. In contrast to the previous levels, however, any interest income is no longer calculated on the gross carrying amount, but on the basis of the net carrying amount after impairment using the effective interest rate.

A significant increase in the credit risk is present at the latest when payment is 30 days late. An earlier reclassification based on knowledge gained from the credit management process is possible in principle, but of little practical relevance for the AlzChem Group. Default in the area of other receivables and other assets is assumed in the event of payment arrears of 90 days or more or if payment is no longer considered probable due to other events (e.g. the opening of insolvency proceedings). Due to the low volume and lack of historical data for defaults of other financial receivables in the AlzChem Group, the actual expected losses are determined based on individual assessments of AlzChem. Additional external data would be used if the materiality of the items were to change. Financial assets are generally recognized on the trade date. No financial assets were offset against financial liabilities in the reporting period and there are no net settlement agreements that cannot be offset in the balance sheet.

FACTORING

Two companies of the AlzChem Group transfer their customer receivables partly to financing companies (buyers of receivables). In accordance with IFRS 9, sold receivables are derecognized in full if substantially all the associated opportunities and risks have been transferred from the selling company to the buyer of the receivables or, if the opportunities and risks have been essentially neither transferred nor retained, have the control over the receivables been transferred. Unless the risks and rewards have essentially neither been transferred

nor retained, but the power of disposition over the receivables remains with the selling company, this accounts for a continuing involvement. Contractual agreements transfer the risk of the customer's insolvency (*del credere*) to the buyer of the receivables.

As of the balance sheet date, an analysis is made as to whether the sold receivables portfolio is expected to result in a full or partial disposal and thus the transfer of opportunities and risks from the sold receivables. If the analysis shows that AlzChem still bears part of the late payment risk from these receivables, only part of the receivables sold will be carried at the balance sheet date in accordance with the requirements of IFRS 9, with the portion remaining as a continuing involvement compared to the total of sold claims is low. In these cases, the remaining late payment risk is recognized under trade receivables as "continuing involvement". This remaining exposure is offset by a corresponding liability, which is reported under other current liabilities. At all reporting dates presented, the analysis showed that it was a complete exit and therefore had no continuing involvement.

The purchase price deductions from factoring initially retained as collateral by the financing company are reported separately under other assets. They become due as soon as the customer's payment has been received.

In addition, lock-in deductions for the risk of sales deductions are agreed with the buyer of the receivables, which are also reported under other assets. The retention amounts become fully due after a blocking period, provided that no friction has occurred in the payment flows.

The payment of the remainder of the purchase price by the buyer of the receivables takes place either upon receipt of payment by the buyer of the receivables or against interest at the request of the transferring company. The outstanding portion of the purchase price receivable is reported under current other assets.

Interest expenses resulting from the sale of receivables are recognized in the financial result. Management fees are reported under other operating expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and other short-term highly liquid financial assets with an original term of no more than three months, as well as current account credit balances. Current account overdrafts taken up are shown as liabilities to banks under current financial liabilities.

For cash and cash equivalents, the same principles apply to determining valuation allowances as already described for the other financial receivables. As cash and cash equivalents are by definition only short-term investments with credit institutions with an insignificant risk of default, the low-credit-risk exception applies, which makes the examination of a transfer of risk prevention level 1 to risk prevention level 2 obsolete. Due to the short original maturity of less than 3 months, this could only result in a changed presentation, but not in a changed amount of the value adjustment. Due to the short maturities and the high credit ratings of the banks concerned, the imputed value adjustment requirement is negligible and of subordinate importance for the AlzChem Group.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The determination of the fair values of financial instruments that were recorded in the balance sheet at their fair value was based on the data or input parameters used for the valuation according to a three-level hierarchy according to the requirements of IFRS 13:

- Step 1: Stock market or market price in an active market for similar financial instruments.
- Step 2: Input parameters other than quoted prices included in Level 1 that are directly or indirectly available to the financial instruments.
- Step 3: Input parameters for the financial instruments are not available on the market.

EQUITY

Equity consists of subscribed capital, capital reserves, the capital reserve adjustment item reverse acquisition, other accumulated equity and the balance sheet profit. The subscribed capital represents the nominal capital of the parent company. The capital reserves show all amounts of equity that are not externally contributed to the company and that are not subscribed capital. For an explanation of the capital reserve equalization item Reverse Acquisition, please refer to Note 20. Minority interests in the company's equity are reported as non-controlling interests.

OTHER PROVISIONS

Provisions are recognized if the AlzChem Group has a present legal or constructive obligation resulting from a past event, it is probable that the settlement of the obligation will result in a charge to the assets and the amount of the provision can be reliably determined. If there are a number of similar obligations, the likelihood of asset encumbrance is determined based on the group of those obligations. Provisions are recognized at the present value of the expected expenses, taking into account all identifiable risks, and are not set off against recourse claims.

Long-term provisions are recognized at their discounted expected expenses as of the balance sheet date, insofar as the interest portion is essential. The interest rate used is a pre-tax interest rate that reflects the current economic situation of the market environment and takes into account the risk of the obligation, to the extent that this has not already been reflected in future estimated cash outflows.

EMPLOYEE BENEFITS

Pension obligations

The AlzChem Group has different pension plans. This includes both defined benefit and defined contribution plans. Defined contribution plans are post-employment benefit plans in which the company pays fixed contributions to a stand-

alone entity (such as a fund or insurance) and is not legally or factually obligated to pay any additional contributions, even if the fund or claims from the insurance contract does not have sufficient assets to provide all employee benefits in the reporting period and earlier periods. A defined benefit plan is a plan that is not a defined contribution plan.

The arrangements underlying the defined benefit plans provide for different benefits in the Group, depending on the subsidiary. These essentially include:

- Pension commitments from the respective retirement age,
- One-time payments on termination of employment.

The provision, which is recognized in defined benefit plans in the consolidated balance sheet, results from the present value of the pension obligation as of the balance sheet date less the fair value of any plan assets available. The actuarial valuation of pension provisions for occupational pensions is carried out in accordance with the projected unit credit method prescribed in IAS 19 (Employee Benefits), whereby an actuarial valuation is carried out by independent actuarial valuers at each balance sheet date. This projected unit credit method takes into account pensions and vested benefits known as of the balance sheet date as well as future increases in salaries and pensions. The valuations are based on the legal, economic and tax conditions of the respective country. The exclusively domestic obligations are determined using the following parameters:

	12/31/2019	12/31/2020
Discount rate in %	0.90	0.50
Wage and salary trend in %	2.75	2.50
Pension trend in %	1.75	1.50

Changes in the discount rate are taken into account in rounded 0.10 percentage points if there is a change compared with the discount rate of the previous reporting date.

Employee fluctuation is determined on a company specific basis and is taken into account as a function of age and length of service. As of December 31, 2019, the actuarial valuations are based on the biometric principles of the "Richttafeln 2018 G" by Klaus Heubeck. The provision consists of the present value of the defined benefit obligation less the fair value of plan assets.

The actuarial gains and losses arising from unanticipated changes in pension obligations and from changes in actuarial assumptions in the defined benefit plans are recognized in other comprehensive income and in the consolidated statement of comprehensive income in the periods in which they occur. Past service costs and gains or losses from plan settlements are recognized in profit or loss immediately upon plan adjustment, curtailment or settlement. The interest portion of the addition to provisions (interest costs for pension

obligations and expected return on plan assets) included in pension expenses is shown as interest expense within the financial result. The service costs are shown under operating personnel expenses.

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

Termination benefits

Termination benefits are granted when an employee is dismissed prior to regular retirement date or when an employee voluntarily leaves the company in return for a severance payment. The Group recognizes termination benefits immediately when it has a demonstrable and irrevocable obligation to terminate the employment of current employees in accordance with a detailed formal plan that is not subject to withdrawal, or when it is demonstrably committed to providing termination benefits as a result of an offer made by employees in exchange for voluntary redundancy. Benefits

due more than twelve months after the balance sheet date are discounted to their present value. Claims for 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 if the Group has a de facto obligation based on past business practice.

Share-based remuneration

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 SARs granted were classified and measured as cash-settled share-based remuneration in accordance with IFRS 2.30 ff. In accordance with IFRS 2, the fair value of the work performed by the members of the Management Board in return for granting the options is recognized as an expense over the vesting period and recalculated on each balance sheet date using a Monte Carlo simulation. Further explanations are provided in Note 33. The provision is reported under other long-term provisions and the expense under operating personnel expenses.

LIABILITIES

Loan liabilities to banks

Loan liabilities are initially recognized at fair value less transaction costs and subsequently at amortized cost using the effective interest method.

Loan liabilities are classified as current if repayment is due within the next twelve months.

Loan liabilities are allocated to the category "financial liabilities valued at acquisition cost".

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at fair value less transaction costs and subsequently at acquisition cost using the effective interest method. Trade payables and other current financial liabilities are allocated to the category "financial liabilities 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. In accordance with IAS 37, such obligations are not to be recognized in the balance sheet but disclosed in the notes.

REVENUE RECOGNITION

AlzChem generates revenues from the sale of chemical products to customers and from the provisions of site services. The determination of the amount of revenues and the timing of revenues recognition is different for these revenues categories.

DELIVERY OF PRODUCTS

In the product area, AlzChem's performance obligation consists in the delivery of chemical products to the place of delivery to be determined by the customer. As a rule, contracts with customers only result in an obligation to perform. If AlzChem also undertakes and organizes the transport service to the customer, this is usually included in the costs of fulfilling the performance obligation to the customer (so-called "fulfilment costs"). However, the transport service is a separate performance obligation if the performance obligation to deliver the chemical products has been fulfilled before the end of the transport service.

The transaction price is fixed per unit of the delivered product. Amounts collected on behalf of third parties (VAT only) are not included in the transaction price. Variable consideration exists in the form of rebate agreements with customers based on contractually agreed volumes and, in part, cash discounts granted subject to certain shortened payment terms. In these cases, AlzChem determines the transaction price by taking the most probable amount into account and includes the variable price components already at the time of revenue recognition if it is probable that the customer will achieve the agreed targets, or based on the customer's payment history in the past, it can be assumed that the customer will deduct the discount amount granted. If the final settlement with customers subsequently results in changes in the transaction price, this change is recognized as a reduction or increase in revenues in the period in which the final settlement with the customer is made. This period may differ from the period in which the service obligation was fulfilled. No discretionary decisions other than this estimate of the variable price components are necessary. Based on its many years of experience with customers with variable pricing, AlzChem considers this approach to be the best possible estimate of the variable price component and does not anticipate that there will be any significant changes in sales when the final settlement with the customer is made. This assumption is reviewed annually by the ratio of subsequently recorded revenues to the revenues realized in the previous year. In the reporting period 2020, this related to 0.05% (previous year: 0.19%) of the previous year's recognized revenues. Financing components are not taken into account due to the contractually agreed short-term payment terms. AlzChem does not receive non-cash consideration from its customers in the product area.

It is generally not necessary to split the transaction price between several service obligations. If the transport service has been identified as a separate service obligation, the standalone selling price is determined on the basis of the expected costs plus an appropriate margin.

In the case of product deliveries, services are rendered and thus revenues are recognized at a certain point in time. Revenues

are not recognized over a period of time. The following indicators are used to determine the time of performance:

- AlzChem has an unconditional payment claim.
- The customer has legally acquired ownership of the delivered products.
- The delivered product has become the physical property of the customer.
- The risks and opportunities associated with the delivered product have been transferred to the customer.
- The customer has accepted the goods or service.

The overall assessment of these indicators leads to revenues recognition for product deliveries by AlzChem at the time of transfer of risk based on the Incoterms agreed with the customer.

AlzChem sells its products to customers under the assurance that the product meets the exact specifications of the chemical composition. No further guarantees are given beyond this. In the very rare cases in which the product specification is not met, a provision for a guarantee obligation is recognized on an individual 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 sales revenue.

PROVISION OF SERVICES

The services as a site operator can be permanent services or variable services, which the customer must always call up individually first. The service obligation to be fulfilled by AlzChem is precisely defined for each service via a term sheet. One performance obligation was identified per term sheet.

The transaction price is determined as a unit price. No other price components exist in the service sector. Financing components are not 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 service sector.

Since there is only one performance obligation per contract, it is not necessary to distribute the transaction price over more than one performance obligation.

The customer receives the benefits during the provision of services by AlzChem and consumes these benefits immediately. This means that the service obligation arising from the individual site services is fulfilled over a period of time. The method that best represents the transfer of benefits and thus the fulfilment of the service obligation to the customer is the output-oriented method for the variable services, which is based on the provision of the services. These variable services are always invoiced to the customer when the service has been performed, that is, when the customer has made use of the service and the payment claim has arisen.

Revenues are recognized at the same time. In the case of permanent location services, the service obligation is performed over a period of twelve months of the calendar year. Billing for these services is carried out monthly in the amount of 1/12 of the annual amount. It does not matter whether the customer has actually used the service. AlzChem only has to provide the service for twelve months (e.g. fire brigade and company doctor) and after one month 1/12 of the service obligation is provided. In these cases, a so-called "stand-ready performance obligation" exists, since AlzChem only has to provide the permanent site service and the customer already benefits from the provision. Revenues for these site services are recognized on a straight-line basis over the twelve-month period of the agreement, as this approach represents the best estimate for an "output-oriented" determination of the stage of completion for these service obligations.

No significant discretionary decisions were made in determining the amount and timing of revenues from services.

Revenues from contracts with customers result in receivables that are fully included in trade receivables. Trade receivables and the related revenues are generally recognized directly after the performance obligation has been fulfilled.

OTHER INCOME AND EXPENSE RECOGNITION

Expenses are recorded as expenses when the service is used or at the time they are incurred.

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

FINANCIAL RESULT

Interest income and interest expenses are deferred on an accrual basis, taking into account the outstanding loan amount and the applicable interest rate using the effective interest method. The applicable interest rate corresponds to the interest rate that discounts the estimated future cash inflows over the term of the financial asset to the net book value of the asset.

If a finance lease agreement exists, the payments are divided into an interest and repayment portion using financial mathematical methods.

Borrowing costs are recognized in the period in which they arise, unless they are capitalized as borrowing costs for qualifying assets.

COSTS OF CAPITAL INCREASES

In accordance with IAS 32, the directly attributable costs of issuing equity instruments, taking into account tax benefits, must 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 executed, the deferred costs are released to the income statement.

The historical capital increases of AlzChem Group AG directly attributable costs were presented as a deduction from equity at the time the capital increases were implemented. The deduction amount was reported within the equity item "capital reserve adjustment item reverse acquisition".

DIVIDEND DISTRIBUTION

Shareholders' entitlements to dividend distributions are recognized in the period in which the corresponding resolution is passed.

EARNINGS PER SHARE

As of the balance sheet date December 31, 2020, the equity of AlzChem Group AG consists of 10,176,335 no-par shares, unchanged from the previous year.

There are no dilutive effects at the current time. The calculation is made by dividing the consolidated net profit for the year attributable to the shareholders of AlzChem Group AG by the number of outstanding shares.

LITIGATION AND CLAIMS FOR DAMAGES

The companies of the AlzChem Group are involved in various processes and official proceedings within the framework of general business operations, or such proceedings may be initiated or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty in view of the imponderables with which legal disputes are associated, it is currently estimated that there will be no significant negative impact on the Group's earnings situation beyond the risks taken into account in the financial statements as liabilities or provisions.

USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions have been made and estimates used which have had an effect on the disclosure and amount of the assets, liabilities, income, expenses and contingent liabilities reported. These assumptions and estimates mainly relate to the uniform determination of economic useful lives throughout the Group, the assessment of the recoverability of inventories, the measurement of provisions, pensions or location-related risks

and the realizability of future tax relief from loss carryforwards. Performing impairment tests in accordance with IAS 36 requires estimates to be made regarding the forecast and discounting of future cash flows expected to arise from the asset under review. In individual cases, actual values may differ from the assumptions and estimates made. Changes are taken into account at the time of better knowledge.

Our estimates are based on experience and other assumptions that are considered to be correct under the given 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 obliged to pay income taxes in various countries according to different assessment bases. The worldwide tax provision is formed on the basis of a determination of profits 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. If necessary, appropriate provisions are made for any risks arising from a 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 estimate of the probability of future taxable profits (taxable income).

There are also uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable income. Particularly in view of the international interdependencies, differences between the actual results and our assumptions or future changes to these assumptions may result in changes in the tax result in future periods.

PROVISIONS

When determining the amount of provisions, assumptions have to be made about the probability of an outflow of resources. These assumptions represent the best possible estimate of the underlying situation, but are subject to a 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. In particular, this relates to AlzChem's long-term landfill provisions. For accounting purposes, assumptions must 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 level of the provision. Accordingly, the use of assumptions also gives rise to a certain degree of uncertainty.

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 high-quality corporate bonds denominated in the currency in which the benefits are paid and which have matching maturities to the pension obligations. Changes in these interest rates can lead to significant changes in the amount of the pension obligation. The same applies to the long-term deposit provisions, which may change significantly as a result of changes in the discount rate.

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

IMPACT OF THE COVID-19 PANDEMIC ON ALZCHEM'S ACCOUNTING

The COVID-19 pandemic also affected the AlzChem Group's business activities in the fiscal year 2020. Overall, AlzChem has come through this difficult phase very well so far and in some areas feels even stronger than before the pandemic. However, the impact varies considerably depending on the customer

sector. The development and spread of the Corona virus is currently difficult to predict, even by experts, and consequently the impact on AlzChem's assets, liabilities, earnings and cash flows is also difficult to predict. In preparing the consolidated financial statements, we have incorporated and taken into account all currently available information and knowledge in the estimates and assumptions made. The assumptions made are based on the fact that, from today's perspective, the COVID-19 situation does not represent a long-term scenario and is therefore not expected to have a lasting impact on business activities. In the Group forecast, AlzChem assumes that the economy will recover noticeably from the effects of the COVID-19 pandemic by the second quarter of 2021 at the latest. Based on these assumptions, AlzChem assumes that the impact on the AlzChem Group's consolidated financial statements will not be material. In particular, the following aspects were considered in more detail:

As a result of changes in customer payment behavior, 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 shifts that could not be attributed to the COVID-19 pandemic. The calculation of expected losses is based on historical data of the AlzChem Group, where expected default rates and recovery rates are determined depending on the age of the receivables. If justified by the current economic outlook or other macroeconomic parameters, the historically determined default rates are adjusted accordingly. As of the reporting date, the AlzChem Group has not identified any factors that justify an adjustment of the historical rates. If the expectations do not materialize, there could be a need for additional valuation allowances on trade receivables.

The capacity utilization of the production facilities is an internal indicator which, in the event of a significant change, may give rise to the need to perform an impairment test. Due to a product substitution, which was not caused by the

COVID-19 pandemic, an impairment test was performed on property, plant and equipment. The analyses did not result in an impairment requirement. Performing impairment tests in accordance with IAS 36 requires estimates to be made regarding the forecast and discounting of future cash flows expected to arise from the asset under review. If the expectations and estimates do not materialize and change significantly negatively as a result of the COVID-19 pandemic, there could be a need for impairment on property, plant and equipment.

AlzChem has not obtained any grants from country-specific government assistance programs and assumes that this will not be necessary if economic conditions remain approximately the same. The new financing concluded in the fiscal year 2020 is not related to government programs or guarantees. The interest rate is in line with the market and did not require any adjustment to the value recognized in the balance sheet.

Conceivable effects on AlzChem's consolidated financial statements could result from the following effects, in addition to the circumstances detailed above, if the COVID-19 pandemic

were to develop differently than assumed: Interest rate adjustments, increasingly greater fluctuations in exchange rates, production stoppages or access blocks at customers and suppliers, increasingly greater fluctuations on the raw material markets and blocked transport routes. AlzChem assumes that the assumptions made represent the best possible estimate of the current situation. However, it cannot be ruled out that the assumptions and estimates made will have to be adjusted in the next fiscal year, which could result in changes in the carrying amounts of AlzChem's assets and liabilities.

V. NOTES TO THE INCOME STATEMENT

1. REVENUES

AlzChem generates revenues from the sale of chemical products to customers and from the provision of site services.

The revenues of the Group, divided between these two categories, are as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Sales from product sales	352,265	356,548
Sales from services	23,807	22,709
	376,072	379,257

Revenues are distributed among the segments shown in the segment report as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Product sales in the Specialty Chemicals segment	200,022	207,431
Product sales in the Basics & Intermediates segment	149,408	146,434
Product sales in the Other & Holding segment	2,834	2,683
Service sales in the Other & Holding segment	23,807	22,709
	376,072	379,257

The geographical breakdown of total revenues is as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Germany	121,258	125,517
European Union	110,254	99,878
Rest of Europe	30,002	34,218
NAFTA	49,127	48,711
Asia	38,486	40,674
Rest of the World	26,944	30,259
	376,072	379,257

The prior-year figure has been adjusted compared with the presentation as of December 31, 2019 due to the United Kingdom's withdrawal from the EU and EUR 11,655 thousand has been reclassified to the "Rest of Europe" region.

Revenues from contracts with customers result in receivables that are fully included in trade receivables. The opening and closing balances of these receivables can be seen on the respective balance sheet date under the balance sheet item trade receivables. At initial recognition, trade receivables have a heterogeneous maturity structure, which averages between 30 and 60 days. Impairment losses on trade receivables recorded in the reporting period are shown in Note 17. As of both reporting dates, there were neither contractual assets nor contractual liabilities.

In the reporting period, revenues of EUR 193 thousand (previous year: EUR 700 thousand) were recorded for which the performance obligation was already fulfilled in the previous period. These result from the final invoicing of volume-based pricing with individual customers in the past fiscal year 2020. Accruals and deferrals due to transport services did not have to be made in the entire reporting period.

The total amount of the remaining benefit obligations is not disclosed, as there are no contracts with customers running for more than one year.

2. OTHER OPERATING INCOME

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Own work capitalized	8,460	6,345
Income from currency translation	2,695	2,154
Income from the release of provisions and liabilities	3,374	513
Income from services to third parties	500	470
Income from energy tax refunds	416	164
Miscellaneous other income	1,702	1,025
	17,147	10,671

The capitalized in-house services results from the capitalization of internally generated items of property, plant and equipment.

Income from services to third parties includes expense reimbursements in connection with the European Chemicals Regulation (REACH). Income from the valuation of derivatives was not recognized in the periods presented as none had been concluded.

3. COST OF MATERIALS

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Cost of raw materials, consumables and supplies, production-related electricity and purchased goods	140,304	130,630
Cost of purchased services	2,087	1,877
	142,391	132,507

4. PERSONNEL EXPENSES

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Wages and salaries	100,504	104,816
Social security contributions and pensions	21,584	22,593
	122,088	127,409

The item social security contributions and pensions includes current contributions for employer contributions to the statutory pension scheme of EUR 7,399 thousand (previous year: EUR 7,230 thousand).

The following table shows the average number of employees in the AlzChem Group in the reporting period:

	2019	2020
Industrial workers	821	818
Employees	677	679
Trainees	125	134
	1,623	1,631

5. OTHER OPERATING EXPENSES

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Distribution costs	16,383	14,887
Maintenance	10,295	10,665
Environmental/disposal costs	8,561	9,456
Other external services	9,359	8,246
Consulting, research and development costs	5,673	5,669
Expenses from currency translation	2,363	3,961
Insurances	2,699	3,169
IT costs	2,448	2,352
Miscellaneous other expenses	16,019	15,288
	73,800	73,693

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 9,363 thousand (previous year: EUR 9,310 thousand) were recognized as expenses in the reporting period.

6. DEPRECIATION AND IMPAIRMENT LOSSES

Details of scheduled depreciation and amortization can be found in the consolidated statement of changes in fixed 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 made up of the following items, subdivided according to origin, as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Interest income		
Receivables from banks	117	7
Other	185	318
	302	325
Interest expense		
Interest expense from additions to pension provisions	2,082	1,206
Loans liabilities to banks	652	936
Interest expense from sale of receivables	101	110
Interest expense from additions to other non-current provisions	2,468	1,427
Interest expense from leasing liabilities	55	131
Other	38	25
	5,396	3,835
Financial result	-5,094	-3,510

Interest income from banks results from current account balances and short-term cash investments. Other interest income includes EUR 150 thousand in interest income from the waiver of interest on tax back payments. There was no interest income from tax credits in the previous year. In the past fiscal year 2020, interest expenses from the change in interest rates for the valuation of non-current other provisions amounting to EUR 1,345 thousand (previous year: EUR 2,343 thousand) were incurred. Interest expenses from tax back payments amounted to EUR 16 thousand (previous year: EUR 37 thousand) in the fiscal year.

The 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 7 thousand in the fiscal year 2020 (previous year: EUR 121 thousand). Total

interest expenses for financial assets measured at amortized cost or financial liabilities not measured at fair value through profit or loss amounted to EUR 936 thousand in the fiscal year 2020 (previous year: EUR 652 thousand). No interest income or expense was recorded in any reporting period for financial assets that are measured at fair value through equity under 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

The income tax expense breaks down as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Actual tax expense	-7,930	-6,985
thereof relating to other periods	-703	2
Deferred taxes	585	-348
thereof relating to other periods	542	354
thereof from temporary differences	214	-778
	-7,345	-7,333

Taxes on income include the income taxes paid or owed in the individual countries and deferred taxes.

The calculation of deferred taxes is based on the tax rates expected in the individual countries at the time of realization; these are generally based on the statutory regulations in force or enacted on the balance sheet date.

The following reconciliation statement shows the differences between the income tax expense actually posted and the

expected income tax expense. The expected income tax expense is calculated by multiplying earnings before income taxes by the applicable income tax rate. In accordance with IAS 12.85, the applicable income tax rate is the one that 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 - 12/31/2019	01/01 - 12/31/2020
Consolidated net income before income taxes	25,492	27,198
Applicable income tax rate	28.00%	28.00%
Expected income tax expense	7,137	7,615
Effects from deviating foreign tax rates	-6	56
Effects from deviating domestic tax rates	6	95
Tax effects		
Tax additions	95	140
Tax-free income	-79	-239
Tax income relating to other periods	-584	-380
Tax expense relating to other periods	745	24
Other deviations	31	22
Total tax effects	208	-433
Total tax expense	7,345	7,333
Effective tax rate	28.81%	26.96%

VI. NOTES TO THE BALANCE SHEET

9. NON-CONTROLLING INTERESTS IN THE CONSOLIDATED NET INCOME

The non-controlling interests in the consolidated net income 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 is shown in the consolidated statement of changes in equity.

The following financial information relates to non-controlling interests (percentage) in subsidiaries:

in EUR thousand	12/31/2019	12/31/2020
Non-current assets	4,836	4,093
Current assets	0	84
Non-current liabilities	0	0
Current liabilities	2,730	2,071
Cash flow	0	0
Dividends paid	0	0
Annual result	156	-160
Other income	0	0
Overall result	156	-160

A profit 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 in full any losses of AlzChem International GmbH that may arise. The contract was concluded for a period of five years and cannot be terminated during this period.

On the basis of the agreement, the Group will receive the entire annual result and the overall result of AlzChem International GmbH as of January 1, 2018. Consequently, the non-controlling interests do not receive any further annual results for the period of the profit transfer agreement. The minority shareholders of AlzChem International GmbH were granted a compensation payment of EUR 2.85 (gross) per share and year for the loss of their variable profit claim for the duration of the profit transfer agreement.

In the consolidated balance sheet, the present value of future compensation payments to be made has already been recognized in full (EUR 513 thousand; December 31, 2019: EUR 684 thousand) under current and non-current other liabilities.

The non-controlling interest in consolidated equity was reduced by the same amount. The compensation payments to be made annually to the non-controlling interests are allocated (pro rata) to the consolidated net income of the non-controlling interests in each case and therefore do not correspond to the actual earnings of the non-controlling interests, as this is zero in the years of the profit transfer agreement. The figure reported in the overview above represents 6% of the actual annual result of AlzChem International GmbH. However, in the balance sheet, EUR 171 thousand (December 31, 2019: EUR 171 thousand) from AlzChem International GmbH was allocated to the consolidated net result of the non-controlling interests. The cash-effective settlement takes place in January of each fiscal year in the same amount.

10. INTANGIBLE ASSETS

Intangible assets include acquired software, rights and licenses. The AlzChem Group had no internally generated intangible assets at the reporting dates shown.

The development of intangible assets in the period from January 1 to December 31, 2019 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition costs 01/01/2019	3,862	2,011	5,873
Additions	744	394	1,138
Disposals	-5	-63	-68
Reclassification	-176	224	48
Currency translation	4	-2	2
As of 12/31/2019	4,429	2,564	6,993
Amortization 01/01/2019	3,299	1,704	5,003
Additions	317	201	518
Disposals	-5	-63	-68
Reclassification	0	0	0
Currency translation	1	-2	-1
As of 12/31/2019	3,612	1,840	5,452
Net carrying amount 12/31/2018	563	307	870
Net carrying amount 12/31/2019	817	724	1,541

The development of intangible assets in the fiscal year 2020 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition costs 01/01/2020	4,429	2,564	6,993
Additions	839	0	839
Disposals	-44	-742	-786
Reclassification	342	-283	59
Currency translation	9	0	9
As of 12/31/2020	5,575	1,539	7,114
Amortization 01/01/2020	3,612	1,840	5,452
Additions	417	218	635
Disposals	-44	-742	-786
Reclassification	87	-87	0
Currency translation	3	0	3
As of 12/31/2020	4,075	1,229	5,304
Net carrying amount 12/31/2019	817	724	1,541
Net carrying amount 12/31/2020	1,500	310	1,810

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 as of the reporting date.

11. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in the period from January 1 to December 31, 2019 is shown below:

in EUR thousand	Land, land rights and buildings	Plant and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Acquisition costs 01/01/2019	48,984	190,816	18,586	39,969	298,355
Additions	8,059	21,944	2,591	6,363	38,957
Disposals	-110	-783	-373	0	-1,266
Reclassification	10,428	26,321	470	-37,267	-48
Currency translation	4	-46	1	-18	-59
As of 12/31/2019	67,365	238,252	21,275	9,047	335,939
Amortization 01/01/2019	21,408	119,307	13,375	0	154,090
Additions	1,780	12,986	2,529	0	17,295
Disposals	-83	-731	-317	0	-1,131
Reclassification	0	0	0	0	0
Currency translation	0	-18	1	0	-17
As of 12/31/2019	23,105	131,544	15,588	0	170,237
Net carrying amount 12/31/2018	27,576	71,509	5,211	39,969	144,265
Net carrying amount 12/31/2019	44,260	106,708	5,686	9,047	165,702

The development of property, plant and equipment in the fiscal year 2020 is as follows:

in EUR thousand	Land, land rights and buildings	Plant and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Acquisition costs 01/01/2020	67,365	238,252	21,275	9,047	335,939
Additions	486	7,791	2,354	19,365	29,996
Disposals	-8	-1,194	-1,252	-294	-2,748
Reclassification	806	6,446	285	-7,596	-59
Currency translation	48	172	-9	53	264
As of 12/31/2020	68,697	251,467	22,653	20,575	363,392
Depreciation 01/01/2020	23,105	131,544	15,588	0	170,237
Additions	2,111	15,809	2,523	0	20,444
Disposals	-8	-1,177	-1,238	0	-2,423
Reclassification	0	0	0	0	0
Currency translation	4	74	-5	0	73
As of 12/31/2020	25,212	146,250	16,868	0	188,330
Net carrying amount 12/31/2019	44,260	106,708	5,686	9,047	165,702
Net carrying amount 12/31/2020	43,485	105,217	5,785	20,575	175,062

Impairment losses on property, plant and equipment were not recognized in any of the reporting periods presented.

As a site operator, AlzChem rents or leases individual office space, storage areas and company apartments. Separate disclosure of the carrying amounts of these individual leased properties in accordance with IFRS 16.58 is not possible in most cases, as individual carrying amounts either do not exist or are not material when considering the total carrying amount of the land and buildings.

Plant and machinery includes jointly controlled assets of EUR 103 thousand as of the balance sheet date (December 31, 2019: EUR 207 thousand). This relates to a steam boiler which Nigu Chemie GmbH operates at the Waldkraiburg site together with a neighboring company on its property. The AlzChem Group's share in this joint venture agreement is 50%. The two companies each account for 50% of the volume produced by the steam boiler for their own production processes. The share of expenses from this jointly controlled asset amounted to EUR 1,047 thousand in the fiscal year 2020 (previous year: EUR 1,477 thousand). As in the previous year, no income from this jointly controlled asset was generated.

Borrowing costs were not capitalized in the fiscal year 2020. In the fiscal year 2019, borrowing costs of EUR 377 thousand were capitalized as part of the production costs of technical equipment and machinery and buildings. The underlying financing cost rate corresponds to the loan interest rate of the directly attributable loans.

Property, plant and equipment in the amount of EUR 14,568 thousand (December 31, 2019: EUR 15,364 thousand) serves as collateral for loan liabilities to banks.

12. LEASING

The AlzChem Group has entered into leases mainly for motor vehicles, forklifts, railway wagons, office space and software. Leases for smaller IT equipment, such as printers and photocopiers, which are mainly workplace-related, are classified as leases with a lower value and are not recognized in the balance sheet. Similarly, leases with a term of up to twelve months and those for intangible assets are not recognized in the balance sheet.

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	Plant and machinery	Operating and office equipment	Gesamt
Carrying amount 01/01/2019	276	2,865	292	3,433
Additions	0	8,056	0	8,056
Depreciation	-105	-1,486	-88	-1,679
Disposals	-40	0	0	-40
Carrying amount 12/31/2019	131	9,435	204	9,770
Additions	259	553	0	812
Depreciation	-116	-1,813	-89	-2,018
Disposals	0	-29	-2	-31
Currency translation	-13	-4	8	-9
Carrying amount 12/31/2020	261	8,142	121	8,524

The book values of the leasing liabilities and the future payments from these leasing liabilities are as follows according to their maturities:

12/31/2019 in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Present value of leasing liabilities	1,706	4,856	2,854	9,416
Payments from leasing liabilities	1,831	5,140	2,902	9,873

12/31/2020 in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Present value of leasing liabilities	1,634	4,960	1,720	8,314
Payments from leasing liabilities	1,739	5,181	1,737	8,657

The following expenses and income in connection with leases were recorded in the income statement:

P&L item in EUR thousand		01/01 - 12/31/2019	01/01 - 12/31/2020
Other operating expenses	Leasing expenses for short-term leasing contracts	902	184
Other operating expenses	Leasing expenses low-value leasing contracts	55	58
Other operating expenses	Variable leasing expenses outside leasing liabilities	33	30
Interest and similar expenses	Interest expense for leasing liabilities	55	131
Sales	Income from operating leases	1,189	1,273
Other operating income	Income from operating leases	470	476

The AlzChem Group did not generate any income or losses from subleasing leasing usage rights or from sale-and-lease-back transactions.

There are no significant extension or termination options for the currently recognized lease utilization rights that are not taken into account in the calculation of lease liabilities, nor

have any residual value guarantees been provided. Similarly, there are no obligations from leases that have already been concluded but not yet commenced as of the balance sheet date. We expect future payments from variable lease payments to be approximately at the same level as in the past fiscal year 2020.

The leasing conditions are negotiated individually and include a large number of different terms and conditions. The leasing agreements do not contain any credit conditions, but leased assets may not be used as collateral for borrowings.

The AlzChem Group has not identified any finance leases as a lessor. As the operator of the site, AlzChem rents or leases out individual offices, storage space and company apartments. The AlzChem Group expects the following inflows from these contracts in the coming periods:

12/31/2019 in EUR thousand	Expected in the fiscal year					
	2020	2021	2022	2023	2024	After 2024
Proceeds from operating lease agreements	1,468	1,074	691	691	550	2,685

12/31/2020 in EUR thousand	Expected in the fiscal year					
	2021	2022	2023	2024	2025	After 2025
Proceeds from operating lease agreements	1,410	717	717	563	562	4,348

13. FINANCIAL ASSETS

Non-current financial assets comprise all shares in other equity participations and are allocated to the "at fair value through profit or loss" measurement category. As there are no observable market values for these investments and, taking into account their overall minor significance for the AlzChem Group, no reliable parameters for a model valuation can be

determined with reasonable effort, the acquisition costs are used as the best available indication of fair value. The AlzChem Group does not currently plan to divest the investments.

14. 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	12/31/2019	12/31/2020
Non-current receivables and other assets		
Including financial assets		
Refund claims against suppliers	4	0
Total non-current financial assets	4	0
Including non-financial assets		
Prepayments and accrued income	416	565
Other	50	65
Total non-current non-financial assets	466	630
Total non-current receivables and other assets	470	630
Current receivables and other assets		
Including financial assets		
Receivables from purchase price retention, special lock account and settlement account	5,087	4,104
Current restricted cash investments	5,902	5,902
Other	189	355
Total current financial assets	11,178	10,361
Including non-financial assets		
Tax receivables	1,802	1,617
Prepayments and accrued income	1,008	1,486
Other	63	37
Total current non-financial assets	2,873	3,140
Total current receivables and other assets	14,051	13,501

The receivables from purchase price retention, special lock account and settlement account result from factoring transactions and represent receivables from the factor. Short-term cash investments relate to liquid funds invested with banks with a fixed-interest period of no more than twelve months. This cash investment of EUR 5,902 thousand (December 31, 2019: EUR 5,902 thousand) serves in its entirety as security in accordance with the legal requirements for the aftercare and recultivation of landfill sites.

The prepaid expenses and deferred charges were mainly formed for advance payments of insurance policies and maintenance contracts. Insurance policies in connection with the current stock exchange listing in the amount of EUR 194 thousand (December 31, 2019: EUR 416 thousand) are also reported under non-current assets.

No value adjustments were made to the above-mentioned non-current and current financial assets, nor are any amounts overdue included. As of the balance sheet date, there are no

indications that payments will not be made when these items become due.

The current and non-current financial assets shown here include the following receivables in foreign currency:

in EUR thousand	12/31/2019	12/31/2020
Total	104	130
USD	15	10
SEK	53	66
CNY	36	54

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset 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	12/31/2019	12/31/2020
Deferred tax assets		
Intangible assets	60	100
Property, plant and equipment	328	370
Financial assets	49	44
Inventories	1,215	705
Other receivables and other assets	1,438	1,770
Provisions	28,602	30,251
thereof for pension obligations	25,697	27,157
Liabilities	2,605	2,296
Tax loss carryforwards	180	259
Total deferred tax assets	34,477	35,795
thereof current	5,307	4,815
thereof non-current	29,170	30,980
Deferred tax liabilities		
Property, plant and equipment and lease usage rights	2,915	2,849
Other receivables and other assets	1,815	1,841
Provisions	0	5
Liabilities	15	0
Total deferred tax liabilities	4,745	4,695
thereof current	1,815	1,841
thereof non-current	2,930	2,854
Netting of deferred tax assets and liabilities	0	0
Balance sheet recognition of deferred tax assets	34,477	35,795
Balance sheet recognition of deferred tax liabilities	4,745	4,695

The changes in deferred taxes compared with the previous year were recognized as an expense in the income statement in the amount of EUR 348 thousand (previous year: EUR 585 thousand income). The change in deferred taxes is included in other comprehensive income in the amount of EUR 1,713 thousand (previous year: EUR 6,289 thousand).

The deferred tax assets on income tax loss carryforwards listed here amount to EUR 11 thousand (December 31, 2019: EUR 9 thousand) and are attributable to domestic companies. Of this amount, EUR 5 thousand (December 31, 2019: EUR 4 thousand) relates to trade tax and EUR 6 thousand (December 31, 2019: EUR 5 thousand) to corporate income tax. In the reporting year, deferred tax assets were recognized for all income tax loss carryforwards. The existing tax loss carryforwards are non-forfeitable.

The calculation of deferred taxes resulted in a surplus of deferred tax assets. Based on the approved corporate planning, it is assumed that sufficient tax results will be available in the future to make the realization of deferred tax assets probable.

No deferred tax liabilities were recognized for temporary differences in connection with shares in subsidiaries amounting to EUR 68,565 thousand (December 31, 2019: EUR 67,912 thousand).

For further information, please refer to the explanations on accounting and valuation principles and to the notes in section IV.

16. INVENTORIES

in EUR thousand	12/31/2019	12/31/2020
Raw materials, consumables and supplies	26,241	21,591
Unfinished goods	15,670	14,142
Unfinished services	124	106
Finished goods	31,991	31,024
Trade goods	181	62
Advance payments made	400	477
	74,607	67,402

In the fiscal year 2020, impairment losses on inventories of EUR 2,108 thousand (previous year: EUR 1,868 thousand) and reversals of impairment losses of EUR 225 thousand (previous year: EUR 51 thousand) were recognized in profit or loss under cost of materials. Impairment losses were recognized mainly

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 was EUR 132,507 thousand (previous year: EUR 142,391 thousand).

17. TRADE RECEIVABLES

The development of value adjustments in the reporting period is shown below:

in EUR thousand	01/01/2019	Additions	Consumption	Reversal	Currency translation	12/31/2019
Impairment on trade receivables (AC)	106	8	0	-106	-1	7
Impairment on trade receivables (FVOCI)	502	80	0	0	0	582
Total	608	88	0	-106	-1	589

in EUR thousand	01/01/2020	Additions	Consumption	Reversal	Currency translation	12/31/2020
Impairment on trade receivables (AC)	7	105	0	0	0	112
Impairment on trade receivables (FVOCI)	582	0	-249	0	0	333
Total	589	105	-249	0	0	445

The value adjustments as of the reporting date relate to a gross receivables volume before collateral and value adjustments of EUR 25,910 thousand (FVOCI) (December 31, 2019: EUR 26,872 thousand) and EUR 7,659 thousand (AC) (December 31, 2019: EUR 6,218 thousand).

The ratio of the expected loss, measured against the total receivables portfolio, is 1.34% as of the reporting date, whereby the individual rates based on historical values fluctuate between 0.03% and 1.74% depending on the overdue nature of the receivables. For receivables that have reached "defaulted" status, historically around 44% of the outstanding amount could be realized through the realization of collateral or other recovery measures.

As of December 31, 2020, the AlzChem Group had received collateral from trade credit insurance for the collateralization of trade receivables in the amount of EUR 13,878 thousand (December 31, 2019: EUR 14,589 thousand). Of this amount, collateral in the amount of EUR 1,028 thousand (December 31, 2019: EUR 475 thousand) relates to overdue receivables.

In the case of receivables that are neither impaired nor overdue, there were no indications as of the balance sheet date that payments would not be made when due.

Due to the international activities of the Group, trade receivables include the following foreign currency receivables converted into the Group currency, the euro, as of the balance sheet dates:

in EUR thousand	12/31/2019	12/31/2020
Total	11,294	15,317
USD	6,226	7,660
SEK	1,939	3,533
JPY	2,432	2,710
CNY	556	1,142
Other	141	272

The receivables sold as part of factoring, less the agreed retentions, amount to EUR 19,443 thousand (December 31, 2019: EUR 15,314 thousand). The analysis of the transfer of the opportunities and risks arising from the receivables sold as of December 31, 2020 and as of the previous year's balance sheet date has shown a complete transfer, so that no remaining commitment is shown within the AlzChem Group. Neither in the past year nor in the previous period were there any cash returns from the purchase price retentions to the factoring company in the context of factoring.

18. INCOME TAX ASSETS

Tax receivables comprise income tax receivables of German companies in the amount of EUR 1,311 thousand (December 31, 2019: EUR 259 thousand) and foreign companies in the amount of EUR 0 thousand (December 31, 2019: EUR 124 thousand). These result from overpayments in the past and previous fiscal years.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up as follows:

in EUR thousand	12/31/2019	12/31/2020
Bank balances	9,052	17,108
Cash on hand	9	9
	9,061	17,117

Cash and cash equivalents are denominated in the Group currency, the euro, and are translated into the following currencies:

in EUR thousand	12/31/2019	12/31/2020
Total	6,328	6,136
USD	2,498	4,492
CNY	1,987	964
SEK	1,798	599
Other	45	81

20. 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 on the reporting date (December 31, 2019: EUR 101,763,350.00).

The Annual General Meeting on May 14, 2019 had resolved, among other things, a reverse stock split at a ratio of 10 to 1. The following two-stage procedure was necessary to implement this:

- The previous share capital of the company in the amount of EUR 101,763,355.00, divided into 101,763,355 bearer shares with a proportional amount of share capital of EUR 1.00 per share, was initially reduced by EUR 5.00 to EUR 101,763,350.00 by way of a capital reduction through the retirement of five shares in accordance with sec. 237 (1) sentence 1 second case in conjunction with (3) no. 1 AktG. The retired shares were made available to the company by a shareholder free of charge; the issue price for the shares was paid in full. The sole purpose of this capital reduction was to create a share capital figure which, when the capital reduction was carried out by combining shares, enabled a smooth combination ratio. The amount of the share capital attributable to the retired shares in the total amount of EUR 5.00 was transferred to the company's capital reserves in accordance with sec. 266 (3) A II HGB.
- Following the retirement of these five shares, the number of no-par value shares issued was reduced from 101,763,350 to 10,176,335 by combining no-par value

shares at a ratio of 10 to 1. As a result of this measure, the proportionate amount of the share capital attributable to each individual share increased from EUR 1.00 to EUR 10.00. The share capital itself remained unchanged at EUR 101,763,350.00.

The capital measures were entered in the commercial register on June 19, 2019. Since July 1, 2019, the number of shares traded on the stock exchange has been 10,176,335. The notional interest in the share capital per share amounts to EUR 10.00 after the implementation of the reverse split resolved by the 2019 Annual General Meeting. There are no different classes of shares. The company does not hold any treasury shares and has not issued any shares with special rights. The same rights and obligations are associated with all shares.

AUTHORIZED CAPITAL 2017

The Management Board is authorized in accordance with sec. 5 (5) of the company's Articles of Incorporation to increase the share capital of AlzChem Group AG, with the approval of the Supervisory Board, on one or more occasions until July 31, 2022 by a total of up to EUR 10,063,333.00 (in words: ten million sixty-three thousand three hundred and thirty-three euros) by issuing up to 10,063,333 new bearer shares against cash and/or non-cash contributions (Authorized Capital 2017). The shareholders are generally to be granted subscription rights. The statutory subscription right can also be granted in such a way that the new shares are taken over by a credit institution or a syndicate of credit institutions determined by the Management Board with the obligation to offer them to the shareholders of the company for subscription.

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

- 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 under exclusion of the subscription right pursuant to sec. 186 (3) sentence 4 AktG is not significantly lower than the stock exchange price of the already listed shares of the same class and

features, and the total pro rata amount of the share capital attributable to the new shares issued under exclusion of the subscription right pursuant to sec. 186 (3) sentence 4 AktG does not exceed 10% of the share capital existing at the time this authorization becomes effective and at the time this authorization is exercised. This limit of 10% of the share capital shall include shares that were issued or sold during the term of this authorization up to the time of exercising this authorization in direct or analogous application of sec. 186 (3) sentence 4 AktG;

- to avoid fractional amounts;
- to issue shares within the scope of share participation or other share-based programs against cash and/or non-cash contributions to members of the company's Management Board, members of the representative body of a company affiliated with the company or to employees of the company or of a company affiliated with the company, whereby the employment relationship or board relationship with the company or with a company affiliated with the company must exist at the time of the commitment to issue shares. Insofar as members of the company's Management Board are to be granted shares, this is decided solely by the company's Supervisory Board.

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 rights attached to the shares and the conditions of the share issue, including profit participation that deviates from sec. 60 (2) AktG. The Supervisory Board is authorized to amend the company's Articles of Association after the Authorized Capital has been fully or partially utilized or after the expiry of the Authorized Capital, in particular with regard to the amount of the share capital and the number of existing no-par value shares.

The above presentation reflects the content adopted by the 2017 Annual General Meeting and incorporated into the Articles of Association of the company. However, the following should be noted with regard to the number of shares available for a capital increase from Authorized Capital 2017: The Authorized Capital 2017 has not been formally adjusted in the context of the reverse split of shares at a ratio of 10:1

as resolved by the Annual General Meeting 2019. However, the number of shares to be issued under this capital has also been reduced in the ratio of 10 to 1 due to the lack of the continued existence of the previous shares, each of which has a notional interest of EUR 1.00 in the share capital, and therefore - with an unchanged maximum increase amount of EUR 10,063,333.00 - now actually amounts to only 1,006,333 shares.

The Annual General Meeting did not grant the Management Board any rights with regard to a conditional capital increase.

AUTHORIZATION TO ACQUIRE TREASURY SHARES

In order to give AlzChem Group AG the opportunity to acquire and resell treasury shares if necessary, the Annual General Meeting authorized AlzChem Group AG in accordance with sec. 71 (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 July 31, 2022. Together with other shares in the company which AlzChem Group AG has acquired and still holds at the time of acquisition or which are attributable to it in accordance with secs. 71d or 71e AktG, the shares acquired on the basis of this authorization may at no time exceed 10% of the share capital. The authorization may not be used by AlzChem Group AG for the purpose of trading in treasury shares.

The authorization can be exercised in whole or in part, once or several times, by AlzChem Group AG or by dependent or majority-owned companies of AlzChem Group AG or by third parties acting on behalf of AlzChem Group AG or dependent or majority-owned companies of AlzChem Group AG. At the discretion of the Management Board, the acquisition can 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 purchase price (excluding incidental acquisition costs) may not exceed or fall below the price of the share determined by the opening auction in Xetra trading (or a comparable successor system) on the trading day by more than 10%.

In the event 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 day of trading before the day of the public announcement of the offer. If there are not insignificant deviations of the relevant price after the publication of the public purchase offer, the offer can be adjusted. In this case, the price on the third stock exchange trading day prior to the public announcement of a possible adjustment will be used as a basis. The volume of the offer may be limited. If the total subscription to the offer exceeds the fixed volume, acceptance must be 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 on the stock exchange or by means of offers to all shareholders. In the case of sale via the stock exchange, the shareholders have no subscription right. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of shareholders 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 a way other than via the stock exchange or by means of offers to all shareholders if the acquired treasury shares are sold at a price that is not significantly lower than the stock exchange price of shares of the company with the same terms at the time of the sale. The subscription right of shareholders is excluded in this case. This authorization is limited to a total of 10% of the share capital existing at the time of the resolution by the Annual General Meeting or, if lower, of the share capital of the

company existing at the time this authorization is exercised. This limit of 10% of the share capital shall include shares that were issued or sold during the term of this authorization up to the time of its exercise in direct or analogous application of sec. 186 (3) sentence 4 AktG.

(3) The Management Board is further authorized, with the consent of the Supervisory Board, to use treasury shares of the company acquired on the basis of this authorization as (partial) consideration within the scope of mergers or for the acquisition of companies, investments in companies, parts of companies or other assets.

(4) The Management Board is further authorized, with the approval of the Supervisory Board, to offer or transfer treasury shares of the company acquired on the basis of this authorization to employees of the company or its Group companies for purchase. The Supervisory Board shall be authorized to offer or transfer treasury shares of the company, which were acquired on the basis of this authorization or an authorization granted earlier, to members of the Management Board of the company for purchase.

(5) The Management Board is further authorized, with the consent of the Supervisory Board, to redeem the company's treasury shares 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 withdrawal leads to a capital reduction. In deviation from this, the Management Board may determine that the share capital is not reduced, but that the share of the other shareholders in the share capital is increased in accordance with sec. 8 (3) AktG. In this case, the Supervisory Board is authorized to adjust the number of shares stated in the Articles of Association.

The shareholders' subscription right is excluded in the execution of the measures under (2) to (5).

All the above authorizations may be exercised once or several times, in whole or in part, individually or jointly.

CAPITAL RESERVE ADJUSTMENT ITEM REVERSE ACQUISITION

The adjustment of the subscribed capital of AlzChem Trostberg GmbH to the subscribed capital of AlzChem Group AG and the business transactions from the capital increases in the 2017 fiscal year that did not affect the subscribed capital of AlzChem Group AG are shown in the capital reserve adjustment item reverse acquisition. These adjustments were necessary in order to present the requirements for accounting and reporting a reverse business combination in the 2017 fiscal year (see the explanations in II. Business model change and the resulting presentation in the IFRS consolidated financial statements as of December 31, 2017). The item has not changed compared with December 31, 2019.

The subscribed capital of AlzChem Trostberg GmbH amounts to EUR 11,000 thousand at the reporting date (December 31, 2019: EUR 11,000 thousand).

CAPITAL RESERVES

The capital reserves represent those of AlzChem Trostberg GmbH and remained unchanged at EUR 24,981 thousand for the entire reporting period.

OTHER ACCUMULATED EQUITY

Other comprehensive income includes gains and losses that are not recognized in the income statement but in other comprehensive income. In the AlzChem Group, this includes, in the period under review, the difference from the translation differences from foreign financial statements into the reporting currency, effects from the revaluation of defined benefit obligations, changes from the market valuation of financial assets in other comprehensive income and deferred taxes thereon. The development of the individual items in the period under review is shown below:

in EUR thousand	Measurement of financial assets measured at fair value through other comprehensive income	Difference from the currency translation	Valuation of pension provisions	Total
As of 01/01/2019	7	837	-32,967	-32,123
Gains (+) or losses (-) recognized in other comprehensive income	2	0	-22,457	-22,455
Difference from currency translation	0	138	0	138
Deferred taxes	-1	0	6,289	6,288
As of 12/31/2019	8	975	-49,135	-48,152
As of 01/01/2020	8	975	-49,135	-48,152
Gains (+) or losses (-) recognized in other comprehensive income	-7	0	-6,112	-6,119
Difference from currency translation	0	-519	0	-519
Deferred taxes	2	0	1,711	1,713
As of 12/31/2020	3	456	-53,536	-53,077

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 earnings accumulated in the year under review and in previous fiscal years, less dividend payments to shareholders. In accordance with the requirements for accounting 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 2017 fiscal year.

In the reporting period, AlzChem Group AG distributed a dividend of EUR 7,632 thousand (previous year: EUR 9,159 thousand) to shareholders. Based on the 10,176,335 AlzChem Group AG shares outstanding as of the balance sheet date December 31, 2020, this resulted in a dividend per share of EUR 0.75 (previous year: EUR 0.90). The dividend in the reporting periods was distributed as a cash dividend.

A proposal will be made to the Annual General Meeting to distribute a dividend of EUR 7,835,778 from the balance sheet profit for the fiscal year 2020. This corresponds to a dividend of EUR 0.77 per share.

NON-CONTROLLING INTERESTS

Non-controlling interests amounting to EUR 1,763 thousand (December 31, 2019: EUR 1,592 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 shown in the consolidated statement of changes in equity.

A profit 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 in full any losses of AlzChem International GmbH. The contract was concluded for a period of five years and cannot be terminated during this period.

Based on the agreement, the Group will receive the entire annual result and overall result of AlzChem International

GmbH since January 1, 2018. Consequently, the non-controlling interests do not receive any further annual results for the period of the profit 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 profit entitlement. The compensation payment is made via AlzChem Trostberg GmbH in January of each fiscal year.

Further financial information on non-controlling interests can be found in Note 9.

CAPITAL MANAGEMENT

The objectives of the AlzChem Group with regard to capital management are, on the one hand, to ensure the long-term continuation of the company and to generate appropriate returns for the shareholders, and on the other hand to maintain an optimal capital structure in order to reduce capital costs.

The capital structure is managed in such a way that it takes account of changes in the macroeconomic environment and risks arising from the underlying assets. Thanks to its strong operating cash flow, the company is in a position to make optimum use of its own financial resources. In the case of investments that are generally only made after careful consideration of cost/benefit potentials, the company regularly reviews whether the available financial resources can be replaced by long-term financing in favor of improved raw material procurement prices. In principle, the AlzChem Group is in permanent contact with banks and other financing companies in order to examine the use of bank loans and other financing options to optimize the return on equity.

As part of this process, the procurement of outside capital is managed on the basis of a target debt structure that is oriented towards companies in the same industry and with similar size characteristics of the AlzChem Group. When selecting financial instruments, the focus is on financing with matching maturities, which is achieved by controlling the maturities. When monitoring the capital structure and other resulting key figures, the focus is on the consideration and compliance with contractually regulated agreements in financing contracts (covenants).

In the fiscal year 2020, AlzChem received a further EUR 10 million in loans for expansion investments. Negotiations with the financial institutions involved have shown that the focus of capital monitoring and capital management is essentially concentrated on the Group equity ratio and that compliance with contractual agreements is also linked to this. For this reason, we are reporting the Group equity ratio as a capital management indicator from this fiscal year onwards and are

also presenting this for the previous year. The debt ratio, which was reported as a performance indicator until the previous year, is no longer relevant for these purposes and is therefore no longer presented or reported internally.

The Group equity ratio developed as follows in the reporting period:

in EUR thousand	12/31/2019	12/31/2020
Total capital	342,583	354,296
Net debt	61,350	68,658
Debt ratio in %	17.9	19.4

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are defined benefit obligations for former and current employees of the AlzChem Group. The provisions are formed on the basis of pension plans for commitments to old-age, disability and survivors' benefits. The amount of individual pension benefits from the commitments is based on the wage or salary level and/or the position in the company hierarchy and the length of service. The duration of

the benefit supplement is not limited during the lifetime of the beneficiary. The AlzChem Group is therefore exposed to the risks of future salary increases and longevity. The company regularly counters the risk of salary increases in collective bargaining and tries to keep the risk low. However, the risks are not significantly limited by the relatively low proportion of plan assets.

The amount of the provision recognized exclusively in Germany is as follows as of the balance sheet dates:

in EUR thousand	12/31/2019	12/31/2020
Provisions for pensions	134,629	141,775

The present value of the pension obligations of the companies of the AlzChem Group based on defined benefit obligations developed as follows:

in EUR thousand	DBO	Plan assets	Provision
As of 01/01/2019	110,129	168	109,960
Effects from revaluation	22,457	-	22,457
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	22,629	-	22,629
thereof experience-based adjustments	-172	-	-172
Interest expense	2,088	-	2,088
Current service cost	1,133	-	1,133
Pensions paid	-1,005	-	-1,005
Expected income from plan assets	-	6	-6
Payments from plan assets	-	0	0
As of 12/31/2019	134,802	174	134,629
As of 01/01/2020	134,802	174	134,629
Effects from revaluation	6,112	-	6,112
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	6,481	-	6,481
thereof experience-based adjustments	-369	-	-369
Interest expense	1,212	-	1,212
Current service cost	1,009	-	1,009
Pensions paid	-1,181	-	-1,181
Expected income from plan assets	-	5	-5
Payments from plan assets	-	0	0
As of 12/31/2020	141,954	179	141,775

Reconciliation of obligations at provision value:

in EUR thousand	12/31/2019	12/31/2020
Defined benefit obligation not fund-financed	134,624	141,769
Defined benefit obligation fund-financed	178	185
Subtotal	134,802	141,954
Less fair value of plan assets	-174	-179
Provisions for pensions and similar obligations	134,629	141,775

The effects of the revaluation of the defined benefit obligations recognized in other accumulated equity in the fiscal year 2020 are as follows:

in EUR thousand	12/31/2019	12/31/2020
Change in demographic assumptions	0	0
Change in financial assumptions	22,629	6,481
Experience-based adjustments	-172	-369
	22,457	6,112

The amounts recognized in the income statement in the reporting period are composed as follows:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Interest expense	2,088	1,212
Service cost	1,133	1,009
Expected income from plan assets	-6	-5
	3,215	2,216

The expected outflow of liquidity from pension obligations in the next year totals EUR 1,699 thousand (previous year: EUR 1,400 thousand).

respective year in the operating result and amounted to a total of EUR 7,399 thousand in the Group in the fiscal year 2020 (previous year: EUR 7,230 thousand).

The current payments for employer contributions to the statutory pension scheme are shown as expenses for the

The plan assets developed as follows:

in EUR thousand	12/31/2019	12/31/2020
As of 01/01	168	174
Expected income from plan assets	6	5
Payments from plan assets	0	0
As of 12/31	174	179

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 factors affecting the present value of the pension obligation under otherwise unchanged assumptions would have the following effect on the present value of the pension obligation as of the balance sheet date:

Present value of the pension obligation in EUR thousand

Discount rate	
As of 12/31/2020: 0.50%	141,775
Increase to 0.60%	138,696
Decrease to 0.40%	144,936
Wage and salary trend	
As of 12/31/2020: 2.50%	141,775
Increase to 3.50%	147,966
Decrease to 1.50%	137,261
Pension trend	
As of 12/31/2020: 1.50%	141,775
Increase to 2.50%	161,554
Decrease to 0.50%	125,864

If pensioner mortality were to fall by 20%, the present value of the pension obligation would be EUR 152,687 thousand.

The same method was used to calculate the sensitivity of the DBO for the relevant actuarial assumptions (determination of the present value using the projected unit credit method) as

for the calculation of the provisions for pensions, which are recorded in the consolidated balance sheet. In determining the sensitivities, only one parameter was changed and all other assumptions were retained.

The weighted average term of the defined benefit obligation in relation to the present value of the pension obligation at the balance sheet date is as follows:

Present value of the pension obligation in EUR thousand	Average duration in years	Obligated company
141,525	22	AlzChem Trostberg GmbH/AlzChem Group AG
243	35	Nigu Chemie GmbH

Deferred tax assets of EUR 27,157 thousand (December 31, 2019: EUR 25,697 thousand) were recognized for the pension provisions recognized in the Group.

22. OTHER PROVISIONS (NON-CURRENT AND CURRENT)

in EUR thousand	Provisions for landfills	Provisions for personnel	Provisions for warranties from product sales	Provisions for subsequent customer fees/commissions	Other provisions	Total
As of 01/01/2019	8,417	10,522	279	1,678	521	21,417
Utilization	-1	-1,888	-17	-69	-116	-2,091
Additions	256	3,132	0	800	804	4,992
Release	-9	-5	-15	-1,563	-208	-1,800
Reclassification	0	-846	0	0	0	-846
Interest accretion/ change in interest rates	1,731	737	0	0	0	2,467
Currency translation	0	-2	0	0	-2	-4
As of 12/31/2019	10,394	11,650	247	846	999	24,136
Non-current	10,394	11,380	0	0	631	22,404
Current	0	270	247	846	368	1,732
As of 12/31/2019	10,394	11,650	247	848	999	24,136
As of 01/01/2020	10,394	11,650	247	848	999	24,136
Utilization	0	-1,964	0	-8	-257	-2,229
Additions	173	3,148	0	40	1,518	4,879
Release	0	0	-14	0	-71	-85
Reclassification	0	-1,021	0	0	0	-1,021
Interest accretion/ change in interest rates	1,133	294	0	0	0	1,427
Currency translation	0	3	0	-2	0	1
As of 12/31/2020	11,700	12,110	233	878	2,189	27,110
Non-current	11,700	11,782	0	0	751	24,233
Current	0	328	233	878	1,437	2,877
As of 12/31/2020	11,700	12,110	233	878	2,188	27,110

The provisions for landfills are related to legal requirements for the aftercare and recultivation of landfill sites. The provisions were formed 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 2020 resulted from changes in parameters and compounding. We expect the cash outflows from these non-current provisions to take place over a substantial period of time as part of the post-employment benefit obligations.

The provisions for personnel relate to provisions for long-service bonuses, provisions for annual leave in the event of retirement and other social benefits for employees. They are recognized on the basis of actuarial assumptions and discounting in line with their maturities.

The provisions for warranties from product sales are formed on the basis of experience. The recognition is reviewed annually and adjusted to reflect current developments.

The provisions for subsequent customer remuneration and commissions are related to supply contracts with customers in force after the balance sheet date to which subsequent price discounts are granted if certain minimum purchase quantities are exceeded.

Other provisions mainly relate to provisions for other fees and premiums not yet invoiced, the amount of which is still uncertain.

23. LOAN LIABILITIES TO BANKS

in EUR thousand	12/31/2019	12/31/2020
Remaining term on the balance sheet date of less than one year	11,935	12,704
thereof current portion of loan liabilities	11,935	12,704
Remaining term on the balance sheet date of more than one year	50,747	48,042
	62,682	60,746

The long-term loan liabilities to banks have fixed interest rates of between 1.15% and 2.65% and were granted in the fiscal years 2013, 2015, 2017 and 2020. The loans are repaid quarterly with a final repayment on September 30, 2027. Apart from the long-term loans, no other short-term financing lines were utilized as of both reporting dates.

Based on the usual payment agreements with the banks, the maturities and thus the cash outflow from current loan liabilities to banks are as follows:

in EUR thousand	12/31/2019	12/31/2020
Carrying amount	11,935	12,704
thereof due in the following periods:		
< 30 days	0	0
30 - 90 days	2,984	2,984
90 - 180 days	2,984	2,824
180 days - 1 year	5,967	6,896

The loan liabilities to banks are secured by property, plant and equipment with a carrying amount of EUR 14,568 thousand

(December 31, 2019: EUR 15,364 thousand) as of the balance sheet date. All liabilities to banks are denominated in euros.

The loan liabilities developed as follows in the reporting period:

in EUR thousand	Current loan liabilities	Non-current loan liabilities
As of 01/01/2019	25,353	32,577
Cash-effective change		
Repayment	-25,351	0
Borrowing	0	30,102
Non-cash change		
Accrued interest	0	0
Reclassification	11,932	-11,932
As of 12/31/2019	11,935	50,747
As of 01/01/2020	11,935	50,747
Cash-effective change		
Repayment	-11,935	0
Borrowing	0	10,000
Non-cash change		
Accrued interest	0	0
Reclassification	12,704	-12,704
As of 12/31/2020	12,704	48,042

24. TRADE ACCOUNTS PAYABLE

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	12/31/2019	12/31/2020
Carrying amount	24,069	20,880
thereof due in the following periods:		
< 30 days	21,135	18,800
30 - 90 days	1,889	1,957
90 - 180 days	121	0
180 days - 1 year	924	123

Due to the international activities of the Group, trade payables include the following foreign currency liabilities translated into the Group currency EUR as of the balance sheet dates:

in EUR thousand	12/31/2019	12/31/2020
Total	2,613	2,016
SEK	1,015	1,402
CNY	229	301
USD	1,362	299
JPY	2	0
Other	5	14

Apart from the usual country-specific retention of title, no collateral has been provided for the trade payables reported. As of the balance sheet dates, no trade payables were overdue.

25. OTHER LIABILITIES

The details of other current liabilities are as follows:

in EUR thousand	12/31/2019	12/31/2020
Personnel liabilities	12,122	13,011
Liabilities from energy taxes	2,933	3,884
Other tax liabilities	1,924	2,230
Liabilities from bonus settlements to customers	1,289	962
Liability to the employers' liability insurance association	0	200
Other	904	1,296
	19,172	21,583

Other current liabilities include other financial liabilities amounting to EUR 5,214 thousand (December 31, 2019:

EUR 4,379 thousand). This includes the following amounts in foreign currency converted into euros:

in EUR thousand	12/31/2019	12/31/2020
Total	216	67
USD	146	21
CNY	0	1
JPY	0	0
Other	70	45

The maturities and thus the cash outflow of current financial liabilities are as follows:

in EUR thousand	12/31/2019	12/31/2020
Carrying amount	4,379	5,214
thereof due in the following periods:		
< 30 days	107	97
30 - 90 days	373	361
90 - 180 days	3,255	291
180 days - 1 year	644	4,465

On the balance sheet date, non-current other liabilities amounted to EUR 342 thousand (December 31, 2019: EUR 513 thousand). These include financial liabilities in full and are denominated in EUR on both balance sheet dates.

26. INCOME TAX LIABILITIES

Income tax liabilities include EUR 163 thousand domestic (December 31, 2019: EUR 1,871 thousand) and EUR 30 thousand foreign income tax liabilities (December 31, 2019: EUR 0 thousand).

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Cash flow from operating activities (net cash flow)	43,631	48,710
Cash outflow from investing activities	-41,327	-28,829
Free cash flow	2,304	19,881
Cash outflow from financing activities	-6,173	-11,734
Net decrease (-)/increase (+) in cash and cash equivalents	-3,869	8,147

The cash flow statement is prepared using the indirect method.

Cash and cash equivalents as of December 31, 2020 amount to EUR 17,117 thousand (December 31, 2019: EUR 9,061 thousand) and comprise immediately available bank balances, checks and cash on hand.

Other non-cash income and expenses of EUR 7,857 thousand (previous year: EUR 6,246 thousand) mainly include write-downs on inventories and additions to or reversals of pension provisions, other provisions and liabilities. There were no other material non-cash business transactions.

There were no company acquisitions in the reporting periods presented.

27. 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 cash with limited availability.

In accordance with IAS 7, cash flows are classified according to cash inflow/outflow from operating activities, investing activities and financing activities.

28. RISK MANAGEMENT AND USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The finance department of AlzChem Trostberg GmbH monitors and controls the financial risks of the entire AlzChem Group. These are in particular the following:

- Liquidity risks
- Market risks (interest 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 defined goals and expectations. Relevant are risks with a significant influence on the net assets, financial position and results of operations. The risk management system of the AlzChem Group analyzes various risks and attempts to minimize negative effects on the financial situation of the company. Risk management is carried out in the area of finance in accordance with existing guidelines.

In order to measure and control significant individual risks, the Group distinguishes between liquidity, credit and market risks.

LIQUIDITY RISKS

We define liquidity risk in the narrower sense as the risk of not being able to meet current or future payment obligations or only being able to meet them on unfavorable terms. The company generates financial resources primarily through its operating business.

AlzChem Trostberg GmbH acts as the financial coordinator for the companies of the AlzChem Group in order to ensure that the financial requirements for the operating business and for investments are covered as cost-effectively as possible and that the amounts involved are always sufficient. The necessary information is provided and continuously analyzed via a Group financial planning system with additional weekly rolling 14-day liquidity planning.

The long-term corporate financing of the AlzChem Group is ensured by the current cash flow from operating activities and sufficient short- and long-term external financing.

in EUR thousand	Maximum line	Utilization	Free availability
As of 12/31/2019	45,000	0	45,000
As of 12/31/2020	45,000	0	45,000

The sale of customer receivables to a factor is used as a further short-term financing instrument. The maximum factoring volume in the entire period under review was EUR 30 million. The receivables sold under factoring as of the balance sheet date, reduced by the agreed retentions, amount to EUR 19,443 thousand (December 31, 2019: EUR 15,314 thousand).

Long-term loans were concluded in the fiscal years 2013, 2015, 2017 and 2020 to finance investments. In the fiscal year 2020, there was a disbursement of new loans in the amount of EUR 10,000 thousand. In the previous year, the last tranche of the financing commitment from 2017 (EUR 50,730 thousand) was disbursed in the amount of EUR 30,102 thousand and thus fully utilized.

Short-term liquidity surpluses of individual Group companies are used for internal financing of the cash requirements of other Group companies by means of intra-Group financial clearing. This contributes to a reduction in external borrowing and an optimization of cash and capital investments and thus has a positive impact on the Group's net interest income.

At the level of the AlzChem Group, consolidated and integrated liquidity planning is prepared based on the latest corporate planning/forecast, including any 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:

As of the balance sheet date, the outstanding loan balance related to these long-term financing facilities amounts to EUR 60,746 thousand (December 31, 2019: EUR 62,682 thousand). The current portion of these loan liabilities amounted to EUR 12,704 thousand as of the balance sheet date (December 31, 2019: EUR 11,935 thousand).

Other current financial liabilities from non-derivative financial instruments amount to EUR 26,094 thousand as of the balance sheet date (December 31, 2019: EUR 28,448 thousand).

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows the maturity structure of the contractual, undiscounted cash flows from interest and principal payments of primary financial liabilities:

12/31/2019 in EUR thousand	Until 1 year	1 – 5 years	Over 5 years	Total
Loan liabilities to banks	12,765	35,080	17,742	65,587
Trade payables	24,069	0	0	24,069
Other financial liabilities	4,379	513	0	4,892
Total	41,213	35,593	17,742	94,548

12/31/2020 in EUR thousand	Until 1 year	1 – 5 years	Over 5 years	Total
Loan liabilities to banks	13,504	38,529	11,221	63,254
Trade payables	20,880	0	0	20,880
Other financial liabilities	5,214	342	0	5,556
Total	39,598	38,871	11,221	89,690

The AlzChem Group has not breached any payment agreements or contractually regulated agreements in financing contracts (covenants) with regard to its financial liabilities.

The undiscounted 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 the loan liabilities to banks in Note 23,

for the trade payables in Note 24 and for the other financial liabilities in Note 25.

Of the total primary financial liabilities of EUR 87,182 thousand (December 31, 2019: EUR 91,643 thousand) reported in the Group as of December 31, 2020, EUR 14,568 thousand (December 31, 2019: EUR 15,364 thousand) or 17% (December 31, 2019: 17%) are collateralized.

The collateral is composed as follows:

12/31/2019	Loan liabilities to banks in EUR thousand
Land and buildings	11,000
Technical equipment and machinery	4,364
Total	15,364

12/31/2020	Loan liabilities to banks in EUR thousand
Land and buildings	11,000
Technical equipment and machinery	3,568
Total	14,568

In addition, the majority of the companies are supplied under country-specific retention of title.

If the original financial liabilities are broken down by region, the following risk concentrations arise, which AlzChem regularly monitors:

	12/31/2019		12/31/2020	
	EUR thousand	%	EUR thousand	%
Total	91,643	100	87,182	100
Germany	84,331	92	81,607	94
Europe – EU (without Germany)	4,073	4	4,184	5
Europe – Other	1,449	2	391	0
Rest of the world	1,790	2	1,000	1

The prior-year figure has been adjusted compared with the presentation as of December 31, 2019 due to the United Kingdom's withdrawal from the EU. EUR 289 thousand was reclassified to the region "Europe - Other".

CREDIT RISKS

Credit risks arise from the total or partial loss of a customer, for example due to insolvency, and in connection with financial investments. The maximum default risk is equal to the carrying amounts of all financial assets. Valuation allowances on trade receivables and other receivables and assets are recognized according to uniform Group rules and cover all identifiable credit risks.

As part of the risk management system, minimum creditworthiness requirements and individual maximum

exposure limits are defined for all business partners of the AlzChem Group. The level 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 ratings of international rating agencies and on internal credit assessments on the one hand, and on experience gained internally with the respective contracting parties on the other. In addition, the specific limits of trade credit insurance are taken into account for each customer. The AlzChem Group is therefore only exposed to creditworthiness risks to a very small extent.

The following table shows the maximum default risk and the collateral held by the AlzChem Group, broken down by balance sheet item and valuation category as of the balance sheet dates December 31, 2019 and December 31, 2020:

12/31/2019	Maximum default risk		Collateral held	Calculated risk
	EUR thousand	EUR thousand		
Balance sheet item/valuation category				
Financial assets				
At fair value through profit or loss	20	0	0	20
Other receivables and other assets				
At amortized cost	11,182	0	0	11,182
Trade receivables				
At amortized cost	6,202	130	2	6,072
At fair value through other comprehensive income	26,299	14,459	55	11,840
Cash and cash equivalents				
At amortized cost	9,061	0	0	9,061
Total financial assets	52,764	14,589	28	38,175

12/31/2020 Balance sheet item/valuation category	Maximum default risk		Collateral held	Calculated risk
	EUR thousand	EUR thousand	%	EUR thousand
Financial assets				
At fair value through profit or loss	20	0	0	20
Other receivables and other assets				
At amortized cost	10,361	0	0	10,361
Trade receivables				
At amortized cost	7,537	130	2	7,407
At fair value through other comprehensive income	25,587	13,748	54	11,839
Cash and cash equivalents				
At amortized cost	17,117	0	0	17,117
Total financial assets	60,622	13,878	23	46,744

All collateral is provided in full by trade credit insurance.

As under IV. Notes to the Principles and Methods of the Consolidated Financial Statements, recognizable default risks in the receivables portfolio are generally taken into account by recognizing adequate valuation allowances. The development of valuation allowances on trade receivables is shown in Note 17.

The following table shows the concentration of default risk in the default risk classes of financial assets monitored by AlzChem, broken down by balance sheet item and valuation category.

12/31/2019 in EUR thousand Balance sheet item/valuation category	Gross carrying amount	Not due	Overdue in the following periods		
			1 – 30	31 – 120	>120
Financial assets					
At fair value through profit or loss	20	20	0	0	0
Other receivables and other assets					
At amortized cost	11,182	11,182	0	0	0
Trade receivables					
At amortized cost	6,218	5,296	671	247	4
At fair value through other comprehensive income	26,872	24,860	984	332	696
Cash and cash equivalents					
At amortized cost	9,061	9,061	0	0	0
Total financial assets	53,353	50,419	1,655	579	700

12/31/2020 in EUR thousand Balance sheet item/valuation category	Gross carrying amount	Not due	Overdue in the following periods		
			1 - 30	31 - 120	>120
Financial assets					
At fair value through profit or loss	20	20	0	0	0
Other receivables and other assets					
At amortized cost	10,361	10,361	0	0	0
Trade receivables					
At amortized cost	7,659	6,913	434	137	175
At fair value through other comprehensive income	25,910	24,191	1,325	36	358
Cash and cash equivalents					
At amortized cost	17,117	17,117	0	0	0
Total financial assets	61,067	58,602	1,759	173	533

A breakdown of the Group's total financial assets by region shows the following concentrations of risk:

	12/31/2019		12/31/2020	
	EUR thousand	%	EUR thousand	%
Total	52,764	100	60,622	100
Germany	25,260	48	33,996	56
Europe – EU (without Germany)	7,008	13	5,794	10
Europe – Other	1,672	3	3,603	6
Rest of the world	18,824	36	17,229	28

The prior-year figure has been adjusted compared with the presentation as of December 31, 2019 due to the United Kingdom's withdrawal from the EU. EUR 918 thousand was reclassified to the region "Europe - Other".

MARKET RISKS (INTEREST AND CURRENCY RISKS)

We define market risk as the risk of a loss that may arise as a result of a change in market parameters (currency, interest rate, price) relevant to valuation.

Currency risks

The Group operates internationally and as a result is exposed to foreign exchange risk arising from fluctuations in the

exchange rates of various foreign currencies. Foreign exchange risk arises from anticipated future transactions, recognized assets and liabilities and net investments in foreign operations.

The AlzChem Group partially uses hedging transactions to hedge currency risks from future transactions. However, no hedging transactions were used in the periods currently presented.

Of the primary financial instruments reported in the Group, EUR 21,598 thousand (December 31, 2019: EUR 17,740 thousand) relate to financial assets in foreign currencies and EUR 2,083 thousand (December 31, 2019: EUR 2,829 thousand) to financial liabilities denominated in foreign currencies.

The concentration of risk related to foreign currencies is as follows:

Financial Assets	12/31/2019		12/31/2020	
	EUR thousand	%	EUR thousand	%
Total	17,740	100	21,598	100
USD	8,754	49	12,177	56
SEK	3,790	21	4,198	19
JPY	2,435	14	2,712	13
CNY	2,580	15	2,160	10
Other	181	1	351	2

Financial Assets	12/31/2019		12/31/2020	
	EUR thousand	%	EUR thousand	%
Total	2,829	100	2,083	100
SEK	1,015	36	1,402	67
USD	1,508	53	321	15
CNY	229	8	302	14
JPY	1	0	0	0
Other	76	3	58	3

In order to present currency risks, sensitivity analyses were carried out as of the reporting dates, showing the effects of hypothetical changes in relevant risk variables on earnings and equity. The periodic effects are determined by relating the hypothetical changes in risk variables to the portfolio of financial instruments on the balance sheet date. It is assumed that the portfolio on the balance sheet date is representative for the entire year. For the analysis of currency sensitivities, only the USD, JPY, CNY and SEK, which are significant for the AlzChem Group, were used.

As of the balance sheet date, the AlzChem Group is subject to currency risks, which are mainly reflected in the balance sheet items trade receivables, trade payables and cash and cash equivalents.

If the euro had appreciated or depreciated by 10% against the major foreign currencies in which the AlzChem Group operates as of December 31, 2020, the reported equity in functional currency would have changed by EUR -1,612 thousand (December 31, 2019: EUR -1,346 thousand) and EUR 1,970 thousand (December 31, 2019: EUR 1,645 thousand) respectively.

The hypothetical effect on earnings (before taxes) of EUR -1,748 thousand (December 31, 2019: EUR -1,346 thousand) and EUR 2,136 thousand (December 31, 2019: EUR 1,645 thousand) is derived in detail from the following currency sensitivities:

in EUR thousand	12/31/2019		12/31/2020	
	+10%	-10%	+10%	-10%
P&L total	-1,346	1,645	-1,748	2,136
EUR/USD	-659	805	-1,078	1,318
EUR/SEK	-252	308	-254	311
EUR/JPY	-221	271	-247	301
EUR/CNY	-214	261	-169	206
Total other comprehensive income	0	0	0	0
Total effect on equity	-1,346	1,645	-1,748	2,136

Interest rate risks

Interest rate risks can arise primarily from changes in market interest rates, which lead to changes in expected cash flows. To minimize interest rate risks, loans are only taken out or concluded on a long-term basis and at fixed interest rates if necessary. Long- and short-term loan liabilities to banks have fixed interest rates and are therefore not subject to interest rate risks.

Price risks

Price risks arise mainly in the purchasing area from changes in the market prices of raw materials, electricity and gas.

Price volatility is counteracted here in particular by forward transactions and price escalation clauses. The forward transactions relate to the purchase of electricity exclusively for proprietary use.

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 per measurement category in accordance with IFRS 9:

12/31/2019 in EUR thousand	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	Fair value
Balance sheet item	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value
Financial assets	-	-	20	20	20
Other receivables and other assets	11,182	-	-	11,182	11,182
Trade receivables	6,202	26,299	-	32,501	32,501
Cash and cash equivalents	9,061	-	-	9,061	9,061
Total financial assets	26,445	26,299	20	52,764	52,764

12/31/2020 in EUR thousand	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	Fair value
Balance sheet item	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value
Financial assets	-	-	20	20	20
Other receivables and other assets	10,361	-	-	10,361	10,361
Trade receivables	7,537	25,587	-	33,124	33,124
Cash and cash equivalents	17,117	-	-	17,117	17,117
Total financial assets	35,015	25,587	20	60,622	60,622

The following table shows the carrying amounts and fair values of financial liabilities by measurement category in accordance with IFRS 9:

12/31/2019 in EUR thousand	At amortized cost		
	Financial liabilities measured at amortized cost		Total amount
Balance sheet item	Carrying amount	Carrying amount	Fair value
Loan liabilities to banks	62,682	62,682	66,102
Trade payables	24,069	24,069	24,069
Financial liabilities	0	0	0
Other liabilities	4,892	4,892	4,892
Total financial liabilities	91,643	91,643	95,063

12/31/2020 in EUR thousand	At amortized cost		
	Financial liabilities measured at amortized cost		Total amount
Balance sheet item	Carrying amount	Carrying amount	Fair value
Loan liabilities to banks	60,746	60,746	64,195
Trade payables	20,880	20,880	20,880
Financial liabilities	0	0	0
Other liabilities	5,556	5,556	5,556
Total financial liabilities	87,182	87,182	90,631

The fair values of the financial instruments were determined on the basis of the market information available on the balance sheet date and using the methods and premises 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 accounts payable and other liabilities generally include liabilities with regularly short remaining terms, so that it is assumed that the fair values correspond approximately to the carrying amounts shown.

The loan liabilities to banks comprise current and non-current financial liabilities. The fair values of liabilities with remaining terms 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 creditworthiness of the Group in the form of creditworthiness or liquidity spreads customary in the market are taken into account in the present value calculation. This procedure corresponds to level 2 in the hierarchy level of IFRS 13.

Certain financial assets are measured recurrently at fair value and allocated to the corresponding categories of IFRS 9.

The following table shows these financial assets and their measurement level according to IFRS 13:

12/31/2019 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
Measured at fair value through other comprehensive income	26,299	-	26,299
Financial assets			
At fair value through profit or loss	-	20	20
Total assets	26,299	20	26,319

12/31/2020 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
Measured at fair value through other comprehensive income	25,587	-	25,587
Financial assets			
At fair value through profit or loss	-	20	20
Total assets	25,587	20	25,607

Financial liabilities were not recognized at fair value in the reporting period.

No reclassifications between the individual hierarchies for determining fair values were made in the reporting period.

The fair value of trade receivables measured at fair value with no effect on 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 are used in the context of sales of receivables, where the buyer regularly refers to the nominal value. In the event of a default event, these values are adjusted for the impairment loss.

The AlzChem Group holds an investment in the category "measured at fair value through profit or loss", the fair value of which is attributable to level 3. There were no changes through additions or disposals in the reporting period. In

the absence of reliable input parameters for a more complex model and due to the minor importance of these investments for the AlzChem Group, the market 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 significant effect on the significance of the item for the AlzChem Group or on the net assets, financial position and results of operations of the AlzChem Group. In the reporting period, income of EUR 134 thousand (previous year: EUR 102 thousand) was recognized from these financial assets, which was reported within the financial result.

NET RESULT FROM FINANCIAL INSTRUMENTS BY VALUATION CATEGORY

The following tables show the net gains or losses on financial instruments recognized in the income statement and in other comprehensive income by measurement category:

01/01 - 12/31/2019 in EUR thousand	Interest	Currency translations	Impairments/ write-ups	Investment income	Net result P&L	Other comprehensive income
Financial assets measured at amortized cost	121	-322	-98	0	-299	0
Financial assets at fair value through profit or loss	0	0	0	102	102	0
Financial assets measured at fair value through other comprehensive income	0	-244	80	0	-164	2
Financial liabilities measured at amortized cost	-652	234	0	0	-418	0
	-531	-332	-18	102	-779	2

01/01 - 12/31/2020 in EUR thousand	Interest	Currency translations	Impairments/ write-ups	Investment income	Net result P&L	Other comprehensive income
Financial assets measured at amortized cost	7	-785	105	0	-673	0
Financial assets at fair value through profit or loss	0	0	0	134	134	0
Financial assets measured at fair value through other comprehensive income	0	-1,497	0	0	-1,497	-7
Financial liabilities measured at amortized cost	-936	475	0	0	-461	0
	-929	-1,807	105	134	-2,497	-7

No interest income was received from impaired trade receivables in the reporting period.

DERIVATIVES AND HEDGE ACCOUNTING

The AlzChem Group partially uses hedging transactions to hedge currency risks from future transactions. However, no hedging transactions were used in the periods currently presented.

29. COMPANY ACQUISITIONS

There were no company acquisitions to be shown in the periods currently presented.

VII. OTHER EXPLANATORY NOTES

30. 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:

12/31/2019 in EUR thousand	Until 1 year	1 to 5 years	Over 5 years	Total
Maintenance and service contracts	520	258	0	778

12/31/2020 in EUR thousand	Until 1 year	1 to 5 years	Over 5 years	Total
Maintenance and service contracts	1,436	737	52	2,225

As of December 31, 2020, there were purchase commitments in the amount of EUR 108,632 thousand (previous year: EUR 77,843 thousand). These consist primarily of long-term purchase commitments for lime and electricity supplies as well as for property, plant and equipment.

The disclosures on leases in accordance with IFRS 16 have been included in the separate Note 12 Leasing.

31. CONTINGENT LIABILITIES

There are liabilities of EUR 2.1 million until 2038 for possible environmental obligations from the sale of the alloy business in 2008. However, due to the industrial structure at the site, the company excludes such a risk.

32. CORPORATE BODIES

The following persons were appointed as members of the Management Board of AlzChem Group AG during the reporting period:

- Andreas Niedermaier, qualified industrial engineer – CEO
- Klaus Englmaier, qualified industrial engineer – COO
- Dr Georg Weichselbaumer, chemist – CSO

The Management Board members are the persons in key positions of the AlzChem Group in accordance with IAS 24. The remuneration of the Management Board members totaled EUR 1,881 thousand in the reporting period (previous year: EUR 2,662 thousand). The remuneration can be broken down as follows:

	01/01 - 12/31/2019	01/01 - 12/31/2020
Fixed remuneration	835	760
Bonus	945	773
Remuneration in kind/other remuneration	652	45
Post-employment benefits	153	136
Share-based payment (long-term incentive)	77	167
	2,662	1,881

The resulting outstanding balances as of December 31, 2020 amount to EUR 773 thousand (December 31, 2019: EUR 1,545 thousand) and are shown within other current liabilities. Provisions for post-employment benefits for Management Board members amount to EUR 1,338 thousand (December 31, 2019: EUR 1,242 thousand) and are shown within provisions for pensions and similar obligations. The provision for share-based remuneration of EUR 244 thousand (December 31, 2019: EUR 77 thousand) is part of non-current other provisions. The individual remuneration is included in the remuneration report in the combined management report of AlzChem Group AG.

The Supervisory Board of the Group parent company AlzChem Group AG, consisting of four members, meets at least once every six months in accordance with the Articles of Association.

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 were also appointed to the Supervisory Board of AlzChem Trostberg GmbH throughout the entire reporting period. In addition, the employee representatives Karl Held and Otto Wolf were members of the Supervisory Board of AlzChem Trostberg GmbH throughout the entire reporting period. The above-mentioned Supervisory Board members are also persons in key positions within the AlzChem Group in accordance with IAS 24. The remuneration of all Supervisory Board members amounted to EUR 189 thousand (previous year: EUR 158 thousand), which led to outstanding balances on the reporting date of EUR 167 thousand (December 31, 2019: EUR 158 thousand). The employee representatives on the Supervisory Board of AlzChem Trostberg GmbH received remuneration in line with market rates for their activities.

33. SHARE-BASED REMUNERATION

Stock Appreciation Rights 2019

In the fiscal year 2019, the Management Board members Andreas Niedermaier, Klaus Englmaier and Dr. Georg Weichselbaumer concluded new Management Board contracts

which, among other things, govern the granting of stock appreciation rights ("Stock Appreciation Rights 2019"). As a long-term incentive, the members of the Management Board receive a certain number of stock appreciation rights (SAR) with a multi-year assessment basis. SARs do not entitle the holder to transfer shares, but to payment of a bonus (LTI) if the average closing price 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 higher than the average closing price of the AlzChem Group AG share in the 60 trading days before January 1, 2020 (whereby this "base price" increases by three percentage points each year from January 1, 2020). In the two (or three) exercise periods in January 2023, 2024 (or 2025), depending on the member of the Management Board, a certain portion of the SARs can be exercised, i.e. converted into a cash amount to be paid out as a bonus within six weeks of the end of the respective exercise period, provided the conditions for this are met. SARs not redeemed at the end of the last exercise period expire. The entitlement to receive SARs was linked to the acquisition of a certain number of AlzChem shares by the end of fiscal year 2019 ("Treasury Shares 1"). If the bonus exceeds a contractually agreed maximum amount, the bonus is capped at this amount; the bonus in excess of the maximum amount is forfeited.

In addition, all members of the Management Board received a one-time special bonus paid in cash for services rendered in the fiscal year 2019, which is also linked to the acquisition of

Treasury Shares 1 by the members of the Management Board by the end of the fiscal year 2019.

Furthermore, each member of the Management Board was obliged to acquire 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 SARs, 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.

A total of 250,000 SARs were granted to members of the Management Board in the fiscal year 2019. No further SARs were granted in the fiscal year 2020.

As of December 31, 2020 and December 31, 2019, the number of SAR granted (2019) was 250,000. The fair value was determined on the basis of a Monte Carlo model and the expense reported under personnel expenses was distributed on a straight-line basis from the grant date to the beginning of the exercise period. In the fiscal year 2020, personnel expenses of EUR 167 thousand (previous year: EUR 77 thousand) were recognized from this plan, which led to a provision in the amount of EUR 244 thousand (previous year: EUR 77 thousand). The valuation was based on the following parameters:

	12/31/2019	12/31/2020
Remaining term (in years)	3.1 - 4.1	2.5 - 3.1
Expected volatility	24.14% - 23.2%	31.3% - 32.5%
Risk-free interest rate	-0.54%	-0.75% to -0.77%
Exercise price (variable over time)	EUR 21.15	EUR 21.14
Share price at valuation date	EUR 21.40	EUR 21.40

As the members of the Management Board are entitled to payment of dividends granted between January 1, 2020 and the date of exercise, an explicit modelling of the dividend could not be included in the calculation.

The expected volatility of the AlzChem share was determined on the basis of the historical volatility of comparable

companies with appropriate maturities. Since the present subscription rights (SARs) are not options and the subscription rights represent a payment in the amount of the share price valid at the time of exercise, the exercise price for the SARs is EUR 0.00.

Stock Appreciation Rights 2017

The Management Board members appointed in the fiscal year 2017, Ulli Seibel, Klaus Englmaier and Andreas Niedermaier, had concluded Management Board contracts under which so-called "Stock Appreciation Rights" (SARs) were granted as a "Long-term Incentive" in the fiscal year 2017. With the conclusion of the new Management Board contracts in 2019 and the granting of the "Stock Appreciation Rights 2019", the "Stock Appreciation Rights 2017" for the Management Board members Klaus Englmaier and Andreas Niedermaier expired without being utilized and for the former Management Board member Ulli Seibel due to the expiry of the Management Board contract as of December 31, 2019. The derecognition of the provision recognized until then resulted in income of EUR 5 thousand in the fiscal year 2019.

34. RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Related parties include persons in key positions of the AlzChem Group. Their names and remuneration are listed in Note 32.

The companies controlled by the shareholders LIVIA Corporate Development SE, HDI Vier CE GmbH (both based in Munich) and four two na GmbH, Bichl, and companies controlled by their shareholders or legal representatives are considered related parties of the AlzChem Group.

No transactions were conducted with related companies in the reporting period.

35. LITIGATION AND CLAIMS FOR DAMAGES

The AlzChem Group is not involved in any court or arbitration proceedings that could have a significant influence on the Group's position. The existing, altogether insignificant proceedings have not yet been concluded or management does not expect any significant obligations from them. In general, the exact amount of a possible obligation or claims cannot be reliably determined due to the high level of uncertainty associated with such proceedings.

36. FEES FOR THE AUDITORS

The auditor of the consolidated financial statements of AlzChem Group AG as of December 31, 2019 and 2020 was Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Munich branch.

Fees totaling EUR 200 thousand (previous year: EUR 200 thousand) were incurred in the past fiscal year 2020 for services rendered by the auditors of the consolidated financial statements within the meaning of sec. 318 HGB. This includes EUR 4 thousand (previous year: EUR 0 thousand) attributable to the previous year. The fees are divided among the following services:

in EUR thousand	01/01 - 12/31/2019	01/01 - 12/31/2020
Other audit and certification services	0	0
Audit services	200	200
Tax consultancy services	0	0
Other services	0	0
Total	200	200

37. LIST OF SHAREHOLDINGS

The list of shareholdings of AlzChem Group AG in accordance with sec. 313 (2) HGB is as follows as of December 31, 2019:

Name of the company	Seat	Share in capital in %
Subsidiaries		
AlzChem Trostberg GmbH	Trostberg, Germany	100
Nigu Chemie GmbH	Waldkraiburg, Germany	100
AlzChem International GmbH	Trostberg, Germany	94
AlzChem Stahltechnik GmbH	Trostberg, Germany	100
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

The share of capital was calculated in accordance with sec. 16 AktG and thus includes shares held directly and indirectly by AlzChem Group AG.

38. EVENTS AFTER THE BALANCE SHEET DATE

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. By resolution of the Management Board dated January 29, 2021, the Management Board of the company decided to launch a share buyback program with an equivalent value of up to EUR 1,000,000.00. To the extent permitted by law, the company may suspend or interrupt the share buyback program at any time.

There were no other events with a significant impact on the net assets, financial position and results of operations between the end of the fiscal year and the date of preparation of the consolidated financial statements.

39. CORPORATE GOVERNANCE

The Management Board and Supervisory Board of AlzChem Group AG have issued the Declaration required by sec. 161 AktG in December 2020 and made it publicly available on the website at <https://www.alzchem.com/en/investor-relations/corporate-governance/declaration-conformity>.

Trostberg, February 26, 2021

AlzChem Group AG

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)

INDEPENDENT AUDITOR'S REPORT

The auditor's report reproduced below also includes a "report on the audit of the electronic reproductions of the consolidated financial statements and the combined management report prepared for disclosure purposes in accordance with sec. 317 (3b) HGB" ("ESEF report"). The subject matter underlying the ESEF report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or downloaded from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

TO ALZCHEM GROUP AG, TROSTBERG

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of AlzChem Group AG, Trostberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report combined with the management report (hereinafter: combined management report) of AlzChem Group AG, Trostberg, for the fiscal year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of the non-financial (Group) statement contained in section 10 of the combined management report and the (Group) corporate governance statement contained in section 11 of the combined management report.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2020 and of its results of operations for the fiscal year from January 1 to December 31, 2020 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 (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 (2) letter f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to sec. 5 (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, 2020. 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, the balance sheet item „provisions for pensions and similar obligations" includes EUR 141.8 million (40% 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 142.0 million and the fair value

of plan assets of EUR 0.2 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 2020 in secs. IV and VI (no. 21). 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 other parts of the annual report, but not the consolidated financial statements, not the components of the combined management report included in the content audit, and not our audit opinion thereon.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to sec. 161 AktG on the German Corporate Governance Code, which forms part of the (Group) corporate governance statement contained in section 11 of the combined management report. Besides, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, evaluate whether the other information

- contain material inconsistencies with the consolidated financial statements, with the audited disclosures in the combined management report or with our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If we conclude, based on the work we have performed, that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e (1) HGB and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group based on these requirements. Furthermore, the legal representatives are responsible for the internal controls that they have determined are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole gives a true and fair view of the Group's situation and is consistent in all material aspects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to provide

sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the combined management report as a whole provides a suitable view of the Group's situation and is consistent, in all material aspects, with the consolidated financial statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with sec. 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if it could reasonably be expected that they would, individually or collectively, influence the economic decisions of addressees taken on the basis of these consolidated financial statements and combined management report.

During the audit, we exercise professional judgment and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material misstatements, whether intentional or unintentional, in the consolidated financial statements and the combined management report, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher for violations than for inaccuracies, as violations may involve fraud, falsifications, intentional omissions, misleading presentations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the combined management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of the accounting methods used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- we conclude on the appropriateness of the going concern basis of accounting used by the legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group not to be able to continue as a going concern.

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e (1) HGB.
- we obtain sufficient appropriate audit evidence regarding the accounting information of the companies or business activities within the Group to give an audit opinion on the consolidated financial statements and the combined management report. We are responsible for leading, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we assess the consistency of the combined management report with the consolidated financial statements, its compliance with the law, and the view of the Group's situation conveyed by it.
- we perform audit procedures on the forward-looking statements made by the legal representatives in the combined management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements from these assumptions. We do not give an independent audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those responsible for supervision, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide those responsible for supervision with a statement that we have complied with the relevant independence

requirements and discuss with them all relations and other matters that may reasonably be thought to have an effect on our independence, together with the protective measures taken in this respect.

From the matters we discussed with those responsible for supervision, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group for the current reporting period and are therefore the particularly important audit matters. We describe these matters in our auditor's report unless law or other regulations preclude public disclosure of the matter.

OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SEC. 317 (3B) HGB

Audit opinion

In accordance with sec. 317 (3b) 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 attached file „ESEF documents AlzChem Group AG Group 2020“ and prepared for disclosure purposes comply in all material aspects with the requirements of sec. 328 (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 attached file and prepared

for disclosure purposes comply in all material respects with the requirements of sec. 328 (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, 2020, 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 attached file in accordance with sec. 317 (3b) HGB and in consideration of the draft of the IDW audit standard: audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with sec. 317 (3b) HGB (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (revised). Our responsibility thereafter is further described in the section „responsibility of the auditor of the consolidated financial statements for the audit of the ESEF documents“. Our auditing practice has applied the quality assurance system requirements of the IDW quality assurance standard: requirements for quality assurance in auditing practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with sec. 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with sec. 328 (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 (1) HGB to the electronic reporting format.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited combined management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the accounting process.

Responsibility of the Group auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether intentional or unintentional, of the requirements of sec. 328 (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 (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) 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 19, 2020. We were appointed by the Supervisory Board on September 22, 2020. We have served as auditors of the consolidated financial statements of AlzChem Group AG, Trostberg, without interruption since the fiscal year 2019.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to sec. 11 EU-APrVO (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Ms. Olga Resnik.

Munich, February 26, 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl
Certified Public Accountant

Olga Resnik
Certified Public Accountant

LIST OF ABBREVIATIONS

AB	Aktiebolag
EUR	Euro
AG	Aktiengesellschaft (stock corporation)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CPO	Chief Projects Officer
CSO	Chief Sales Officer
CNY	Renminbi Yuan
DBO	Defined Benefit Obligation
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EU	European Union
GmbH	Gesellschaft mit beschränkter Haftung (Limited Liability Company)
HGB	Handelsgesetzbuch (German Commercial Code)
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JPY	Yen
LLC	Limited Liability Company
Ltd.	Limited
LTI	Long Term Incentive
mn	million
No.	Number
OCI	Other Comprehensive Income
SAR	Stock Appreciation Rights
S.à.r.l.	société à responsabilité limitée (Limited Liability Company)
SEK	Swedish Krona
SIC	Standing Interpretations Committee
USA	United States of America
USD	United States Dollar

IMPRINT

PUBLISHER

AlzChem Group AG
Chemiepark Trostberg
Dr.-Albert-Frank-Str. 32
83308 Trostberg
T + 49 86 21 86 – 0
info@alzchem.com
www.alzchem.com

INVESTOR RELATIONS

Sabine Sieber
T + 49 86 21 86 – 2888
F + 49 86 21 86 – 502888
ir@alzchem.com

EDITING

Better Orange IR & HV AG

TYPESETTING

Sommerprint GmbH

PHOTOS

AlzChem Group AG
Photographie
Michael Namberger
iStock/anyaivanova
iStock/da-kuk
iStock/filadendron
iStock/filmstudio
iStock/g-stockstudio
iStock/poba
iStock/scanrail
AdobeStock/MNStudio
AdobeStock/Ljupco Smokovski
AdobeStock/Photographee.eu

FINANCIAL CALENDAR 2021

March 19, 2021	Annual Report 2020
April 6 to May 6, 2021	Quiet Period*
May 6, 2021	Q1 Quarterly Statement 2021
May 12, 2021	Annual General Meeting 2021
July 6 to August 5, 2021	Quiet Period
August 5, 2021	Half-year Financial Report 2021
October 12 to November 11, 2021	Quiet Period
November 11, 2021	Q3 Quarterly Statement 2021

* During a "quiet period", AlzChem Group AG only communicates with the capital market to a limited extent before publishing quarterly and full-year results.

REMARKS

This report may contain forward-looking statements based on current assumptions and forecasts made by the management of AlzChem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

Only the German version of this Annual Report is legally binding.

AlzChem Group AG

CHEMIEPARK TROSTBERG
Dr.-Albert-Frank-Str. 32
83308 Trostberg

T + 49 86 21 86-0
info@alzchem.com

WWW.ALZCHEM.COM