



alzchem
group

AGILE SCIENCE PURE RESULTS

Alzchem Group AG

ANNUAL REPORT 2023



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INTERACTIVE PDF

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In the interests of readability, the annual report does not use the masculine, feminine and diverse (m/f/d) forms of language simultaneously. All references to persons apply equally to all genders.

Alzchem at a glance

~ € 541 mn ~ € 81.4 mn

sales generated by Alzchem in the fiscal year 2023

Fiscal year 2022: ~ € 542 mn

EBITDA achieved by Alzchem in the fiscal year 2023

Fiscal year 2022: ~ € 61.4 mn

+45.7%

was the share price performance in the fiscal year 2023

Fiscal year 2022: -26.8%

€ 3.40

was earnings per share in the fiscal year 2023

Fiscal year 2022: € 2.96

1,689

employees support the processes and products of Alzchem with their know-how on a daily basis²

Fiscal year 2022: 1,677

² Average value over the fiscal year 2023

Dividend in €/share **1.05** **1.20**
for fiscal year 2022 2023¹

¹ Subject to approval by the Annual General Meeting on May 7, 2024

MARKETS



HEALTH & NUTRITION



ANIMAL NUTRITION



FINE CHEMISTRY



PHARMA



AGRICULTURE



RENEWABLE ENERGIES



METALLURGY



CUSTOMER SYNTHESIS



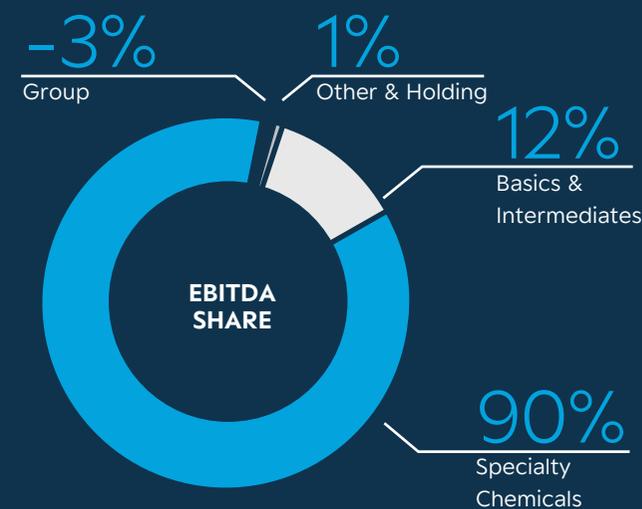
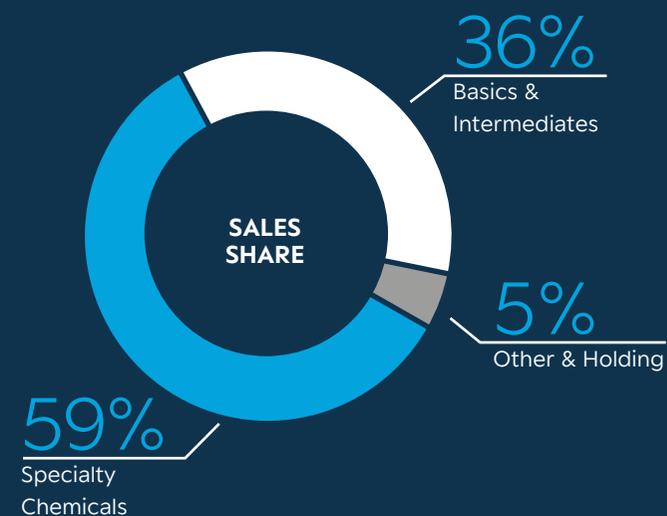
AGRI SOLUTIONS



AUTOMOTIVE & DEFENSE

Key figures

In EUR thousand	2019	2020	2021	2022	2023	CAGR ^{a)}
Group sales	376,072	379,257	422,293	542,223	540,649	9%
EBITDA	50,078	53,805	62,046	61,441	81,373	13%
EBITDA margin	1.32%	14.19%	14.69%	11.33%	15.05%	
EBIT	30,586	30,708	37,572	35,898	55,473	16%
Consolidated annual result	18,147	19,865	27,764	30,223	34,792	18%
Earnings per share in EUR (undiluted and diluted) ^{b)}	1.77	1.94	2.72	2.96	3.40	18%
Equity ratio	17.91%	19.38%	23.72%	34.51%	38.51%	
Inventory intensity	19.84%	17.77%	20.53%	22.57%	19.88%	



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

b) After the transfer of shares to employees in 2023, calculated with the average number of shares outstanding: 10,169,572 shares in the period from January 1 to December 31, 2023. Calculated with 10,135,754 shares for the entire period of 2022.

Specialty Chemicals segment

BUSINESS ACTIVITY

Production and distribution of high-quality chemical products (specialty chemicals)

OVERVIEW

SALES in € mn

319

EBITDA in € mn

73

KEY FIGURES

In EUR thousand	2019	2020	2021	2022	2023
External sales	200,022	207,431	220,499	288,362	319,802
EBITDA	41,684	44,125	50,664	53,015	73,243
EBITDA margin	20.8%	21.3%	23.0%	18.4%	22.9%
Inventories	44,183	38,410	53,971	68,537	55,998
Inventory intensity	22.1%	18.5%	24.5%	23.8%	17.5%

KEY BRANDS

CREAMINO[®]

Bioselect[®]

Dormex[®]

**LIVA
DUR**[®]

Creapure[®]

Creavitalis[®]

DYHARD[®]

Silzot[®]

Basics & Intermediates segment

BUSINESS ACTIVITY

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

OVERVIEW

SALES in € mn

192

EBITDA in € mn

9

KEY BRANDS

 Perlka®

 CALCIPRO®

 CaD®

 CALZOT®

 NITRALZ®

 Eminex®

KEY FIGURES

In EUR thousand	2019	2020	2021	2022	2023
External sales	149,408	146,434	176,274	227,539	192,183
EBITDA	5,247	8,981	10,985	4,983	9,531
EBITDA margin	3.5%	6.1%	6.2%	2.2%	5.0%
Inventories	30,924	27,639	33,400	49,945	49,139
Inventory intensity	20.7%	18.9%	18.9%	22.0%	25.6%

AGILE SCIENCE PURE RESULTS

WHAT MOVES US

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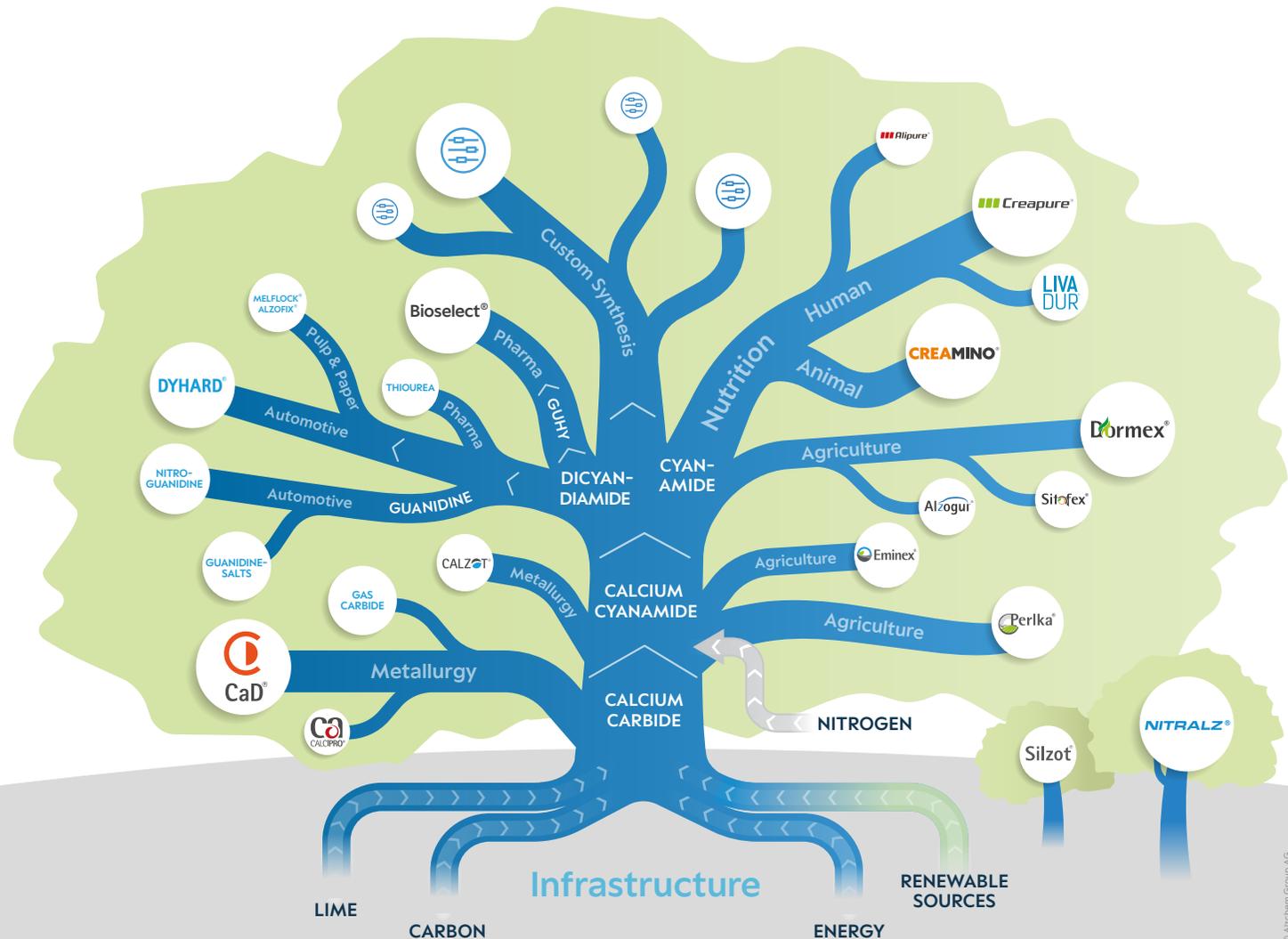


Our “production Verbund”

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

This vertical integration in production is a key strength of the Alzchem Group. It is only made possible by the geographical proximity of the four historically grown sites in the Bavarian Chemical Triangle. The “Verbund production” allows Alzchem to react flexibly to changes in demand, as many products from the Basics & Intermediates segment are also raw materials for products in the Specialty Chemicals segment.

In addition, there are various synergies in the production process and in research and development. The “Verbund production” secures the company a high degree of independence from external suppliers.



Product worlds close to life at Alzchem



METFORMIN/DCD

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



CREAMINO®

Creamino® is a feed additive for farm animals that is naturally converted to creatine in the body. Creatine plays a key role in the energy balance of the cell. A sufficient supply of creatine improves feed conversion and supports the healthy development of animals. Creamino® was developed by Alzchem between 2005 and 2009 and is approved in all relevant markets.



DORMEX®

Dormex® is a growth regulator that – when applied to vines and fruit trees – breaks the winter dormancy of the plants and induces earlier and more uniform bud burst. Treatment with Dormex® is necessary in climatic regions worldwide where mild winters prevail and thus not enough cold hours are reached to control new shoots. Application of Dormex® increases the proportion of buds that open, leading to significantly higher yields.



EMINEX®

Eminex® is an additive for liquid manure and biogas digestate, which is added during storage and has the following scientifically proven benefits. Eminex® ensures the permanent elimination of methane emissions during storage and spreading. It improves both the quality and the fertilizing effect of the manure. At the same time, Eminex® ensures greater occupational safety and animal welfare thanks to lower H₂S emissions in the pig house.

¹ https://www.diabetesde.org/ueber_diabetes/was_ist_diabetes/_diabetes_in_zahlen

WE CREATE VALUE FOR SOCIETY

Strong through efficient “Verbund production”

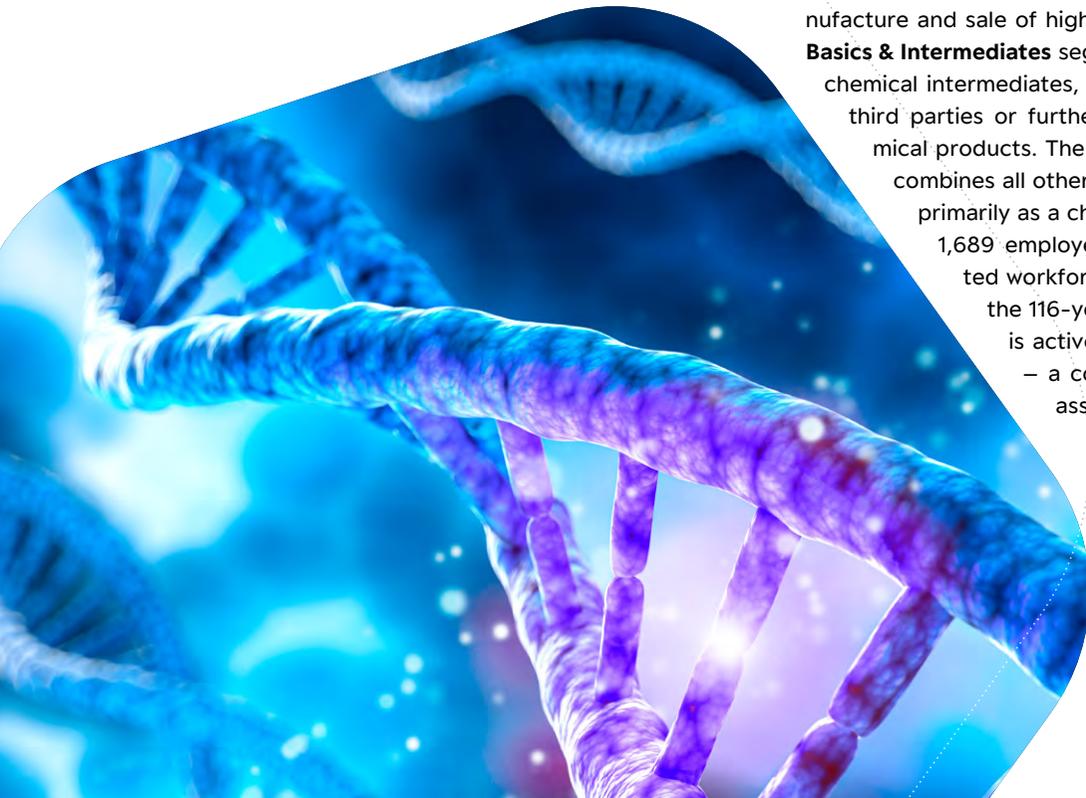
Alzchem is an international manufacturer of a whole range of chemical products. What the company needs for its production is primarily lime, coal, nitrogen and energy. From this list of ingredients, we have developed a wide range of specialty chemical products over the years that are geared towards global social developments.

Based on the so-called NCN chain, these are products with a typical nitrogen-carbon-nitrogen bond that are used in a variety of industries. These primarily include the food industry, fine chemicals, agriculture, metallurgy and renewable energies. The operating business is divided into three segments. The largest segment, **Specialty Chemicals**, which accounts for more than 50% of sales, comprises the manufacture and sale of high-quality chemical products. The **Basics & Intermediates** segment bundles the production of chemical intermediates, which are either sold directly to third parties or further processed into specialty chemical products. The third segment, **Other & Holding**, combines all other activities of the Alzchem Group, primarily as a chemical park operator. Alzchem's 1,689 employees are part of a highly motivated workforce that looks back with pride on the 116-year history of their company and is actively involved in shaping its future – a commitment that is an invaluable asset in difficult times.

For many years, the Alzchem Group has specialized in the field of specialty chemicals and today benefits from the resulting comprehensive expertise. In many areas, the company is the only manufacturer of important chemicals outside China. The “Verbund production” ensures a high degree of independence from external suppliers. It also allows the company to react flexibly to changes in demand, as many products are also raw materials for products in other segments. Furthermore, there are many synergies in the production process as well as in research and development. Creatine and guanidine salts – specifically for applications in airbags, plant protection and defense technology – were disproportionately high growth drivers in 2023.

Alzchem offers answers to various global developments such as climate change, population growth and increasing life expectancy.

The future poses questions – the Alzchem Group provides answers. With brands and products of the highest quality and a sustainable vision to help shape global developments.





Multi-talented creatine: a wealth of potential for quality of life and health

Creatine is an endogenous substance that is essential for survival and is particularly important for supplying energy to the cells. The body needs it in particular for short, intensive and repetitive muscular exertion, but also for the general functioning of the body and mind. During “normal operation”, the body breaks down around one to two percent of the 80 to 130 grams of creatine stored in the skeletal muscles. To compensate for this loss, the body partly synthesizes creatine itself in the liver, kidneys and pancreas and partly absorbs it from food. However, only fish and meat contain creatine at all – but only in a concentration that does not completely cover the body’s needs. It can therefore be useful in various cases to support the energy metabolism with creatine supplementation. Especially when there is an increased energy requirement – such as during sport, but also during mental stress or increased activity of the immune system.

The Alzchem Group is the only producer of creatine monohydrate outside Asia. It manufactures this under the brand names Creapure®, Creavitalis® and LIVADUR® in purpose-built production facilities in Chiemgau, Bavaria. The creatine produced there is vegan and is obtained exclusively by chemical synthesis. Production is certified in accordance with the IFS FOOD food certification standard, a standard recognized by the Global Food Safety Initiative. It is also kosher and halal certified.

CREATINE MADE IN GERMANY: IDEAL FOR ATHLETES, VEGANS AND VEGETARIANS

The product Creapure® has been known as a premium creatine in sports nutrition for over 25 years. Both professional and recreational athletes from all over the world rely on its purity and effectiveness. The effective benefits of creatine supplements for athletes have been proven by numerous scientific studies. This is why creatine is one of the few dietary supplements in the sports sector for which the European Commission has approved a health claim.

However, it is not only athletes who benefit from an increase in creatine stores: older people can use it to counteract the natural decline in muscle strength. With its own end-consumer product LIVADUR®, Alzchem is successfully addressing the megatrend of “healthy aging”. Taking LIVADUR® for the 55+ target group increases the effect of regular, moderate training and supports the maintenance of muscle strength, fitness and performance.

Creatine is also interesting for vegetarians and vegans. They often do not consume creatine in their diet, but can compensate for the resulting deficit by supplementing. Appropriate foods such as meat substitutes are also suitable. They are currently all the rage: whether burgers, bratwurst or cold cuts – there is hardly a product for which there is not now a meat-free version. Under the brand name Creavitalis®, Alzchem therefore launched a specially processed creatine monohydrate as a fine, tasteless powder for health and nutrition applications in autumn 2023 and is already distributing it worldwide. Creavitalis® is suitable as a functional ingredient, for example in meat alternatives and milk substitute products, but also as a dietary supplement for direct consumption in order to benefit from the positive effects beyond sport.

Research interest in creatine and its effects on the body has increased significantly. Studies attribute further positive effects to creatine, such as an antioxidant effect and an improvement in brain function, bone health and sleep quality. The longevity community has also discovered the cellular effects of creatine.

LONG-COVID: CREATINE CAN PROVIDE PATIENTS WITH RELIEF

Creatine can also make a positive contribution to alleviating long-COVID symptoms. The findings from initial studies were so convincing that the University of Jena launched its own clinical study on the subject. It was found that creatine can also help people who are struggling with the effects of long-COVID or fatigue. The symptoms can vary greatly and range from breathing difficulties to complete tiredness and fatigue. What unites those affected is the loss of quality of life caused by these symptoms. Although post-viral fatigue syndrome has long been known to be a consequence of viral diseases, it has only come to the attention of the general public in recent years as a result of long-COVID, which has led to an increase in research on this topic.

Researchers have found that creatine supplementation can lead to relief of long-COVID symptoms: [two new studies by Professor Sergej M. Ostojic](#) have shown new ways in which creatine supplementation can have a positive effect on symptoms.

The first study was conducted with test persons who had been proven to have long-COVID. They were divided into two groups, one of which took creatine daily and the other a placebo. The result: in the creatine group, improvements in general well-being and an increase in vitality were observed after just three months; after six months, other symptoms of fatigue were also alleviated. These included breathing difficulties, body aches, headaches and difficulty concentrating.

In a second study, which was also published in September 2023, the researchers demonstrated positive effects of creatine in supporting respiratory therapy in long-COVID patients. Creatine levels in the brain also developed better than in the control group. In addition, the supplement led to increased endurance (time to exhaustion) – an important building block on the way back to an appropriate quality of life. Overall, the researchers concluded that creatine supplementation can improve bioenergetics in tissues and mitigate the clinical features of long-COVID.

These results are in line with other results from studies and observational studies that have become known in recent months. Creatine was also discussed at the long-COVID conference at the University of Jena a year ago and was also mentioned as an interesting approach in the German Medical Journal.

CREATINE IN DIALYSIS PATIENTS: CLINICAL TRIAL LAUNCHED

The addition of creatine also appears to be promising for dialysis patients. Dialysis is a blood purification method that is used as a long-term therapy for kidney failure. Scientific research results and studies show that dialysis patients who already suffer from a structural creatine deficiency due to their renal insufficiency lose even more creatine as a result of ongoing dialysis treatment. A clinical study, which Crearene AG has been involved in as part of the research collaboration with Alzchem Group AG since August 2022, will now determine how creatine can be effectively added to dialysis patients and what the exact effects are.

The combination of Crearene's patented expertise from many years of research with Alzchem's manufacturing excellence could help many patients: today, around three million people worldwide are dependent on permanent dialysis treatment – and the trend is rising.



WE OFFER SOLUTIONS FOR GLOBAL CHALLENGES

Plant protection, automotive, defense: possible applications for nitroguanidine



Nitroguanidine is an energetic, very stable chemical compound. The product can be used in a wide range of applications: customers from the agricultural sector use it as a building block in the production of modern plant protection products. The automotive industry needs nitroguanidine as a propellant for gas generators to trigger airbags, seatbelt tensioners, active headrests and battery disconnect devices.

In addition to these applications, the product is also used in defense technology. It should be noted that the demand for nitroguanidine is currently increasing, not least due to the global security situation and the growing importance of defense technology.

Both the direct raw material guanidine nitrate and all other precursors are produced entirely at Alzchem. The very high product quality is ensured by continuous quality control and the careful selection of raw materials along the entire production chain. The raw material is offered in a variety of different qualities, tailored to the individual needs of each customer. Alzchem can offer a high level of supply reliability thanks to its pronounced backward integration, i.e. full control over all production steps.



Medicine: Bioselect[®] makes an important contribution to cancer diagnostics

Alzchem has made a name for itself as a leading supplier of cancer diagnostics products. With its Bioselect[®] products guanidine thiocyanate and guanidine hydrochloride, the company offers innovative solutions for the effective detection and investigation of cancer.

The use of both products has proven to be extremely successful, particularly in the preparation of blood samples for cancer tests. The Bioselect[®] guanidine salts play a crucial role in the isolation of DNA, which is then tested for changes in the genetic material. Alzchem already supplies guanidine salts to the largest companies active in cancer diagnostics. For example, the product Bioselect[®]-guanidine thiocyanate is part of a diagnostic kit specifically designed for the diagnosis of bladder cancer.

The state-of-the-art production processes and the resulting quality and versatility of Alzchem products have proven to be indispensable and have helped to significantly improve the accuracy and efficiency of cancer diagnostics. In addition, the reliability of supply and the ability to offer customized production have made Alzchem a preferred partner for companies.

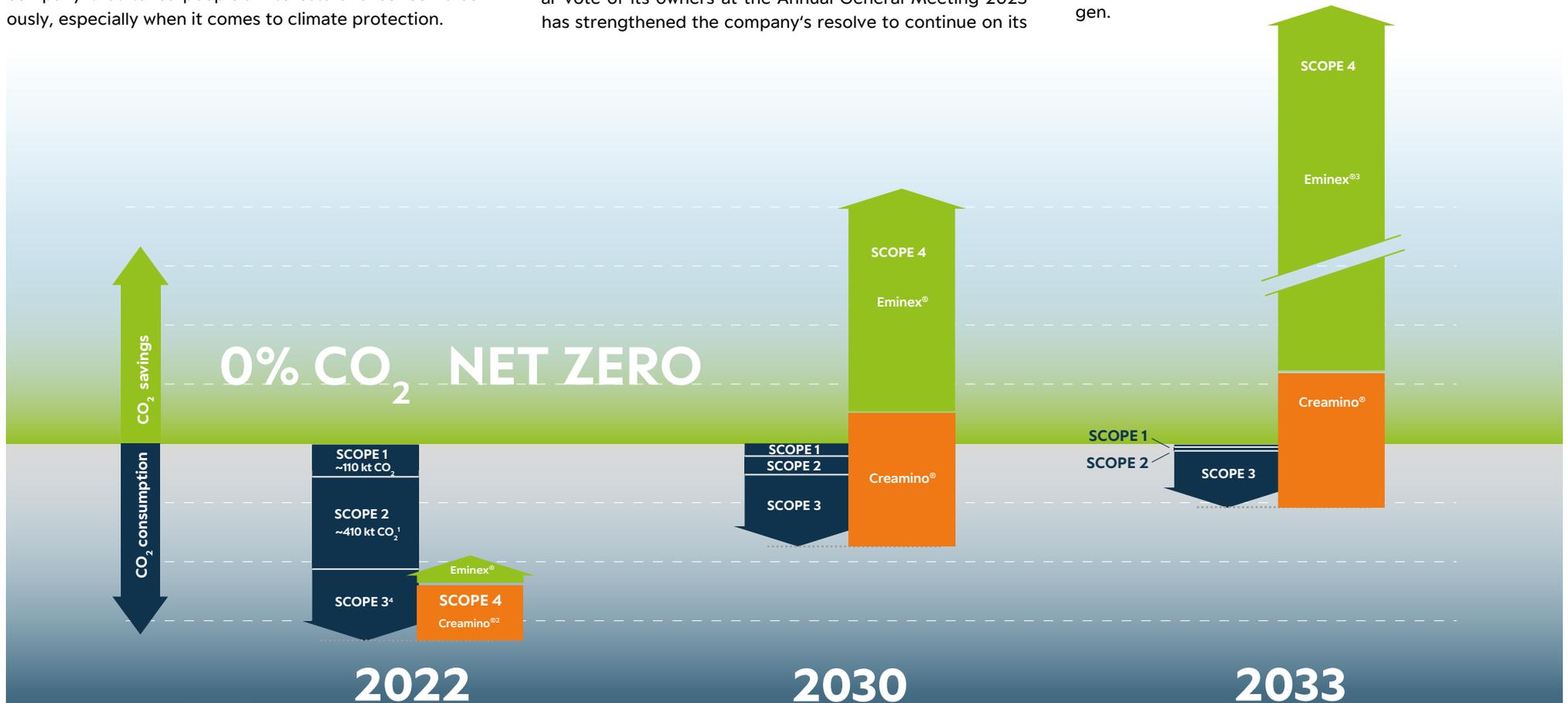
WE LIVE SUSTAINABILITY

The topic of sustainability is becoming increasingly important worldwide. It also enjoys a high priority at Alzchem. The company sees sustainable management as a fundamental prerequisite for maintaining and positively developing its economic, social and ecological performance. In harmony with people and the environment, Alzchem wants to be a company that takes people's interests and concerns seriously, especially when it comes to climate protection.

CLIMATE ROADMAP: OUR PATH TO CLIMATE NEUTRALITY

The climate roadmap that the Management Board has developed together with an internal sustainability committee is therefore of great importance to the company. The clear vote of its owners at the Annual General Meeting 2023 has strengthened the company's resolve to continue on its

chosen course. Alzchem now has a concrete package of measures at its disposal, the main goal of which is climate neutrality. The company wants to achieve this in two main ways: through independence from fossil fuels (defossilization) and climate-neutral production. This is accompanied by the conversion of combustion processes to renewable alternatives, for example in the form of electricity or hydrogen.



1 Data basis from 2021
 2 Creamino[®]: with full capacity utilization of the plant from 2030, basis CO₂ savings European feed mix
 3 Eminex[®]: under full capacity utilization from 2033
 4 ~ Expectation

Thanks to measures that are currently underway or have already been completed, Alzchem already has low CO₂ emissions in the production process compared to the rest of the industry. In total, around one third of the total emissions can currently be used internally as a raw material and thus recycled. The remaining two thirds of CO₂ emissions, amounting to around 110,000 tons (based on 2022), are to be continuously eliminated.

Alzchem sees Scope 1 emissions, i.e. the emissions that are released in its own company, as the central adjusting screw that needs to be turned with all its might in order to achieve “net zero” as quickly as possible. They are therefore at the heart of the climate roadmap.

With the climate roadmap, the company has developed a powerful set of tools that will ultimately produce a proud

record: the defined packages of measures should lead to a CO₂ reduction of around 90,000 tons by 2030. That is more than 75 percent of today's CO₂ emissions. If implemented consistently as expected, the remaining 25 percent of emissions can be offset as early as 2033, which is equivalent to achieving climate neutrality.

The effects of the long-term commitment to a concrete and measurable climate roadmap also extend far into the company's markets. This opens new doors. Alzchem has already received numerous inquiries from existing and potential customers for whom Alzchem is an attractive, climate-sensitive partner.

SUSTAINABILITY INITIATIVE: ALZCHEM HONORED FOR SUSTAINABLE SUPPLY CHAINS

With 192 out of a possible 200 points, Alzchem ranked high in the audit of the industry initiative “Together for Sustainability (TfS)” in 2023. This certifies that the company is a trustworthy and sustainable supplier. The sustainability performance was assessed using a series of defined test criteria in the areas of management, environment, health, safety, employee and human rights as well as responsible corporate governance.

Alzchem has been participating in TfS audits for many years. The initiative aims to raise standards of economically, socially and environmentally responsible corporate governance throughout the chemical industry. The members are global chemical companies that are committed to uniformly assessing, auditing and improving sustainability practices within their supply chains. This is because a

responsible chemical industry that acts sustainably requires the commitment of all stakeholders in the supply chain. Together, the aim is to create a global standard for supply chains that ensures transparency but avoids multiple evaluations, thus saving time and effort. The audit program is based on the principles of the UN Global Compact and the Responsible Care initiative.

In order to gain an in-depth insight into Alzchem's sustainability practices, a TfS audit was carried out by external auditors at the Trostberg and Waldkraiburg sites. The company's sustainability performance was checked against the defined TfS criteria. The results were made available to Alzchem and all members of the TfS initiative. With the excellent rating, which was even better than the previous year, the company proves that sustainability is a central component of its strategy and that it is continuously working on improving its performance in this area.

CLIMATE PROTECTION MADE EASY: EMINEX®, A PRODUCT WITH A SUSTAINABILITY PROFILE

Eminex® is an absolute novelty on the global market: this additive for liquid manure and biogas fermentation residues, which is added during storage, can permanently reduce the methane, CO₂ and nitrous oxide emissions – three essential greenhouse gases – by 90 to 100 percent. Eminex® also improves both the quality and the fertilizing effect of the liquid manure. At the same time, the product ensures greater occupational safety and animal welfare thanks to lower H₂S (hydrogen sulphide) emissions in the barn. The savings potential of Eminex® amounts to around 4 to 5 million tons of CO₂ equivalents per year with Alzchem's current production capacities alone. Measured against the existing emissions from liquid manure in Germany or even Europe, the potential of the product is many times higher.



The farms that are already using Eminex® have already been able to make a substantial contribution to climate protection thanks to the emission savings and at the same time optimize the quality of their liquid manure. In addition to German farmers, a number of farmers from Austria, Ireland, the Netherlands and Belgium are also already using climate-friendly manure storage with Eminex®.

In order to reward regional agriculture for its commitment to climate protection in the future, the use of Eminex® is to be remunerated via climate sponsorships as part of a “Climate Agriculture” program set up by BayWa AG. Here, for example, companies or municipalities take on sponsorships for environmental and climate services provided by agricultural businesses. This regionally implemented climate alliance strengthens local agriculture in the long term. It is particularly noteworthy that the climate and environmental protection measures in this project are implemented directly on site – in contrast to other international certificates, some of which are difficult to track.

A three-year research project is being carried out together with the Agency for Renewable Resources (Fachagentur für Nachwachsende Rohstoffe – FNR) to gather further scientific knowledge about Eminex®. This is funded by the Federal Ministry of Food and Agriculture and is being carried out in cooperation with the Leibniz Institute. In the wake of increasing gas shortages and exploding mineral fertilizer prices, both biogas production and optimal fertilization with liquid manure and biogas fermentation residues are coming back into focus. Among other things, it is now being investigated whether the biogas yield from liquid manure can be increased through Eminex® treatment. The aim is to increase the yield of biogas from the fermentation of farm manure by developing a suitable application recommendation. If successful, domestic energy production from renewable energies could be improved and made more efficient. The research project shows that Eminex® can not only improve the CO₂ footprint in agriculture, but also bring many other benefits.

It is undisputed that Eminex® has great potential. The additive, which helps to avoid climate-damaging emissions, will become increasingly popular in agriculture. The arguments regarding its mode of action are so convincing that there is

no way around it if agriculture wants or needs to effectively tackle its own CO₂ footprint.

SUSTAINABLE CORPORATE GOVERNANCE: AWARDED A GOLD MEDAL

Corporate social responsibility is on everyone’s lips and is also an essential part of the Alzchem Group’s business. In 2023, the company successfully underwent an independent CSR rating by EcoVadis, the world’s largest provider of sustainability ratings for companies – and improved once again compared to 2022. In recognition of its sustainability successes, the company once again received the gold medal, which confirms Alzchem’s responsible approach to people and the environment.

The EcoVadis methodology is based on international sustainability standards (Global Reporting Initiative, United Nations Global Compact, ISO 26000) and is monitored by a scientific panel of CSR and supply chain experts to produce reliable CSR ratings. The company’s activities in the areas of the en-





SCIENCE IS MAGIC THAT WORKS: ALZCHEM AS A SOLUTIONS EXPERT

Environment, labor and human rights, ethics and sustainable procurement are evaluated.

With 77 out of 100 achievable points, Alzchem is among the top two percent of companies in the world assessed by EcoVadis in the production of basic chemicals, underlining its commitment to sustainable corporate action and social responsibility. Among the various ESG topics, Alzchem achieved an excellent result, particularly in environmental issues. The company also improved once again in the areas of labor and human rights. The areas of ethics and sustainable procurement confirmed their already very high rating from the previous year.

Last year showed that the company's strategy of focusing on specialty chemicals was very far-sighted. Alzchem successfully decoupled itself from the industry trend in 2023 and outperformed the market. While the VCI expects a decline in sales of around 8% for the German chemical-pharmaceutical industry in 2023, Alzchem only suffered a slight decline in sales of 0.3% and was still able to significantly increase all key earnings figures compared to the previous year.

The basis for this positive development in the current environment continues to be the diversification of products and the high level of innovation, which have led to the steadily growing importance of the specialty chemicals business and a unique position for numerous products. Even in times of crisis, Alzchem has proven to be a resilient company that acts with agility and adapts flexibly to the individual needs of its customers as well as to social and global developments. It seizes opportunities, courageously implements innovative leaps and is thus able to ensure the security of supply of its customers and, not least, their independence from Asian suppliers.

TO THE SHAREHOLDERS

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Interview with the Management Board

The Management Board team of Alzchem Group AG grew on January 1, 2024. Welcome Mr. Lösler. Are you new to Alzchem and expanding the Management Board team as CFO?

ANDREAS LÖSLER: “New” is not quite right for me. I have been with the Alzchem Group since 2012 and have managed the finance department on an interim basis since 2022. I am really looking forward to making my contribution to continuing this success story as part of the Management Board team that has taken Alzchem to a new dimension in recent years.

ANDREAS NIEDERMAIER: Andreas Lösler is a great fit for our team. Professionally with his competence profile and his experience from previous positions anyway – but above all as a person. This is very important to us at Alzchem with our approximately 1,690 employees, because our success is only possible as a team.

“By making pioneering investment decisions at the right time, we have created the basis for long-term growth and sustainable profitability.”



Andreas Lösler
CFO
With Alzchem since 2022

DEPARTMENTAL RESPONSIBILITY:
Finance & Controlling, Investor Relations & Communication, Human Resources, Insurance, Information Technology

Andreas Niedermaier
CEO
With Alzchem since 1999

DEPARTMENTAL RESPONSIBILITY:
Corporate strategy, ESG, Risk Management, Legal/Patents & Brands, Supply Chain Management

Klaus Englmaier
COO
With Alzchem since 1988

DEPARTMENTAL RESPONSIBILITY:
Production, Engineering, Environmental Protection/Safety/Health/Quality, Technology

Dr. Georg Weichselbaumer
CSO
With Alzchem since 2012

DEPARTMENTAL RESPONSIBILITY:
Marketing, Sales, Innovation Management & Process Development, R&D, Product Safety/Approval

Why the expansion of the Management Board team?

NIEDERMAIER: A company like Alzchem, which now has sales of EUR 540.6 million, EBITDA of EUR 81.4 million and is so dynamic, can make good use of a CFO. I have been able to take on these tasks as CEO so far. We still have big plans for the next few years. That is why it is essential to broaden our team. Andreas Lösler will take over the Controlling, Accounting & Finance, Investor Relations & Communication, Human Resources, Information Technology and Insurance departments. As CEO, this will allow me to focus more on the areas of Strategy, Legal, Supply Chain, ESG and Risk Management in the future.

Looking back on 2023, you did very well compared to the chemical industry. What were the reasons?

LÖSLER: In Specialty Chemicals, we were able to decouple ourselves positively from the market and grow sales by 10.9%. However, the truth is that in Basics & Intermediates we are largely subject to the same laws as the entire chemical industry. We lost 15.5% of our sales here. Nevertheless, the development in the specialty business contributed to the fact that we were able to increase our EBITDA target during the year and then even slightly exceed it.

DR. GEORG WEICHSELBAUMER: Our broad product portfolio protects us at the lower end of the market. At the same time, the weight of higher-margin Specialty Chemicals is

growing as planned and we are constantly working on successfully launching further new products and applications on the market. Creapure®, Creamino® and the guanidine salts with nitroguanidine – specifically for applications in airbags, plant protection and defense technology – were disproportionately high growth drivers in 2023.

KLAUS ENGLMAIER: The fact that we were able to grow so strongly in Human and Animal Nutrition also has a lot to do with the fact that we made pioneering investment decisions at the right time. On the one hand, it is often necessary to forecast the development of demand correctly years in advance in order to be able to act on the market with the corresponding capacities. We regularly achieve this thanks to our decades of experience and entrepreneurial foresight. For example, we made the decision to expand creatine for the second time in a very challenging environment at the beginning of the pandemic, when this boom was not even foreseeable for many people. On the other hand, you have to react very quickly and flexibly to market changes. We

achieve this through our flat hierarchies and intensive teamwork. If we manage to combine everything, we can fully develop the market and outperform the chemical industry.

How has the competitive landscape developed in 2023?

DR. WEICHSELBAUMER: China and the manufacturers there are of crucial importance for the entire chemical industry. This was particularly evident on the demand side: when the Chinese construction industry hit rock bottom in 2023, the entire chemical industry also suffered. This also applies to our competitors, most of whom come from China and benefit from significant location and cost advantages over German companies. US companies also have competitive advantages, especially due to lower energy prices.

ENGLMAIER: We compensate for our locational disadvantage with our strong market position and, above all, with our high product quality, on which we make no compromises. We are now the only Western supplier of several products, for example creatine and guanidine salts. Awareness in the industry of the importance of a Western quality manufacturer has increased rapidly recently. On the one hand, this is due to the strained global supply chains, which have led to a rethink in many sectors, from which we are benefiting in the long term. On the other hand, this development is also due to our quality promise, which we keep every day.

“ We are now the only Western supplier of several products, for example creatine and guanidine salts.

“ Due to the heavy regulation and high energy prices in Germany, we have to ask ourselves whether the chemical industry is still welcome in Germany.

Are there any plans to open your own locations outside Europe?

NIEDERMAIER: We are a German company, can look back on around 120 years of history in Bavaria and above all value the reliability, motivation and expertise of our employees. However, due to the heavy regulation and high energy prices in Germany, we have to ask ourselves whether the chemical industry is still welcome in Germany. I see the danger that Germany as a chemical location will lose much of its importance in international comparison. Against this background, it is virtually our duty as a Management Board to examine whether the framework conditions for new growth investments abroad are maybe better. The USA in particular offers an exceptionally attractive environment for invest-

ments. However, it is important to note that we have not yet considered relocating existing value creation abroad.

DR. WEICHSELBAUMER: The excessive EU regulation does not make it any easier for innovative chemical companies either. Far too little attention is paid to the opportunities for promoting global prosperity that lie in our products. One example is our Dormex®, which ensures that kiwis and grapes are available in our supermarkets all year round. I maintain that every farmer in the southern hemisphere with these fruits is familiar with our Dormex® and its outstanding, completely harmless properties for budding and stimulating flowering. However, the product is not approved in Europe because the active ingredient cyanamide can be toxic to the farmer if used incorrectly. However, we are still allowed to export the product – much to the delight of our global customers and their employees. User safety has always been our top priority. Politics will not change this.

Another example is the product Perlka®. Here, good arguments regarding the effectiveness of calcium cyanamide for soil health and for preventing yield and quality losses in the tighter crop rotations have also had an impact. This is probably why the EU Commission's proceedings have been suspended since the first expert opinion in 2019, meaning that we can continue to sell our mineral fertilizer unchanged.

What were the growth drivers in 2023?

ENGLMAIER: Creatine, both for human and animal nutrition, has played a very special role here. Our formula for success is very complex. We are now the only western producer – and we are the quality leader. Above all, our efforts to bring creatine even deeper into the market and to open up new areas of application are now bearing fruit. Creatine can, for example, make a positive contribution to alleviating long-COVID symptoms. This has been confirmed by a study conducted by the University of Jena. This allows us to tap into the healthcare market. With our own end-consumer product LIVADUR®, we are successfully addressing the megatrend of “healthy aging”. More and more food manufacturers are contacting us to use our creatine as an additive in vegan and vegetarian products in the future. With this wealth of possible applications, we have managed to position creatine, which for a long time was only used in the sports environment, on a much broader basis.

NIEDERMAIER: A marketing approach that we pursue analogous to “Intel inside” is also enormously helpful. Dietary supplement manufacturers who use our creatine and conclude a brand license agreement with us are allowed to use the brand name Creapure® as a seal of quality on their product labels. The Creapure® logo guarantees that the product contains high-quality creatine manufactured in Germany. I would argue that Creapure® has already become synonymous with high-quality creatine in the USA and almost every user knows it. This high level of awareness helps enormously with the planned expansion.

DR. WEICHSELBAUMER: Our Creamino® – the energy supplier for animal nutrition – is also developing strongly. With “Power up your feed”, new potential and additional attracti-

ve niches are opening up in many regions, such as for young chickens for laying and breeding purposes or by administering it via drinking water. Our growth is also supported by the approval as a zootechnical or nutritional additive. I am firmly convinced that we have already established ourselves very well, but are still more or less at the beginning of our development. And thanks to our forward-looking investments, we are already in a position to manufacture and supply our product in large quantities.

What other arrows, i.e. new products, do you have up your sleeve?

NIEDERMAIER: Eminex® has the greatest potential. Our additive for liquid manure storage, which almost completely reduces methane and CO₂ emissions and thus helps to avoid climate-damaging emissions, will become widely accepted in agriculture – we have no doubt about that. For us, the question is not “if”, but only “when”. This is because the arguments regarding the mode of action are so convincing that there is no way around Eminex® if we want to effectively tackle the CO₂ footprint in agriculture.

“ The arguments for the mode of action are so convincing that there is no way around Eminex® if we want to effectively tackle the CO₂ footprint in agriculture.

DR. WEICHSELBAUMER: Creapure® has already shown impressively that our brand strategy of focusing on the highest quality and communicating it in this way is paying off, because consumers and therefore the markets appreciate this and are already demanding it very strongly. Eminex® is the next candidate here. Our development of guanidine salts shows that things can also happen much faster. With the various biotechnological, diagnostic and pharmaceutical applications as well as the use in plant protection, airbags and defense technology, we have opened up dynamically growing application possibilities and have grown enormously in these fields in 2023.

ENGLMAIER: Our multi-purpose plants also remain extremely important, even if they are now suffering from the general crisis in the chemical industry. But: when the storm comes, it's Alzchem time! Right now, we are optimizing and expanding our multi-purpose production technology in a targeted manner in order to remain the right partner for our customers in the future – with an even broader technology base and more capacity.

NIEDERMAIER: Innovations and new products and applications are extremely important to us. However, it is almost equally important that we managed to keep our Basics & Intermediates on track in 2023 with a comprehensive optimization program. We have deliberately dispensed with some low-margin businesses and consistently optimized costs. We have also successfully focused on profitable projects and our strengths.

LÖSLER: It is not always easy for a chemical company to adapt quickly and consistently to rapidly changing conditions. Personnel capacities must be planned accordingly and a targeted selection of projects based on key return figures is required. In 2023, we managed to reduce our inventories by around 12%, achieve a very strong operating cash flow of EUR 72.7 million again and also put our company on an even more stable financial footing by refinancing.

DR. WEICHSELBAUMER: True to our claim “Agile Science. Pure Results.”, we have once again proven that we act flexibly and with foresight and achieve the desired results. Our climate roadmap, to which we committed at the Annual General Meeting 2023, is also moving in the same direction.

What are your specific goals with the climate roadmap?

NIEDERMAIER: We want to reduce our CO₂ emissions in Scope 1 by more than 75% by 2030 and achieve complete climate neutrality in this area by 2033. However, we also want to make a fundamental statement: We are probably the first company in our industry to have positioned itself in this way with regard to climate protection and sustainability. We provided our shareholders with very comprehensive information about our climate roadmap at the Annual General Meeting and invite all interested parties to take a look at our website and our publications to see for themselves.

DR. WEICHSELBAUMER: The effects of our proactive, long-term commitment to a concrete and measurable climate roadmap extend far into our markets. New doors are opening. For example, we have received numerous inquiries from existing and potential customers who are interested in our path to CO₂ neutrality. The feedback on our climate roadmap in the market has been extremely good. This overwhelmingly positive response has clearly exceeded our expectations.

Let's take a look at the fiscal year 2024: How do you expect things to develop and what are your forecasts?

LÖSLER: Thanks to its broad positioning and solid financial basis, our company is well equipped and ideally positioned for further profitable growth. In the fiscal year 2024, we want to increase Group sales from EUR 540.6 million to around EUR 570 million. Sales growth in the Specialty Chemicals segment will overcompensate for the decline in sales in the Basics & Intermediates segment. For Group EBITDA, we are planning growth from EUR 81.4 million to around EUR 90 million.

If we look even further into the future: What is your vision for Alzchem?

NIEDERMAIER: We want to grow to sales of EUR 1 billion. Our goal is to achieve an EBITDA margin of around 20%. At the same time, we will remain a pioneer for sustainability and climate protection in the chemical industry. The megatrends that are already driving our growth today will continue to be decisive in five- or ten-years' time: global population growth, the desire for healthy aging and climate protection. We want to continue to make a significant contribution in these areas in the future with our broadly diversified product portfolio.

“ When the storm comes, it's Alzchem time!

Report of the Supervisory Board



Dr. Caspar Freiherr
von Schnurbein

Prof. Dr. Martina
Heigl-Murauer

Markus Zöllner
Chairman of the
Supervisory Board

Steve Röper

Ladies and Gentlemen,

Dear shareholders,

Despite all the economic fluctuations, we have been in the pleasing position of being able to report an “exceptional” – and for us that means an exceptionally good – business performance on several occasions in recent years. And the fiscal year 2023 is no exception: while the economy in Germany continued to shrink and the chemical industry in particular had to deal with one piece of bad news after another, our company achieved another record result with EBITDA of EUR 81.4 million on a sales base of EUR 540.6 million, which was virtually unchanged from the previous year.

The Alzchem Group was no less affected by the adverse circumstances that were felt everywhere than other companies: the procurement of raw materials and, in particular, electricity at adequate prices, the associated disadvantageous competitive situation, the global slump in demand due to the economic crisis, particularly in Germany, and the supply chains threatened by wars and strikes also had a considerable impact on our business activities. But once again, the Alzchem Group has performed impressively even under these inhospitable conditions. Hardly any other company embodies what crisis resistance means in a practical test more credibly than ours: “When the storm comes” – and this seems to be the case – “it’s Alzchem time”.

However, this robustness did not simply come to the Alzchem Group; rather, it had to be cleverly developed and secured in the long term, even under adversely changing circumstances. Our company has met this

challenge with exceptional success – in the past, now and in the future. In concrete terms, this means that pioneering investment decisions are made at the right time, our own (above all: plant) strategy allows for the most flexible adjustments possible, the financing structure creates room for maneuver and all of this is tackled by a workforce that feels most comfortable in flat hierarchies – recognizable by the strong team spirit. This is precisely what we at the Alzchem Group understand by “Agile Science. Pure Results.”.

It is therefore all the more pleasing that our company has also found the strength to consistently develop a number of genuine growth drivers in an environment that is particularly challenging for the chemical industry. To name just three particularly impressive examples of the success of the reporting year:

- The outstanding quality of our Creapure® – now almost the global standard for creatine in its purest form – is now appreciated by a large number of customers and in a wide range of sporting, medical, therapeutic and lifestyle applications,
- at Creamino®, we are now increasingly experiencing the inherent dynamism of its outstanding properties that we have seen in this product for some time, and
- guanidine salts also significantly supported the positive development of the Alzchem Group in the past fiscal year with their diverse automotive, plant protection and defense technology applications.

Together with the Management Board, however, we are convinced that the full potential of these lighthouse products has by no means been exhausted. On the contrary, further, comparatively new applications, such as Eminex®, are just waiting to complement this highly attractive Alzchem portfolio – literally and sustainably. On the part of the Supervisory Board, we want to support the company as effectively as possible.

Focus of the Supervisory Board’s work

The work of the Supervisory Board in the reporting year was characterized by the diverse challenges of an industrial company operating in Germany that is committed to sustainability. The focus was primarily on the following topics:

- First and foremost, the measures taken by the management to secure the Alzchem Group’s energy supply, which the Supervisory Board followed with the utmost attention, should be mentioned again this year. This was of course much easier for our plant in Sweden with its much more stable energy prices than for Germany with its “electricity price roulette”, which is taking place on a much higher plateau. A constantly changing regulatory environment could also be observed here.
- The Management Board’s deliberations on the possible expansion of our activities abroad received a great deal of attention in the reporting year. Although the starting point for this was the pressing energy problem in Germany in particular, it has been noticeably reinforced by the – at least for the time being – uninviting industrial policy conditions in Germany and Europe. Of course, this is not about relocation, but about a sensible, sustainable addition to the already global activities of the Alzchem Group.
- The investments initiated in the reporting year, all of which were closely monitored by the Supervisory Board, deserve special mention. First and foremost, the almost EUR 14 million modernization of the compressor station in Hart should be mentioned here. Also worth mentioning, however, is the expansion of creatine capacities, which the Supervisory Board also approved following a thorough review of the underlying business case. In the opinion of the Supervisory Board, the measure fits perfectly into the logic of the “Specialty” expansion, which promises interesting sales potential with comparatively high margins.
- Closely related to this is the successful expansion of our credit lines, initially in the form of so-called “floor financing” concluded with several banks, i.e. the conversion of the short-term lines used to a considerable extent at the time into 5-year long-term financing while at the same time maintaining the three short-term facilities thus relieved. A short time later, the Supervisory Board approved an increase of EUR 5 million in each of these operating financing lines. Both measures provide the company with significantly greater financial leeway for all conceivable circumstances.



- The Supervisory Board once again followed the Alzchem Group's numerous ESG initiatives and measures with the utmost attention. The highlight of these was undoubtedly the presentation of the climate roadmap developed by the company to the Annual General Meeting 2023. The overwhelming approval that the plan received there is also a confirmation for the Supervisory Board, which has always strongly supported this pioneering project, which is unique in the practice of German stock corporations and was discussed in several meetings.
- A number of key substances and products for Alzchem continue to be the focus of regulatory procedures and measures by German and European authorities. We have received regular reports on this from the Management Board. One example of this is the ban imposed by the EU Commission on the use of cyanamide as a biocide; this affects the Alzchem product Alzogur®, which has so far been used very successfully to control insects in pigsties. The company has taken legal action against this – rightly in the view of the Supervisory Board – before the European Court of Justice (ECJ). The Management Board also has our full support for this step.
- The Supervisory Board also paid particular attention to the Eminex® business, which is currently being established. Here, the company has undertaken considerable activities to create an attractive market environment for this product, which is particularly groundbreaking in terms of climate protection and therefore offers sufficient incentive to buy. The Management Board presented its strategic considerations in this regard to the Supervisory Board and put them up for discussion.
- Management Board matters were also on our agenda: first and foremost, the extension of Mr. Niedermaier's CEO mandate for a further three years. This means that the key figure for the recent development of the Alzchem Group will remain with us until at least the end of 2026.
- In December 2023, the Supervisory Board also resolved to appoint a fourth member of the Management Board, Mr. Andreas Lösler, as CFO. His term of office began on January 1, 2024 and – in line with the corresponding recommendation of the German Corporate Governance Code (GCGC) – will initially last three years, i.e. until the end of 2026. This was accompanied by a reorganization of the schedule of responsibilities to be determined by the Supervisory Board in agreement with the Management Board.
- Furthermore, the Supervisory Board once again revised the details of the remuneration system for the Management Board, which was last approved by the Annual General Meeting

in 2021. The main aim was to make the system easier to use in practice. The remuneration system now also provides tools that enable a smooth transition from other remuneration models. At the same time, the service contracts of all Management members, including Mr. Englmaier and Dr. Weichselbaumer, were converted to the new system. The Annual General Meeting approved the new remuneration system by a large majority in May 2023.

- On the basis of the current remuneration system, the business and sustainability targets and target curves relevant to the short-term incentive finally had to be assessed for the reporting year and redefined for the following fiscal year. In addition, the Supervisory Board had to determine the decisive parameters for the long-term incentive and the transitional payments and allocate a corresponding number of stock appreciation rights.
- Finally, the Supervisory Board dealt with a number of topics relevant to the share and capital market. These included updating the qualification matrix for the Supervisory Board, the structure of the virtual Annual General Meeting, the use of repurchased treasury shares to issue to selected employees and the discussion of the dividend strategy in light of the successful fiscal year 2023.

Composition of the Management Board and succession planning

There were no personnel changes within the Management Board in the reporting year. We have already mentioned the addition of a highly motivated CFO in the person of Mr. Lösler as of January 1, 2024, who complements our management team both professionally and personally.

In accordance with the established annual cycle, the Supervisory Board once again addressed the succession planning for the Management Board developed jointly with the Management Board in the reporting year. The planning, which takes into account both the potential candidates and their specific skills as well as the appropriate development horizon for them, was updated.

Working methods of the Supervisory Board

In the fiscal year 2023, the Supervisory Board performed the tasks incumbent upon it in accordance with 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. At no time did the Supervisory Board have any doubts about the legality and regularity of the Management Board's activities.

The Supervisory Board continuously dealt with the current company situation and the future development of the Alzchem Group. In addition to the aforementioned key topics, the Supervisory Board meetings dealt with the development of sales and earnings, the net assets and financial position, investment projects and the budget, personnel planning, the situation (including the risk situation) of the Alzchem Group, the risk and compliance management system (on which the Risk and Compliance Officer reported in detail to the Supervisory Board), the internal control system and – with a particular focus – further corporate development and strategy. The focus was also on the dynamics of the sales and procurement markets and securing the long-term competitiveness of the Alzchem Group. "Sustainability" in all its facets has become a standard topic of every Supervisory Board meeting of the Alzchem Group, as already mentioned and in line with the recommendations also given in the German Corporate Governance Code (GCGC).

In view of the various turbulences in the global economy, the Supervisory Board closely monitored the resulting consequences for the Alzchem Group and received regular reports. The surprisingly positive development under the given circumstances resulted, among other things, in the increase in the company's earnings forecast for the fiscal year 2023 announced in an ad hoc announcement on October 18, 2023. The Management Board fully complied with its statutory information obligations at all times by providing the Supervisory Board with regular, timely and comprehensive information in written and oral form, as well as with regard to all other significant developments at the Alzchem Group.

The Supervisory Board discussed all reports and documents received from the Management Board in detail. Any deviations from the plan were explained in detail by the Management Board and carefully examined by the Supervisory Board. Transactions requiring approval – such as the aforementioned restructuring of credit lines and investments in production faci-

lities – were presented to the Supervisory Board by the Management Board in a proper and timely manner. As a result, the Supervisory Board gave its approval to all transactions requiring approval after thorough information and consultation.

Outside of the Supervisory Board meetings, the Chairman of the Supervisory Board maintained a regular and intensive exchange of information with the Management Board and – with the latter's consent – with the members of the management team and other key employees in order to keep himself continuously informed about the current business situation and all significant business transactions and developments. This exchange took place in an open and constructive working atmosphere at all times.

The rules of procedure governing the work of the Management Board and Supervisory Board are available for inspection on the [company's website](#).

Meetings and resolutions of the Supervisory Board

The Supervisory Board held a total of six meetings in the fiscal year 2023, on February 27, April 28, July 28, October 24, December 5 and December 22. Four meetings were held in person and two meetings were held as video conferences. In addition, three resolutions were passed by written procedure in February, March and April 2023 due to the urgency of the matters at short notice.

The Supervisory Board met without the Management Board on purely Supervisory Board-related topics and on agenda items for which an internal discussion within the Board appeared appropriate, such as matters relating to the Management Board, the annual financial statements and other matters discussed with the auditor.

At the request of the Supervisory Board, the meeting on December 5, 2023 was held at the Waldkraiburg plant of the Alzchem Group.





Audit Committee

In the reporting year, the Audit Committee met a total of five times, on the days of the Supervisory Board meetings, i.e. on February 27 (with a focus on the audit of the annual financial statements 2022), April 28, July 28, October 24 and December 5, 2023. The July meeting was held in the form of a video conference, while the other meetings were held in person.

At its meeting on February 27, 2024, the Audit Committee examined the annual financial statements of Alzchem Group AG, the consolidated financial statements and the combined management report, each for the fiscal year 2023. In doing so, it dealt in particular with the key audit matters. The audit also included the non-financial information for Alzchem Group AG and the Group.

Prior to this, the Chairwoman of the Audit Committee had already reported to the committee several times on the status of preparations and the progress of the audit 2023 and the discussions she had held with Ebner Stolz in this regard. This also included a joint discussion with the auditor on audit risk, audit strategy and audit planning.

Nomination Committee

The company has not currently set up a nomination committee. However, it will do so – in line with the recommendation of the GCGC – as soon as the Supervisory Board needs to be reappointed and a corresponding candidate proposal needs to be prepared.

The next regular election to the Supervisory Board will take place in 2025.

Individualized disclosure of participation in meetings and resolutions

The meetings of the Supervisory Board and the Audit Committee held in the reporting year were attended by all members of the respective bodies without exception. The attendance rate in both bodies was therefore 100%. The members of the Supervisory Board also took part

in all written resolutions and resolutions adopted at the meetings. It is therefore not necessary to provide a detailed breakdown of meetings, resolutions and participants here.

Related Party Transactions (RPT)

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

Conflicts of interest

During the reporting period, no conflicts of interest arose among the individual members of the Supervisory Board that would have had to be disclosed to the Supervisory Board (for related party transactions, see above).

Onboarding; training and development of Supervisory Board members

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

In addition, the company supports all members of the Supervisory Board – including those already in office – with the training and further education measures required for their work within the framework of the statutory provisions. In the reporting year, this included a training course offered by the company on the requirements of the new Corporate Sustainability Reporting Directive (CSRD) (including those relating to the Supervisory Board). This also included a tour of the Waldkraiburg plant during a Supervisory Board meeting, which provided an opportunity to discuss possible capacity expansions and issues relating to the production and delivery process as well as cooperation with the local administrative authorities with the plant management.

Finally, the members of the Supervisory Board attended various external training courses on their own initiative in the reporting year. The respective events and their content – which in

the reporting year included the Audit Committee, the Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG) and the special audit under stock corporation law – are documented by the Supervisory Board office on an ongoing basis. It also supports the members of the Supervisory Board with information and materials that are helpful for their work (for example on new laws or generally on the Supervisory Board and its activities).

Corporate Governance

With regard to its corporate governance, the Supervisory Board – in close coordination with the like-minded Management Board – is primarily guided by the standards of good corporate governance formulated in the current version of the GCGC. Accordingly, in December 2023, the Management Board and Supervisory Board were able to adopt the Declaration of Conformity in accordance with Section 161 AktG with only one deviation from the applicable Code – relating to the Management Board remuneration system.

The current Declaration of Conformity (including the disclosed and justified deviations) is available on our [website](#), as are the older declarations. In accordance with Principle 23 of the GCGC, the Management Board also explains the corporate governance practiced by the company – both for itself and for the Supervisory Board – in the corporate governance declaration contained in the combined management report.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. As scheduled, no such review took place in the reporting year; it will not be carried out again until 2024. The suggestions from the efficiency review 2022 were taken up in the reporting year, including in the form of the aforementioned plant tour in Waldkraiburg, during which Supervisory Board members were able to ask questions of the plant management present.

Audit of annual and consolidated financial statements

The annual financial statements 2023 of Alzchem Group AG were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), while the consolidated financial statements were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS). As in the previous year, the company has prepared a combined management report for Alzchem Group AG and the Group for the fiscal year 2023. In accordance with the resolution of the Annual General Meeting on May 11, 2023, the Supervisory Board commissioned Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (now trading as RSM Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft), Stuttgart, Munich branch (“Ebner Stolz”), to audit the financial statements of Alzchem Group AG and the Group for the fiscal year 2023 and, in this context, also agreed the auditor’s remuneration to be paid for this. The Supervisory Board also determined the focal points of the audit to be carried out together with Ebner Stolz. Ebner Stolz appointed Ms. Olga Resnik as the auditor responsible for the audit of the financial statements; she was responsible for this position for the fifth (and therefore legally the last) year in a row.

The auditor audited the annual financial statements and the consolidated financial statements prepared by the Management Board, including the combined management report, and reported in writing on the results of its audit, which did not give rise to any objections. The annual and consolidated financial statements for 2023 received an unqualified audit opinion from the auditor. As part of its assessment of the risk management system, the auditor also found that the Management Board had taken the measures required by Section 91 para. 2 AktG to identify risks that could jeopardize the company’s continued existence at an early stage.

Subsequently, the Audit Committee and then the Supervisory Board reviewed the annual financial statements and the consolidated financial statements for the fiscal year 2023 as well as the combined management report – taking into account the auditor’s report – for completeness and accuracy. All documents and the auditor’s reports were submitted to the Audit Committee and the Supervisory Board in good time and were discussed and examined in detail at the balance sheet meetings of the Audit Committee and the Supervisory Board on February 27, 2024 in the presence of all committee and Supervisory Board members. The auditor reported there on the key findings of its audit and was available to the Audit Committee and the Supervisory Board to answer questions and provide additional information. In parti-





cular, the Audit Committee and Supervisory Board examined whether the assessments made by the Management Board in the combined management report were consistent with the assessments made in the reports to the Supervisory Board during the year and whether the statements in the combined management report were consistent with the Audit Committee's and Supervisory Board's own assessment.

After its own thorough examination of the documents submitted to it, the Supervisory Board – following the recommendation of the Audit Committee – raised no objections to them, approved the audit reports and approved the annual financial statements, the consolidated financial statements and the combined management report. The annual financial statements of Alzchem Group AG prepared by the 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 1.20 per share and carry forward the remaining balance sheet profit to new account against the background of the company's liquidity and its financial and investment planning for the fiscal year 2024. Following a detailed examination, the Supervisory Board agreed with the Management Board's proposal for the appropriation of profits, which envisages a payout ratio of around 35% – also in line with the recommendation of the Audit Committee.

In addition, the Audit Committee and Supervisory Board reviewed the non-financial Group declaration on corporate social responsibility – which already largely complies with the future CSRD standard – and the Supervisory Board approved this declaration.

Composition of the Management Board, Supervisory Board and committees; female quota

In the fiscal year 2023, the Management Board continued to consist of Andreas Niedermaier (CEO), whose appointment was extended until December 31, 2026 by resolution of the Supervisory Board on April 28, 2023, and Klaus Dieter Englmaier (COO) and Dr. Georg Weichselbaumer (CSO), whose mandates each run until December 31, 2025. By resolution dated 5 December 2023, the Supervisory Board also appointed Mr. Andreas Lösler as Chief Financial Officer (CFO) with effect from January 1, 2024 until December 31, 2026. On this occasion, the Management Board's schedule of responsibilities was also adjusted accordingly. In addition, the service contracts of Mr. Englmaier and Dr. Weichselbaumer were converted to the current

Management Board remuneration system with their consent, to which all four Management Board members are now uniformly subject.

The Supervisory Board has so far set a female quota of 0% for the Management Board. Even though the Management Board has thus achieved its target quota, the Supervisory Board is convinced that the 0% quota – which can hardly be changed in any meaningful way at present – should definitely be changed in the medium term. By resolution dated April 28, 2023, the Supervisory Board therefore deliberately limited the new, unchanged quota to the short period until the end of June 2024.

There were no personnel changes on the Supervisory Board in the reporting period. The Board continues to be made up of Mr. Markus Zöllner (Chairman), Dr. Caspar Freiherr von Schnurbein (Deputy Chairman), Prof. Dr. Martina Heigl-Murauer and Mr. Steve Röper – each as representatives elected by the shareholders. In the reporting year, the Supervisory Board therefore also achieved the 25% target quota it set itself for the share of female members. It applies for the period until the end of its term of office in spring 2025.

The Audit Committee has the same members as the Supervisory Board. The Chairwoman of the committee is Prof. Dr. Heigl-Murauer.

The fiscal year 2023 is a prominent part of our company's long and impressive history. We therefore have every reason to look to the future with optimism. Of course, this would be inconceivable without the extraordinary performance of our employees: it is primarily thanks to their commitment, flexibility and creativity that the Alzchem Group continues to be on the road to success. It is therefore to them, the entire workforce of our company, that we owe our greatest thanks once again for the past fiscal year.

Trostberg, February 27, 2024

Markus Zöllner
Chairman of the Supervisory Board
Alzchem Group AG

Alzchem share

DEVELOPMENT OF THE ALZCHEM SHARE

The fiscal year 2023 began for the Alzchem share with a Xetra closing price of EUR 17.85. The high for the year was EUR 26.30 on December 18, 2023 and the low for the year was EUR 17.15 on January 4, 2023. The Xetra closing price on December 29, 2023 was EUR 26.00 and was equivalent to a market capitalization of the company of EUR 264.6 million.

Master data

ISIN/WKN	DE000A2YNT30/A2YNT3
Stock exchange symbol	ACT
Type and number of shares	10,176,335 ordinary bearer shares with no par value (no-par value shares)
Trading segment	Regulated market (Prime Standard)
Designated Sponsor	Baader Bank AG, ODDO BHF Corporates & Markets AG

Key figures

Xetra closing price basis	01/01 – 12/31/2023
Price on 01/02	EUR 17.85
Highest price (12/18)	EUR 26.30
Lowest price (01/04)	EUR 17.15
Price on 12/29	EUR 26.00
Total performance	+45.7%
Earnings per share	EUR 3.40
Market capitalization on 12/29	EUR 264.6 million

Shareholder structure

Shareholder	%
LIVIA Corporate Development SE	25.13
four two na GmbH	15.05
HDI Vier CE GmbH	12.74
Free float*	47.08
thereof M&G plc	7.10
thereof Lazard Frères Gestion SAS	5.11

* The information on the shareholders is based on the information they have provided to us, the information on the free float is based on Section 2.3 of the "Guide to the DAX Equity Indices".

INVESTOR RELATIONS

All relevant information on Alzchem's investor relations activities can be found on our [website](https://www.alzchem.com/en/investor-relations/). A quick overview of important dates is provided in the financial calendar. You will also find facts and figures about Alzchem, in particular the key financial and segment figures. In addition, our website provides comprehensive details on the Alzchem share, current presentations, analyst estimates and reports on business development.



<https://www.alzchem.com/en/investor-relations/>



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Combined Management Report

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

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 2023, as most of the statements apply equally to the Alzchem Group and Alzchem Group AG. The use of this facilitation option is intended to avoid double enumeration and additional work, as well as to provide an overall picture of the corporate group and its parent company.

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

The disclosures required by sec. 289a HGB and sec. 315a para. 1 are presented in a separate section 8 and are part of the combined management report audited by the auditors of the consolidated financial statements.

The non-financial Group statement in accordance with sections 315b to 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB) contained in section 11 of this combined management report, which was prepared for the first time in accordance with the European Sustainability Reporting Standards (ESRS), and the combined (Group) Corporate Governance statement contained in

section 9 are components of this combined management report, but were not audited by the Group auditor.

The remuneration report to be prepared in accordance with section 162 AktG is not part of the combined management report, but is prepared as a separate report, audited by the Group auditor as part of a formal audit and published as required.

2. FUNDAMENTALS OF THE GROUP

2.1 BUSINESS MODEL

The companies of the Alzchem Group develop, produce and trade in chemical products of all kinds and provide services, including as chemical park operators. Alzchem's networked production structure ("Verbund system") creates an efficient value chain that ranges from basic products, such as

- metallurgical additives (CAD[®] and CalciPro[®]),
- methane reduction additives for liquid manure and biogas fermentation residues (Eminex[®]),
- fertilizer (Perlka[®]),
- pharmaceutical raw material dicyandiamide (DCD for metformin (type II diabetes)),
- raw materials for pharmaceuticals, pigments, agrochemicals and biocides (NITRALZ[®]),

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

- feed additives (Creamino[®]),
- dietary supplement based on high-purity creatine (Creapure[®], LIVADUR[®], Creavitalis[®]),
- growth regulator for agricultural applications (Dormex[®]),
- for the pharmaceutical and diagnostics market (Bioselect[®]),
- guanidine salts as propellants for airbags, applications in defense technology and agriculture,
- custom synthesis as contract manufacturing in multi-purpose plants,
- high-performance ceramics in electronic circuit carriers and in electric vehicles in the automotive industry (Silzot[®]), up to
- hardeners and accelerators in powder, paste and liquid form (DYHARD[®]).

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

- **HUMAN NUTRITION:** The Nutrition segment primarily comprises the marketing of high-quality Creapure[®] brand products for the sports nutrition industry as dietary supplements. However, creatine monohydrate can also be added to foods such as yoghurts or vegetarian meat substitutes for healthy nutrition or used as a pharmaceutical application – the product for these applications is marketed under the Creavitalis[®] brand. The LIVADUR[®] brand was



created for the daily use of creatine monohydrate in the private sector to support healthy aging.

- **ANIMAL NUTRITION:** The animal nutrition supplement Creamino® makes a valuable contribution to livestock farming by providing animals with additional energy for healthy growth or by saving the breeder feed.
- **PHARMACEUTICALS AND FINE CHEMICALS:** Based on carbon, lime and nitrogen, the Alzchem Group builds on a widely ramified product family tree ("Verbund system"). This means that Alzchem is able to produce the most important raw materials for many specialty chemicals products in its own plants to the highest quality and is therefore less dependent on external supply chains. At the top of the "Verbund system" are, for example, high-purity guanidine salts, which lead to a product such as Bioselect®, which is increasingly used in the pharmaceutical industry (production of "large molecules"). Alzchem precursors are used in both COVID-19 and antibody tests and generally in DNA diagnostics. Guanidine salts also lead to the product nitroguanidine, which is used as a propellant, for example for airbags and seatbelt tensioners, but also in defense technology. Another application is modern plant protection agents. In the multi-purpose plants (custom manufacturing), the basic products are refined and a wide variety of fine chemicals are produced.

- **AGRICULTURE:** In addition to special fertilizers, such as Perlka®, and growth regulators, such as Dormex®, for wine and fruit cultivation, the Alzchem Group's product range also includes plant strengthening agents and the latest product Eminex® for reducing methane and CO₂ emissions during liquid manure storage.
- **RENEWABLE ENERGIES:** With the DYHARD® product range, the Alzchem Group is represented in lightweight construction (aircraft, automotive) with epoxy resin hot curing agents. The company also offers a system for hardening hydrogen cylinders.
- **METALLURGY:** The company serves two important areas in the steel industry: hot metal desulphurization 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 south-east Bavarian chemical triangle and in Sundsvall, Sweden. Alzchem has sales companies in the strategically important markets of the USA, China and the UK.

The operating business of the Alzchem Group can be divided along the entire value chain and according to the in-

ternal reporting structure into the three business segments Specialty Chemicals, Basics & Intermediates and Other & Holding.

The Specialty Chemicals segment focuses on the production and sale of high-quality specialty chemical products such as Creamino®, Creapure®, Bioselect®, DYHARD®, Dormex® and nitroguanidine.

The Basics & Intermediates segment comprises the production of basic and intermediate products that are either required for the manufacture of specialty chemicals or marketed as stand-alone products. The latter serve a wide range of applications, for example in agriculture, steel production, pharmaceuticals 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. Administrative services are also allocated to this segment.



2.2 GROUP STRUCTURE

Alzchem Group AG acts as the parent company of the Alzchem Group and assumes holding functions for the companies in the Group. Actegon Energy GmbH was founded in the fiscal year 2023 as the operator of the photovoltaic plant currently under construction. No significant business activities have yet taken place in the company. The following companies were included in the scope of consolidation of the Alzchem Group as of December 31, 2023:

Company	Seat	Consolidation
Alzchem Group AG	Trostberg, Germany	Parent company
Alzchem Trostberg GmbH	Trostberg, Germany	Fully consolidated
Alzchem International GmbH	Trostberg, Germany	Fully consolidated
Alzchem Stahltechnik GmbH	Trostberg, Germany	Fully consolidated
Suppliva GmbH (formerly Alzchem Nutrition GmbH)	Trostberg, Germany	Fully consolidated
Alzchem Shanghai Co. Ltd.	Shanghai, China	Fully consolidated
Alzchem LLC	Atlanta, USA	Fully consolidated
Nordic Carbide AB	Sundsvall, Sweden	Fully consolidated
Alzchem Netz GmbH	Trostberg, Germany	Fully consolidated
Edelife Distributing LLC	Atlanta, USA	Fully consolidated
Alzchem UK Ltd.	Coventry, United Kingdom	Fully consolidated
Actegon Energy GmbH	Trostberg, Germany	Fully consolidated

The complete list of shareholdings in accordance with section 313 para. 2 HGB can be found in the notes to the consolidated financial statements.

Since October 5, 2017, the shares of Alzchem Group AG (WKN: A2YNT3) have been traded on the Frankfurt Stock Exchange in the sub-segment of the Regulated Market with additional post-admission obligations (Prime Standard).

2.3 CONTROL SYSTEM

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

- Management Board meetings that usually take place every two weeks,
- regular meetings of the management team,
- regular coordination of production and technology,
- regular coordination of sales and marketing, including innovation management, supply chain management and production,
- regular meetings for controlling and allocating resources in the Innovation Management department,
- regular liquidity management and financing management (daily, monthly, quarterly).

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

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



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

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

With the exception of the Group-related equity ratio, the other key performance indicators are used to assess economic success on the basis of the reporting units and segments. The key 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 earning power independently of the capital structure and propensity to invest and enable an internal and external comparison of the business with regard to the cost structure. As depreciation and amortization (scheduled and unscheduled) are not taken into account, it is also a cash flow-related figure that 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 figure EBITDA is made up of gross profit, selling, general and administrative expenses, research and non-capitalized development costs as well as other operating income and expenses plus depreciation and amortization.

If there are service relationships between the segments, these are calculated using the Group costing rules and in compliance with transfer price specifications and are not presented as sales in the respective segment, but as consolidated figures. In addition, the key figure for inventories is reported and monitored at segment level in absolute terms and also in relation to sales (inventory intensity).

2.4 INNOVATION MANAGEMENT, RESEARCH & DEVELOPMENT

Alzchem sees innovation management as a key growth driver and therefore invests heavily in research and 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. Chemical solutions are also 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. Significant 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	2019	2020	2021	2022	2023
Research (product and application development)	6,638	6,825	7,199	8,632	9,167
Process development	2,672	2,537	2,489	2,156	2,246
Σ Research and development costs	9,310	9,363	9,688	10,788	11,413
% of Group sales	2.5%	2.5%	2.3%	2.0%	2.1%

For the Specialty Chemicals segment, expenses in relation to sales for the fiscal year 2023 amounted to 2.6% (previous year: 2.5%).

The Basics & Intermediates segment's expenditure on research and development amounted to 1.0% of sales in the reporting period (previous year: 1.0%).

In the fiscal year 2023, the Alzchem Group employed a total of 100 people (previous year: 103) in the area of research & development/innovation management.



3. BUSINESS REPORT

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

3.1 MACROECONOMIC AND INDUSTRY-RELATED FRAMEWORK CONDITIONS

3.1.1 MACROECONOMIC FRAMEWORK CONDITIONS

According to the Kiel Institute, global production is set to grow by 3.1% in 2023 – significantly more than the 2.5% forecast at the start of the year. This means that the global economy held up better than expected overall, even if there are still no signs of an economic upturn. In the first three quarters, global production grew by an average of 0.8%, which is slightly weaker than before the coronavirus pandemic. Although industrial production increased slightly in the summer, particularly in the emerging markets, it was barely higher in September 2023 than at the start of 2022. The low level of purchasing managers' indices in the manufacturing sector also shows that the industrial economy has not yet turned around sustainably. Global trade was even noticeably weaker than in the previous year.

Within the advanced economies, the differences in production trends are considerable, but without any discernible effect on the labor markets. Gross domestic product in the advanced economies increased moderately over the course of the year – most recently at a rate of 0.6% in the G7 countries.

Kiel Institute expects the following growth rates for gross domestic product in 2023 in the regions that are important for Alzchem:

Region	Development of gross domestic product in 2023
World	3.1%
Eurozone	0.5%
United States	2.4%
Japan	2.0%
China	5.4%
Latin America	2.1%

Source: Kiel Institute Economic Outlook, World Economy Winter 2023, December 13, 2023, No. 109 (2023/Q4).

The Kiel Institute assumes that the German economy will record a slight decline of 0.3% in 2023, which is slightly lower than forecast in the autumn (-0.5%). In terms of inflation, a significant slowdown to 5.9% is expected. Economic output essentially moved sideways over the course of 2023, with the slight growth in the first half of the year likely to be offset by the downward trend in the second half. Accordingly, there are signs of another slight decline in the final quarter. Although the mood among companies has recently brightened slightly according to the ifo Business Survey, the positive signals are countered by declining capacity utilization and weak new business in large parts of industry. The economic weakness over the year as a whole was primarily the result of declining consumption and weakening foreign business. Construction activity also showed a downward trend.

Source: Kiel Institute Economic Outlook, German Economy Winter 2023, December 12, 2023, No. 110 (2023/Q4).



3.1.2 INDUSTRY-RELATED FRAMEWORK CONDITIONS

DEVELOPMENT OF THE CHEMICAL AND PHARMACEUTICAL INDUSTRY

The chemical-pharmaceutical industry looks back on a difficult year in 2023 with a decline in production of 8%. Excluding the pharmaceutical business, the decline was 11%. The increasing lack of orders was reflected in an average capacity utilization of production facilities of around 77%. This means that production has been below the economically necessary basic capacity utilization of 82% for nine quarters. Industry sales fell by 12% year-on-year to EUR 230 billion. While domestic sales fell by 16% to EUR 86 billion, foreign sales dropped by 10% to EUR 144 billion. Declining chemical prices also contributed to the decline in sales. Producer prices for chemical-pharmaceutical products were around 1% cheaper on average in 2023 than in the previous year. Chemical production in Europe recorded a decline of 8%. In contrast, US chemicals achieved slight growth of 1%, while chemical production in China increased by 9.5%.

Source: German Chemical Industry Association (Verband der Chemischen Industrie – VCI), press release dated December 15, 2023; Henrik Meincke, "Weak demand in the global chemicals business", CHEManager 12/2023

DEVELOPMENT OF THE STEEL INDUSTRY

High energy prices and subdued demand continue to have a negative impact on crude steel production in Germany. Production in the first ten months of 2023 was down 4.1% on the previous year, with the decline accelerating to just under 9% in October. The situation is becoming increasingly difficult, especially for the particularly electricity-intensive electrical steel production, which fell by almost 13% in the ten-month period. In October 2023, the year-on-year decline amounted to almost 21%.

Source: German Steel Federation; press release from November 21, 2023

3.2 BUSINESS DEVELOPMENT

3.2.1 GENERAL DEVELOPMENT IN FISCAL YEAR 2023

The fiscal year 2023 was significantly calmer with fewer crises and very positive for Alzchem. The two crisis hotspots of the previous year – the war in Ukraine and COVID-19 – no longer had a shock effect on Alzchem, but have largely become part of day-to-day work. COVID-19 has increasingly disappeared from public perception and there are no longer any restrictions to consider within Alzchem's work processes. Of course, sensible hygiene concepts will continue to be integrated into the daily work of employees. The war in Ukraine is unfortunately continuing and any kind of end is currently unclear. The extreme external shocks of the previous year have not occurred to the same extent – it seems that the economy has now adapted to the changed circumstances. Alzchem has also accepted the new economic conditions and has partially realigned itself – the increasing focus on the specialty business is certainly one of Alzchem's most significant transformations. The conscious decision not to join the price war for products naturally goes hand in hand with the decision to forego price reductions. This applies in particular to products for which the price gap to the competition, especially in Asia, is so large that even historically customary price reductions would not significantly reduce the gap. The effects of the Ukraine war (energy crisis) have therefore now become part of normal business activity.

The Alzchem Group can look back on a pleasing fiscal year 2023 overall, having performed very well in a challenging environment. The key success factor was and is the consistent transformation towards specialty chemicals, which is largely driven by Alzchem's high innovative strength and

the broad diversification of its products. Alzchem counters the high energy prices and raw material costs as well as the additional CO₂ costs in Europe with permanent efficiency measures, price adjustments to a sustainable level and, if the latter is not possible on the market, with the targeted reduction of high-volume, low-margin products, especially in the Basics & Intermediates segment. As a result, the importance of higher-margin products in the Specialty Chemicals segment is increasing considerably. Here, Alzchem benefits disproportionately from its unique position with numerous products such as Creapure®, Creamino® or guanidine salts and Dormex®. Furthermore, manufacturing costs for products in the Specialty Chemicals segment are not so dependent on the price of electricity.

The positive development of Alzchem led to an adjustment of the forecast issued at the beginning of the fiscal year in October 2023. The sales forecast was adjusted slightly downwards to the previous year's level or slightly below. The EBITDA forecast, on the other hand, was adjusted upwards to "approximately EUR 80 million". Alzchem was then able to meet these updated forecasts in the fiscal year 2023. At EUR 540.6 million, Group sales were slightly below the previous year's level of EUR 542.2 million. The company was thus able to decouple itself positively from the development of the chemical industry, whose sales fell by 12% compared to 2022. Group EBITDA increased significantly compared to the previous year from EUR 61.4 million to EUR 81.4 million, which equates to a significantly improved EBITDA margin of 15.1% compared to 11.3% in the previous year. The strong earnings performance reflects the higher sales volume of specialty chemicals products, the conscious decision not to engage in price wars with Asian competitors in the Basics & Intermediates segment and the significantly more stable cost situation, which enables more predictable pricing for customers.

The operating cash flow also developed very positively, which was once again clearly positive at EUR 72.7 mil-



lion (2022: EUR -4.2 million). As supply chains and logistics functioned much more smoothly in the reporting year, Alzchem was able to significantly reduce its own safety stocks on the raw materials and finished goods side. After deducting investments, this resulted in a positive free cash flow of EUR 52.1 million after EUR -32.8 million in the previous year.

In line with its strategic focus, Alzchem grew again in the Specialty Chemicals segment in the fiscal year 2023, while the Basics & Intermediates segment recorded a deliberately accepted decline in sales. Within Specialty Chemicals, products from the areas of Human Nutrition (Creapure®) and Animal Nutrition (Creamino®) in particular continued to grow. The area of guanidine salts (nitroguanidine), which supplies customers with applications in airbags, plant protection and defense technology, also developed very positively. In contrast, the more purely chemical products (e.g. DYHARD® and Custom Manufacturing) suffered volume reductions.

In the Human Nutrition segment, Alzchem generated significant sales growth with Creapure®. Although the new plant with a significant capacity expansion only went into production at the end of 2022, the next – albeit smaller – plant expansion was commissioned in November 2023 in order to meet the continuing increase in customer demand as the highest-quality supplier. Its use in dietary supplements in the sports sector forms the basis for excellent growth prospects in this product area and a corresponding increase in demand. Creavitalis®, a specially processed creatine monohydrate in the form of a fine, tasteless powder for use in the food and pharmaceutical industries, e.g. as an additive in vegetarian and vegan diets, offers additional growth opportunities. Potential new areas of application for creatine in the pharmaceutical sector include the alleviation of long-COVID syndromes, dialysis and the treatment of exhaustion and fatigue syndrome.

In the fiscal year 2023, Alzchem paid particular attention to the development of the market for the product Eminex® in the Agriculture product area and is preparing the market for the use of this important climate protection product. Eminex® is a component of the climate roadmap adopted by the Annual General Meeting 2023 and can make a significantly positive contribution to Alzchem's overall climate balance in Scope 4 – and even literally make it CO₂-positive. The benefits of the product, which permanently reduces three key greenhouse gases (methane, CO₂, nitrous oxide) by 90% to 100% during manure storage at the farmer's premises, are well known. However, the majority of farmers currently still lack the incentive to use the product – apart from making themselves climate-neutral, as methane emissions have not yet caused any costs for the farmer. From an economic point of view alone, the use of the product is generally only worthwhile for the farmer if there is a corresponding business model. This is where private-sector climate sponsorships can help. Companies, institutions or private individuals can become climate sponsors and thus reduce their own CO₂ footprint. Neutral institutions ensure that farmers who use Eminex® and thus engage in voluntary regional climate protection are rewarded accordingly. One provider has already included Eminex® in such a certification platform. However, it is not only German farmers who rely on climate-friendly manure storage with Eminex®, but also some farmers from Austria, the Netherlands and Belgium. Inquiries from Australia, New Zealand and the USA show that the avoidance of emissions in agriculture and animal husbandry is not a purely European endeavor, but a global issue. Alzchem sees enormous potential in Eminex® and will continue to drive forward its activities with regard to inclusion in certification platforms.

Alzchem continued to invest in the future in the fiscal year 2023 and initiated new investment projects for expansion and infrastructure measures. The additional capacity expansion of the Creapure® plant in fall 2023 has already been

mentioned. In order to meet the growing demand for nitroguanidine announced by customers, plans are being made to expand the corresponding production facility. Furthermore, a first step towards incremental expansion in the multi-purpose facilities was taken in the reporting year in order to serve even more specific customer requests in the area of custom manufacturing in the future. Even if this area was not in such high demand in the fiscal year 2023, Alzchem sees the flexibility of the multi-purpose plants as a strategic advantage and is investing in the future of the plants and therefore of Alzchem right now. The investment enables market entry into products that Alzchem cannot currently offer in large quantities. The first sales from this expansion are expected in 2025. In the area of ceramic products (in particular Silzot®), further interesting application opportunities arose in the fiscal year 2023, including in the automotive industry for electric cars. Detailed demand planning for the coming years for these new areas of application is currently being carried out in close consultation with a customer, which would lead to an expansion of existing production capacities. A positive aspect of this project is the customer's focus on a European supply chain. Also based on a customer inquiry, Alzchem is currently analyzing an investment that could increase production capacity for higher-quality nitriles. In addition, the construction of an in-house photovoltaic system has begun, which will contribute to an emission-free energy supply at the Trostberg site.

In February 2023, Alzchem successfully completed a re-financing and thereby created a more flexible financing structure for its working capital. A total of EUR 30 million was converted from short-term working capital financing to long-term financing with unchanged financing lines. Thanks to the strong positive free cash flow, short-term line utilization and the use of factoring were significantly reduced and scheduled repayments and dividend payments were made. On May 11, 2023, the Annual General Meeting approved,



among other things, a dividend of EUR 1.05 per share. This resulted in a payout to shareholders of EUR 10.685 million.

In August 2023, Alzchem filed a lawsuit with the European Court against the EU Commission's decision not to grant approval as a biocide for cyanamide, the active ingredient in Alzogur®, at EU level despite three recommendations for approval. The lawsuit has now been accepted. Alzchem considers the EU Commission's decision to be wrong due to considerable technical, legal and procedural deficiencies. As a result of the refused approval – and regardless of Alzchem's lawsuit – Alzogur® can only be sold until June 2024 and used in pig barns until December 2024. Alzchem will make every effort to obtain a favorable decision from the European Court by that date, which will be beneficial for both the company and its customers.

As a result of the war in Ukraine and its negative impact on the energy and raw materials markets in Europe, Alzchem is facing significant location and cost disadvantages in international competition. These can only be compensated to a certain extent by the company's own strong market position and, above all, its high product quality. Financial relief such as the much-discussed industrial electricity price can only help to a limited extent, as Alzchem would probably have to pass this on to customers due to price escalation clauses for many electricity-intensive products. Alzchem considers the Carbon Border Adjustment Mechanism (CBAM), which was launched on October 1, 2023, to be much more effective. As part of this new EU border adjustment mechanism

for CO₂, the price of emissions-intensive imports from third countries will be increased to the European price level. This is intended to compensate for the current significant competitive disadvantages for companies in the EU resulting from the stricter climate protection requirements. However, as it is not possible to predict how the transitional phase of this mechanism will be established, Alzchem is also looking into the possibility of making new investments abroad. Particularly due to the significantly lower energy cost level and the continued increasing importance of the North American market, an own site in the USA is a very interesting option – whether through the acquisition of an existing business operation or through a new construction. The first potential sites and acquisition objects have already been inspected. However, this does not involve the relocation of existing production processes, but rather new investments in customer markets. Alzchem is firmly committed to its Bavarian roots and will remain so in the future.

Nevertheless, current politics in Germany and chemicals policy in Europe are not exactly making things easy for companies. The uncertainty regarding energy policy relief contributions for companies as a result of the ruling by the Federal Constitutional Court after the federal budget 2021 was declared unconstitutional is just one example. The economy needs predictability; however, the hectic measures taken by the federal government have not necessarily contributed to this.

Looking back on the circumstances at the beginning of the reporting year, the continued impact of high energy prices on the German economy and the challenges described above, the Management Board is very satisfied with the results for the fiscal year 2023.

3.2.2 SALES AND REVENUE

Alzchem was almost able to confirm the record sales of the previous year, despite deliberately accepting a decline in volumes. There were clear shifts in the share of sales towards the Specialty Chemicals segment. The fiscal year 2023 closed with sales of EUR 540,649 thousand, just below the previous year's figure.

Broken down by segment and quarter, the sales trend is as follows:

Sales in EUR thousand	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Specialty Chemicals	85,783	73,172	69,545	91,302
Basics & Intermediates	57,337	46,038	44,271	44,537
Other & Holding	7,312	7,389	7,008	6,955
Total	150,432	126,599	120,824	142,794



Although the sales trend is characterized by a certain degree of volatility, the fourth quarter shows that the slow-down from the second and third quarters has come to an end. The year began with record monthly sales, which were essentially still due to pricing from the last quarter of 2022. Based on the experience of the fiscal year 2022, Alzchem has switched to often only fixing prices for the following quarter. As a result, the prices agreed in December 2022 were predominantly charged in the first quarter of 2023, which were influenced by the renewed high electricity prices in December 2022. As a result, very high sales were realized here, but the first signs of a decline in volumes in the Basics & Intermediates segment emerged. This trend continued in the second quarter of 2023. The now lower price increases were no longer able to compensate for the volume effects. In the Basics & Intermediates segment, this affected almost every product area, but was deliberately managed in this way. Alzchem had made the decision to set prices in such a way that, taking into account its own manufacturing costs, it would no longer conduct business with neutral or negative contribution margins, but rather accept a decline in volume rather than a decline in profitability. This is explained in more detail in the discussion of sales development in the individual segments in section 3.2.4.1.1. In the Specialty Chemicals segment, this mainly related to seasonal effects, as sales in the agricultural sector with Dormex® predominantly take place in the first and fourth quarters of a fiscal year. The trend was almost halted in the third quarter, although sales were still slightly below the level of the second quarter. In the Specialty Chemicals segment, it was already apparent from the second quarter that the Human Nutrition (Creapure®), Animal Nutrition (Creamino®) and nitroguanidine product areas are on course for significant growth in defense technology. The contribution to sales and increase in sales of these growth areas became more pronounced from month to month. However, the volume- and price-related

decline in sales in other product areas, such as multi-purpose plants, has not yet been fully offset.

However, the fourth quarter saw a trend reversal again, particularly in the Specialty Chemicals segment, where there was a significant increase across almost all product areas compared to the third quarter of 2023 (EUR +21,757 thousand) as well as compared to the same quarter of the previous year. In the Basics & Intermediates segment, sales remained almost unchanged at the level of the third quarter, albeit with slight shifts. For example, sales in agriculture with Perlka® increased again slightly compared to the third quarter of 2023; however, sales in metallurgy were slightly lower than in the third quarter of 2023. Monthly sales were again almost at the level of the first quarter of 2023.

Looking at the fiscal year as a whole, the sales trend compared to the previous year can be reconciled as follows:

CHANGE IN SALES COMPARED TO PREVIOUS YEAR

in %			Fiscal year 2023
Sales 2022	EUR thousand	542,223	
Volume	%		-9.16
Price	%		9.38
Currency	%		-0.52
Sales 2023	EUR thousand	540,649	

While the assumptions regarding the sales forecast for the fiscal year 2023 were still largely unchanged at the start of the third quarter, with sales rising again from the third and fourth quarters of 2023, the analyses at the start of the fourth quarter and taking into account the sales already generated up to that point showed that the original sales

forecast of "slight growth" and "up to EUR 590 million" could no longer be achieved. Consequently, the sales forecast was changed in October 2023 to "at the previous year's level or slightly below". This adjusted sales forecast was also met.

Alzchem's sales department was once again under considerable pressure in the fiscal year 2023. While the main focus in the previous year was on quickly passing on cost increases to the market, the focus in the fiscal year 2023 was on keeping prices stable and possibly also foregoing one or two transactions if this was economically necessary. In addition, sales activities in the Specialty Chemicals segment in particular had to keep pace with increased demand in the growth areas of Human Nutrition, Animal Nutrition and nitroguanidine, so that growth could be generated here. Under these circumstances, the Management Board is very satisfied with what has been achieved and would like to explicitly thank the Alzchem sales team for driving this development.

Logistics are more reliable again than in the previous year. The extreme uncertainties regarding promised delivery dates have disappeared and supply chains have become more predictable again. Alzchem is noticing this in the lead time for incoming orders. Last year, orders were received up to twelve months before the desired delivery date so that the corresponding logistics could be booked and scheduled in good time in advance. The lead time has been reduced to the historically known level, which, however, means new challenges for the flexibility of production and logistics.

The fiscal year 2023 has shown that Alzchem is increasingly succeeding in its transformation into a specialty chemicals company with a focus on selected high-margin niche products. The values that Alzchem continues to stand for as a business partner have once again proven to be key success factors: high reliability, top quality and maximum delivery reliability and flexibility to meet customer requirements. Based on "Made in Bavaria", the Group was able to consolidate



its market position with existing customers and successfully establish itself with a large number of new customers.

Further information on the individual product areas is presented in the segment analysis.

3.2.3 PURCHASING AND PRODUCTION

Although Alzchem's purchasing department did not have a quiet year, the challenges of the previous year were mastered brilliantly and did not recur to the same extent in the fiscal year 2023. The slight easing of the supply situation towards the end of 2022 continued throughout the fiscal year 2023. Supply chains were functioning again, logistics were available again and, above all, freight rates fell significantly compared to the previous year. Although this led to a reduction in inventories and thus also in tied-up capital, it did not reduce the costs of Alzchem's most important raw materials. These remained at a high level and in some cases were still far removed from the level before the outbreak of the war in Ukraine. Raw material inventories held by suppliers and Alzchem were reduced, as many companies no longer needed to maintain high safety stocks due to improved availability. Nevertheless, various challenges still had to be overcome throughout the year:

1. Limited or deficient service quality and/or communication with rail operation service providers, especially regarding longer transportation routes;
2. Chronic staff shortages in external rail transport as well as at trucking companies;

3. Limited availability of return freight in Scandinavia following the closure of the Russian-Finnish border due to the ongoing war in Ukraine;
4. Potential disruption to trade traffic at important hubs (Suez Canal, Panama Canal) due to crisis, conflict and/or weather conditions.

All in all, these effects on Alzchem were less pronounced than in the previous year, but still significantly stronger than before the fiscal year 2022.

Alzchem changed its electricity procurement strategy at the end of the last fiscal year. Electricity is no longer purchased forward one to two years in advance, as Alzchem believes that the forward prices currently traded are subject to too much fluctuation and turbulence. Experience from the fiscal year 2023 has shown that spot purchases currently offer more favorable prices than the previously traded forward prices for the same period. However, this is at the expense of the predictability of results and does not limit the risk of sharp fluctuations in electricity prices. The reporting year showed how sensitively the electricity market reacts to any announcement – for example, the announcement of a strike at two major LNG projects of the US energy company Chevron in Australia alone led to a week of unpredictable fluctuations in electricity prices in Germany. Alzchem has found a good mix in order not to buy electricity too far in advance, but also to ensure a certain amount of short-term risk hedging. Currently, electricity is purchased two to three months in advance if the traded prices appear reasonable. Purchases are only made after coordination with the sales and production departments. This allows us to forecast

exactly which orders have already been fixed and included in production planning.

COVID-19-related protection concepts were no longer necessary in production. Nevertheless, production still had to be managed very flexibly. The deliberate avoidance of volume sales with negative margins resulted in some very short-term volume reductions. At the same time, the production of Creapure®, Creamino® and nitroguanidine was permanently increased. Employees had to help out in other plants at short notice in order to meet demand there. This flexibility characterizes Alzchem and its employees in particular. We would like to thank the employees in production, technology and service for their outstanding flexibility.

One highlight of 2023 was the prudent ramp-up of production in the expanded production facility for creatine, which was completed in the previous year. Production was able to run at full capacity very soon after commissioning – while maintaining the highest purity and quality standards. The full utilization of the plant has contributed significantly to Alzchem's growth. Encouragingly, customer demand continues to rise, meaning that capacity was expanded again in the fourth quarter of 2023. The construction measures were carried out with the existing plant operating almost completely in parallel, meaning that there were no significant downtimes. Commissioning of the expansion went smoothly in the fourth quarter of 2023, allowing the first additional quantities to be produced and sold in November and December 2023.

Other production facilities also faced challenges, particularly with regard to production schedules. After volumes were postponed or not called up at short notice, Alzchem



brought forward any planned maintenance shutdowns as far as possible. At other plants, which were producing at full capacity, the technically necessary maintenance shutdowns were carried out in record time in a multi-shift system in order to be ready for production again quickly. In addition, the employees in technology and production always endeavored to expand the capacities of the systems beyond the previously planned level by permanently increasing efficiency and thus being able to meet the higher demand. This flexibility and constant striving for efficiency improvements are also a core element and strength of Alzchem.

In the fiscal year 2023, particular attention was paid to implementing the so-called electricity price-optimized furnace operation. This measure is not relevant in times of constant electricity prices, but electricity prices are currently subject to high fluctuations – not just daily, but even hourly or quarter-hourly. Analyses have shown that electricity prices on the spot market are most expensive in the mornings and evenings. Looking at the year as a whole, electricity prices are lower in summer and regularly highest during the cold season.

Alzchem's largest electricity consumers are the two carbide furnaces at the Hart site. The concept of electricity price-optimized furnace operation envisages taking the carbide

furnaces out of the power supply when electricity is at its most expensive and producing at high pressure when electricity is at its cheapest. However, in order to meet energy relief requirements, the 7,000 h rule regarding continuous power consumption must be observed despite all the flexibility. Alzchem implemented this optimization in the fiscal year 2023: In the mornings and evenings, the power supply to the carbide furnaces is adjusted as much as possible without affecting quality in the production process. Furthermore, production is carried out in both carbide furnaces during the warmer months of the year, while one of the two carbide furnaces is taken out of production during the colder months. This furnace operation naturally results in a certain build-up of inventory, but this makes economic sense. It allows Alzchem to optimize electricity consumption, store the cheap electricity in the carbide stock and continue to supply the "production Verbund" with carbide in times of higher electricity prices.

The production team was also able to successfully overcome all imponderables in the fiscal year 2023. Over the course of the year, the plants were largely operated at a still satisfactory level of capacity utilization.



3.2.4 NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

3.2.4.1 RESULTS OF OPERATIONS

in EUR thousand	2021	2022	2023
Sales revenues	422,293	542,223	540,649
Change in finished and unfinished goods	10,028	22,193	-3,804
Other operating income	11,360	24,177	13,857
Cost of materials	-170,671	-288,877	-225,145
Personnel expenses	-132,166	-137,139	-145,637
Other operating expenses	-78,798	-101,136	-98,547
EBITDA	62,046	61,441	81,373
Depreciation and amortization	-24,474	-25,543	-25,900
EBIT	37,572	35,898	55,473
Other interest and similar income	643	8,421	382
Interest and similar expenses	-1,703	-3,037	-7,666
- thereof non-cash	-706	-1,393	-4,457
Financial result	-1,060	5,384	-7,284
Result from ordinary business activities	36,512	41,282	48,189
Taxes on income and profit	-8,748	-11,059	-13,397
Consolidated annual result	27,764	30,223	34,792
thereof non-controlling interests	171	171	171
thereof interests of shareholders of Alzchem Group AG	27,593	30,052	34,621
Earnings per share in EUR (undiluted and diluted)*	2.72	2.96	3.40

In the fiscal year 2023, consolidated revenue amounted to EUR 540,649 thousand (previous year: EUR 542,223 thousand), down EUR 1,574 thousand (or 0.29%) on the previous year. In terms of volume, price and currency, the sales trend compared to the previous year is as follows:

in EUR thousand	2021	2022	2023
Sales of the previous year	379,257	422,293	542,223
Volume effect in %	9.65	-2.59	-9.16
Price effect in %	2.38	27.57	9.38
Currency effect in %	-0.69	3.42	-0.52
Sales of the fiscal year	422,293	542,223	540,649

Sales performance varied across the segments with opposing effects. The Specialty Chemicals segment was once again the growth segment and increased its sales by EUR 31,441 thousand in the fiscal year 2023. By contrast, the Basics & Intermediates segment recorded a decline in sales of EUR 35,356 thousand compared to the previous year, mainly driven by volumes and price formulas. This development is partly self-controlled. The Other & Holding segment recorded a slight increase in sales. Overall, however, the effects from the Basics & Intermediates segment predominated, meaning that sales were slightly down on the previous year. A more detailed analysis of the main factors influencing the sales trend is provided in the discussion of the segment figures.

* After the transfer of shares to employees in 2023, calculated with the average number of shares outstanding: 10,169,572 shares in the period from January 1 to December 31, 2023. Calculated with 10,135,754 shares for the entire period of 2022.



The following picture of sales revenue can be seen for the global regions and economic areas:

in EUR thousand	2021	2022	2023
Germany	131,296	145,826	152,130
European Union (excluding Germany)	121,629	173,886	173,404
Rest of Europe	28,177	25,573	28,309
NAFTA	51,023	83,914	94,661
Asia	54,027	62,487	39,789
Rest of the world	36,141	50,537	52,355
Total	422,293	542,223	540,649

Compared to the previous year, sales increased or at least remained stable in almost all of the regions mentioned above. Only in Asia did sales decline.

The sales trend in Germany resulted from opposing effects. The highest sales growth was recorded in the Human Nutrition segment with Creapure® and in the automotive and defense technology sectors with nitroguanidine. By contrast, sales of multi-purpose plants and in the metallurgy business declined.

The sales trend in the European Union also resulted from sales growth on the one hand and sales declines on the other. Strong growth was also recorded here for the products Creapure® and nitroguanidine, as well as Creamino®. Sales of the metallurgy and agriculture product Perlka® declined due to volume and price formula factors.

The Rest of Europe region also remained almost stable at the previous year's level. While Creapure® and Creamino® also grew here, sales of agricultural products and multi-purpose plants were down on the previous year.

Sales increased significantly in the NAFTA region. Similar to the effects from the other regions, sales of Creapure®, nitroguanidine and Creamino® rose, while agricultural products were down slightly on the previous year.

Alzchem has lost some of its competitiveness in Asia, as local suppliers there can offer their products much more cheaply due to lower energy costs. This mainly affected pharmaceutical applications (dicyandiamide), the NITRALZ® business and the fertilizer business with Perlka®.

The sales trend in the "Rest of the World" region is largely influenced by products from the Specialty Chemicals segment. The biggest sales driver here was also the Human Nutrition division with Creapure®. By contrast, products from the Agriculture segment (Dormex®) suffered a decline in sales.

Other operating income amounted to EUR 13,857 thousand and was therefore EUR 10,320 thousand down on the previous year. Lower own work capitalized and lower foreign currency gains were recorded in the fiscal year 2023. Due to the slightly restrained investment activity, own construction work on investment projects is also lower than in the previous year, which in turn has a direct impact on own work capitalized. Within other operating income, the previous year was also influenced by the one-off effect of EUR 5,228 thousand from the valuation of derivatives resulting from the sale of electricity strips for the calendar year 2023. This effect did not recur this year.

The cost of materials is considered together with the changes in inventories as an "extended cost of materials ratio". In the fiscal year 2023, the cost of materials amounted to EUR 225,145 thousand and was therefore significantly lower than the previous year's figure of EUR 288,877 thousand. While there was a significant increase in inventories in the previous year (EUR +22,193 thousand), inventories of finished and unfinished goods were reduced by EUR 3,804 thousand in the past fiscal year. The previous year was still heavily influenced by the build-up of safety stocks and high price components in inventories. The consistent optimization of working capital led to an increased reduction in the volume of inventories, although raw material prices were still at a high level. Electricity is a significant component of Alzchem's cost of materials. The further shift of sales to the specialty chemicals sector is also reflected in the cost of materials, which is not as electricity-intensive for these products. Due to the combination of these effects, the expanded cost of materials ratio fell from 49% to 42% compared to the previous year. The key figures also reflect the effects of the lower costs for energy and other raw materials, even if the levels from before the war in Ukraine have not yet been reached again.

Personnel expenses for the fiscal year 2023 amounted to EUR 145,637 thousand, a rise of 6% compared to the previous year, which resulted from the collectively agreed salary increases that have applied since January 1, 2023 on the one hand and special payments on the other. The special payments include the inflation adjustment bonus of EUR 1,500 thousand to be



paid to each employee in accordance with the previous year's collective bargaining agreements and the earnings-related remuneration; due to the year-on-year increase in EBITDA and the improved EBITDA margin, the bonuses for employees covered by collective agreements and those not covered by collective agreements are also higher than in the previous year. The number of employees has remained largely stable. As a result of the slight decline in sales with increased personnel expenses, the personnel expense ratio, i.e. the ratio of personnel expenses to sales, rose slightly from 25% to 27% compared to the same period of the previous year. The number of employees at Alzchem developed as follows:

Employees ¹	2017	2018 ²	2019	2020	2021	2022	2023
Commercial workers	766	802	821	818	818	850	857
Employees	610	635	677	679	683	698	700
Trainees	115	125	125	134	135	129	133
Total employees	1,491	1,562	1,623	1,631	1,636	1,677	1,689
Change	1.5%	2.4%	4.0%	0.5%	0.3%	2.5%	0.7%

¹ Employees = average calculation of employees at the end of the last four quarters before the respective reporting date, including those abroad

² Figures for 2018 as a whole are unaudited and are the sum of the two audited short fiscal years 2018/I and 2018/II.

Other operating expenses amounted to EUR 98,547 thousand in the fiscal year 2023 and were therefore EUR 2,589 thousand lower than in the previous year. This corresponds to a decrease of 3%. Significant reductions were recorded in selling expenses (EUR -7,221 thousand) due to lower logistics costs for outgoing freight and external services (EUR -2,164 thousand). In contrast, disposal costs increased, which is attributable to higher volumes in the production of certain plants. Foreign currency losses fell slightly compared to the previous year. Marketing costs were also slightly below the previous year's level.

Despite the slight decline in sales, EBITDA increased significantly by EUR 19,932 thousand to EUR 81,373 thousand. In addition to a slightly lower cost level, the significant improvement in EBITDA is primarily due to the permanently increased sales contribution of the Specialty Chemicals segment and the renunciation of a low-price strategy in the electricity-intensive Basics & Intermediates segment, accepting lower sales volumes. In addition, the pricing of Alzchem's products became slightly more predictable than in the previous year, when the almost daily fluctuations in raw material and energy prices could not be passed on to the market at the same speed. The still very high cost level is now more stable in the pricing mechanism and price escalation clauses are increasingly being used. The EBITDA margin was

15% in the reporting period and therefore significantly higher than the 11% in the same period of the previous year.

Depreciation and amortization are as follows:

in EUR thousand	2021	2022	2023
Amortization on intangible assets	669	731	738
Depreciation on property, plant and equipment	21,775	22,735	23,208
Depreciation on own assets	22,444	23,465	23,946
Amortization on lease usage rights	2,030	2,078	1,954
Total depreciation and amortization	24,474	25,543	25,900

In total, depreciation and amortization amounting to EUR 25,900 thousand was recorded within Alzchem. They are therefore almost stable at the previous year's level.

The financial result developed in exactly the opposite direction to the same period of the previous year. It amounted to EUR -7,284 thousand and was therefore significantly lower than in the previous year, when a positive financial result of EUR 5,384 thousand was recorded. This development is primarily the result of the increased interest rate environment after the western central banks took several significant steps to curb inflation. The interest rate level leads to cash and non-cash interest effects at Alzchem. The interest expenses for the variable-interest drawdown of short-term financing lines, factoring and the refinancing carried out in February 2023 are cash-effective. Here, the rise in interest rates led to an increase in interest expenses of EUR 1,565 thousand compared to the previous year, although the average utilization of these financing funds fell in the fiscal year 2023. As the other long-term loans have fixed interest rates, the rise in interest rates has no impact on this. However, scheduled repayments will lead to falling interest expenses. The non-cash interest effects, though, have a significantly greater impact on the development of the financial result. These result from the effects of interest rate changes from the measurement of non-current provisions and pension obligations. The discount rates for non-current provisions fell slightly again as of December 31, 2023 compared to the last valuation date of December 31, 2022, meaning that interest rate change effects led to valuation-related interest expenses of EUR 1,155 thousand. In contrast, there was a much more significant rise in interest rates in the previous year, which resulted in interest income of EUR 7,647 thousand. The recognition of these interest rate change effects alone therefore resulted in a difference of EUR 8,802 thousand compared to the previous year, which had a negative impact on the financial result.



Higher interest expenses for pension obligations also had to be recognized in the fiscal year 2023, as the interest rates as of December 31 of a year are always used for the subsequent period. These were higher on December 31, 2022 than on December 31, 2021 and led to EUR 1,910 thousand higher interest expenses in the fiscal year 2023 than in the previous year.

Tax expenses amounted to EUR 13,397 thousand after EUR 11,059 thousand in the previous year. The effective Group tax rate therefore was 27.8% (previous year: 26.8%). This includes current tax expenses of EUR 15,108 thousand (previous year: EUR 4,895 thousand) and deferred tax income of EUR 1,710 thousand (previous year: tax expenses of EUR 6,165 thousand). The actual tax expense increased in particular due to the significant rise in earnings before taxes. Furthermore, earnings before taxes in the fiscal year 2023 were not as strongly influenced by changes in interest rates, which are generally measured much differently in the calculation of taxable profit than in the IFRS calculation of profit. In the previous year, this had the effect that the actual taxable income was significantly lower than the consolidated earnings before taxes. In contrast, the increase in provisions due to interest expenses led to significantly higher deferred tax income. In the previous year, the high interest income resulted in the recognition of a deferred tax expense.

Consolidated annual result for the fiscal year 2023 amounted to EUR 34,792 thousand (previous year: EUR 30,223 thousand), an increase of EUR 4,568 thousand.

The increase in consolidated profit for the period for the period also improved earnings per share, which amounted to EUR 3.40 in the reporting period. This represents an increase of EUR 0.44 or 15% compared to the previous year. The transfer of previously held treasury shares to employees in the fiscal year 2023 led to a slight increase in the number of shares in circulation compared to the same period of the previous year. Earnings per share were calculated using a weighted average number of shares in circulation of 10,169,572 in the fiscal year 2023 and 10,135,754 in the fiscal year 2022.

3.2.4.1.1 DEVELOPMENT IN THE SEGMENTS

3.2.4.1.1.1 SPECIALTY CHEMICALS SEGMENT

KEY FIGURES OF THE SEGMENT

in EUR thousand	2021	2022	2023	Change
External sales	220,499	288,361	319,802	10.9%
EBITDA	50,664	53,014	73,243	38.2%
EBITDA margin	23.0%	18.4%	22.9%	+4.5 percentage points
Inventories	53,971	68,535	55,998	-18.3%
Inventory intensity	24.5%	23.8%	17.5%	-6.3 percentage points

The Specialty Chemicals segment remains Alzchem's growth driver and was able to significantly increase sales as well as EBITDA and the EBITDA margin compared to the previous year. This also further increased the importance of the segment for Alzchem. The segment's share of sales amounted to 59% (previous year: 53%) and the segment contributed 90% to EBITDA (previous year: 86%).

Sales in the segment amounted to EUR 319,802 thousand, up EUR 31,441 thousand (11%) on the previous year. While some areas continued to record strong volume growth, the current economic situation led to lower sales volumes in other areas. Other areas remained stable at the previous year's level. Across the segment as a whole, sales resulted from a stable volume trend with increased prices.

Of particular note in the development of the fiscal year 2023 is the Human Nutrition and Dietary Supplements product area with the strong Creapure® brand. At the beginning of the fiscal year, the significant capacity expansion carried out in the previous year was fully commissioned, which is now helping to meet the significant increase in customer demand. With the product name Creapure®, Alzchem was able to establish a brand that is internationally recognized and in high demand. The majority of customers now use the Creapure® logo in the labeling of their own end customer products as a strong seal of quality "Made in Bavaria" or "Creapure® inside".

In the fourth quarter of 2023, work on an additional expansion of production capacity was completed and successfully put into operation. The first increases in volume were already evident after commissioning. As production capacities are still almost fully utilized, detailed



analyses are currently underway to further expand the existing plant. In addition, we are constantly working on increasing efficiency in the existing production process. The newly defined brand strategy is also already bearing fruit. Initial sales of Creavitalis® and other interesting customer inquiries are very positive for the future growth opportunities of creatine in the food and pharmaceutical industries.

Significant growth was also achieved in the product area of guanidine salts (including nitroguanidine). Nitroguanidine can be used as a dual-use product in both civilian and military applications. Over the course of the fiscal year 2023, there were clear shifts away from the previous civilian applications in the agrochemical and automotive industries towards defense-related applications, which have been served for years and have now developed a much stronger sales market. Capacity expansion projects are already underway based on the close exchange with defense technology customers. Some projects are intended to contribute to short-term volume growth, while others are more in line with the strategic focus in this area.

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

However, growth was not recorded everywhere. Slight declines in sales were recorded in custom manufacturing of multi-purpose plants, in the automotive sector with the DYHARD® brand and in the pharmaceutical sector (Bioselect®).

The reasons for this vary. Despite considerable specialization, Alzchem cannot completely escape the general trend in the chemical industry in the multi-purpose plants. The customers here are mostly the large companies in the chemical industry, which have specific products manufactured by Alzchem in small quantities per formulation. Most of these customers are currently struggling with economic problems and are therefore postponing orders or reducing their forecasts. However, Alzchem considers this to be only a temporary phase, as the plants are well diversified and can therefore serve a wide range of products. This diversification has proven to be very valuable and crisis-resistant in Alzchem's history. Confidence in the medium-term specialized development of these plants has also led to an incremental expansion of an existing plant that has already begun. This investment should allow Alzchem to serve specific customer needs even more precisely and to offer products that are not currently represented in Alzchem's product portfolio. In the pharmaceutical sector (Bioselect®), sales from the corona-related boom have not yet been achieved again, as customers are still well supplied after the high orders of previous years. However, the applications go far beyond the coronavirus tests. Alzchem serves customers in biotechnology, diagnostics and pharmaceuticals, whose ordering behavior increased in the fourth quarter of 2023. The agricultural product area with the growth regulator Dormex® was below the previous year's sales in terms of volume. Alzchem was forced to increase prices on the cost side. Customers particularly appreciate the quality and delivery capability of Alzchem, which ensures the supply of fresh fruit in Europe and not least in the USA.

The segment's EBITDA also increased in line with revenue, rising to EUR 73,243 thousand in the fiscal year 2023, up EUR 20,229 thousand (38%) on the previous year. The positive development of the EBITDA margin, which rose from 18.4% to 22.9%, shows that this is not just a case of passing on costs due to the higher sales volume. The analysis of the segment result shows that, overall, the cost increases were passed on to the market. This was not always the case last year, as the increase in raw material costs was not always reflected in Alzchem's prices at the same rate. With regard to the individual product areas within the segment, it should be noted that the comments on the development of sales also apply to the development of EBITDA. The consistent increased focus on specialty chemicals products is making a significant contribution to the growth in earnings. In addition, the development of the Specialty Chemicals segment also reflects the advantages of the "Verbund system", which ensures a reliable supply of high-quality raw materials. This distinguishes Alzchem from competitors who are much more dependent on external sources for the supply of raw materials.

The segment's inventories amounted to EUR 55,998 thousand and were therefore significantly lower than in the previous year. This mainly reflects the results of working capital management with a focus on lower stock levels and lower safety buffers in purchasing and sales. In addition, the improved availability of logistics means that inventories can be delivered more quickly and on time.



3.2.4.1.1.2 SEGMENT BASICS & INTERMEDIATES

KEY FIGURES OF THE SEGMENT

in EUR thousand	2021	2022	2023	Change
External sales	176,274	227,539	192,183	-15.5%
EBITDA	10,985	4,983	9,531	91.3%
EBITDA margin	6.2%	2.2%	5.0%	+2.8 percentage points
Inventories	33,400	49,945	49,139	-1.6%
Inventory intensity	18.9%	22.0%	25.6%	3.6 percentage points

The Basics & Intermediates segment recorded a year-on-year decline in sales of EUR 35,356 thousand to EUR 192,183 thousand (-16%). Nevertheless, the segment's profitability increased – EBITDA rose significantly by EUR 4,548 thousand to EUR 9,531 thousand. The results of the optimization project launched in the previous year are very evident in the segment. The aim here was to find the right pricing strategy for Alzchem's electricity-intensive product areas, taking into account the optimum production volume. In addition to external sales, some of the segment's production facilities also pass on their products to other product areas as raw materials for further production. It is therefore not only important to consider the quantities sold to external customers, but also to keep an eye on the entire production chain of the "production Verbund" in order to maintain the production and supply capability of the downstream product areas.

The decline in sales is mainly due to volume effects, although price increases compared to the previous year were also necessary. However, the latter could not offset the volume effect. In some cases, however, the decline in volume was consciously accepted. This showed that a volume-related decline in sales does not necessarily have to be at the expense of EBITDA. The cost structure and pricing of products in the Basics & Intermediates segment are generally much more dependent on energy costs than is the case in the Specialty Chemicals segment. Although energy costs in the fiscal year 2023 no longer made the massive leaps of the previous year, they were still significantly higher than in the period before the war in Ukraine. This was compounded by general inflation rates and increases in other key raw materials, particularly those that are produced using natural gas. As a result, production costs were significantly higher than they had been historically. Sales prices had to be adjusted accordingly in order to be able to operate in this segment on a sustainable basis. However,

competition in this segment is in some cases more intense than in the Specialty Chemicals segment. Some products in the Basics & Intermediates segment face strong competition from Asia. These companies benefit nationally from the significantly lower energy costs and at the same time do not have to process the CO₂ costs included in every energy purchase in Europe. The general conditions and cost structure are therefore not very comparable with those of Alzchem. The difference in costs is so great that the pricing demanded by some customers does not permit economically sustainable operations. Alzchem is therefore unable and unwilling to match the pricing of its competitors. As a result, some customers are switching to the Asian competition and placing lower volume orders with Alzchem. It remains to be seen how sustainably the Asian competition can maintain this price level. Alzchem has made a conscious decision to accept lower sales volumes in favor of economically viable sales prices, as long as this does not have a negative impact on "Verbund production".

These effects can be seen when looking at the individual product areas. In the pharmaceuticals sector (dicyandiamide building block), Alzchem is the only producer in Europe and supplies customers with the raw material for the production of diabetes medication, among other things. Asian competition is strong in this area and has a pricing strategy that, roughly speaking, cannot cover costs even for these companies. Some customers have therefore switched to Asian suppliers, to the detriment of the quantities sold by Alzchem. Nevertheless, price increases were implemented for the volumes sold, which partially compensated for the decline in sales.

The situation is similar in agriculture with the fertilizer Perlka®, even if the competition does not come from China, but predominantly from Russia. These natural gas-based fertilizers are currently sold at much lower prices in Europe, as they are not subject to an embargo. Alzchem informed customers about the new cost structure in good time, but had to accept significant volume declines. Nevertheless, developments in the fourth quarter of 2023 and the current orders give hope for a slight recovery in demand. The global increase in sales of Eminex® is also encouraging. As explained in section 3.2.1, Alzchem sees great potential here if regulatory CO₂ pricing reaches agriculture or if more and more producers focus on sustainability aspects in agriculture.

The NITRALZ® product area with applications in the pharmaceutical, agrochemical and basic chemicals industries was able to maintain almost the same level as the previous year, but is also facing strong competition from Asia. The required raw materials are predominantly natural gas-based and have therefore become significantly more expensive on the European market, although they are available again. The competition in India and China obtains these raw materials much more cheaply and therefore benefits from a significantly more favorable cost structure. Nevertheless, a minor investment is currently being examined here at the



request of customers, which could increase production capacity for higher-quality and specialized nitriles. European customers in particular are putting delivery reliability and quality ahead of cost benefits.

Sales in the metallurgy business were also down on the previous year. Pricing here is mainly defined by electricity and raw material-based price escalation clauses. As electricity prices were slightly below the previous year's level, particularly in the second half of 2023, the price escalation clauses led to lower sales. However, volumes were also unable to reach the previous year's level. Increasing competition from Eastern Europe, but also the economic situation of European steel producers, were the drivers here.

The decline in sales did not have the same effect on segment EBITDA. Instead, EBITDA increased by EUR 4,548 thousand to EUR 9,531 thousand. The EBITDA margin was 5.0% and therefore significantly higher than in the previous year, when it was just 2.2%. It is clear that volume is not the only decisive factor if it does not have a negative impact on the optimal production structure. With the exception of NITRALZ[®], all product areas were able to increase or maintain

EBITDA. On the one hand, the decision to forego business with lower margins and the price war with Asian or Russian competitors had a positive effect on EBITDA. On the other hand, the previous year was influenced by steadily rising electricity prices, particularly in the second half of the year (with peaks in July to September, but also in December), which had a negative impact on earnings. Electricity prices remained very high, but were subject to less extreme fluctuations than in the previous year – this helped to ensure more stable pricing on the market.

Inventories in the Basics & Intermediates segment amounted to EUR 49,139 thousand and were therefore slightly below the previous year's level. This is mainly due to carbide production with optimized electricity costs. Electricity prices are generally lower in summer and fall than in winter. Carbide production in the furnaces was therefore ramped up in the summer and fall so that it could be reduced in the winter months. Alzchem thus followed the energy cost structure in carbide production, but remained capable of production and delivery in the downstream production processes.



3.2.4.1.1.3 OTHER & HOLDING SEGMENT

KEY FIGURES OF THE SEGMENT

in EUR thousand	2021	2022	2023	Change
External sales	25,520	26,323	28,664	8.9%
EBITDA	1,405	1,959	463	-76.4%
EBITDA margin	5.5%	7.4%	1.6%	-5.8 percentage points
Inventories	3,664	4,164	4,377	5.1%
Inventory intensity	14.4%	15.8%	15.3%	-0.5 percentage points

Sales in the Other & Holding segment were slightly higher than in the previous year (EUR +2,341 thousand), which mainly reflects the passing on of cost increases to chemical park customers. The services they used were primarily of a variable nature (energy supply, technical services and network operation). EBITDA was below the previous year's level, mainly due to expenses that could not be passed on.

Segment inventories remained largely stable at EUR 4,377 thousand compared to EUR 4,164 thousand in the previous year.

3.2.4.2 FINANCIAL POSITION

3.2.4.2.1 CAPITAL STRUCTURE

When selecting financial instruments, the focus is on financing with matching maturities, which is achieved by managing maturities. In the fiscal year 2023, strong cash flow from operating activities led to a significant improvement in free cash flow compared to the previous year and also to the repayment of long-term and short-term liabilities. At the beginning of the year, a refinancing was carried out in cooperation with Alzchem's financing partners, through which short-term financing lines were converted into long-term loans in the amount of EUR 30 million. The existing committed financing lines in the amount of EUR 77.5 million remained unchanged and continue to ensure a secure and solid financing structure for Alz-

chem. In the course of the fiscal year 2023, these potential financing lines were increased by a further EUR 10 million to EUR 87.5 million.

As of December 31, 2023, the financing of the Alzchem Group is as follows:

in EUR thousand	2022	2023
Long-term loans (including their current portion)	37,553	57,498
Utilization of short-term financing lines	56,353	0
Freely available short-term financing lines	21,147	87,500

With this financing structure, Alzchem considers itself well prepared for further growth.

3.2.4.2.2 INVESTMENTS

Alzchem's investment activity was slightly more restrained than in previous years. The uncertain business environment at the beginning of the fiscal year 2023 led to a deliberately more cautious investment policy in the short term. Cash outflows for investing activities amounted to EUR 20,557 thousand and were therefore EUR 8,511 thousand lower than in the previous year. Each investment project was critically reviewed in light of the economic environment and therefore not all of them were implemented. Further investments were made in the additional expansion of creatine capacities (for Creapure®, LIVADUR® and Creavitalis®) and in the systematic renewal of the company's own network operations. In the previous year, investment activity also focused primarily on the expansion of creatine capacities, albeit with significantly higher amounts and capacities.

However, in addition to infrastructure and efficiency measures, various investment projects have already been initiated for further growth and for improvements in Alzchem's training facilities, which will influence the investment cash flow in the fiscal year 2024. Funds for initial construction activities for the photovoltaic plant at the Trostberg site and for the incremental expansion of the multi-purpose plants were already allocated in the fourth quarter of 2023. Further investment projects for the expansion of the nitroguanidine and creatine plants and the silicon nitride production plant are already in the analysis phase.

Due to the strong operating cash flow, free cash flow also improved significantly compared to the previous year. After deducting investments, free cash flow amounted to EUR 52,123



thousand, which represents an improvement of EUR 84,873 thousand compared to the previous year.

Due to the "Verbund" structure and the resulting interlinking of the infrastructure and investment structure, segment-related information on investments is not provided, as this is not meaningful and does not form part of internal reporting.

3.2.4.2.3 LIQUIDITY

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

The non-current loan liabilities currently reported result from loans taken out to finance investments in the 2017 and 2020 fiscal years. EUR 30 million in non-current loans were added in the fiscal year 2023 as a result of the successful refinancing. This long-term, partly project-related financing for measures already implemented with a term of more than one year amounted to EUR 48,665 thousand as of the reporting date (previous year: EUR 27,498 thousand). The current portion of non-current loan liabilities as of December 31, 2023 amounted to EUR 8,833 thousand (previous year: EUR 10,055 thousand) and is reported in the balance sheet item current loan liabilities to banks. In total, these loans amounted to EUR 57,498 thousand as of the reporting date of December 31, 2023 (previous year: EUR 37,553 thousand). These obligations were serviced as scheduled in the reporting year and the previous year.

In addition, short-term financing lines (money market loans, overdraft facilities and guarantee facilities) totaling EUR 87,500 thousand (previous year: EUR 77,500 thousand) were agreed with several banks. These potential working capital financing lines were increased by EUR 10 million in the fiscal year 2023. The positive and significantly improved free cash flow compared to the previous year led to a reduction in the short-term financing lines drawn beyond the refinancing in the amount of EUR 56,353 thousand. As a result of these measures, the financing lines drawn as of December 31, 2023 were completely reduced to EUR 0 thousand (previous year: EUR 56,353 thousand) compared to the previous year.

The company also uses factoring as a means of financing. Around 34% (previous year: 69%) of the available financing framework of EUR 40,000 thousand (previous year: EUR 40,000 thousand) was utilized on average in the fiscal year 2023. The loan and credit agreements include the customary covenants on the capital market. There is no discernible impairment of these covenants in the medium-term planning. Liquidity is guaranteed at all times thanks to the expanded existing financing instruments.

Cash and cash equivalents amounted to EUR 11,883 thousand as of the reporting date of December 31, 2023 (December 31, 2022: EUR 9,243 thousand). The collateral provided to the government of Upper Bavaria for the operation of its own landfills in the amount of EUR 5,902 thousand (December 31, 2022: EUR 5,902 thousand) is reported as other current assets due to the fixed-term investment of more than 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	2021	2022	2023
Financial funds on January 1	17,117	8,285	9,243
Cash outflow (-)/inflow (+) from operating activities	43,016	-4,240	72,671
Cash outflow from investing activities	-28,479	-28,511	-20,548
Cash outflow (-)/inflow (+) from financing activities	-23,620	33,647	-49,166
Change in financial funds	-9,083	896	2,957
Exchange rate-related changes in financial funds	251	62	-317
Financial funds on December 31	8,285	9,243	11,883

The cash flow statement is prepared using the indirect method.

Financial funds as of December 31, 2023 amounted to EUR 11,883 thousand (December 31, 2022: EUR 9,243 thousand) and comprised immediately available bank balances, checks and cash in hand.

A clearly positive cash inflow from operating activities was generated in the fiscal year 2023. This amounted to EUR 72,671 thousand and was therefore significantly (EUR +76,911 thousand) higher than in the previous year, when there was still a cash outflow from operating activities as a result of the considerable working capital distortions. The effect of the previous year's supply chain and logistics problems and enormous increases in raw material costs has been consistently counteracted since the second half of 2022 and strict working capital management has been implemented in every production facility. Most recently, the return to reliable supply chains also had an impact on reducing the safety stock built up in inventories. The positive effects were now evident in the reporting year. Alzchem only achieved a cash outflow of EUR 8,456 thousand from the change in working capital in 2023, compared to a



cash outflow of EUR 57,867 thousand in the previous year. Alzchem's working capital includes trade receivables and trade payables as well as inventories. Trade receivables are influenced in the balance sheet, but also by the significantly lower use of factoring compared to the previous year. Finally, the EUR 19,932 thousand increase in EBITDA also led to an improvement in operating cash flow compared to the same period of the previous year. Even though there was an overall decline in inventories, the measures initiated continue to be implemented consistently and developments are closely monitored at the highest management level. The projects that have been set up will therefore continue to be pursued with full determination.

The cash outflow from investing activities in the fiscal year 2023 consisted of investments in property, plant and equipment of EUR 20,557 thousand (previous year: EUR 29,068 thousand) and proceeds in connection with the disposal of non-current assets of EUR 9 thousand (previous year: EUR 68 thousand). In the fiscal year 2022, the Alzchem Group received EUR 489 thousand from the sale of an investment in the USA, which was also recognized in the investment cash flow. There were no similar transactions in

the fiscal year 2023. The most significant investments are described in section 3.2.4.2.2 Investments.

Alzchem's financing activities led to a cash outflow of EUR 49,166 thousand in the fiscal year 2023, compared to a cash inflow of EUR 33,647 thousand in the previous year. Cash flow from financing activities was characterized by various – in some cases opposing – effects. The successful refinancing carried out in February 2023 led to a reduction in short-term financing lines and, conversely, to an inflow of long-term financing. However, the very strong free cash flow meant that even more than the refinanced EUR 30 million in short-term financing lines could be repaid, resulting in a total cash outflow of EUR 56,353 thousand for the repayment of short-term financing lines. In the previous year, a cash inflow of EUR 56,353 thousand was necessary to finance the enormous increase in working capital. Loan and lease liabilities of EUR 11,957 thousand (previous year: EUR 12,399 thousand) were all repaid as scheduled. A dividend of EUR 10,685 thousand (previous year: EUR 10,136 thousand) was paid out to shareholders in May 2023. As in the previous year, profit entitlements of EUR 171 thousand were paid out to non-controlling interests.



3.2.4.3 NET ASSETS

	12/31/2021		12/31/2022		12/31/2023	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Intangible assets	2,329	1%	2,954	1%	3,664	1%
Property, plant and equipment	178,806	47%	181,526	43%	177,281	42%
Lease usage rights	7,686	2%	6,250	1%	4,855	1%
Financial assets	20	< 1%	6	< 1%	6	< 1%
Other receivables and other assets	1,320	< 1%	1,531	< 1%	1,369	< 1%
Deferred tax assets	34,924	9%	15,956	4%	20,921	5%
Non-current assets	225,085	60%	208,223	49%	208,096	49%
Inventories	86,676	23%	122,404	29%	107,478	25%
Trade receivables	40,841	11%	55,712	13%	75,212	18%
Financial assets	0	0%	5,228	1%	0	0%
Other receivables and other assets	16,454	4%	19,743	5%	19,239	5%
Income tax assets	326	< 1%	2,307	1%	2,769	1%
Cash and cash equivalents	8,285	2%	9,243	2%	11,883	3%
Total current assets	152,582	40%	214,637	51%	216,581	51%
Total assets	377,667	100%	422,860	100%	424,677	100%
Capital						
Equity	89,564	24%	145,946	35%	163,559	39%
Non-current liabilities	211,978	56%	144,808	34%	178,487	42%
Current liabilities	76,125	20%	132,106	31%	82,631	19%
Balance sheet total	377,667	100%	422,860	100%	424,677	100%



As of December 31, 2023, Alzchem's total assets amounted to EUR 424,677 thousand, a slight increase of EUR 1,817 thousand compared to December 31, 2022. Current and non-current assets developed slightly in opposite directions. Non-current assets remained almost unchanged year on year at EUR 208,096 thousand. The slight reluctance to invest led to a decrease in non-current assets, as depreciation and amortization exceeded investments. Conversely, the interest-related increase in pension obligations also resulted in an increase in the deferred tax assets recognized on these.

Current assets, on the other hand, increased slightly as of December 31, 2023 and were up EUR 1,944 thousand on the previous year at EUR 216,581 thousand. The optimization project in the area of working capital resulted in inventories decreasing by EUR 14,926 thousand to EUR 107,478 thousand. The highs towards the end of the third quarter of 2023 as a result of the planned plant shutdowns were reduced again as planned at the end of the fiscal year. In addition to the quantitative reduction in raw materials and finished goods, the slight fall in raw material prices also contributed to the reduction in inventories. Trade receivables have increased by EUR 19,500 thousand since the last balance sheet date. Sales in the fourth quarter were significantly higher than in the same period of the previous year, which initially led to an increase in trade receivables. In addition, receivables are also influenced by the amount of factoring used, which was significantly reduced compared to December 31, 2022 due to the strong operating cash flow and also led to an increase in trade receivables recognized. Furthermore, there were no significant extensions of payment terms or bad debt losses on the customer side. The average payment terms for customers at Group level fell slightly to 55 days (previous year: 57 days). In some countries around the world, increasing difficulties are being felt in the free convertibility of currency and the generation of EUR or USD as a means of payment. In response to this, customers in these countries are predominantly only supplied by prepayment. In cases where delivery has already taken place, Alzchem is already in consultation with the local authorities and banks to ensure payment of the receivables.

The inventory intensity as a ratio of inventories to sales was 19.9% as of December 31, 2023 (December 31, 2022: 22.6%). This shows that inventories have fallen disproportionately to sales.

The Group equity ratio improved significantly to 38.5% as of December 31, 2023 (December 31, 2022: 34.5%). As in previous years, equity was influenced by three effects, some of which had opposing effects. Equity increased by EUR 34,792 thousand (previous year: EUR 30,223 thousand) due to the positive consolidated annual result. Developments in the interest rate for pension obligations had a decreasing effect on equity in the fiscal year 2023. The changes in actuarial assumptions regarding the risk-free interest rate for the measurement of pension obligations resulted in a decrease in equity of EUR 8,332 thousand as of

December 31, 2023. By contrast, the deferred taxes to be recognized in the opposite direction increased equity by EUR 2,332 thousand. This resulted in a total decrease in equity of EUR 6,000 thousand due to interest rate changes alone. The development of pension obligations is significantly influenced by actuarial parameters. Although their change does not affect the consolidated result, it is recognized directly in equity under other comprehensive income. The risk-free market interest rate plays a key role in the actuarial parameters. If this market interest rate falls, there is an increase in pension obligations, while an increase leads to a decrease in pension obligations. The risk-free market interest rate and the other actuarial parameters have developed historically as follows:

in %	2017	2018	2019	2020	2021	2022	2023
Discount rate	1.75	1.90	0.90	0.50	1.00	3.70	3.20
Wage and salary trend	2.75	2.75	2.75	2.50	3.00	3.00	3.00
Pension trend	1.75	2.00	1.75	1.50	2.00	2.25	2.25
Trend contribution limit social security	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Pension provision as of 12/31 in EUR million	107.2	110.0	134.6	141.8	140.0	90.1	100.3

The dividend paid in May 2023 reduced equity by EUR 10,685 thousand (previous year: EUR 10,136 thousand).

As of December 31, 2022, the company held a total of 40,581 treasury shares. These treasury shares were transferred to certain employees in the first half of 2023 as part of share-based payment. With the transfer to the employees, the previously separately reported item "Treasury shares" was reclassified to the item "Capital reserve adjustment item Rev. acquisition/ IFRS 2". As a result, Alzchem Group AG no longer holds any treasury shares.

Alzchem's non-current liabilities increased by EUR 33,679 thousand in the course of the fiscal year 2023 and amounted to EUR 178,487 thousand as of December 31, 2023. They were significantly influenced by the refinancing in February 2023, when EUR 30 million in short-term financing lines were converted into EUR 30 million in long-term loan liabilities. By contrast, the scheduled repayments of loan and lease liabilities reduced non-current liabilities by EUR 10,078 thousand as a result of the reclassification to current liabilities. Pension obligations increased in the fiscal year 2023, mainly due to interest rate factors. The decrease in the discount rate from 3.70% to 3.20% led to an increase in pension obligations of EUR 8,332



thousand, in addition to a small effect from the change in experience-based assumptions. However, the pension payments that Alzchem makes to former employees also have a decreasing influence on the development of pension obligations. These pension payments have historically developed as follows:

in EUR thousand	2016	2017	2018	2019	2020	2021	2022	2023
Pensions paid	-583	-674	-725	-1,005	-1,181	-1,516	-1,685	-1,930

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

The development of current liabilities reflects the opposing effects of the refinancing. The decrease of EUR 49,475 thousand is mainly due to the repayment of the working capital lines of EUR 56,353 thousand that were still heavily utilized in the previous year. The repayment therefore significantly exceeded the refinancing of EUR 30,000 thousand. Trade payables amounted to EUR 31,554 thousand and were therefore EUR 5,833 thousand lower than in the previous year. This is mainly due to the lower liabilities for electricity deliveries as a result of the lower cost level. The scheduled repayment of loan liabilities to banks in the amount of EUR 10,055 thousand and the simultaneous reclassification of non-current loan liabilities to current liabilities in the amount of EUR 8,833 thousand led to a decrease in current liabilities of EUR 1,222 thousand.

3.2.4.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

3.2.4.4.1 FINANCIAL PERFORMANCE INDICATORS

Key figure	Unit	2021	2022	2023	Change
Equity ratio of the Group	%	23.7	34.5	38.5	4.0 percentage points
EBITDA	EUR thousand	62,046	61,441	81,373	32.4%
EBITDA margin	%	14.7	11.3	15.1	3.7 percentage points
Inventories	EUR thousand	86,676	122,404	107,478	-12.2%
Inventory intensity	%	20.5	22.6	19.9	-2.7 percentage points
Sales	EUR thousand	422,293	542,223	540,649	-0.3%

3.2.4.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

The non-financial targets of the Alzchem Group are geared towards both the short and long term and support operational business management as auxiliary indicators. Accordingly, they are not quantified – also against the background of materiality for the users of the annual financial statements and consolidated financial statements.

SUSTAINABLE CUSTOMER LOYALTY

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

EDUCATION

Personnel development at Alzchem begins with in-company training, among other things. A considerable proportion of employee requirements is covered by the company's own in-house training program. This is reflected in the Alzchem Group's high training rate of around 9% at its German sites compared to the rest of the industry. Every year, up to 50 apprentices start their training at Alzchem in commercial, metal and electrical engineering as well as chemical and logistics fields.



MANAGEMENT SYSTEMS

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

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

ENVIRONMENT AND ENERGY

Alzchem publishes an annual statement on the environmental impact of the German production sites, including relevant key figures on environmental performance, for example resource consumption and emission values. The transparency this creates demonstrates the high value placed on responsible environmental management within the Alzchem Group.

3.2.5 OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Management Board of Alzchem Group AG is very satisfied with the course of business in the fiscal year 2023 and the economic situation overall. The economic environment was once again extremely challenging and, especially at the beginning of the fiscal year, was fraught with uncertainty from many sides. The effects of the war in Ukraine are still being felt, particularly in the energy sector and in terms of energy prices. However, the fluctuations were less severe than in the previous year and once again allowed a certain degree of predictability. Nevertheless, daily electricity

prices continued to fluctuate in the fiscal year 2023, in some cases doubling compared to the previous day. Fortunately, the situation on the raw materials and logistics markets has calmed down slightly. However, the most important raw materials for Alzchem are still a long way from returning to the level they were at before the war in Ukraine. However, procurement and logistics have at least become more reliable again.

One of the most important goals in the fiscal year 2023 was to keep product prices stable and thus return to a sustainable EBITDA margin that would enable Alzchem to invest in growth, but also in maintenance and infrastructure. Alzchem has succeeded in doing this, but it has led to volume declines in areas where Alzchem's pricing cannot keep up with the Asian competition. This deliberate volume reduction was particularly noticeable in the volume business of the Basics & Intermediates segment, but resulted in an increase in EBITDA (EUR +4,548 thousand) and the EBITDA margin (+2.8 percentage points) in this segment and across Alzchem as a whole.

In the fiscal year 2023, Alzchem developed more and more in the direction of a specialty chemicals company and also shifted the focus of sales strongly to the Specialty Chemicals segment. After 53% in the previous year, the segment now contributed 59% of sales. The targeted growth was achieved for many products – the development in Human Nutrition and Animal Nutrition in particular, but also in the area of defense technology, led to considerable growth in the segment. Due to the improved margin situation, the segment's EBITDA also developed very positively and increased its share of EBITDA for Alzchem as a whole from 86% in the previous year to 90% in the fiscal year 2023.

Alzchem employees once again showed great commitment in the fiscal year 2023. They were able to be deployed flexibly according to the capacity utilization of certain plants and thus contributed to managing the growth in some plants in the first place. All Alzchem employees once again worked

intensively and extremely flexibly in the reporting year. The Management Board would like to express its sincere thanks for this. Without this flexibility and commitment, it would not have been possible to master the challenges of 2023.

Although slightly less was invested in the fiscal year 2023 than in the previous year, the company once again invested heavily in the investments it made and in the maintenance of existing facilities and infrastructure. Investments were made in capacity expansion, sustainability and infrastructure in order to achieve further environmentally sustainable growth.

Under the given conditions, it is pleasing that the record sales of the previous year were almost achieved again, although in some cases a sharp decline in volumes was deliberately accepted. Equally pleasing is the 32% increase in EBITDA to EUR 81,373 thousand, which is the best EBITDA in the company's history. The EBITDA margin was therefore increased again. This increase is satisfactory for the fiscal year 2023, but still shows potential for improvement. Compared to other European companies in the chemical sector, however, Alzchem's performance has been much more stable.

The increase in interest led to a significant decline in net interest income, even if not all of the effects were cash-effective. The amount of taxes to be paid rose by EUR 2,338 thousand to a total of EUR 13,397 thousand. Despite the lower net interest income and higher tax income, the consolidated annual result improved by EUR 4,568 thousand (15%) compared to the previous year, which also had a positive impact on earnings per share.

The Management Board is very satisfied with the development of the very positive operating cash flow and it is evident that the measures taken by the net working capital management have borne fruit in this respect. Alzchem therefore continues to stand on a solid financial foundation and



was able to reduce its debt. All long-term loans were repaid on schedule and the refinancing improved Alzchem's financing structure.

For the fiscal year 2023, the Management Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 1.20 (previous year: EUR 1.05) per dividend-bearing share be distributed from the distributable profit.

3.2.6 COMPARISON OF EXPECTED AND ACTUAL DEVELOPMENT

The forecast issued in the previous year's annual report at Group level for the fiscal year 2023 was adjusted with regard to Group sales in the ad hoc announcement dated October 18, 2023. The forecasts are therefore as follows:

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

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

A review of the adjusted forecast based on the actual key figures for the fiscal year 2023 shows the following development:

	2023	Actual development in 2023
Group sales	EUR 540.6 Million	Slight decrease
Adjusted EBITDA*	EUR 81.4 Million	Particularly strong increase
Adjusted EBITDA margin*	15.1%	Particularly strong increase
Inventories	EUR 107.5 million	Particularly sharp drop
Inventory intensity	19.9%	Significant decrease
Equity ratio	38.5%	Particularly strong increase

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

A comparison of the relevant key financial figures shows that the adjusted forecast for the fiscal year 2023 was met or exceeded for the key figures of Group sales, adjusted EBITDA, adjusted EBITDA margin and equity ratio. In the forecast for inventories and inventory intensity, it was assumed that the high level of raw material costs from the last quarter of the fiscal year 2022 would continue for a longer period of time; in contrast, however, this reduced slightly over the course of the fiscal year 2023 and therefore had a decreasing impact on the inventory valuation. In addition, inventory volumes were reduced more than expected due to the improved availability of raw materials and logistics.

4. POSITION OF ALZCHEM GROUP AG (INDIVIDUAL FINANCIAL STATEMENTS HGB)

Alzchem Group AG is the parent company of the Alzchem Group. The economic situation and development of the company is therefore 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 as well as Group-wide commercial activities in addition to its holding function. The results of operations of Alzchem Group AG is essentially influenced by the collection of earnings via the profit transfer agreement with Alzchem Trostberg GmbH and the charging of holding activities to the Group companies. Therefore,



in addition to monitoring the cost structure, the following key figures based on the HGB annual financial statements are used for the management of Alzchem Group AG:

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

4.1 BUSINESS PERFORMANCE

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

4.1.1 RESULTS OF OPERATIONS

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

in EUR thousand	2021	2022	2023	Change
Revenues	4,100	3,551	6,368	79.3%
Other operating income	3,621	4,307	4,334	0.6%
Personnel expenses	-2,984	-2,486	-4,982	100.4%
Other operating expenses	-4,668	-5,213	-5,596	7.3%
EBIT	69	159	125	-21.5%
Income from investments	29,268	13,424	53,908	301.6%
Interest and similar income	158	323	1,174	263.5%
Interest and similar expenses	-131	-48	-15	-69.4%
Taxes on income and earnings	-8,823	-4,355	-14,626	235.9%
Earnings after taxes	20,541	9,503	40,567	326.9%
Other taxes	0	0	-200	
Annual net profit	20,541	9,503	40,367	324.8%



The increase in revenue compared to the previous year is the result of higher personnel costs to be allocated. Personnel costs increased compared to the previous year, primarily due to the variable remuneration components linked to the IFRS consolidated result and the long-term share price performance. This consequently led to a higher allocation to the operating companies of the Alzchem Group.

Other operating income has essentially remained stable and mainly comprises the recharging of premiums from Group insurance policies and other operating expenses to affiliated companies.

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

Other operating expenses break down as follows:

in EUR thousand	2021	2022	2023
Insurances	3,438	3,744	4,118
Expert opinion and audit expenses	116	146	266
Consulting expenses	422	535	535
Other miscellaneous expenses	692	788	677
Σ Other operating expenses	4,668	5,213	5,596

Other operating expenses mainly include insurance premiums, legal and consulting costs as well as expenses for the preparation of expert opinions and the audit of the annual financial statements. Consulting costs were mainly incurred for market studies, capital market consulting and commercial law. The increase in insurance expenses compared to the previous year is due to higher insurance premiums.

Income from investments results exclusively from the profit transfer (including tax allocations) from Alzchem Trostberg GmbH. The sharp rise in earnings at Alzchem Trostberg GmbH subsequently led to an increase in income from investments.

Interest and similar income mainly includes interest income from cash pooling with affiliated companies.

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

Taxes on income result from the current income tax expense of EUR 14,844 thousand (previous year: EUR 4,662 thousand) on the company's taxable income. This includes the results of the subsidiaries included in the consolidated income tax group. In addition, deferred tax income of EUR 281 thousand was recognized (previous year: tax expense of EUR 58 thousand). The aperiodic tax expense amounted to EUR 62 thousand (previous year: tax income of EUR 365 thousand). The change in income tax expense is associated with the increase in earnings before taxes.

4.1.2 FINANCIAL POSITION

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

The liquidity of Alzchem Group AG is therefore directly dependent on the liquidity of the cash pool carrier Alzchem Trostberg GmbH. In expectation 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 did not report any cash and cash equivalents on either reporting date.



4.1.3 NET ASSETS

	12/31/2021		12/31/2022		12/31/2023	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Assets						
Financial assets	230,744	81%	231,412	82%	231,412	72%
Non-current assets	230,744	81%	231,412	82%	231,412	72%
Receivables and other assets	52,176	18%	51,309	18%	88,570	28%
Cash and cash equivalents	0	0%	0	0%	0	0%
Current assets	52,176	18%	51,309	18%	88,570	28%
Prepaid expenses and deferred charges	258	< 1%	236	< 1%	212	< 1%
Deferred tax assets	485	< 1%	411	< 1%	888	< 1%
Σ Assets	283,663	100%	283,368	100%	321,081	100%

Financial assets have not changed compared to the previous year. They continue to include the shares in Alzchem Trostberg GmbH. Receivables and other assets mainly include receivables from affiliated companies and income tax assets. The change compared to December 31, 2022 is mainly due to increased financial receivables from Alzchem Trostberg GmbH as a result of the accumulated profit and loss transfer claims and higher tax receivables.

The allocation of deferred tax assets (based on the so-called tax allocation agreements in accordance with section 304 AktG, section 16 KStG, DRS 18) to the companies in the consolidated tax group for income tax purposes means that the differences from the different valuations relating to pension provisions are essentially recognized in the deferred tax assets in the company.

	12/31/2021		12/31/2022		12/31/2023	
	EUR thousand	Share	EUR thousand	Share	EUR thousand	Share
Capital						
Equity	274,393	97%	273,760	97%	304,120	95%
Provisions	4,794	2%	4,121	1%	13,479	4%
Liabilities	3,213	1%	4,266	2%	2,091	1%
Deferred income	444	< 1%	418	< 1%	392	< 1%
Deferred tax liabilities	819	< 1%	803	< 1%	999	< 1%
Σ Capital	283,663	100%	283,368	100%	321,081	100%

The increase in provisions is mainly the result of higher tax provisions due to the higher taxable result and higher performance-related personnel provisions, particularly in the long-term area.

The liabilities are mainly to affiliated companies and result mainly from VAT liabilities of Alzchem Group AG as the parent company to the integrated subsidiaries.

4.1.4 FINANCIAL PERFORMANCE INDICATORS

Key figure	Calculation	Unit	2021	2022	2023	Change
Sales	Absolute value	EUR thousand	4,100	3,551	6,368	79.3%
EBIT	Earnings before interest and taxes	EUR thousand	69	159	125	-21.5%
Annual net profit	Absolute value	EUR thousand	20,541	9,503	40,367	324.8%

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



4.2 COMPARISON OF EXPECTED AND ACTUAL DEVELOPMENT

The forecast at the level of Alzchem Group AG for the fiscal year 2023 was as follows at the time the annual financial statements for the fiscal year 2022 were prepared:

	2022	Forecast for 2023
Sales	EUR 3.5 million	Particularly strongly growing
EBIT	EUR 159 thousand	Stable
Annual net profit	EUR 9.5 million	Slightly to noticeably growing

The review of the forecast as of December 31, 2023 shows the following developments in the fiscal year 2023:

	2023	Actual development 2023
Sales	EUR 6.4 million	Particularly strong growth
EBIT	EUR 125 thousand	Particularly strong decline
Annual net profit	EUR 40.4 million	Particularly strong growth

The sales forecast was met with particularly strong growth to EUR 6.4 million. EBIT, on the other hand, could not be kept stable at the previous year's level as forecast, but fell particularly sharply from EUR 159 thousand to EUR 125 thousand. Annual net profit developed much more positively than expected, growing particularly strongly (instead of only slightly to noticeably) from EUR 9.5 million to EUR 40.4 million as a result of the significant increase in the profit transfer from Alzchem Trostberg GmbH. The EBITDA forecast for the entire Alzchem Group was raised in October 2023 and ultimately achieved. As the main operating company, Alzchem Trostberg GmbH made a significant contribution to this increase in EBITDA and consequently also to the increase in annual net profit.

4.3 FORECAST REPORT OF ALZCHEM GROUP AG (INDIVIDUAL COMPANY)

Derived from the Group forecast and its material influence on Alzchem Group AG (annual financial statements under commercial law), the company provides the following forecast for Alzchem Group AG for the fiscal year 2024:

	2023	Forecast for 2024
Sales	EUR 6.4 million	Significantly decreasing
EBIT	EUR 125 thousand	Stable
Annual net profit	EUR 40.4 million	Strongly growing

Alzchem Group AG's operating revenue is expected to decrease significantly in the fiscal year 2024 due to lower personnel cost allocations.

The EBIT key figure will be positively influenced primarily by the cost-plus allocation of management, assistance, financing, personnel and consulting services and will therefore remain stable. In terms of annual net profit, a strong increase in the result from the profit transfer is expected in line with the explanations and the Group forecast.

5. RISK AND OPPORTUNITY REPORT

In order to ensure the legally required monitoring of material business risks by the Management Board and the Supervisory Board, there are

- an internal control system, among other things to ensure proper and effective accounting (sections 289 para. 4 and 315 para. 4 HGB),
- a compliance management system based on the IDW PS 980 auditing standard
- and a risk management system that includes an early risk detection system in accordance with section 91 para. 2 AktG.

Overall responsibility for the internal control system (ICS) and the risk management system lies with the Management Board of Alzchem Group AG.

Due to the profit and loss transfer agreement with Alzchem Trostberg GmbH, the risks and opportunities situation of Alzchem Group AG basically corresponds to that of the Alzchem



Group. Consequently, the following risk and opportunity report refers to both the Alzchem Group and Alzchem Group AG.

5.1 RISK REPORT

STRUCTURE AND ORGANIZATION OF RISK MANAGEMENT

The Management Board of Alzchem Group AG has implemented a risk manager who reports on the summarized risk at least once a year. If risks that could jeopardize the existence of the company arise between these intervals, a report is also submitted in between. Risk management is carried out through regular meetings and reports by the respective committees, bodies and specialist departments. This includes regular meetings, reporting and the associated coordination.

Risk management at the Alzchem Group encompasses all measures for the systematic and transparent handling of risks and is an integral part of corporate management thanks to its integration with the controlling processes. Every year, a standardized risk inventory is carried out according to the enterprise risk management approach. A catalog with corresponding risk categories is used to identify all relevant risks as completely as possible. In addition, standardized assessment and reporting tools are available for recording and evaluating risks. Identification is supported by IT-based queries and interviews between the risk manager and the respective risk owners. Depending on the type of risk, different tools 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 risks that could have a significant impact on the achievement of the company's strategic, operational, financial and regulatory objectives.

To assess the risks, the expected effects of the risk dimensions in their specific characteristics (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-level 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 risks reduce the classification of risk significance.

The valuation is based 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 used as the observation period. 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 risk measures are based on the following assumptions, which serve as an indicator of the impact on the net assets, financial position and results of operations:

	very low	low	medium	high
Impact in EUR million	< 1.8	1.8 - < 9	9 - 22.5	> 22.5

The scope of risk consolidation corresponds to the scope of consolidation used for accounting purposes. The risks do not differ significantly between the segments and are not concentrated in just one segment due to the structure of the Group. Instead, the risks described below apply across the Group and across segments.

As part of this risk management process, the following issues were identified that could have a material or significantly adverse impact on the future development of the company.

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

The Management Board assesses the appropriateness and effectiveness of the ICS and the risk management system once a year. At the corresponding Management Board meeting, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are explained and an overall statement on the appropriateness and effectiveness of the ICS and the risk management system is made once a year. Based on these findings, the Management Board has no indication that the ICS or the risk management system were inadequate or ineffective in their respective entirety at the end of the fiscal year 2023.

5.1.1 SUMMARY OF RISKS

The risks of the Alzchem Group identified as part of the risk inventory have no impact on the Alzchem Group as a going concern, either individually or in interaction with each other, taking into account the measures already taken or planned.

The reclassification of risks carried out in the fiscal year 2022 and the restructured risk report were also continued in the fiscal year 2023.

The risk areas are structured as follows:

Risk area
Sales markets
Production
Raw material markets
Logistics
Research and development
Human resources
Financial markets
Other

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

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

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

Significant individual risks arise as a result of persistently high energy prices, licensing restrictions and electricity legislation. The risk areas of logistics and research & development listed in the overview are not discussed in detail due to their minor significance in terms of risk exposure.

When carrying out the risk inventory, the expected values of the individual risks are compared with the risk-bearing capacity. This involves estimating the expected risks and their impact on the liquidity and equity of the Alzchem Group. According to the analyses and estimated effects, there is no knowledge that the risk-bearing capacity is not given.



5.1.2 SALES MARKETS

5.1.2.1 COMPETITION RISK

Alzchem faces competition of varying intensity with its various products. In some areas, the company is the regional market leader, while in other areas competition is intense. In some key markets, the main competitors come from regions outside Europe, where they benefit from cost advantages in the areas of personnel, energy, waste disposal and the environment. In other markets, Alzchem competes with well-established and strong competitors from leading industrialized nations, which often operate worldwide, have global distribution networks and can produce locally in line with the local cost structure. In the fiscal year 2023, the intensity of competition for some of Alzchem's products remains very high due to the persistently high energy costs in Europe.

A loss of competitiveness could significantly influence the demand for Alzchem's products and therefore have a noticeably negative impact on Alzchem's sales and revenue.

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

Alzchem is responding to declining competitiveness due to increased manufacturing costs by improving production efficiency and adapting its product price and volume strategy. In addition, Alzchem tries to concentrate on products with higher margins and to improve existing products and applications through innovations. Furthermore, Alzchem

continuously reviews the economic opportunities of certain low-margin products.

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

5.1.2.2 MARKET DEVELOPMENT

Market developments are defined as changes in customer demand behavior due to external influences. Alzchem offers a large number of different chemical products based on the NCN chain in diversified markets, some of which are cyclical, highly volatile and sensitive to consumer spending and preferences, consumer confidence and income, unemployment rates, interest rates and energy prices, among other factors. As a result, demand for Alzchem's products may be adversely affected by negative developments in some sectors and industries.

In the agricultural sector, demand for Alzchem products depends on production levels, which is why the company is exposed to seasonal fluctuations as well as meteorological and climatic conditions. In addition, the demand for fertilizer-free food could increase, which could reduce the demand for fertilizers.

In the animal nutrition and agrochemicals industry, a change in consumer habits and preferences (increasing trend towards organic meat) could lead to a decline in demand for

Alzchem's products. A change in consumer behavior towards "less meat" could also have a negative impact on demand for Alzchem products. Animal epidemics also lead to a short-term to medium-term change in demand for products in the animal nutrition sector.

In the nutrition sector, Alzchem is exposed to the cyclical fluctuations of the consumer markets for its dietary supplements. In addition, demand depends on the general acceptance of dietary supplements.

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

Alzchem is exposed to all of these fluctuations and can only counteract them through broad product and market diversification. Despite the high product diversification of the Group portfolio, there is a certain concentration on the customer side. Alzchem supplies a large number of global players in the worldwide chemical industry and is therefore exposed to a risk inherent in the industry. This is countered with a broad product range as well as contract-based cooperation and customer loyalty.



5.1.2.3 SUBSTITUTION RISKS

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

Alzchem counters these risks by developing customer-specific products, providing intensive technical support and advice to customers and jointly developing (new) products that are specifically tailored to customer needs. As Alzchem operates in many markets, it is essential that all these markets are closely monitored and that developments at customers are constantly monitored by the sales team.

5.1.2.4 LEGAL CHANGES/POLICY

Alzchem's business activities are subject to extensive regulations, which can change and become stricter as a result of political decisions or changes. In particular, the regulatory framework for environmental protection, health and safety matters in general and for the manufacture and marketing of products is subject to frequent changes, which in most cases lead to the imposition of stricter requirements.

Specifically, the EU Commission's restriction procedure for the use of calcium cyanamide, which has been ongoing since 2019, is still pending. The EU Commission has not yet decided on the proposal submitted by the European Chemicals Agency (ECHA) to ban the use of calcium cyanamide as

a fertilizer following a three-year transitional period, even in 2023. However, numerous statements from stakeholders in the EU member states are against such a restriction and the SEAC Committee of the EU Commission also strongly doubts the benefits and proportionality of a ban. Even if a ban cannot be ruled out, Alzchem still assumes that the ECHA proposal will not be adopted in this form. However, if a ban were to be imposed, Alzchem would have to be prepared for a lower demand for Perlka® and possibly also for other products to which the ECHA argumentation could be applied. It is not certain whether the three-year transitional period envisaged for a ban on use would be sufficient to fully compensate for the impending loss of sales in particular, for example through growth in other markets.

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

The European Commission has set itself the goal of achieving climate neutrality by 2050 and thus meeting its commitments under the Paris Agreement. The European Green Deal (or "Green Deal") is the strategy with which the EU intends to achieve its target 2050. It is a package of policy initiatives designed to put the EU on track to achieve this goal. The EU Commission sees the "Green Deal" as a growth

strategy. Its implementation represents a major challenge for the chemical and pharmaceutical industry, as various measures could also have an impact on the sector. Negative effects on Alzchem could arise if unrealistic targets are defined for the chemical industry or if ideological ideas are given priority over scientific findings in product approvals. In general, the "Green Deal" could lead to the relocation of certain production processes to regions outside the EU and thus to the migration of Alzchem's customers.

At the present time and based on the current legal situation, Alzchem does not see any further risks from a changing legal environment beyond those reported. All existing production facilities can continue to produce under the current regulatory conditions and, apart from the lost approval mentioned in section 3.2.1 (Alzogur®), there are no approval restrictions that have an impact on the current sales of Alzchem products.

5.1.3 PRODUCTION

5.1.3.1 RISK OF DOWNTIME

As a manufacturing company, Alzchem is exposed to the risk of business interruptions, for example as a result of electricity or natural gas shortages, quality problems or unexpected technical problems. These risks can lead to production interruptions or production downtime, personal injury and reputational damage, a drop in sales or margins and the need to rebuild destroyed infrastructure. These risks are minimized through regular maintenance, appropriate precautionary measures, insurance, etc.



5.1.4 RAW MATERIAL MARKETS

5.1.4.1 ENERGY MARKETS

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

The fiscal year 2023 has once again shown the impact that persistently high energy costs can have on Alzchem's net assets, financial position and results of operations. Although the volatility of electricity prices has normalized slightly compared to the fiscal year 2022, energy costs remain high. Electricity prices could rise again compared to the level 2023, remain stable or fall. Precise forecasts are not possible. Alzchem is therefore exposed to the risk of rising or fluctuating electricity prices.

As electricity prices are an integral part of the product calculation, Alzchem can only counter this risk in the first step by increasing prices, but may have to reduce them again if electricity prices fall. Alzchem therefore only sets prices for a very short-term period in close consultation with customers. Increasingly, price escalation clauses are being agreed with customers that take into account spot electricity prices, among other things. Alternatively, longer-term price commitments are offered on the basis of back-to-back

transactions. Alzchem also continuously reviews developments on the electricity markets to determine whether a hedging strategy makes economic sense.

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

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

The risk arising from the development of electricity prices is that Alzchem's customers will no longer accept the price increases and Alzchem will therefore have to accept losses in sales and revenue. Another risk is that the price increases can only be passed on to customers with a certain delay. If the payment terms for the electricity suppliers and the customers are also far apart, this can have negative effects on Alzchem's liquidity situation.

If the development of electricity prices generally leads to a decline in industrial production in Germany and Europe, this can have a negative impact on sales and revenue and thus on the net assets, financial position and results of operations of Alzchem.

In Germany, the "Act on the Introduction of an Electricity Price Brake" was passed in December 2022 as part of a package of measures to mitigate the sharp rise in energy prices, from which Alzchem also benefited in 2023. The law expired prematurely on December 31, 2023, after the original term was planned to run until March 31, 2024. This regulation is therefore not expected to further limit the risk of rising electricity prices.

5.1.4.2 PROCUREMENT

The most important raw materials for Alzchem's product portfolio, which is based on carbide/calcium cyanamide, are lime, coke and electrical energy. In addition, a number of chemical raw materials are required for the production process. The market prices for lime, coke and energy as well as other chemical raw materials are subject to considerable fluctuations.

In addition to these important basic raw materials, the Group also procures chemical raw materials from Asia. Supply chain disruptions, unexpected production interruptions and a lack of reliability on the part of suppliers are latent risks that Management must always take into account. Despite the strict pursuit of a "multiple sourcing strategy", certain supplier dependencies cannot be completely ruled out, which further increases the complexity of the supply chain process.

5.1.5 PERSONNEL

Qualified and committed employees are crucial to Alzchem's future success. Due to demographic developments and increasing competition for good employees, retaining existing and recruiting new suitable employees may become increasingly challenging in the future. However, as an attractive company rooted in the region, Alzchem considers itself well equipped to defy the risks of departures or insufficient recruitment of new specialists. Through appropriate training and further education, Alzchem will also succeed in attracting qualified and committed employees in the future.



5.1.6 FINANCIAL MARKETS

5.1.6.1 LIQUIDITY RISK

Alzchem Trostberg GmbH assumes the financing function within the Alzchem Group and ensures global financing via cash pooling. Alzchem is financed via the operating cash flow, long-term and short-term financing lines from banks and factoring. Overall, Alzchem assumes that it can ensure sufficient liquidity for the business activities of the Alzchem Group at all times with the currently available financing funds.

5.1.6.2 EXCHANGE RATE RISK

Alzchem generates sales in foreign currencies and purchases goods in foreign currencies. The most important currencies for Alzchem from these operating activities are the US dollar (USD), Chinese renminbi (CNY), Japanese yen (JPY) and Swedish krona (SEK). As a result, the company is exposed to risks due to exchange rate fluctuations. No currency hedging transactions were carried out in the fiscal year 2023. However, Alzchem is constantly reviewing whether favorable hedging opportunities may arise. The risk exposure for the main currencies is determined on a weekly basis. There is also natural hedging for the most important currency USD, as Alzchem has both sales and goods purchases in USD and the risk position is therefore reduced. The remaining open monetary amounts of receivables and liabilities in foreign currencies may result in opportunities and risks for Alzchem due to changes in actual exchange rates and any income from currency translation may be lower than in previous periods.

In addition, there are exchange rate-related risks from the translation of the foreign subsidiaries into the reporting currency of Alzchem (euro). The exchange rates can also have an influence on Alzchem's global competitiveness. In

addition to the risks described, Alzchem is also subject to possible negative influences from currency losses from so-called high-inflation countries such as Argentina and Turkey due to its global market presence. As a rule, Alzchem counters these risks by invoicing in EUR or USD.

5.1.6.3 INTEREST RATE RISK

Alzchem has concluded the short-term financing lines at variable interest conditions, which generally fluctuate depending on the EURIBOR. Potential changes in these capital market interest rates can lead to opportunities and risks for the interest payments incurred. Changes in market interest rates can also result in a change in the fair value of the fixed-interest non-current loan liabilities. As a rule, Alzchem prefers a fixed interest rate for long-term financing in order to avoid or reduce the risk position, but also enters into variable interest rates. In addition, the use of interest rate derivatives is also regularly reviewed.

5.1.6.4 INTEREST RATE DEVELOPMENT OF PENSION OBLIGATIONS

The Alzchem Group has obligations to current and former employees arising from pension and other similar benefit commitments. Changes in relevant valuation parameters, such as the discount rate, mortality probabilities, wage and salary increase rates and pension increase rates, can result in an increase or decrease in the present value of the pension obligations. This results in opportunities and risks, as a change can have a direct impact on equity and subsequently lead to changes in pension expenses. The Management Board has scenario analyses carried out at regular intervals with regard to compliance with the financial covenants, thus

ensuring that changes are identified at an early stage and countermeasures can be initiated on this basis.

5.1.7 OTHER

5.1.7.1 ELECTRICITY LEGISLATION

As an energy-intensive company, Alzchem is dependent on stable and affordable electricity procurement. In this respect, Alzchem in Germany currently benefits from cost and tax reductions as well as exemption regulations for electricity costs within the framework of the Combined Heat and Power Act (Kraft-Wärme-Kopplungs-Gesetz – KWG), the offshore grid levy, the Electricity Grid Fee Ordinance (Stromnetzentgeltverordnung – StromNEV), electricity price compensation and certain exemption regulations with regard to electricity tax. All of these regulations enable energy-intensive industries to operate at a lower electricity cost level in order to maintain their overall competitiveness.

Taken together, these regulations lead to significant reductions in Alzchem's energy costs, without which the company would hardly be able to operate competitively. In this respect, negative changes to the relevant legislation could have an adverse effect on the Group's development. Alzchem therefore closely follows the relevant legislation and case law, such as the BVerfG on the Supplementary Budget Act 2023, and will continue to duly submit all necessary applications for the assertion of cost and tax reductions as well as for exemption regulations.

In its ruling on November 15, 2023, the Federal Constitutional Court found that the reallocation of EUR 60 billion in unneeded credit appropriations to the Climate and Transformation Fund with the Second Supplementary Budget Act 2021 is incompatible with the Basic Law and therefore null and void. This is also likely to mean that numerous energy law funding and relief provisions will not be implemented as



planned. Alzchem expects this to lead to an increase in grid fees and CO₂ certificates. However, the regulation on electricity price compensation, which is even more important for Alzchem, should remain in place.

5.1.7.2 LEGAL, LITIGATION AND COMPLIANCE RISKS

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

Alzchem's business activities, in particular its sites, facilities, products and operations, must comply with and are affected by a variety of different regulatory requirements in the countries in which it operates. The regulatory framework for Alzchem's business activities is subject to ongoing legislative changes and developments, which may necessitate costly compliance measures.

There can be no assurance that Alzchem will be able to renew or permanently maintain all of the permits, approvals, certificates and authorizations necessary to conduct its business.

However, the Group has established a compliance management system based on IDW PS 980 with the aim of ensuring that employees act lawfully, responsibly and sustainably. Potential infringements are to be identified in advance and systematically prevented. The compliance management system therefore makes a significant contribution to integrating compliance into the operating business units and their processes. Regular training measures for employees

in Germany, Sweden, the USA, China and the UK strengthen understanding and awareness of the issues involved.

5.1.7.3 IT RISKS

The global increase in threats to information security and greater professionalism in computer crime lead to risks with regard to the security of products, systems and networks as well as the confidentiality, availability and reliability of data.

Cyber-attacks are becoming more and more professional. At the same time, Alzchem's IT dependency is growing. A threat to critical IT systems and applications can have a direct impact on Alzchem's production or supply chain operations. If data is unavailable or manipulated, this can jeopardize, for example, plant safety and the accuracy of financial reporting. Unauthorized access to sensitive data, such as information relevant to competition law or research results, can jeopardize Alzchem's competitive position.

In order to minimize such risks, information security is an integral part of Alzchem's business processes. Since July 2017, Alzchem has had an information security management system in place that is fully certified in accordance with the international ISO 27001 and ISO 27019 standards. The certificates are currently valid until December 27, 2024.

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

5.1.7.4 CLIMATE-RELATED RISKS

Climate-related risks are generally understood to be the physical and transitory risks that may arise as a result of climate change. Physical climate risks are, for example, damage to infrastructure caused by the consequences of climate change, such as drought, flooding or continuous rainfall. Transitory climate risks result from the transition from an economy driven by fossil fuels to one with low greenhouse gas emissions.

Alzchem currently considers physical climate-related risks to be of minor importance.

For Alzchem as an energy-intensive and manufacturing company, climate-related risks arise in particular from regulatory changes, such as in the area of product approvals and energy legislation. This was reported on separately in sections 5.1.2.4. and 5.1.7.1.

Alzchem has drawn up its own climate roadmap and presented it to the Annual General Meeting in May 2023. The aim is for Alzchem to become climate-neutral much faster than the EU envisages. The main focus is on avoiding CO₂ emissions and withdrawing from the use of fossil fuels. Theoretically, the climate roadmap could result in a change in the estimated useful lives of property, plant and equipment. This was reviewed and no additional risks arise from this. The measures in the climate roadmap are mainly expansions or new investments that do not require existing facilities to be dismantled before the end of their estimated useful life or at all.

In addition, a company's carbon footprint can lead to a negative perception and limited attractiveness for external stakeholders, such as customers and investors. Alzchem counters these risks through various measures, such as the development and publication of a climate roadmap, the annual publication of an environmental statement and ongoing information on progress from the climate roadmap and



other energy measures. This information is explained transparently in publicly accessible sources, for example quarterly and annual reports or on the Alzchem website, and is also addressed in direct exchanges with external interest groups.

5.2 OPPORTUNITY REPORT

As part of its 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, section of the opportunities available. In addition, the assessment of opportunities is subject to continuous change. The most significant opportunities listed here are actively pursued by Alzchem with equal weighting and transferred to the internal performance indicators. Reference is made to the performance indicators mentioned above.

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

5.2.1 DIVERSIFICATION AND GLOBAL PRESENCE

The Alzchem Group operates a stable NCN family tree with the key products calcium carbide, fertilizer Perlka®, cyanamide, dicyandiamide, nitroguanidine and other high-quality derivatives, such as DYHARD®, Creapure® and Creamino®. The company strives to consistently exploit opportunities for growth through a combination of diversification, market penetration and market development. In addition to traditional products, the company also invests in new products on an ongoing basis.

Alzchem supplies different end markets with a wide range of products. This high level of diversification permanently supports very balanced sales and earnings growth with footholds in many different market segments and industries. To date, the Group has always succeeded in offsetting or even overcompensating for economic or regional sales fluctuations in one sector through growth in another segment or country.

In view of current electricity price developments, there is an opportunity in that Alzchem is not as electricity-intensive in its production in many product areas as in other areas.

With a global presence in more than 70 countries, comprehensive market potential is identified and consistently processed and implemented in the short, medium and long term using the project tools developed in-house.

5.2.2 MARKET ENTRY BARRIERS

Alzchem benefits from the barriers to entry to the markets in which it operates. It can be time-consuming and costly for potential new competitors to establish an integrated "production Verbund" similar to the one operated by Alzchem, to obtain certifications, registrations and approvals for plants and products in a highly regulated market environment and to achieve Alzchem's level of 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" enables it to cover the entire NCN chain. The integrated "production Verbund" gives the company particular flexibility to better deal with changes in demand for individual products. Furthermore, Alzchem is not as dependent on the raw material markets for the precursors that are manufactured within the NCN "Verbund" itself. Despite the high degree of specialization of the Specialty Chemicals segment's products, Alzchem can use its production facilities for a large number of products, which it believes gives the company a competitive advantage in terms of resource efficiency as a result of vertical integration.



ELECTRICITY AS A SOURCE OF RAW MATERIALS

Another advantage of the “production Verbund” lies in the raw material source of electricity. The entire chemical industry will have to switch from fossil fuels to electricity-based processes. This means high transfer investments, which Alzchem will not have, as its business model is already based on electricity and can be operated flexibly alongside renewable energies within certain limits. Alzchem therefore neither has to bear transfer investments towards an electricity business model nor does Alzchem suffer efficiency losses that competitors will have when they have to switch their business model away from fossil energy to electricity and hydrogen.

REGULATORY ENTRY BARRIERS IN THE MARKETS

Some of the sectors in which Alzchem operates are highly regulated. This applies in particular to the market for chemical products in general, the market for biocidal products and plant protection products, the market for dietary supplements and animal feed additives as well as the pharmaceutical and cosmetics sector. Alzchem has the necessary approvals, registrations and certificates to produce and distribute its products in these highly regulated markets. The company holds certain certificates, registrations and approvals that may be difficult, costly or time-consuming for potential competitors to obtain.

KNOW-HOW, TRADEMARKS AND INDUSTRIAL PROPERTY RIGHTS

High product quality, delivery reliability, process know-how and industrial property rights are the result of Alzchem's research and development activities, making it difficult for

competitors to enter the markets in which Alzchem brands predominate. In the Specialty Chemicals segment in particular, innovations, know-how and their adequate protection are of fundamental importance.

Accordingly, several Alzchem products are protected by patents or trademarks that prevent competitors from imitating Alzchem products. As of the current reporting date, the company holds 426 granted patents and a further 126 patent applications. In addition, Alzchem holds 937 registered trademarks and 61 trademark applications.

5.2.3 GROWTH POTENTIAL IN LINE WITH GLOBAL DEVELOPMENTS

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

POPULATION GROWTH

The world's population is growing steadily and needs to be fed. At the same time, the amount of arable land available worldwide is limited. Against this background, efficient processes are necessary in order to continue to supply the growing population with food in the best possible way. The products of the Alzchem Group meet these requirements and can be used in agricultural production that is increasingly oriented towards optimized yields. Alzchem believes it is well positioned to benefit from this global development.

Creamino®, for example, is a patented feed additive from Alzchem's Specialty Chemicals segment that is used world-

wide. It leads to a better supply of the important biomolecule creatine and is currently used primarily in poultry feed. In addition to its use in poultry, Creamino® could be increasingly used in the nutrition of other animal species in Europe and around the world.

HEALTHY AGING

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

CLIMATE PROTECTION

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

The Specialty Chemicals segment includes the DYHARD® product group, which reduces the weight of cars and air-



craft in wind turbines as well as in the automotive and aerospace industries, thereby improving their energy efficiency. In 2023 as a whole, more than half of the Specialty Chemicals segment's sales revenue was attributable to global developments in population growth, healthy aging and climate protection through energy efficiency.

The new product Eminex[®] launched by Alzchem deserves special mention here. It reduces outgassing during the storage of farm manure and can significantly reduce the impact of greenhouse gases from agriculture on the atmosphere. Should farmers be subject to similar requirements to avoid greenhouse gases as the industry already has today, this could represent a considerable opportunity for Alzchem with its Eminex[®] product. In addition, privately organized certificate systems could increase the chances of using the product.

Alzchem has drawn up its own climate roadmap and presented it to the Annual General Meeting in May 2023. The aim is for Alzchem to become climate-neutral much faster than the EU envisages. The main focus is on avoiding CO₂ emissions and phasing out the use of fossil fuels. The measures envisaged in the climate roadmap will also result in process improvements and a reduction in the use of raw materials. In addition, ongoing communication about the measures and their implementation can also lead to a positive image among (potential) customers. Initial inquiries from new and existing customers regarding the climate-neutral manufacture of certain products have already been received. Alz-

chem therefore sees the work on the climate roadmap and informing the public about it as an opportunity that can lead to cost savings as well as sales growth.

5.2.4 STRONG BRANDS

Alzchem has 937 registered trademarks and 61 trademark applications worldwide. This broad, established range of brands offers the company special market opportunities.

5.2.5 LOCAL DISTRIBUTION

Alzchem continued to successively expand its direct sales channels for various products in the past fiscal year 2023. This will continue in 2024, enabling Alzchem to offer a more attractive price and service range based on greater customer proximity. The gradual expansion of own brands and the intensification of own distribution of Creamino[®] bring with them a multitude of opportunities and possibilities. For Alzchem, there is the possibility of extending the integration that is already deeply rooted in the company's DNA to the full value creation for what is currently the strongest product of the future. Thanks to its proximity to customers, Alzchem can respond more specifically to the requirements and wishes of users and thus constantly adapt its chemical solutions to customer and market needs.

6. FORECAST REPORT

The Alzchem Group's forecasts for the fiscal year 2024 are based on the following assumptions:

- No occurrence of a global recession; general global economic situation developing at the currently forecast level
- Extrapolation of costs for raw materials, logistics and electricity stable at the level of the last quarter of 2023
- Existing approvals will be retained, requested approvals will be granted.
- Raw materials and logistics are generally available.
- Ukraine war provides no further disruptions.



The following table provides an overview of the forecast values for the Group's financial performance indicators for the fiscal year 2024:

	2023	Forecast 2024
Group sales	EUR 540.6 million	Growing to around EUR 570 million
Adjusted EBITDA*	EUR 81.4 million	Growing to around EUR 90 million
Adjusted EBITDA margin*	15.1%	Growing to 15.8%
Inventories	EUR 107.5 million	Stable
Inventory intensity	19.9%	Stable
Equity ratio	38.5%	Strongly growing

* No adjustments were made.

The planned sales growth should continue to be achieved organically; acquisitions are not included in the forecast. The fundamental growth drivers are mainly volume effects. Price effects will also play a role, in line with developments on the raw materials and energy markets. We expect the segments' sales performance to vary. Sales growth in the Specialty Chemicals segment will more than compensate for the decline in sales in the Basics & Intermediates segment (raw material-based prices).

Further growth in the Specialty Chemicals segment is to be achieved by increasing volumes of the products Creapure®, Creamino®, and nitroguanidine. These areas were characterized by steady growth in the fiscal year 2023. We expect this high level now achieved for Creapure® and nitroguanidine to continue throughout 2024 and see further volume growth for Creamino®. We expect stable price trends at the previous year's level for almost all products in the segment. We see developments in the area of multi-purpose plants as challenging as long as the chemical industry does not fundamentally improve.

In the Basics & Intermediates segment, we anticipate a slight decline in sales, which is mainly due to price formulas. We expect sales volumes in the segment to remain roughly at the level of the fiscal year 2023. If energy costs fall over the course of the year, this could result in further declines in sales due to price formulas. We consider developments in the NITRALZ® segment to be challenging, as the prices for natural gas-based raw materials in Europe are significantly higher than in Asia. An optimization project has been initiated.

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

We expect prices for the most important raw materials and energy to remain at the level of the last quarter of 2023. Even if slight downward trends can be seen in the energy sector, the uncertainty regarding the forecast price development remains high. In our opinion, falling energy costs will not have a significant impact on Alzchem's earnings, as these developments will largely have to be passed on to the market.

For personnel costs, the Alzchem Group expects an increase in line with the collective wage agreements in the chemical industry from fall 2022, which will remain in force until mid-2024. For the period thereafter, we assume moderate salary increases.

The EBITDA margin in the Specialty Chemicals segment is traditionally higher than in the Basics & Intermediates segment. We expect this to continue in 2024. The sales growth in the Specialty Chemicals segment will lead to a further increase in this segment's share of Alzchem's total sales. Consequently, the EBITDA share of this segment and the EBITDA margin of Alzchem will also increase.

Inventories are expected to remain stable at the level of December 31, 2023. This development will show seasonal fluctuations in line with production planning and the optimized furnace operation and is planned to roughly follow a Gaussian curve over the year. Assuming at least stable raw material costs, no significant revaluation effects and devaluation effects are expected. Inventory intensity is also expected to develop at a stable level compared to 2023.

Equity is expected to increase in line with the development of EBITDA. Equity will be reduced by the planned dividend distribution. However, the effect on earnings should outweigh this, meaning that a strong increase in the equity ratio is expected. For the planning of pension provisions, a very conservative discount rate at the current level (3.2%) is used. A reduction in the discount rate below this level would have a one-to-one negative impact, while an increase in the discount rate would have a positive impact on the forecast equity ratio.

For the non-financial performance indicators (see 3.2.4.4.2.)

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

Alzchem is also optimistic that it will continue to improve.



The company is striving to maintain customer loyalty at the level of previous years and even intensify it in selected business areas where possible. Proximity to customers has proven to be a key success factor of the Alzchem business model, particularly in view of the distortions caused by the crises of the last two years and the resulting volatile markets. This gives us the opportunity to respond quickly to customer inquiries and problems.

In the area of training, the number of trainees will be maintained. Purely due to the increase in the workforce, however, there may be a slight decrease in the percentage figure.

All management systems and certificates will continue to be maintained. Alzchem strives to achieve optimization, which generally means a reduction, in the key environmental and energy figures for five main reasons:

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

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

Furthermore, it is assumed that availability on the logistics and raw materials markets that normalized again in the fiscal year 2023 will continue. The possible effects of an increase in current global political tensions are also not included in this forecast.

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

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

The forecasts are based on unchanged regulatory assumptions, such as section 19 para. 2 StromNEV, electricity price compensation or product approvals. They also contain 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 future market and economic conditions, the behavior of other market participants, the successful integration of potential acquisitions and the realization of anticipated synergies and the actions of government regulators. Should any of these uncertainties or other imponderables materialize, or should the assumptions on which these statements are based prove incorrect, actual results may differ materially from those expressed or implied by such statements.

This forecast contains forward-looking statements about the business activities of Alzchem. Terms such as "may", "will", "assume", "expect", "anticipate", "see", "assume", "take into account", "plan" are used. These terms and variations of these terms or similar expressions identify these forward-looking statements. Such forward-looking statements represent the current estimates, judgments, expectations and assumptions of Alzchem's Management Board some of which are beyond Alzchem's control and are based on the best information available at the time this forecast was prepared. They are subject to existing risks and uncertainties. Should these estimates, assessments, expectations and assumptions of the Management Board of Alzchem not materialize in the future or deviate from the original assessment, the actual key figures of Alzchem may deviate from the given forecast.



7. INTERNAL CONTROL SYSTEM RELATED TO THE ACCOUNTING PROCESS

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 in relation to the accounting process. The accounting-related internal control system of Alzchem is the responsibility of the Chief Executive Officer. It is intended to provide reasonable assurance that the preparation of the consolidated financial statements is in accordance with the International Financial Reporting Standards (IFRS) and the preparation of the annual financial statements of Alzchem Group AG is in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and that the external financial reporting is therefore reliable. Furthermore, it must be ensured that the combined management report as a whole provides a true and fair view of the position of the company and the Group, complies with German legal requirements and accurately 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 requirements and to provide sufficient appropriate evidence for the statements in the combined management report.

The aim of the accounting-related internal control system is to ensure that accounting is carried out uniformly and in accordance with legal requirements, generally accepted ac-

counting principles and internal guidelines. The accounting process itself includes the operational processes that provide the value flows for financial reporting, the process of preparing the annual and consolidated financial statements and the information sources and processes from which the key disclosures in the consolidated financial statements are derived.

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

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

The (Group) accounting process is controlled within the Controlling/Accounting department of Alzchem Trostberg GmbH. A key element of the internal control system in relation to the (Group) accounting process is a practiced Group-wide accounting procedure, which is constantly scrutinized for plausibility by employees in the Financial

Controlling and General Ledger department as part of monthly reporting. Group reporting is based on a monthly Excel consolidation tool that contains extensive checking and validation routines. External experts are used for special areas of accounting, such as pension reports to determine the corresponding pension provisions (IAS 19), the valuation of financial instruments and the corresponding disclosures in the notes (IFRS 9, IFRS 7, IFRS 13, IFRS 15, IFRS 16), as well as for accounting for share-based payments (IFRS 2).

In addition, there are binding procedural instructions in the German companies that have a concrete impact on accounting, for example procedural processes in purchasing, the disposal of non-current assets and the processing of advance payments. In particular, the dual control principle is ensured via a standardized SAP workflow (XFlow) and a signature guideline anchored in the system. Accounting and controlling data are only accessible to a limited or defined group of people with the help of an SAP access concept.

Accounting-related information is continuously exchanged with the Head of Controlling, Accounting and the Head of Compliance and communicated to the Chief Executive Officer in regular meetings.

In addition to the annual and consolidated financial statements, the Chairman of the Supervisory Board regularly discusses the Group's key financial figures with the members of the Management Board. Reports on the foreign companies are submitted to the responsible management on a monthly basis and Board meetings are held.



8. ADDITIONAL DISCLOSURES FOR LISTED STOCK CORPORATIONS

Unless otherwise stated, the following disclosures apply to the entire reporting year (fiscal year 2023) and in particular to the balance sheet date.

8.1 COMPOSITION OF THE SUBSCRIBED CAPITAL

The subscribed capital represents the nominal capital of the parent company. The capital reserve includes all amounts of equity added to the company from outside 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 is composed of 10,176,335 no-par value bearer shares as of the balance sheet date. The notional interest in the share capital per share is EUR 10.00. There are no different classes of shares. The company has not issued any shares with special rights. Instead, all shares carry the same rights and obligations.

As of the balance sheet date, Alzchem held 0 (previous year: 40,581) treasury shares of the above total number of shares issued. The treasury shares previously held were transferred to certain employees in March 2023 as part of share-based payment.

Company	Subscribed capital 12/31/2023
Alzchem Group AG, Trostberg, Germany	EUR 101,763 thousand
Alzchem Trostberg GmbH, Trostberg, Germany	EUR 11,000 thousand
Alzchem International GmbH, Trostberg, Germany	EUR 1,000 thousand
Alzchem Stahltechnik GmbH, Trostberg, Germany	EUR 25 thousand
Suppliva GmbH (formerly Alzchem Nutrition GmbH), Trostberg, Germany	EUR 25 thousand
Alzchem Netz GmbH, Trostberg, Germany	EUR 300 thousand
Actegon Energy GmbH, Trostberg, Germany	EUR 25 thousand
Alzchem LLC, Atlanta, USA	USD 0 thousand
Alzchem Shanghai Co. Ltd, Shanghai, China	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	USD 25 thousand
Alzchem UK Ltd, Coventry, United Kingdom	GBP 1 thousand

8.2 RESTRICTIONS ON VOTING RIGHTS OR ON THE TRANSFER OF SHARES

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

Restrictions on the voting rights of shares in individual cases may arise in particular from the provisions of the German Stock Corporation Act (AktG). Shareholders are subject to a voting ban under certain circumstances, for example in accordance with section 136 AktG. Violations of the notification obligations pursuant to sections 33 and 44 of the German Securities Trading Act (WpHG) can also result in rights arising from shares – including voting rights – not existing, at least temporarily.



There are no statutory transfer restrictions relevant to the Alzchem shares.

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

The Management Board is not aware of any contractual restrictions relating to voting rights from the Alzchem shares or their transfer. Exceptions to this are the Alzchem shares ("treasury shares") that must be acquired by the members of the Management Board in accordance with the agreements in their service contracts. The members of the Management Board may not dispose of these shares without sanctions until the end of their respective terms of office.

8.3 DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

The following direct and indirect shareholdings 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 sections 33 and 34 WpHG:

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

Dr. Martin Vorderwülbecke, Munich, notified the company on November 23 and 28, 2022 that the share of voting rights of HDI Vier CE GmbH in Alzchem Group AG fell below the threshold of 15% of the voting rights on November 21, 2022 and now, directly or indirectly held, amounted to 1,296,414 voting rights (= 12.74% of the total voting rights of the company).

Mr. Markus Zöllner, Munich, notified the company on October 4, 2017 that the share of voting rights of Edelweiß Holding GmbH in Alzchem Group AG exceeded the threshold of 15% of the voting rights on October 2, 2017 and now, held directly or indirectly, amounted to 20,139,007 voting rights (= 19.79% of the total voting rights of the company). However, based on a voluntary notification by Mr. Zöllner and various managers' transactions notifications from the fiscal years 2020 and 2021, the company is aware that four two na GmbH (as universal successor to Edelweiß Holding GmbH) most recently only held 1,531,538 voting rights (= 15.05% of the total voting rights of the company).

8.4 HOLDERS OF SHARES WITH SPECIAL RIGHTS

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

8.5 TYPE OF CONTROL OF VOTING RIGHTS IN THE CASE OF EMPLOYEE SHAREHOLDINGS

With the exception of the treasury shares issued to employees as part of the share-based payment in March 2023 (see section 8.1), the Management Board is not aware of any employee shareholdings in the company's capital. It should also be noted that these shares issued to employees – which account for just under 0.4% of the share capital of Alzchem Group AG – are not subject to any restrictions on disposal and can be sold by employees at any time.

Employees who have acquired shares in the company without the instigation or knowledge of the company exercise their control rights directly like all other shareholders in accordance with the statutory provisions and the Articles of Association.

8.6 LEGAL PROVISIONS AND REGULATIONS OF THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The requirements for the appointment and dismissal of members of the Management Board and the amendment of the Articles of Association are based on the provisions of the Articles of Association and the German Stock Corporation Act. In accordance with section 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 deter-



mines their number. In accordance with section 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 section 6.1 of the Articles of Association and section 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, in urgent cases the court must appoint the member in accordance with section 85 AktG at the request of one of the parties involved.

In accordance with section 84 para. 3 AktG, the Supervisory Board may revoke the appointment of a member of the Management Board and the appointment of the Chief Executive Officer for good cause. Revocation is effected by resolution of the Supervisory Board, also by a simple majority of the votes cast.

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

In accordance with section 16 of the Articles of Association of Alzchem Group AG, the Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect their wording. In accordance with section 11 para. 4 of the Articles of Association, resolutions of the Su-

perisory Board are passed by a majority of the votes cast, unless otherwise stipulated by law. If a vote results in a tie, the Chairman of the Supervisory Board (but not his deputy) is entitled to a second vote in the event of another vote, which may be ordered by the Chairman of the Supervisory Board.

8.7 AUTHORIZATIONS OF THE MANAGEMENT BOARD TO ISSUE AND BUY BACK SHARES

8.7.1 AUTHORIZED CAPITAL

Pursuant to section 5 para. 5 of the Articles of Association of the company, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Alzchem Group AG with the approval of the Supervisory Board on one or more occasions until May 4, 2027 by a total of up to EUR 10,176,330.00 (in words: ten million one hundred and seventy-six thousand three hundred and thirty euros) by issuing up to 1,017,633 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2022). In principle, shareholders are to be granted subscription rights. The statutory subscription right can also be granted in such a way that the new shares are underwritten by a bank or a syndicate of banks determined by the Management Board with the obligation to offer them to the company's shareholders for subscription.

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

- in the event of a capital increase against contributions in kind, in particular for the acquisition of companies, parts of companies or interests in companies;
- in the case of capital increases against cash contributions, if the issue price of the new shares issued with the exclusion of

subscription rights pursuant to section 186 para. 3 sentence 4 AktG is not significantly lower than the market price of the shares of the same class and features already listed on the stock exchange and the total pro rata amount of the share capital attributable to the new shares issued with the exclusion of subscription rights pursuant to section 186 para. 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. Shares issued or sold in direct or analogous application of section 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise are to be counted towards this limit of 10% of the share capital;

- to avoid fractional amounts; and/or
- to issue shares as part of share participation or other share-based programs against cash and/or non-cash contributions to employees of the company or one of its affiliated companies, whereby the employment relationship with the company or one of its affiliated companies must exist at the time of the commitment to issue shares.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the conditions of the share issue, including a profit participation deviating from section 60 para. 2 AktG. If shares are issued to employees of the company or one of its affiliated companies, the shares may also be issued in such a way that the contributions to be made on them are covered by the portion of the annual net profit that the Management Board and Supervisory Board could allocate to other revenue reserves in accordance with section 58 para. 2 AktG. The Supervisory Board is authorized to amend the company's Articles of Association accordingly after full or partial utilization or 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.



8.7.2 CONTINGENT CAPITAL

No rights were granted to the Management Board by the Annual General Meeting by way of a contingent capital increase. The company also does not maintain any stock option programs or similar securities-based incentive systems that would require such contingent capital.

8.7.3 AUTHORIZATION TO ACQUIRE AND USE TREASURY SHARES

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

The authorization can be used in full or in partial amounts, once or several times by Alzchem Group AG or by dependent or majority-owned companies of Alzchem Group AG or by third parties acting for the account of Alzchem Group AG or of 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 directed to all shareholders. In the event of acquisition via the stock exchange, the purchase price (excluding ancillary acquisition costs) may not be more than 10% higher or lower than the share price determined on the trading day by the opening auction in Xetra trading (or a comparable successor system).

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 trading day prior to the day of the public announcement of the offer. If there are significant deviations in the relevant price after publication of the public purchase offer, the offer may be adjusted. In this case, the price on the third trading day prior to the public announcement of any adjustment will be used as a basis. The volume of the offer may be limited. If the subscription of the offer exceeds the fixed volume, acceptance must be based on quota(s). 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 in the company that have been acquired on the basis of this authorization for all legal purposes. In particular, the Management Board is authorized to do the following:

1. The Management Board is authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization via the stock exchange or by means of offers to all shareholders. Shareholders have no subscription rights if shares are sold via the stock exchange. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts.
2. The Management Board is also authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization in a manner other than via the stock exchange or by means of offers to all shareholders if the treasury shares acquired are sold at a price that is not significantly lower than the stock market price of shares of the company with the same rights at the time of the sale. Shareholders' subscription rights are ex-

cluded. 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 this is lower, of the share capital of the company existing at the time this authorization is exercised. Shares issued or sold in direct or analogous application of section 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise 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 of the company acquired on the basis of this authorization as (partial) consideration in the context of business combinations or for the acquisition of companies, 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 treasury shares of the company acquired on the basis of this authorization to employees of the company or its Group companies for purchase or to transfer them. The Supervisory Board is authorized to offer or transfer treasury shares in the company, which were acquired on the basis of this authorization or a previously granted authorization, to members of the company's Management Board for acquisition.
5. The Management Board is further authorized, with the approval of the Supervisory Board, to redeem treasury shares of the company acquired on the basis of this authorization without the redemption or its implementation requiring a further resolution by the Annual General Meeting. The authorization to redeem shares may be exercised in whole or in part. The redemption 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 remaining shareholders in the share capital is increased in accordance with section 8 para. 3



AktG. In this case, the Supervisory Board is authorized to adjust the number of shares stated in the Articles of Association.

Shareholders' subscription rights are excluded when the measures under paras. 2 to 5 are implemented.

The aforementioned authorizations may be exercised once or several times, in full or in partial amounts, individually or jointly, within the aforementioned limits.

The Management Board made use of the buyback authorization in agreement with the Supervisory Board on January 29, 2021 to launch a share buyback program with a volume of up to EUR 1,000,000.00. The treasury shares bought back in this way by June 2021 were issued to certain employees of the company in March 2023 as part of the share-based remuneration described in section 8.1.

8.8 MATERIAL AGREEMENTS SUBJECT TO A CHANGE OF CONTROL

There are standard market provisions in individual loan agreements concluded by the company that link legal consequences, such as the right to extraordinary termination by a contracting party (usually the contracting party), to a majority takeover or control of the company. Comparable change-of-control clauses can also be found in individual other agreements; these clauses are also consistent with what is customary on the market.

8.9 COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

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

9. (GROUP) DECLARATION ON CORPORATE GOVERNANCE

9.1 CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTG

9.1.1 CORPORATE GOVERNANCE AND THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

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

The principles of corporate governance primarily concern the cooperation within the Management Board and the Supervisory Board (including its committees) and between the

two bodies as well as the relationship with the shareholders both in and outside the Annual General Meeting. Finally, the principles of corporate governance also concern the relationship between Alzchem and the persons and institutions that have an economic relationship with it.

For Alzchem, the starting point for ensuring responsible management and control of the company geared towards a sustainable increase in value is therefore – in addition to compliance with the relevant legal standards – the German Corporate Governance Code (GCGC). Statutory provisions that take precedence over the GCGC are not to be observed by the company in this respect (F.4 GCGC).

9.1.2 GOVERNANCE TOPICS RECOMMENDED FOR DISCLOSURE BY THE GCGC

In accordance with the recommendations of the GCGC, the following governance topics must be reported on separately in the Corporate Governance statement (CGS):

- At its meeting on August 4, 2020, the Supervisory Board resolved a long-term succession plan for the Management Board (recommendation B.2 GCGC). To this end, 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. The

last such review and update took place at the Supervisory Board meeting on October 24, 2023.

- Also at the meeting on August 4, 2020, the Supervisory Board set the (possibly fictitious) standard retirement age under the statutory pension insurance as the – currently unchanged – age limit for the members of the Management Board. Accordingly, the Supervisory Board should only appoint members of the Management Board for a period that ends no later than the end of the month in which their individual standard retirement age is reached (recommendation B.5 GCGC).

On recommendations C.1 sentence 1 et seq. GCGC (catalog of objectives and competence profile for the Supervisory Board; diversity; sustainability expertise), C.1 sentence 5 GCGC (qualification matrix), C.1 sentence 6 GCGC (appropriate number of independent Supervisory Board members), C.2 GCGC (age limit for Supervisory Board members), C.3 GCGC (length of service on the Supervisory Board), C.6 GCGC (independence of Supervisory Board members), D.2 sentence 2 GCGC (existence and composition of Supervisory Board committees), D.3 sentence 4 GCGC (financial expertise of the members of the Audit Committee) and D.12 GCGC (efficiency review of the Supervisory Board) cf. the information in section 9.3 ("Relevant disclosures on corporate governance practices").

9.1.3 DECLARATION OF CONFORMITY 2023

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 AKTG

The Management Board and Supervisory Board of Alzchem Group AG ("Company") declare pursuant to section 161 AktG:

The last (updated) Declaration of Conformity was issued in February 2023. Since this date, the company has complied with all recommendations of the German Corporate Governance Code in the version dated April 28, 2022 ("GCGC 2022") and intends to continue to comply with them in the future with the following exception:

Recommendation G.6 GCGC 2022 recommends that "the variable remuneration ... from the achievement of long-term targets ... exceeds the share from short-term targets": In contrast, all of the company's Management Board service contracts provide for variable "transitional payments". Although these are structured along the lines of the Long-Term Incentive (LTI), they provide a payment entitlement after a holding period of one to three years (which in turn depends on the increase in the Alzchem share price). The granting and payment of these "transitional payments" can lead to the short-term variable (target) remuneration exceeding the long-term variable (target) remuneration for individual or all members of the Management Board. The company considers the transitional payments to be necessary in order to avoid temporary salary losses for the members of the Management Board solely due to the entry or transition to a new remuneration system.

Trostberg, December 2023

Alzchem Group AG

For the Supervisory Board

Markus Zöllner
(Chairman of the Supervisory Board)

For the Management Board

Andreas Niedermaier

Klaus Englmaier

Dr. Georg Weichselbaumer



The current and previous declarations of conformity reproduced above are available on the website at <https://www.alzchem.com/en/investor-relations/corporate-governance/>.



9.2 PUBLIC DISCLOSURE OF REMUNERATION-RELATED DOCUMENTS

The remuneration report for the fiscal year 2023 and the auditor's report on this pursuant to section 162 AktG, the applicable remuneration system for the Management Board pursuant to section 87a paras. 1 and 2 sentence 1 AktG and the most recent resolution of the Annual General Meeting on the remuneration of the Supervisory Board pursuant to section 113 para. 3 AktG are or will be made publicly available on the company's website at www.alzchem.com/en/investor-relations/corporate-governance/.

9.3 RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The company complies with all legal provisions applicable to it and complies with all recommendations of the German Corporate Governance Code (the latter with the exception of the deviation from recommendation G.6 GCGC disclosed and justified in the Declaration of Conformity, see section 9.1.3).

In addition, the Articles of Association of Alzchem Group AG, the rules of procedure for the Management Board and the Supervisory Board as well as the internal corporate guidelines for the entrepreneurial activities of the company and its employees, all of which are available on the company's website at www.alzchem.com, are decisive for corporate governance.

9.3.1 WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

9.3.1.1 MANAGEMENT BOARD

The members of the Management Board are responsible for managing the company's business in the interests of the company in accordance with the law, the Articles of Association, the rules of procedure for the Management Board and the associated schedule of responsibilities. The Management Board generally complies with the recommendations of the German Corporate Governance Code; any deviations are reported and explained in the Declaration of Conformity – usually together with the Supervisory Board (as is currently the case with recommendation G.6 GCGC). The Management Board must define the company's corporate objectives, fundamental strategic direction, business policy and Group organization, coordinate these with the Supervisory Board and ensure their implementation. It is responsible for ensuring compliance with legal provisions and internal company guidelines and works to ensure that these are observed by the Group companies and their employees (compliance). It is also responsible for ensuring appropriate risk management and controlling within the company.

In the fiscal year 2023, the Management Board again consisted of three members: Mr. Niedermaier (CEO), Mr. Englmaier (COO) and Dr. Weichselbaumer (CSO); Andreas Lösler has been an additional member of the Management Board (CFO) since January 1, 2024. Mr. Niedermaier, a member of the Management Board, has been appointed as its Chairman. The Management Board works on the basis of the rules of procedure for the Management Board, which were last

revised by the Supervisory Board on December 5, 2023. The current version of the rules of procedure is published on the company's website at www.alzchem.com/en/investor-relations/corporate-governance/.

The Chief Executive Officer coordinates cooperation within the Management Board and the provision of information to the Supervisory Board and maintains regular contact with the Chairman of the Supervisory Board. He must ensure that the management of the Management Board departments is uniformly aligned with the objectives defined by the resolutions of the Management Board. The Chief Executive Officer may request information from the members of the Management Board at any time on individual matters relating to their areas of responsibility and may stipulate that he be informed in advance of certain types of transactions. The Chief Executive Officer represents the Management Board and the company to the public, particularly in matters that affect the entire company. He may delegate these duties to another member of the Management Board for certain types of matters or in individual cases.

The responsibilities of the individual members of the Management Board are set out in the schedule of responsibilities last revised for the company in December 2023, which is proposed by the members of the Management Board – including in the event of future changes – and requires the approval of the Supervisory Board. The current allocation of responsibilities plan provides for the following allocation of responsibilities for the four-member composition in force since January 1, 2024:



Andreas Niedermaier (Chief Executive Officer – CEO)	Andreas Lösler (Member of the Management Board – CFO)	Klaus Englmaier (Member of the Management Board – COO)	Dr. Georg Weichsel- baumer (Member of the Management Board – CSO)
Strategy	Controlling, Accounting & Finance, Taxes	Production	Marketing
Supply Chain	Insurances	Technology	Sales
Law	Personnel management	Environment, Safety, Health, Quality	Innovation Management/R&D/Pro- cess Development
Risk Management	Information Technology		Product Approval
Revision	Investor Relations		
Environmental, Social and Corporate Governance (ESG)/ Sustainability	Communication		

Each member of the Management Board makes their own decisions within their area of responsibility, whereby the overall responsibility and collegiality of the Management Board as a whole must always be observed. If a matter affects the areas of responsibility of several members of the Management Board, they decide jointly. If no agreement can be reached, each participating member of the Management Board is obliged to bring about a resolution by the entire Management Board. In this case, the measure must be refrained from until the Management Board has reached a decision, unless immediate implementation is necessary at the discretion of the Management Board to avoid imminent serious disadvantages for the company. The Management Board must then be informed immediately of such an action by the Management Board member concerned.

The Management Board fulfills its reporting obligations to the Supervisory Board as set out in section 90 AktG and other statutory provisions, the Articles of Association and the rules of procedure, whereby the Management Board generally reports to the full Supervisory Board, but may also report only to the Chairman of the Supervisory Board. Reports from the Ma-

agement Board to the Supervisory Board are generally to be submitted in text form, unless the law stipulates otherwise. If necessary in individual cases due to particular urgency, the Supervisory Board must be informed verbally.

As part of its reporting, the Management Board informs the Supervisory Board regularly, promptly and comprehensively, particularly in the course of its meetings, about fundamental issues relating to corporate planning, the net assets, financial position and results of operations as well as profitability. The Management Board must also address deviations from the approved plans and targets and the reasons for these. The Management Board's reporting must also cover the risk situation, risk management and compliance.

At the Supervisory Board meetings, the Management Board also regularly reports to the Supervisory Board on the current course of business of the company (including the subsidiaries), in particular on sales, earnings and cash flow, the company's situation and all issues of business policy and profitability relevant to the company. All issues relating to sustainability and ESG, such as the progress made in implementing the climate roadmap, are also reported on regularly.

Unless otherwise determined by the Supervisory Board, the Management Board reports to the Supervisory Board at the last meeting of the Supervisory Board in a fiscal year on the intended business policy and other fundamental issues of corporate planning and submits the budget for the following fiscal year (including financial, investment and personnel planning) to the Supervisory Board for approval.

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

In addition, the Chief Executive Officer reports to the Chairman of the Supervisory Board in good time on transactions that could be of significant importance to the company's profitability or liquidity. Notwithstanding the Supervisory Board's existing approval requirements for significant transactions and the reporting obligations stipulated in particular in section 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, in particular also about the risk situation and risk management.



9.3.1.2 SUPERVISORY BOARD

TASKS

The Supervisory Board advises the Management Board on the management of the company and monitors its management of the company (see also the report of the Supervisory Board in this annual report on the activities of the Supervisory Board). As a prerequisite for this, the Supervisory Board ensures that the Management Board fulfills its reporting obligations to the Supervisory Board or its Chairman.

The Supervisory Board performs its activities in accordance with the statutory provisions, the Articles of Association and the rules of procedure last updated in December 2023. The recommendations of the German Corporate Governance Code relating to the Supervisory Board are generally observed, unless otherwise stated in the Declaration of Conformity to be published in accordance with section 161 AktG. The members of the Supervisory Board have equal rights and obligations and are not bound by instructions. In performing its duties, the Supervisory Board works closely and in a spirit of trust with the Management Board for the benefit of the company.

The Supervisory Board regularly reviews the efficiency of its activities, usually every two years. The last efficiency review for the Supervisory Board took place in 2022. To carry it out, the Supervisory Board members each answered a comprehensive written questionnaire, the (anonymous) results of which were evaluated by the Chairman of the Supervisory Board, presented to the Supervisory Board members and discussed with them. The next regular efficiency review will take place in 2024; the Supervisory Board will autonomously determine the relevant review format in good time beforehand (recommendation D.12 GCGC).

COMPOSITION/OBJECTIVES/COMPETENCE PROFILE

The Supervisory Board of Alzchem Group AG (as the parent company of the Alzchem Group) consists of four members, most recently elected by the Annual General Meeting in May 2020 (until the Annual General Meeting 2025), in accordance with section 8 para. 1 of the Articles of Association. The Supervisory Board must be composed in such a way that its members collectively have the knowledge, skills and professional experience required to properly perform their duties.

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

Furthermore, C.1 sentence 1 GCGC recommends that the Supervisory Board adopt a "competence profile". According to the "competence profile", which was also last revised in July 2022, the members of the Supervisory Board as a whole should have the professional skills required to fulfill their duties in the best possible way (professional diversity). In particular, they must be familiar with the chemical industry from a commercial perspective. According to the competence profile, it is also desirable for the Supervisory Board to have an appropriate representation of chemical-technological expertise based on training, professional activity or

particular personal interest. Finally, the Supervisory Board should have expertise in the following areas:

- manufacturing and production, marketing and sales
- corporate planning
- (internal and external) corporate financing and the capital market
- accounting and auditing
- strategy development and implementation; M&A
- Corporate Governance; corporate compliance
- supervisory and committee work

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

The Supervisory Board is convinced that the existing Board fully meets the specified competence profile despite its small size. It also meets the targets it has set itself in terms of age, independence and diversity, among other things (the exact status of implementation of the competence profile can be seen in the "Qualifications matrix" section below).

Proposals by the Supervisory Board to the Annual General Meeting for the election of new Supervisory Board members will – in addition to taking into account the objectives it has set itself – also be geared towards fulfilling the competence profile at all times (recommendation C.1 sentence 4 GCGC).



REQUIREMENTS FOR THE INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD

Each member of the Supervisory Board ensures that they have sufficient time to perform their mandate in accordance with the defined "competence profile and list of objectives". When elected or re-elected, a Supervisory Board member should not be older than 65 years of age and should not have been a member of the Supervisory Board for more than twelve years, starting with the company's stock market listing in 2017.

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

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

Committee) and Mr. Zöllner have assumed the role of these so-called financial experts on the company's Supervisory Board; in addition to the statutory requirements, both experts have expertise in both specialist areas (see also the section "Composition and working methods of the Audit Committee" for further information on the "special" professional qualifications of the two aforementioned experts).

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

In accordance with section 100 para. 2 no. 4 AktG, no more than two former members of the Management Board may be members of the Supervisory Board. Members of the Management Board may not become members of the Supervisory Board before two years have elapsed since the end of their appointment, unless they are elected at the proposal of shareholders who hold more than 25% of the voting rights in the company. Such former members of the company's Management Board are not currently represented on the Supervisory Board.

Finally, certain requirements for the individual members of the Supervisory Board arise from the recommendations of the GCGC, which the company has promised to fulfill in the Declaration of Conformity. For example, the members of the Supervisory Board should not perform any executive or advisory functions for major competitors of the company and

should not have a personal relationship with a major competitor (recommendation C.12 GCGC).

In accordance with recommendation C.5 GCGC, members of the Supervisory Board who are also members of the Management Board of a listed company should not hold more than two further Supervisory Board mandates (none of which are chairmanship mandates) in listed companies outside the Group or in companies with comparable requirements in addition to their Supervisory Board mandate for the company. For a Supervisory Board member who is not a member of the Management Board of a listed company, this number is increased to five in accordance with recommendation C.4 GCGC, whereby a Supervisory Board chairmanship counts twice. The composition of the company's Supervisory Board currently complies with all of these recommendations.

According to the "competence profile and list of objectives" adopted by the Supervisory Board, the above requirements must be taken into account in proposals for the election of Supervisory Board members by the Annual General Meeting.

QUALIFICATION MATRIX

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



		Zöllner	Heigl-Murauer	Röper	v. Schnurbein
Function(s)		Supervisory Board Chairman	Audit Committee Chairwoman		Supervisory Board Deputy Chairman
Length of membership of the Supervisory Board	[according to GCGC recommendation + competence profile max. twelve years]	2017	2017	2017	2017
AktG requirements	Other Supervisory Board mandates	2 (2 Chairs) ¹	1 ¹	2 ¹	2 ¹
	Former Management Board member ACG	(-)	(-)	(-)	(-)
	Financial expertise, section 100 V AktG				
	- Accounting	(+)	(+)	(+)	(+)
	- Auditing	(+)	(+)	(+)	(+)
	Sector familiarity	(+)	(+)	(+)	(+)
	Target women's quota (25%)	(+)	(+)	(+)	(+)
GCGC recommendations	Compliance with age limit (65)	(+)	(+)	(+)	(+)
	Time availability	(+)	(+)	(+)	(+)
	Independence	(+)	(+)	(+)	(+)
	"Special" financial expertise, recommendation D.3 GCGC				
	- Accounting	(+)	(+)		
	- Auditing	(+)	(+)		
Diversity	Age	55	56	47	50
	Gender	Male	Female	Male	Male
	Education	Industrial Engineer, MBA	Business administration	Lawyer	Lawyer
	Profession	Entrepreneur	University teacher	Lawyer	General counsel
	Nationality	German	German	German	German
	International experience	(+)	(+)	(+)	(+)



		Zöllner	Heigl-Murauer	Röper	v. Schnurbein
Function(s)		Supervisory Board Chairman	Audit Committee Chairwoman		Supervisory Board Deputy Chairman
Competence profile	Familiarity with the chemical industry	(+)	(+)	(+)	(+)
	Chemical-technological competence	(+)			
	Manufacturing & Production; Marketing & Sales	(+)		(+)	
	Corporate planning	(+)	(+)		
	Corporate finance/capital markets	(+)	(+)		
	Strategy development/implementation; M&A	(+)		(+)	(+)
	Corp. governance/compliance	(+)		(+)	(+)
	Supervisory/committee work	(+)	(+)	(+)	(+)
	Sustainability expertise:				
	- Basic understanding	(+)	(+)	(+)	(+)
	- Deeper understanding	(+)		(+)	
Other	Member of the Audit Committee	(+)	(+); Chairwoman	(+)	(+)

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

(+) means that the relevant requirement is fulfilled on the basis of a self-assessment – either by the Supervisory Board members or by the Supervisory Board as a whole.



CHAIRMAN AND DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

At the beginning of its term of office, the Supervisory Board elects a Chairman and a Deputy Chairman from among its members at a meeting that is held without special notice. If necessary, further deputy chairpersons may be elected. The election of the Chairman and Deputy Chairman by the Supervisory Board shall be for the term of office of the elected member of the Supervisory Board, unless a shorter term of office is specified at the time of the election. If the Chairman or a Deputy Chairman leaves the Supervisory Board during his term of office, a new election must be held immediately to replace the departing member. The election shall be conducted by the oldest Supervisory Board member present in terms of age.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. He informs the other members of the Supervisory Board regularly, particularly in the case of measures relating to urgent transactions requiring approval. Declarations of intent by the Supervisory Board are made on behalf of the Supervisory Board by the Chairman or, if he is unable to do so, by his deputy.

The Chairman – or, if he is unable to do so, his deputy – is authorized to accept declarations on behalf of the Supervisory Board. The Deputy Chairman only has the rights and duties of the Chairman if mandatory law or the Articles of Association expressly confer these rights and duties on him. The Deputy Chairman is not entitled to the second vote of the Chairman in accordance with section 11 para. 4 of the Articles of Association.

RULES OF PROCEDURE OF THE SUPERVISORY BOARD

The Supervisory Board has adopted rules of procedure – last revised by resolution on December 5, 2023 – which form the basis of its activities, in particular cooperation with

the Board. The current rules of procedure of the Supervisory Board – as well as the rules of procedure of the Management Board – are published on the company's website at www.alzchem.com/en/investor-relations/corporate-governance/.

COMPOSITION OF THE SUPERVISORY BOARD

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

Member	Since	Last elected
Markus Zöllner	08/04/2017	05/19/2020
Prof. Dr. Martina Heigl-Murauer	08/04/2017	05/19/2020
Dr. Caspar Freiherr von Schnurbein	08/04/2017	05/19/2020
Steve Röper	10/02/2017	05/19/2020

In accordance with recommendation C.6 sentence 1 GCGC, the composition of the Supervisory Board takes into account the ownership structure of the company. In the opinion of the Supervisory Board, all members of the Supervisory Board are to be regarded as independent – even in relation to the company's main shareholders. This applies all the more now that the shareholdings of the three largest shareholders in the company were significantly reduced years ago and the company no longer has a single or several, possibly jointly "controlling" shareholders. In any case, the Supervisory Board therefore has what it considers to be an "appropriate" number of independent members within the meaning of recommendation C.1 sentence 6, C.6 GCGC.

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

COMMITTEES OF THE SUPERVISORY BOARD

Following its reconstitution in May 2020, the Supervisory Board deliberately refrained from forming committees. In doing so, it followed the unanimous result of the then current internal efficiency review of the Supervisory Board, which saw no advantage in forming committees given the already small overall body of only four members. The issues that would otherwise have been the responsibility of the committees were instead dealt with by the full Supervisory Board in accordance with the stock corporation law in force at the time.

This autonomous decision by the Supervisory Board was removed by the Act to Strengthen Financial Market Integrity (Finanzmarktintegritätsstärkungsgesetz – FISG) in 2021. According to the new legal regulation, Supervisory Boards of "capital market-oriented" – i.e. essentially listed – companies must form an Audit Committee. Alzchem Group AG complied with this regulation by resolution dated November 4, 2021, with effect from January 1, 2022.

COMPOSITION AND WORKING METHODS OF THE AUDIT COMMITTEE

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

Member	Last elected	Inauguration
Prof. Dr. Martina Heigl-Murauer	11/04/2021	01/01/2022
Markus Zöllner	11/04/2021	01/01/2022
Dr. Caspar Freiherr von Schnurbein	11/04/2021	01/01/2022
Steve Röper	11/04/2021	01/01/2022



The Audit Committee is chaired by Prof. Dr. Heigl-Murauer. She also acts as a "financial expert" within the meaning of section 107 para. 4 sentence 3 AktG. Another "financial expert" on the Audit Committee is Mr. Zöllner. Both of the aforementioned also have the "special knowledge and experience" in their respective areas of expertise, including sustainability reporting and its audit, which recommendation D.3 sentence 1 et seq. GCGC recommends for the financial experts and in particular the chairmanship of the Audit Committee:

- Prof. Dr. Heigl-Murauer's expertise stems primarily from her many years of professional experience as a tax consultant, also in an international environment, and as a university lecturer at the School of Management at Deggendorf Institute of Technology, focusing on national (HGB) and international (IFRS) accounting, among other things.
- Mr. Zöllner's expertise results primarily from his many years of executive activities in various portfolio companies in different sectors, including as a former member of the Management Board of an MDAX company, as well as from his extensive activities in various supervisory bodies.

Both financial experts have intimate knowledge of the (accounting and auditing) conditions at Alzchem in particular as a result of their many years of experience as chairpersons of the company's Supervisory Board and Audit Committee.

With regard to the working methods for the Audit Committee, among others, the current rules of procedure of the Supervisory Board (publicly available on the company's website at www.alzchem.com/en/investor-relations/corporate-governance/) declare that their main procedural rules also apply to the committees.

With the FISG, the legislator has also created the possibility for each member of the Audit Committee to obtain information directly from the heads of the central departments relevant to the committee's work via the committee chairperson. The committee chairperson must then communicate this information to all members of the Audit Committee.

MEETING FREQUENCY; INDIVIDUAL MEETING ATTENDANCE

The Supervisory Board met six times during the reporting period. In addition, three resolutions were passed by written procedure. All Supervisory Board members took part in all meetings and resolutions of the Supervisory Board.

To avoid repetition, please refer 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 and the most important company within the Alzchem Group in operational terms, consists of six members, four of whom are to be elected by the shareholders and two by the employees in accordance with the provisions of the One-Third Participation Act. Following the new elections held in 2021, it was composed,

- for the shareholder side, of the four Supervisory Board members 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) as well as
- of the employee representatives Karl Held and Otto Wolf.

On April 1, 2022, Mr. Christian Ortbauer joined the Supervisory Board as a replacement member for Mr. Otto Wolf, who left the company (and thus its Supervisory Board) on this date due to his age. Karl Held, who left his employment (and therefore the Supervisory Board) at the end of July 2023, was succeeded by Mr. Christian Rieder as his replacement member.

The Chairman of the Supervisory Board is Mr. Markus Zöllner, his deputy is Mr. Christian Ortbauer.



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

MANDATES OF THE SUPERVISORY BOARD MEMBERS

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

Member	Mandates
Markus Zöllner	Chairman of the Board of Directors of Anttila Oy
Prof. Dr. Martina Heigl-Murauer	[none]
Steve Röper	Member of the Board of Directors of Anttila Oy
Dr. Caspar Freiherr von Schnurbein	Chairman of the Supervisory Board of LIVIA Emerging Markets AG (until May 9, 2023)
	Chairman of the Supervisory Board of LIVIA Organic Industries AG (until May 9, 2023)
	Member of the Supervisory Board of Blitz 21-824 AG

9.3.1.3 AVOIDANCE OF CONFLICTS OF INTEREST

The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the reporting period.

9.4 DIVERSITY CONCEPT

The composition of the Management Board of Alzchem Group AG is to be balanced and appropriate to the company, so that its members as a whole have the knowledge, skills and experience required for the management of an internationally active chemical group. Fundamental suitability criteria for a position on the Management Board are, in particular, personality, integrity, convincing leadership qualities, professional qualifications for the depart-

ment to be taken over, 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 complementary profiles of the Management Board members. The following diversity aspects are also taken into account in particular:

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

The Supervisory Board must decide with whom a specific Management Board position is to be filled, taking into account all the circumstances of the individual case.

Alzchem pursues a balanced diversity principle not only on the Management Board, but also among managers and employees. The cultural and personal diversity of its employees makes Alzchem stronger and more innovative. It is therefore important to the company to prevent discrimination against minorities, to recognize and promote valuable potential and to improve equal opportunities within the company.

For the Supervisory Board's diversity concept, see the information in section 9.3.1.2 (there "Composition/objectives/competence profile").

9.5 INFORMATION ON STATUTORY MINIMUM QUOTAS IN MANAGEMENT POSITIONS

Alzchem Group AG as the listed parent company and its wholly owned subsidiary Alzchem Trostberg GmbH, which is subject to the One-Third Participation Act, must meet targets for the proportion of women on their respective supervisory boards and management boards and for the two management levels below the Management Board in accordance with section



76 (4) and section 111 (5) of the German Stock Corporation Act and section 36 and section 52 (2) of the German Limited Liability Companies Act. The two companies concerned have complied with this as follows:

ALZCHEM GROUP AG

- On April 22, 2022, the Supervisory Board of Alzchem Group AG set the targets for the proportion of women to be achieved on the Supervisory Board and the Management Board at 25% = 1 member (for the Supervisory Board) and 0% = 0 members (for the Management Board). The target date for the proportion of women on the Management Board is June 30, 2024 and for the proportion of women on the Supervisory Board the end of its term of office in spring 2025.

The Supervisory Board gave the following reasons for setting the 0% quota for the Management Board:

- In view of the proven composition of the Management Board, an immediate change to the Management Board does not appear to make sense. On the other hand, given the age structure of the Management Board, there is a need to consider a concrete succession plan for the Management Board members concerned as soon as possible.
- With regard to such a succession plan, the short-term addition of a female member to the current Board of Directors would also appear to be conceivable. However, such a measure would have to be carefully considered, particularly with regard to the structure of the newly created Management Board position.
- Under the given circumstances, the Supervisory Board agrees that the current 0% quota for the Management Board should be continued, but only until the end of June 2024. In the meantime, concrete internal and external options for a meaningful female Management Board position should be explored in more detail. The

new quota to be set in June 2024 should reflect the results achieved in this respect.

- The Supervisory Board agreed that the current 0% quota was not acceptable in the long term.

As of December 31, 2023, the proportion of women on the Supervisory Board was 25% and on the Management Board 0%.

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

ALZCHEM TROSTBERG GMBH

- In July 2022, the shareholders' meeting of Alzchem Trostberg GmbH set the targets for the proportion of women to be achieved on the Supervisory Board and in the Management as follows: For the Supervisory Board, a quota of 16.66% women is to be achieved by the end of the term of office in spring 2026 (this corresponds to one person on the existing six-member Supervisory Board) and for the Management, a quota of 0% women is to be achieved by June 30, 2023. In June 2023, the shareholders' meeting extended the 0% quota for the Management for a further year until the end of June 2024.

To justify the 0% quota, the shareholders' meeting of Alzchem Trostberg GmbH cited the same reasons – mentioned above – that the Supervisory Board of Alzchem

Group AG had already used for the 0% quota for the Management Board of this same company, in view of the identity of the persons on the two management bodies.

- In addition, the Management Board of Alzchem Trostberg GmbH reaffirmed the previous year's targets by resolution in July 2022 and set the target for the proportion of women in the first management level below the Management Board at 15% and in the second management level below the Management Board at 17% in the period up to June 30, 2027. As of December 31, 2023, the proportion of women in the first management level below the Management Board was 18.8% and 11.7% in the second management level below the Management Board.
- Due to the specific circumstances in the chemical industry (e.g. protection of unborn children and the resulting employment bans; disproportionately low representation of female specialists in STEM fields), the company does not currently consider targets that correspond to the statutory target of 30% to be achievable.

9.6 DESIGN OF THE INTERNAL CONTROL SYSTEM

The internal control system (ICS) of the Alzchem Group is defined as the totality of all principles, procedures and measures introduced in the company which, on the one hand, serve the positive development of the company's business activities and, on the other hand, prevent threats and damage that could be caused to it by its own personnel or external third parties. The ICS enables any weaknesses in the company to be identified at an early stage and proactive measures to be taken in order to minimize risks to business activities and optimize the company's performance. This also includes sustainability-related targets.

The ICS is not limited to accounting. Rather, it extends to all key business processes in all areas of the company.



At Alzchem, the ICS includes in particular

(i) Compliance and corporate guidelines

Alzchem's compliance management system (CMS) serves to fulfill legal obligations, detect and terminate legal violations and prevent or limit damage. The CMS is geared to the specific risk situation of the company. Accordingly, the corporate guidelines comprise the most important corporate policy principles and standards of Alzchem, with which all employees must be familiar. They provide Alzchem employees with orientation in basic legal and ethical obligations and give them the security for appropriate professional behavior both internally in their dealings with each other and externally in contact with business partners, authorities and the public.

(ii) Systematically designed technical and organizational rules

At the heart of the ICS are the security and control measures implemented or generally applicable in all of the company's key processes. These include, for example, structural and software access controls, written instructions, e.g. on security, on measures to protect the company's tangible and intangible assets and to prevent illegal activities in the area of white-collar crime, such as the dual control principle, as well as detailed job descriptions, separation of functions and strictly binding signature regulations to prevent overstepping of authority, embezzlement and corruption.

(iii) Monitoring

Monitoring the ICS is crucial to ensure that it functions effectively. This process includes regular checks carried out by internal and external bodies (e.g. staff departments within the company, external auditors or as part of ISO certifications). Detailed internal audits, to which all departments of the company are regularly subjected in a systematic manner, also serve the purpose of monitoring. An essential component of monitoring is also a digital whistleblower hotline, which enables Alzchem employees, but also third parties such as business partners or customers of the company – anonymously if necessary – to uncover legal violations within the company. Finally, the appropriateness and effectiveness of the ICS as a whole are also reviewed once a year by the Supervisory Board.

The risk management system (RMS), which is closely linked to the ICS, is presented in the opportunity and risk report in the combined management report.

The Management Board assesses the appropriateness and effectiveness of the ICS and the risk management system once a year. At the corresponding Management Board meeting, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are explained and an overall statement on the appropriateness and effectiveness of the ICS and the risk management system is made once a year.

Neither the Management Board nor the Supervisory Board have any indications that the ICS or the RMS are not appropriate and effective in all material respects.

10. SUPPLEMENTARY REPORT

At its meeting on December 5, 2023, the Supervisory Board of Alzchem Group AG unanimously resolved to appoint Andreas Lösler to the Management Board of Alzchem Group AG with effect from January 1, 2024. As CFO, Mr. Lösler is responsible for Controlling, Accounting & Finance, Investor Relations & Communication, Human Resources, Information Technology and Insurance. As CEO, Andreas Niedermaier will focus increasingly on the areas of strategy, legal, supply chain, ESG and risk management.

Between the end of the fiscal year 2023 and the date of preparation of the consolidated financial statements, there were no events with a material impact on the net assets, financial position and results of operations.



NON-FINANCIAL GROUP STATEMENT

116 ENVIRONMENTAL (E)

147 SOCIAL (S)

169 GOVERNANCE (G)



11. NON-FINANCIAL GROUP STATEMENT

With this non-financial Group statement (Sustainability Statement), we are fulfilling our reporting obligation in accordance with the CSR Directive Implementation Act. The Supervisory Board of Alzchem Group AG has reviewed the contents of the Sustainability Statement. All information in the Sustainability Statement applies to all companies of the Alzchem Group, unless indicated otherwise. The aim of the Sustainability Statement 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 sections 315b to 315c in conjunction with sections 289c to 289e HGB.

In order to avoid duplication within the combined management report, we refer in some places to further information in other sections. References to information outside the combined management report are supplementary explanations. They are not part of the Sustainability Statement. For a description of Alzchem's business model, please refer to section 2.1. of the combined management report.

For the first time, Alzchem is reporting on the basis of the European Sustainability Reporting Standards (ESRS), which reflect the structure of sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD).

As part of the existing risk management system, Alzchem considers and evaluates such risks that are associated with the business activities and business relationships of the

company and have an impact on Alzchem or on the environment and society. There are currently no identifiable risks associated with the business relationships of Alzchem, its products and services that are very likely to have a serious negative impact on the aspects specified in section 289c para. 2 HGB.

11.1 PREAMBLE

ALZCHEM – INNOVATIVE SOLUTIONS FOR A SUSTAINABLE FUTURE

In times of climate change, sustainable management and sustainable structures are an integral part of our social and societal responsibility, which drives us as a globally active specialty chemicals company. This goal is one of the cornerstones of our business model. Our commitment to sustainability is reflected in our corporate culture and values. For us, sustainability means in particular responsibility for people and the environment and is of essential strategic importance for our future corporate development. Our principle is to give equal consideration to the needs of all our stakeholders. These include our customers and suppliers, the public, our employees, investors and lenders. This preamble is in line with our vision of a sustainable future and our commitment to taking our responsibility towards the environment, society and future generations seriously. We have already proven this over the long history of our company, which was founded back in 1908. We are ready to follow this path together with our stakeholders and use our

non-financial Group statement as an instrument for these positive changes.

Sustainability encompasses areas of activity in the environmental, social and governance (ESG) sectors. In view of the growing global challenges in these areas and the need to integrate them into our business practices, we attach great importance to transparent, credible and responsible sustainability reporting in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD). Sustainability reporting represents an essential part of our holistic corporate communication. In our non-financial Group statement, we set out our sustainability goals and initiatives, which aim to have a positive impact on our environment, the community and our long-term corporate performance.

Alzchem Group AG has set itself an ambitious goal: We want to become climate neutral in Scope 1. Climate neutrality according to Scope 1 means that direct emissions from our company, e.g. emissions from boilers or ovens, are reduced to zero through suitable measures. With our comprehensive climate roadmap, which includes specific packages of measures, this is to be achieved in two main ways: on the one hand, through independence from fossil fuels (defossilization) and, on the other, through climate-neutral production. The prerequisites for this are good, as our business model is already based on electricity as a key raw material. Our goal is to reduce the direct CO₂ emissions released at all Alzchem sites by 75% by 2030. We want to achieve complete climate neutrality according to Scope 1 by 2033.



11.1.1 ESRs 2 – GENERAL INFORMATION

BASIS FOR THE PREPARATION OF THE NON-FINANCIAL GROUP STATEMENT

APPLICATION OF THE CSRD AND THE ESRs

In this non-financial Group statement on a consolidated basis, Alzchem Group AG explains how it harmonizes ecology, economy and social responsibility. We want to inform our customers, business partners and suppliers, shareholders and analysts, authorities and neighbors as well as our employees directly and in detail about Alzchem's sustainability activities.

In accordance with sections 315b to 315c in conjunction with sections 289c to 289e HGB, Alzchem Group AG is obliged to prepare a non-financial Group statement. Alzchem Group AG fulfills this obligation in the form of a separate section in the Group management report.

For the preparation of the non-financial Group statement, Alzchem reports in accordance with the European Sustainability Reporting Standards (ESRS), which reflect the structure of sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD).

The non-financial Group statement was not subjected to a business audit.

CATEGORIES OF REPORTING STANDARDS

In accordance with the ESRs, we make both sector-independent and sector-specific disclosures.

SCOPE AND LIMITS OF REPORTING

Our reporting focus and boundaries are primarily derived from the sustainability topics identified in the materiality analysis. Our data collection includes all relevant locations that were included in the scope of consolidation of the

consolidated financial statements of Alzchem Group AG in the fiscal year 2023. In 2023, this included a total of seven domestic and four foreign companies. We largely use Alzchem's global HR information system to collect relevant data on personnel and social indicators.

The environmental key figures in this non-financial Group statement cover emissions and consumption volumes from a total of five production sites in two countries (Germany and Sweden). In the value chain, we deal with both the upstream and downstream areas. In the upstream area, this relates to raw materials and the Scope 1 and Scope 2 emissions of our production facilities. The measures from our climate roadmap, the optimization of production processes and the use of renewable energies serve to reduce Scope 1 and Scope 2 emissions. Downstream, we help customers and users to improve their carbon footprint through our products with a distinctive sustainability profile.

TIME HORIZONS

Environmental risks and opportunities include operational, regulatory and financial factors and relate to topics such as climate change or environmental protection as well as the impact of energy guidelines and directives on water consumption. The period under review is three years. If risks lie in the more distant future, these are also recorded, whereby the time horizon was taken into account when estimating the damage.

GOVERNANCE

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Since January 1, 2024, the Management Board of Alzchem Group AG has consisted of four (previously: three) members. The allocation of responsibilities on the Management Board is as follows:

- Andreas Niedermaier (CEO): responsible for Strategy, Legal, Supply Chain Management, Patents & Trademarks, Risk Management, ESG and Sustainability.
- Andreas Lösler (CFO): responsible for Controlling, Accounting and Finance, Investor Relations & Communication, Human Resources, Information Technology and Insurance.
- Klaus Englmaier (COO): responsible for Production & Technology, Engineering, Process Development and Optimization, Environment, Safety, Health and Quality.
- Dr. Georg Weichselbaumer (CSO): responsible for Marketing, Sales, Innovation Management & Process Development, R&D and Product Safety/Approval.

The Supervisory Board is made up of the following members: Markus Zöllner (Chairman), Dr. Caspar Freiherr von Schnurbein (Deputy Chairman), Prof. Dr. Martina Heigl-Murauer (Chairwoman of the Audit Committee) and Steve Röper. The proportion of female members on the Supervisory Board will therefore reach the quota of 25% set by the Supervisory Board itself in the reporting year 2023, which will apply until the end of the Supervisory Board's term of office in spring 2025. Alzchem's fundamental aim is to continuously increase the proportion of women in the company at all levels.

COMPOSITION OF THE WORKS COUNCIL AND SPEAKERS' COMMITTEE

The Alzchem Works Council in Germany, which represents the company's tariff and non-tariff employees, consists of



17 members, four of whom are released from their contractual work obligations for their work on the Works Council. With four female members, the proportion of women is a good 23%.

The Speakers' Committee, which represents senior executives, consists of three male members. Further information on employee representation can be found in the "Collective bargaining coverage and social dialog" section (S1-8).

MANAGING SUSTAINABILITY AT ALZCHEM

We are continuously working to expand our positive influence on key sustainability issues and reduce the negative impact of our business activities. Our sustainability activities combine the economic, environmental and social aspects of corporate management. The Management Board is responsible for our sustainability strategy across the Group.

The "Sustainability" team, which has been established for several years now, is responsible for integrating sustainability into our business activities and decision-making processes. The main tasks of this team include developing and refining a sustainability strategy as well as developing and following up on overarching sustainability projects.

The sustainability team is made up of interdisciplinary managers from the various areas of Alzchem and a member of the Management Board. This team is headed by the Sustainability Manager. This committee is responsible for managing and monitoring all sustainability-related activities at Alzchem, for example the development of concepts for achieving climate neutrality (in accordance with Scope 1) or examining the impact of key sustainability aspects on our product portfolio.

The Management Board is regularly informed about the development of individual sustainability issues and incorporates results and recommendations from sustainability assessments of business processes into its decisions, for example in the event of changes to water management or investment projects. It adopts resolutions of company-wide strategic relevance and monitors the implementation of projects and their target achievement. Sustainability targets are an established part of the target system for the entire Management Board.

The systematic evaluation of sustainability criteria is an integral part of investment decisions. Here, we not only consider and assess economic aspects, but also potential negative and positive effects or previously unused opportunities in areas such as the environment, social aspects and the local environment.

Regular meetings and discussions on strategic aspects, responsibilities and objectives as well as their implementation and achievement take place in the most important committees for managing the topics of environment, health, safety and product safety under the leadership of the respective department or division head. The HR strategy is defined on an ongoing basis in a meeting involving the divisional management. The aspect of employee health is dealt with quarterly in the "Health" committee under the leadership of the company doctor.

EXPERTISE AND SKILLS OF THE MANAGEMENT BOARD, SUPERVISORY BOARD AND EXTENDED MANAGEMENT WITH REGARD TO SUSTAINABILITY ASPECTS

With regard to the Management Board, the Supervisory Board has developed a specific requirements profile that also addresses sustainability issues. For example, the members of the Management Board should be able to "substantively represent the key sustainability-related issues for the company". The Management Board is also committed to the sustainability-related recommendations of the German Corporate Governance Code (GCGC).

The Supervisory Board of Alzchem Group AG has also adopted a detailed competence profile for itself and its members. According to this, "expertise on all sustainability issues of importance to the company ... is indispensable for the work of the Supervisory Board. This includes sustainability reporting and its audit." It is the declared aim of the Supervisory Board that "all of its members have a basic understanding and at least one of its members has an in-depth understanding of the sustainability issues that are important to the company." In this context, "appropriate induction periods should be taken into account for newly elected members of the Supervisory Board".

Together with the Sustainability team, the Sustainability Manager is responsible for regular training courses for the Management Board and Supervisory Board and provides information on all key sustainability aspects. In addition, an e-learning platform for relevant sustainability topics is available to all employees at the German locations. Sustainability-related expertise can also be acquired through the involvement of external experts. Responsibility for the implementation of legal and internal sustainability requirements lies directly with the specialist departments.



CORPORATE GOVERNANCE

Good corporate governance is an important component for the success and responsible management and control of our company. Alzchem Group AG therefore attaches great importance to the corresponding rules. With one exception, the company complies with all recommendations of the German Corporate Governance Code in the version dated April 28, 2022 (see the Declaration of Conformity pursuant to section 161 AktG in the combined Group management report 2023).

INFORMATION AND SUSTAINABILITY ASPECTS

Risk, sustainability and compliance management is an integral part of corporate management at Alzchem and aims to identify risks in these areas of an early stage and take appropriate countermeasures to limit or minimize their impact. As a company in the chemical industry, we have a special responsibility for the operation of our plants and the protection of people and the environment. At all of our production sites, there are managers with the relevant expertise who are responsible for plant and occupational safety as well as environmental and health protection. The Management Board and Supervisory Board are regularly informed by the relevant managers about the risks, opportunities and measures relating to sustainability issues as well as the degree to which sustainability targets have been achieved.

The Management Board and Supervisory Board continuously deal with sustainability aspects from various perspectives. The company's legal representatives are also responsible for the internal controls and processes that are necessary to ensure proper sustainability reporting. The Supervisory Board monitors these processes.

For further information, please refer to the risk and opportunity report in the combined management report of Alzchem Group AG as of December 31, 2023.

SUSTAINABILITY-RELATED SERVICES

We use various methods and tools, which we are continuously developing, to assess progress with regard to our sustainability-related performance within the company and across the value chain. These include market analyses, the assessment of trends and the evaluation of ratings and life cycle analyses. We continuously review our management processes in order to achieve our sustainability goals and optimize them where necessary. These include measures in the areas of environmental protection and occupational safety, new technical developments and process optimization to reduce resource consumption and costs. The individual measures are supported and implemented by the divisions and cross-divisional functions.

Our aim is to create greater transparency within the company for sustainability-related areas of activity and data in the future. We are increasingly using digital solutions to further develop the management and reporting of this sustainability-related data. This will enable us to meet the growing demands of our customers with greater transparency with regard to sustainability aspects and data and to manage our portfolio even better in terms of sustainability.

As part of our integrated management system for quality, environment, energy, occupational and plant safety, long-term strategic and extensive operational targets are set and targeted measures are implemented with clearly defined responsibilities and within an appropriate timeframe. Target achievement is regularly reviewed and reported on in various discussion groups. If targets are not met, corrective measures are discussed and implemented. The effectiveness of our integrated management system is regularly reviewed through internal and external audits.

INCLUSION OF SUSTAINABILITY-RELATED PERFORMANCE IN THE REMUNERATION OF THE MANAGEMENT BOARD

In addition to the business success achieved (90%), the achievement of sustainability targets (10%) is also taken into account as part of the short-term variable remuneration (short-term incentive (STI)) of the Management Board. The STI success is therefore dependent on the achievement of one or more quantifiable sustainability targets defined by the company as part of its business strategy. These may include, for example, a reduction in the number of accidents at work, efficient use of resources, a reduction in energy consumption, a reduction in waste or a reduction in CO₂ emissions.

To this end, the Supervisory Board determines one or more such sustainability targets and their relative weighting for the respective upcoming fiscal year and communicates both to the members of the Management Board in writing; a target value (100%) and, if applicable, a minimum and maximum value are determined and communicated in the same way. If the Supervisory Board has set one or more non-quantifiable sustainability targets, it also determines the method by which target achievement is measured, how the target value is determined and communicates the method and the target value to the members of the Management Board.

After the end of the fiscal year, the actual value achieved for each individual sustainability target is compared with the target value set at the beginning of the fiscal year. If the Supervisory Board has set one or more non-quantifiable sustainability targets, it determines the respective target achievement on the basis of the target value and the calculation method it has determined at its reasonable discretion.



For further information, please refer to the disclosures in the remuneration report of Alzchem Group AG as of December 31, 2023.

APPROPRIATE DUE DILIGENCE OBLIGATION AT ALL LEVELS AND DUE DILIGENCE PROCESSES

Alzchem takes its responsibility to respect human rights seriously and also observes the corresponding due diligence obligations in this area. This obligation, which extends beyond our own company, is increasingly the focus of social and political discussion, which is also becoming increasingly clear in legislation. The Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG), which came into force on January 1, 2023, is a clear example of this. It obliges companies like Alzchem to ensure compliance with human rights and environmental standards in their global supply chains. To ensure this, Alzchem must take certain preventive measures. In the event of a violation of a human rights-related legal position or an environmental obligation – whether in its own business or in that of a direct supplier – the company must take appropriate remedial action without delay. Alzchem has summarized the corresponding obligations, processes, responsibilities and measures in an internal "manual" created specifically for this purpose.

A responsible purchasing process is an integral part of our procurement activities. It begins even before the start of a business relationship and is based on a continuous process of review, analysis and continuous improvement with our existing suppliers. Alzchem continuously reviews and optimizes its processes in order to comply with the due diligence obligation, identify potential risks and act quickly if necessary.

The link between business and human rights has always been an essential part of Alzchem's corporate responsibility and at the same time reflects stakeholder expectations. In addition, the OECD Due Diligence Guidance for Responsible Business Conduct serves as a reference for our approach.

When it comes to climate change, Alzchem considers both the potential impact of its business activities on the global greenhouse gas balance and the impact of climate change on its own business activities.

The following table compares the core elements of Alzchem's due diligence obligation for impacts on people and the environment with the information in this non-financial Group statement:

Core elements of the due diligence obligation	Paragraphs in the Sustainability Statement
a) Integration of due diligence obligation into governance, strategy and business model	ESRS 2 GOV-2; ESRS 2 GOV-3; ESRS 2 GOV-SBM-3
b) Involvement of affected stakeholders in all key due diligence obligation steps	ESRS 2 GOV-2; ESRS 2 SBM-2; ESRS 2 IRO-1; ESRS 2 MDR-P; topic-related ESRS
c) Identification and assessment of negative impacts on people and the environment	ESRS 2 IRO-1; ESRS 2 SBM-3
d) Measures to counter these negative effects on people and the environment	ESRS 2 MDR-A; topic-related ESRS (measures and transition plans)
e) Tracking the effectiveness of these efforts and communication	ESRS 2 MDR-M; ESRS 2 MDR-T; topic-related ESRS (parameters and targets)

RISK MANAGEMENT AND INTERNAL CONTROLS FOR SUSTAINABILITY REPORTING

STRUCTURE AND ORGANIZATION OF RISK MANAGEMENT

The Management Board of Alzchem Group AG has implemented a risk manager who reports on the summarized risk at least once a year. If risks that could jeopardize the existence of the company arise between these intervals, a report is also submitted in between. Risk management takes place through regular meetings, reports and coordination of the respective committees, bodies and specialist departments.

Risk management at the Alzchem Group encompasses all measures for the systematic and transparent handling of risks and is an integral part of corporate management thanks to its integration with the controlling processes. Every year, a standardized risk inventory is carried out according to the enterprise risk management approach. A catalog with corresponding risk categories is used to identify all relevant risks as completely as possible. In addition, standardized assessment and reporting tools are available for recording and evaluating risks. Identification is supported by IT-based queries and interviews between the risk manager and the respective risk owners. Depending on the type of risk, different tools 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 risks that could have a significant impact on the achievement of the company's strategic, operational, financial and regulatory objectives.

To assess the risks, the expected effects of the risk dimensions in their specific characteristics (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 3-level 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 risks reduce the classification of risk significance.

The valuation is based 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 used as the observation period. 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 risk measures are based on the following assumptions, which serve as an indicator of the impact on the net assets, financial position and results of operations:

	very low	low	medium	high
Impact in EUR million	< 1.8	1.8 - < 9	9 - 22.5	> 22.5

The scope of risk consolidation corresponds to the scope of consolidation used for accounting purposes. The risks do

not differ significantly between the segments and are not concentrated in just one segment due to the structure of the Group. Instead, the risks described below apply across the Group and across segments.

As part of this risk management process, the following issues were identified that could have a material or significant adverse impact on the future development of the company.

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

The Management Board assesses the appropriateness and effectiveness of the internal control system (ICS) and the risk management system once a year. At the corresponding Management Board meeting, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are explained and an overall statement on the appropriateness and effectiveness of the ICS and the risk management system is made once a year. Based on these findings, the Management Board has no indication that the ICS or the risk management system were inadequate or ineffective in their respective entirety at the end of the fiscal year 2023.

Short and medium-term opportunities and risks are taken into account in our financial planning. However, sustainability risks often have a significantly longer time horizon compared to the periods considered in our traditional risk management. Alzchem is therefore currently developing an approach to additionally record long-term sustainability opportunities and risks so that they can be meaningfully translated into targets and measures. In this way, we want to take even better account of these opportunities and risks, for example climate-related opportunities and risks, in our portfolio and innovation management as well as in future investments.

As part of the non-financial Group reporting, a risk analysis was carried out taking into account the concepts and processes for risk minimization described in this report. In addition to the financial markets, the following risk areas were also considered, taking into account the upstream and downstream value chain as well as social aspects: raw materials markets (including energy), sales markets, logistics, production, research and development and personnel. The identified risks were finally assessed, appropriate countermeasures were defined and their implementation is being tracked.

With regard to sustainability issues, Alzchem has identified the following risks in particular:

LEGAL CHANGES

Alzchem's business activities are subject to extensive regulations, which can change and become stricter as a result of political decisions or changes. In particular, the regulatory framework for environmental protection, health and safety matters in general and for the manufacture and marketing of products is subject to frequent changes, which in most cases lead to the imposition of stricter requirements.

Specifically, the EU Commission's restriction procedure for the use of calcium cyanamide, which has been ongoing since 2019, is still pending. Even in 2023, the EU Commission has not made a decision on the proposal submitted by the European Chemicals Agency (ECHA) to ban the use of calcium cyanamide as a fertilizer following a three-year transitional period. However, numerous statements from stakeholders in the EU member states are against such a restriction and the EU Commission's SEAC Committee also strongly doubts the benefits and proportionality of a ban. Even if a ban cannot be ruled out, Alzchem continues to assume that the ECHA proposal will not be adopted in this form. However, if a ban were to be imposed, Alzchem would have to be prepared for a lower demand for Perlka® and possibly also for other products to which the ECHA argumentation could be



applied. It is not certain whether the three-year transitional period envisaged for a ban on use would be sufficient to fully compensate for the impending loss of sales in particular, for example through growth in other markets.

In addition, both the German legislator and the EU Commission could in future prohibit the export of chemicals and in particular pesticides that are banned in the EU itself. This could have an impact on Alzchem products. However, in view of the already comprehensive regulation in this area and the outstanding benefits for users in the target countries with different climatic and ecological conditions than in Europe (for example with regard to pest infestation and plant diseases), Alzchem continues to assume that such a ban would meet with resistance from stakeholders.

The European Commission has set itself the goal of achieving climate neutrality (according to Scope 1) by 2050 and thus fulfilling its commitments under the Paris Agreement. The European Green Deal (or "Green Deal") is the strategy with which the EU intends to achieve its 2050 target. The European Green Deal is a package of policy initiatives designed to put the EU on track to achieve this goal. The EU Commission sees the "Green Deal" as a growth strategy. Its implementation represents a major challenge for the chemical and pharmaceutical industry, as various measures may also have an impact on the sector. Negative effects on Alzchem could arise if unrealistic targets are defined for the chemical industry or if ideological ideas are given priority over scientific findings in product approvals. In general, the "Green Deal" could lead to the relocation of certain production processes to regions outside the EU and thus to the migration of Alzchem's customers.

At the present time and based on the current legal situation, Alzchem does not see any further risks from a changing legal environment beyond those reported. All existing production facilities can continue to produce under the current regulatory conditions and, apart from the lost approval

mentioned in the combined management report of Alzchem Group AG as of December 31, 2023 (Alzogur®), there are no approval restrictions that have an impact on the current sales of Alzchem products.

ELECTRICITY LEGISLATION

As an energy-intensive company, Alzchem is dependent on stable and affordable electricity procurement. In this respect, Alzchem in Germany currently benefits from cost and tax reductions as well as exemption regulations for electricity costs within the framework of the Combined Heat and Power Act (KWKG), the offshore grid levy, the Electricity Grid Fee Ordinance (StromNEV), electricity price compensation and certain exemption regulations with regard to electricity tax. All of these regulations enable energy-intensive industries to operate at a lower electricity cost level in order to maintain their overall competitiveness.

Taken together, these regulations lead to significant reductions in Alzchem's energy costs, without which the company would hardly be able to operate competitively. In this respect, negative changes to the relevant legislation could have an adverse effect on the Group's development. Alzchem therefore closely follows the relevant legislation and case law, such as the BVerfG on the Supplementary Budget Act 2023, and will continue to duly submit all necessary applications for the assertion of cost and tax reductions as well as exemption regulations in the future.

In its ruling on November 15, 2023, the Federal Constitutional Court stated that the reallocation of EUR 60 billion of unneeded credit authorizations to the Climate and Transformation Fund with the Second Supplementary Budget Act 2021 was incompatible with the Basic Law and therefore null and void. This is also likely to mean that numerous energy law funding and relief provisions will not be implemented as planned. Alzchem expects this to lead to an increase in grid fees and the cost of CO₂ certificates. However, the regula-

tion on electricity price compensation, which is even more important for Alzchem, is to remain in place.

CLIMATE-RELATED RISKS

Climate-related risks are generally understood to be the physical and transitory risks that may arise as a result of climate change. Physical climate risks are, for example, damage to infrastructure caused by the consequences of climate change, such as drought, flooding or continuous rainfall. Transitory climate risks result from the transition from an economy driven by fossil fuels to one with low greenhouse gas emissions.

Alzchem currently considers physical climate-related risks to be of minor importance.

For Alzchem as an energy-intensive and manufacturing company, climate-related risks arise in particular from regulatory changes, such as in the area of product approvals and energy legislation. This has already been reported on separately.

Theoretically, Alzchem's climate roadmap could result in a change in the estimated useful lives of property, plant and equipment, but this does not represent an additional risk. The measures in the climate roadmap are mainly expansions or new investments that do not require existing plants to be dismantled before the end of their estimated useful life or at all.

In addition, a company's carbon footprint can lead to a negative perception and reduced attractiveness for external stakeholders, such as customers and investors. Alzchem counters these risks through measures such as the development and publication of a climate roadmap, the annual publication of an environmental statement and ongoing information on progress from the climate roadmap and other energy measures. This information is explained transparently in publicly accessible sources, for example quarterly and



annual reports or on the Alzchem website, and is also addressed in direct exchanges with external interest groups.

The risks of the Alzchem Group with regard to sustainability aspects identified as part of the risk inventory do not have any effects on the Alzchem Group as a going concern when viewed individually or in interaction with each other, taking into account the measures already taken or planned.

With regard to sustainability issues, Alzchem has identified the following opportunities in particular:

The world's population is growing steadily and needs to be fed. At the same time, the amount of arable land available worldwide is limited. Fertilizers and growth regulators in many regions of the world form the basis for the food security of a growing world population. Among other things, Alzchem produces fertilizers for agriculture and growth regulators for plants. As the world's population continues to grow, this could present an opportunity for increasing fertilizer sales. The risks for these products arising from the EU Commission's restriction procedures or possible planned procedures to ban the export of certain chemicals, particularly pesticides, have already been explained. However, we advocate an approach that not only looks at the risks, but also carries out a holistic risk assessment and draws its conclusions on the basis of this overall view.

Our agricultural product Eminex® suppresses methane and CO₂ emissions during manure storage and thus helps farmers to avoid climate-damaging emissions. Alzchem expects considerable growth potential here if the legislator decides that a CO₂ price must be paid for the greenhouse gas emissions that already exist today from liquid manure storage.

The use of Creamino® in feed formulations in livestock farming increases productivity and efficiency and therefore sustainability by reducing the amount of feed used. This helps customers to improve their carbon footprint. The increasing focus on sustainability aspects in livestock farming could lead to increased demand for our product Creamino®.

The measures envisaged in Alzchem's climate roadmap will also result in process improvements and a reduction in the use of raw materials. In addition, ongoing communication about the measures and their implementation can also lead to a positive image among (potential) customers. Initial inquiries from new and existing customers regarding the climate-neutral (Scope 1) manufacture of certain products have already been received. Alzchem therefore sees the work on the climate roadmap and informing the public about it as an opportunity that can lead to cost savings as well as sales growth.

One advantage of the "production Verbund" lies in the raw material source of electricity. The entire chemical industry

will have to switch from fossil fuels to electricity-based processes. This means high transfer investments and efficiency losses, which Alzchem will not have, as its business model is already based on electricity and can be operated flexibly alongside renewable energies within certain limits.

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 global move towards replacing fossil fuels with renewables in the medium to long term. Against the background of continuing high greenhouse gas emissions, extremely high temperatures and a sharp increase in ice melt in the Arctic, the company assumes that there will or must be a global increase in photovoltaic and wind power plants as sources of renewable energy. Alzchem scores points here with its DYHARD® product group, which reduces the weight of cars and aircraft in wind turbines, but also in the automotive and aerospace industries, thereby improving their energy efficiency. Further concentration on these sustainable processes and effects could result in sales opportunities for Alzchem.

For further information, please refer to the risk and opportunity report in the combined management report of Alzchem Group AG as of December 31, 2023.



STRATEGY

SUSTAINABLE CORPORATE GOVERNANCE (SUSTAINABILITY STRATEGY)

For us, sustainable corporate management and profitable growth belong together. The Alzchem Group's business model is geared towards long-term success. We are convinced that the basic prerequisites for this and for our future competitiveness are sustainable and solid management, technological progress and a stable financial basis. This is particularly true in an increasingly complex world in which ecological and social issues are becoming ever more important alongside traditional economic challenges. The risks, but also the opportunities, are becoming more diverse as a result.

Responsible action is deeply rooted in our corporate culture (since 1908). This includes taking into account the interests of our employees, customers, investors and society. Safety issues and ethical considerations are just as important to us as economic success. We apply strict sustainability standards to our procurement. In product manufacturing, our aim is to minimize the impact on the environment through optimized processes. Safe and sustainable production with high environmental protection standards and strict quality management are a matter of course for us. With sustainable products, we help our customers to achieve their sustainability goals.

The rapidly growing challenges that affect both society and the environment require clear goals for the coming years. Sustainability aspects are therefore an essential part of our

corporate strategy and are firmly integrated into our strategic management process and our operational business activities. In accordance with the ISO standards for quality, environment, energy, safety and health, we create the conditions for implementing key sustainability aspects within the company.

Our sustainability strategy comprises the following elements in particular:

- Increasing the proportion of attractive growth businesses with a focus on sustainability
- Sustainable resource management with ambitious environmental targets, including systematically addressing the impact of our business activities along the value chain
- Early identification and minimization of sustainability risks in our portfolio
- Climate-neutral growth and climate neutrality according to Scope 1 by 2033: By 2030, more than EUR 30 million is to flow into the implementation of the packages of measures in our climate roadmap, which will lead to a reduction in our CO₂ emissions of around 90,000 tons p.a. (base year 2022). That is more than 75% of our current CO₂ emissions.
- Promoting the circular economy
- Our vision: zero accidents at work
- Sustainability in the HR process – from recruitment to training and development to incentive systems
- Targeted improvement of our sustainability reporting

RESEARCH & DEVELOPMENT (R&D)

For Alzchem, innovations play an important role in sustainable, profitable growth and are crucial to the company's success. Intensive research and development activities, through which we secure our position as a technology leader and at the same time open up new growth areas, are among the cornerstones of our strategy. We see good opportunities for growth in the development of new products and fields of application, particularly along the NCN chain, our core competence, and are therefore investing heavily in this area.

In our project management tool for our R&D activities, we manage product and process-related research and development projects by evaluating sales potential, profitability and customer benefits. In addition, chemical solutions are developed for specific customer requirements. Alzchem focuses on products and applications for future fields, such as healthy aging, animal nutrition or sustainable solutions for agriculture. We also optimize our production processes in order to be a technological leader on the one hand and to operate more sustainably by saving energy, reducing water consumption or closing material cycles, for example. 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.



It is our claim and our obligation that our products are safe for people and the environment. Risk analyses and tests ensure compliance with external requirements and our internal standards.

In the fiscal year 2023, the Alzchem Group employed a total of 100 people (previous year: 103) in the area of research & development/innovation management.

IMPORTANT PRODUCT GROUPS, SERVICES AND BUSINESS PROCESSES

The companies of the Alzchem Group develop, produce and trade in chemical products of all kinds and provide services, including as chemical park operators. Alzchem's networked production structure ("Verbund system") creates an efficient value chain that ranges from basic products, such as

- metallurgical additives (CAD[®] and CalciPro[®]),
 - methane reduction additives for liquid manure and biogas fermentation residues (Eminex[®]),
 - fertilizer (Perlka[®]),
 - pharmaceutical raw material dicyandiamide (DCD for metformin (type II diabetes)),
 - raw materials for pharmaceuticals, pigments, agrochemicals and biocides (NITRALZ[®]),
- to specialty products for a wide variety of markets, such as
- feed additives (Creamino[®]),
 - dietary supplements based on high-purity creatine (Creapure[®], LIVADUR[®], Creavitalis[®]),
 - growth regulators for agricultural applications (Dormex[®]),
 - for the pharmaceutical and diagnostics market (Bioselect[®]),
 - guanidine salts as a propellant for airbags, applications in defense technology and agriculture,

- custom synthesis as contract manufacturing in multi-purpose plants,
- high-performance ceramics in electronic circuit carriers and in electric vehicles in the automotive industry (Silzot[®]), up to
- hardeners and accelerators in powder, paste and liquid form (DYHARD[®]).

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

- **HUMAN NUTRITION:** The Nutrition segment primarily comprises the marketing of high-quality Creapure[®] brand products for the sports nutrition industry as dietary supplements. However, creatine monohydrate can also be added to foods such as yoghurts or vegetarian meat substitutes for healthy nutrition or used as a pharmaceutical application – the product for these applications is marketed under the Creavitalis[®] brand. The LIVADUR[®] brand was created for the daily use of creatine monohydrate in the private sector to support healthy aging.
- **ANIMAL NUTRITION:** The animal nutrition supplement Creamino[®] makes a valuable contribution to livestock farming and provides animals with additional energy for healthy growth or can save the breeder feed.
- **PHARMACEUTICALS AND FINE CHEMICALS:** Based on carbon, lime and nitrogen, the Alzchem Group builds on a widely ramified product family tree ("Verbund system"). This means that Alzchem is able to produce the most important raw materials for many specialty chemicals products in its own plants to the required quality and is therefore less dependent on external supply chains. At the top of the "Verbund system", for example, are high-purity guanidine salts – these lead, for example, to a product such as Bioselect[®], which is increasingly being used in the

pharmaceutical industry (production of "large molecules"). Alzchem precursors are used in tests that detect the corona virus as well as in tests for the detection of antibodies and generally in DNA diagnostics. Guanidine salts also lead to the product nitroguanidine. This is used as a propellant, for example for airbags and seatbelt tensioners, but also in defense technology. Another application is modern plant protection agents. The basic products are refined in the multi-purpose plants (custom manufacturing) and a wide range of fine chemicals are obtained.

- **AGRICULTURE:** In addition to special fertilizers, such as Perlka[®], and growth regulators, such as Dormex[®], for wine and fruit cultivation, the Alzchem Group's product range also includes plant strengthening agents and the latest product Eminex[®] for reducing methane and CO₂ emissions during liquid manure storage.
- **RENEWABLE ENERGIES:** With the DYHARD[®] product range, the Alzchem Group is represented in lightweight construction (aircraft, automotive) with epoxy resin hot curing agents. The company also offers a system for curing hydrogen cylinders.
- **METALLURGY:** The company serves two important areas in the steel industry: hot metal desulphurization and secondary metallurgy.
- **SERVICE:** As the site operator of two chemical parks, the Alzchem Group is responsible for the production and distribution of various infrastructure services.

The Alzchem Group produces at four sites in the southeast Bavarian chemical triangle and in Sundsvall, Sweden. Alzchem has sales companies in the strategically important markets of the USA and China and, since 2022, also in the UK.



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 focuses on the production and sale of high-quality specialty chemical products such as Creamino®, Creapure®, Bioselect®, DYHARD®, Dormex® and nitroguanidine.

The Basics & Intermediates segment comprises the production of basic and intermediate products that are either required for the manufacture of specialty chemicals or marketed as stand-alone products. The latter serve a wide range of applications, for example in agriculture, steel production, pharmaceuticals 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. Administrative services are also allocated to this segment.

For further information on the Alzchem Group's business model, please refer to the disclosures in the Annual Report 2023.

The Alzchem Group has four production sites in the south-east Bavarian chemical triangle (Trostberg, Schalchen, Hart and Waldkraiburg) and one in Sweden (Sundsvall). We have sales companies in the strategically important markets of the USA (Atlanta) and China (Shanghai) as well as in the United Kingdom (Coventry). The Alzchem Group employs the

following number of people at its sites, organized by geographical area:

Geographical area	Number of employees ¹
Europe	1,681
Asia	7
USA	17

¹ As of 12/31/2023 (number of persons)

OUR MANAGEMENT APPROACH

The medium-sized, stock market-oriented Alzchem Group with strong, historically grown roots in the Upper Bavarian Chiemgau region is one of Europe's leading specialty chemicals companies. The value of our company is not based on economic success alone. Rather, the social responsibility of our business activities in the sense of corporate social responsibility also makes a significant contribution to this. The topic of sustainability is therefore integrated into our strategic management process and determines our business activities. The Alzchem Group is committed to the goals of the Paris Climate Agreement and the 17 Sustainable Development Goals of the United Nations and makes its contribution to achieving these goals. We consistently incorporate sustainability aspects into our strategy and our operational business activities. We deliberately address the positive and negative effects of our business activities along the value chain and the external influences on our company in order to identify future opportunities and risks at an early stage. Sustainability serves us as a guide for a profitable future.

It goes without saying that we dutifully comply with legal regulations in the development, manufacture and marketing of our products. The Alzchem Group maintains an integrated management system (IMS) in accordance with the international standards ISO 9001 (quality), ISO 14001 (environment), EMAS III (EU environmental management), ISO 50001 (energy), ISO 27001 and 27019 (information security in accordance with section 11 (1a) EnWG), OHRIS (occupational health and safety) and food and feed legislation. In the annual environmental statement for the company's German production sites, key figures on environmental performance are published, e.g. on emissions, waste or resource consumption. The Alzchem Group thus underlines the great importance of a responsible and transparent approach to environmental aspects.

Alzchem's management promotes a culture of continuous development and improvement, which is also of fundamental importance in the company's management structures.

We also analyze our activities in terms of their social impact. Our sites and facilities must generate sustainable benefits for the community. All employees, especially managers, are obliged to comply with the stipulations made within their area of responsibility. Every manager must ensure and monitor compliance with these requirements in their area of responsibility. Within the framework of this management system, we all work with appropriate personal responsibility and with a pronounced sense of rapid feedback among ourselves. The corporate guidelines on the environment, energy, safety, IT security, health, quality, information security and sustainability are periodically reviewed and further developed with this in mind.



To check compliance with the requirements of these standards, external audits were also carried out at all German locations in 2023. The effectiveness of the organization's management system was confirmed for all topics at all locations. All management system certificates can be viewed on our website (<https://www.alzchem.com/en/company/quality-environment/>). The significance of an effective management system and the importance of fulfilling the requirements of the IMS are communicated to the entire Alzchem workforce. The IMS is established as a combination of various control loops for the different management areas, for which the necessary resources are also made available.

Our management system in accordance with OHRIS (Occupational Health and Risk Management System) for occupational health and safety and plant safety was last audited in 2021 by the Trade Supervisory Office of the Government of Upper Bavaria. Compliance with the content requirements was certified. As part of this audit, the effectiveness of the prevention tools for avoiding accidents at work, fires, explosions and substance leaks was examined. The certificates are valid until 2024 (can be found at <https://www.alzchem.com/en/company/quality-environment/>).

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

We also carry out comprehensive audits of our suppliers and are regularly audited by our customers. In addition to general management issues, sustainability and environmental aspects are also regularly assessed.

In the fiscal year 2023, we again underwent an independent sustainability rating by EcoVadis, a platform that helps companies assess their social and environmental performance. The EcoVadis methodology is based on international sus-

tainability standards (Global Reporting Initiative, United Nations Global Compact, ISO 26000) and is monitored by a scientific panel of experts. The company's activities in the areas of the environment, labor and human rights, ethics and sustainable procurement are evaluated. In the reassessment in 2023, the Alzchem Group once again achieved a "Gold" award despite increased requirements. The Group improved its result from 70 to 77 out of 100 achievable points, placing it in the top 4% of the companies assessed. Alzchem had already been awarded "Gold" twice by EcoVadis in previous years.

A Tfs (Together for Sustainability) audit was carried out at our German sites in Trostberg and Waldkraiburg during the reporting period. With 193 out of 200 achievable points, the Alzchem Group ranks high within the chemical industry.

A key factor for the success of our company is our employees with their expertise, their commitment and their high level of identification with the Alzchem Group. We therefore see a forward-looking and employee-oriented personnel strategy as an important cornerstone for sustainable corporate management. With this in mind, we have developed numerous activities (e.g. internships in various areas for pupils and students, training day at the Trostberg site, trade fair appearances, etc.) in order to attract talented and qualified employees, develop them further and retain them as an attractive employer in the region. Our aim is to ensure the sustainable development of the company and thus secure jobs in the long term.

VALUE CHAIN

As a global specialty chemicals company, Alzchem recognizes its responsibility in its business environment. In 2021, we therefore created a new Code of Conduct for all business partners, suppliers and service providers, which defines the

requirements with regard to general business principles and fair competition, labor and social standards, environmental protection and product safety. Further information can be found in the [ESRS S2 section](#).

We stand by our responsibility for the safety of the manufacture, storage and transportation of our products. An essential part of our product responsibility is ensuring that our products are handled conscientiously along our own and downstream value chains. Our operating units support their customers in handling our products safely and in an environmentally friendly manner by providing training and advice and explaining any risks associated with their use.

Conversely, we expect our suppliers to comply with the applicable environmental laws and standards in the production and handling of their products. This applies to the entire life cycle, from development, production and transportation through to disposal. The processes for purchasing and supplier qualification are set out in our procedural instructions with clear responsibilities. Suppliers are evaluated on the basis of clearly defined criteria. We also expect respect for and compliance with labor and human rights, fulfillment of social standards and fair treatment along the entire value chain in all of our procurement regions. Our goal is to prevent compliance violations within Alzchem as well as human rights violations at our company and in our supply chain. We fulfill our due diligence obligation by regularly reviewing the sustainability performance of our suppliers in the areas of the environment, labor and human rights, ethics and sustainable procurement, for example with on-site audits. We have also set up an electronic whistleblower hotline run by an independent service provider, which can be used to report any compliance violations at our suppliers. We have defined key figures that we use to regularly review the sustainability performance of relevant suppliers with the help



of questionnaires on sustainability aspects. Our main focus here is on countries that do not belong to the OSCE. For important suppliers, country- or sector-specific risks must be taken into account.

Important suppliers for the Alzchem Group are those from whom we obtain our main raw materials for our product portfolio, which is based on calcium carbide/calcium cyanamide. Essentially, these are lime, coke and electrical energy. In addition, a large number of chemical raw materials are required for the rest of the production process. Alzchem's supply chain process always aims to qualify several sources of supply, if possible, in order to avoid single sourcing as far as possible.

OUR STAKEHOLDERS – INTERESTS AND VIEWPOINTS OF STAKEHOLDERS

We define stakeholders as all internal and external persons and groups of persons who are directly or indirectly affected by the economic activities, business decisions and objectives of our company or who have a specific interest in these activities. As part of the materiality analysis process, we have identified the following key stakeholders:

- Customers, users and users of our products
- Suppliers
- Employees
- Municipalities
- Neighbors
- Authorities

- Politics
- Banks
- Associations
- Trade unions
- Shareholders

As a globally active company, the Alzchem Group is jointly responsible for solving environmental and social challenges that arise from its business activities. In order to find innovative and sustainable methods and measures, the close and continuous exchange with our stakeholders inside and outside the company is of great importance in order to identify opportunities and risks for Alzchem's business activities as early as possible and thus enable proactive action.

Transparency and an open dialog with the various interest groups with regard to new information, answering questions or discussing certain topics are very important to us. This exchange takes place in various ways, such as at product presentations, trade fair appearances, through participation in trade associations, at company meetings and at roadshows for investors. In the fiscal year 2023, our sales department once again conducted a survey as part of customer care, in which sustainability aspects were also explicitly addressed. This helps us to better understand the needs of our customers and the aspects and expectations they have of us as a company with regard to this topic. A regular exchange with municipal bodies and local institutions as well as an open dialog with our neighbors in the surrounding communities are also very important to us.

Our employees are an extremely important stakeholder group. In order to measure the satisfaction of our workforce and get a better picture of their expectations and ideas, we conducted an employee survey at our German locations in 2023 and used the results to derive specific measures for continuous improvement. Employee satisfaction will become even more important in view of the increasing shortage of skilled workers.

We maintain regular contact with various interest groups and politicians at federal, state, district and local level.

In the fiscal year 2023, we carried out the materiality analysis process, which examines the dual materiality from the company's perspective (outside-in = financial materiality) on the one hand and the impact on the environment and society (inside-out = impact materiality) on the other, also with regard to future CSRD reporting obligations. The result of the materiality analysis carried out in 2023 was a derivation of the topics that we are required to report on as part of CSRD reporting, including their IROs (impacts, risks and opportunities). In future, these will form the core of our non-financial reporting and also help us to further develop our business strategy in a targeted manner with a clear focus on sustainability. It is crucial for us that our sustainability reporting makes future financial risks and opportunities for our company visible at an early stage. In future, we want to deepen our dialog with our customers and users of our products by conducting targeted surveys on the sustainability aspects that are important to them.



ASSESSMENT OF THE MATERIAL IMPACTS, RISKS AND OPPORTUNITIES OF SUSTAINABILITY ASPECTS

OPPORTUNITY MANAGEMENT

At Alzchem, opportunities are managed both at business unit level and at Group level. We identify and exploit operational opportunities in our business units, as the necessary product and market knowledge is available there. We continuously obtain up-to-date market and competitive data through market observation and targeted market analyses. We use discussions with customers, particularly at trade fairs, to assess future opportunities.

Strategic opportunities of major importance, such as strategy adjustments, cooperations or potential acquisitions, are dealt with and decided at Management Board level. This takes place as part of strategy and planning processes and at the bi-weekly Management Board meetings.

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

POPULATION GROWTH

The world's population is growing steadily and needs to be fed. At the same time, the amount of arable land available worldwide is limited. Against this background, efficient processes are necessary in order to continue to supply the growing population with food in the best possible way. The products of the Alzchem Group meet these requirements and can be used in agricultural production that is increasingly geared towards optimized yields. Alzchem believes it is well positioned to benefit from this global development.

Creamino®, for example, is a patented feed additive from Alzchem's Specialty Chemicals segment that is used worldwide. It leads to a better supply of the important biomole-

cule creatine and is currently used primarily in poultry feed. In addition to its use in poultry, Creamino® could be increasingly used in the nutrition of other animal species in Europe and around the world.

HEALTHY AGING

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

CLIMATE PROTECTION

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 global move towards replacing fossil fuels with renewables in the medium to long term. Against the background of continuing high greenhouse gas emissions, extremely high temperatures and a sharp increase in ice melt in the Arctic, the company assumes that there will or must be a worldwide increase in photovoltaic and wind power plants as sources of renewable energy.

The Specialty Chemicals segment includes the DYHARD® product group, which reduces the weight of cars and aircraft in wind turbines as well as in the automotive and aerospace industries, thereby improving their energy efficiency. In 2023 as a whole, more than half of the Specialty Chemicals segment's sales revenue was attributable to the global

trends of population growth, healthy aging and climate protection through energy efficiency.

The new product Eminex® launched by Alzchem deserves special mention here. It reduces outgassing during the storage of farm fertilizers and can greatly reduce the impact of greenhouse gases from agriculture on the atmosphere. Should farmers be subject to similar requirements to avoid greenhouse gases as the industry already has today, this could represent a considerable opportunity for Alzchem with its Eminex® product. In addition, privately organized certificate systems could increase the chances of using the product.

Alzchem has drawn up its own climate roadmap and presented it to the Annual General Meeting in May 2023. The aim is for Alzchem to become climate-neutral (according to Scope 1) significantly faster than the EU envisages. The main focus is on avoiding CO₂ emissions and dispensing with the use of fossil fuels. The measures envisaged in the climate roadmap will also result in process improvements and a reduction in the use of raw materials. In addition, ongoing communication about the measures and their implementation can also lead to a positive image among (potential) customers. Initial inquiries from new and existing customers regarding the climate-neutral (Scope 1) manufacture of certain products have already been received. Alzchem therefore sees the work on the climate roadmap and informing the public about it as an opportunity that can lead to cost savings as well as sales growth.

For information on the current and expected short to medium-term effects of the company's material risks and opportunities on its net assets, financial position and results of operations, please refer to the disclosures in the risk and opportunity report of the combined management report of Alzchem Group AG as of December 31, 2023.



With its broad product portfolio, Alzchem faces very different types of competition. In some areas, the company is the regional market leader, while in other areas there is intense competition. The main competitors in key markets come from regions outside Europe, primarily from Asia. They benefit from cost advantages in the areas of personnel, energy, waste disposal and the environment. In other important markets, Alzchem competes with strong local chemical companies with global distribution networks. In the fiscal year 2023, this competitive intensity increased significantly for some of Alzchem's products due to the sharp rise in raw material and energy costs in Europe.

In addition to refraining from price wars in these product areas, Alzchem is responding to declining competitiveness due to increased manufacturing costs by increasing efficiency in production processes and with innovative and sustainable improvements to existing products and applications, which in turn leads to savings in raw materials and energy and thus to a reduction in the company's CO₂ footprint.

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

MATERIALITY ANALYSIS – PRIORITIZATION OF SUSTAINABILITY TOPICS

In order to determine which sustainability topics are particularly relevant for the Alzchem Group and its stakeholders, we carried out a comprehensive materiality analysis in July 2023 with the support of external consultants. In addition to the existing strategic fields of action, other potentially material sustainability topics and trends were also analyzed with the involvement of a broad spectrum of specialist colleagues from various functions and divisions such as Purchasing, Human Resources, Sustainability Management, Production, Legal and Compliance, Finance, Investor & Public Relations, Marketing and Environment, Safety, Health, Quality (USGQ), taking into account the entire value chain. The future regulatory requirement of double materiality in accordance with the European Sustainability Reporting Standards (ESRS) has already been taken into account here. The scope of this non-financial Group statement in accordance with the CSRD is primarily dependent on the topics that we have identified as "material" as part of this materiality analysis.

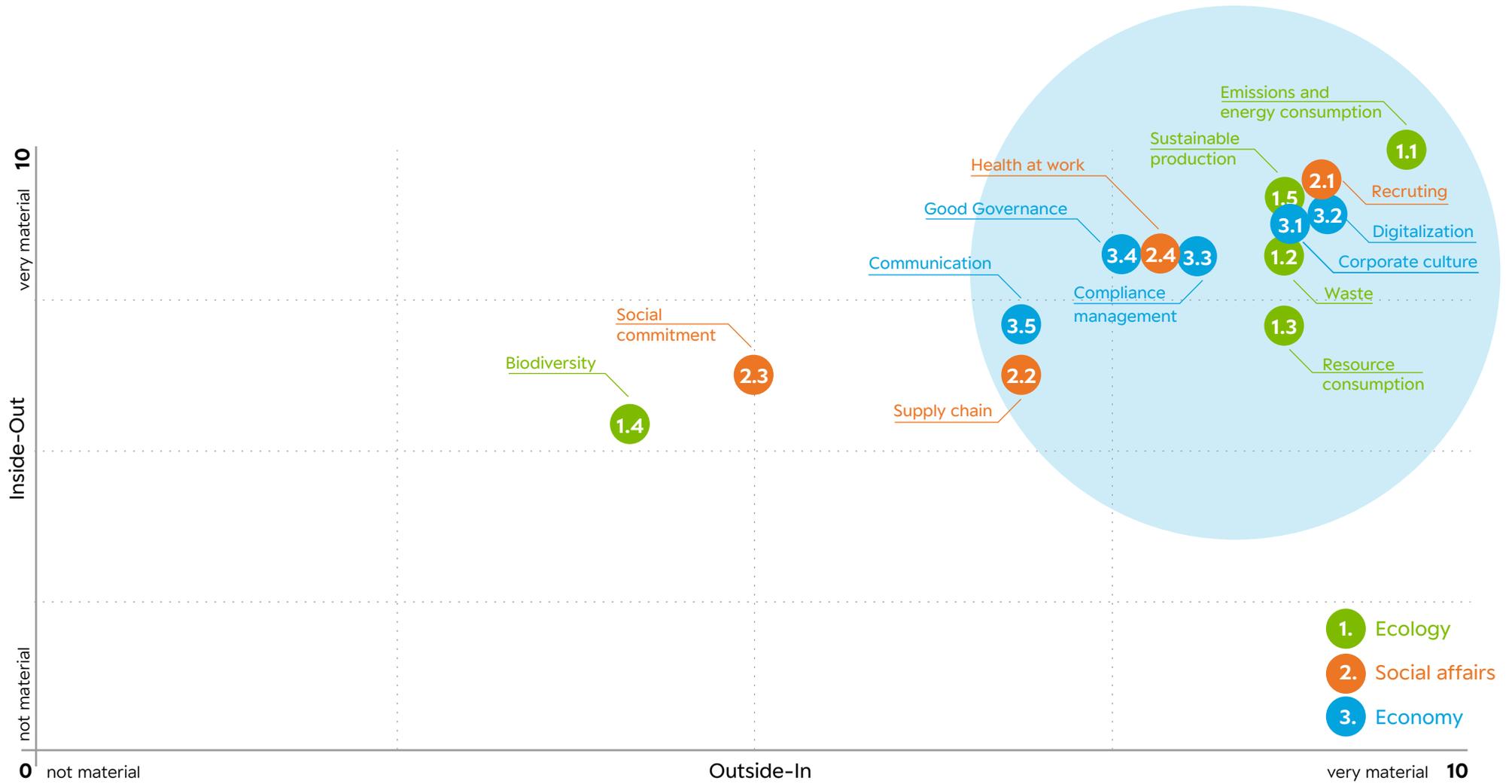
We considered two perspectives in our materiality analysis:

- **INSIDE-OUT PERSPECTIVE:** ecological and social materiality – what positive and negative impact do our business activities have on sustainability aspects such as the economy, value chain, environment and society? (Impact Materiality)
- **OUTSIDE-IN PERSPECTIVE:** Financial materiality – how do sustainability issues, including those from the value chain, affect our business performance, results and position? (Financial materiality)

Our materiality analysis therefore complies with the reporting requirements of the ESRS.

We carried out the materiality analysis to determine the sustainability topics to be reported as part of the CSRD in several steps in the form of an extensive workshop. First, we looked at Alzchem's business environment to identify important sustainability topics, taking into account potential positive and negative impacts in the categories of value chain, environment, social and governance. Among other things, our business model, our sustainability strategy, important key figures and the views of the various stakeholders were taken into account. In addition, issues from various sustainability reporting frameworks, such as the CSRD standards, Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate Related Financial Disclosures (TCFD), were included in the analyses.

THE MATERIALITY MATRIX OF ALZCHEM GROUP AG



Following their final assessment, the sustainability aspects identified as a result of the materiality analysis were summarized in a materiality matrix on a scale of one to ten according to their relevance for the Alzchem Group.

The highest ratings were given to topics related to climate protection, such as emissions and energy consumption or sustainable production, as well as the topic of employee recruitment (see circle).

The results of the materiality analysis provide an important basis for the further development of our strategic areas of action in the field of sustainability. At the same time, the importance of the strategic areas of action that we had already addressed before conducting the materiality analysis in accordance with the new standards was confirmed.

The identified topics were then compared again by colleagues from different functions of the company with the corresponding sub-topics or sub-sub-topics of the relevant ESRS such as environment, social affairs and governance, evaluated, summarized in a so-called "long list" and finally clustered into nine sustainability topics of the highest relevance ("short list").

On the basis of the "long list" and "short list", the final ranking was reviewed and assessed by the top management of Alzchem and the works council and speakers' committee as representatives of the employees. Finally, approval was given by the Management Board of Alzchem Group AG.

LIST OF TOPICS OF HIGHEST RELEVANCE

The following nine key areas of action and sustainability topics ("short list") are of the highest relevance to the Alzchem Group:

Ecology	Social affairs	Economy
GHG emissions & energy consumption	Attractiveness as an employer	Responsible corporate culture & good governance
Resource & water management	Responsibility in the supply chain	Compliance management
Sustainable production	Health & safety in the workplace	
Waste management		

The material topics identified using this approach define the structure of our non-financial Group statement 2023. They provide us with the task packages with which we want to and must drive forward the sustainable development of Alzchem through our business activities along the value chain. The results of the materiality analysis therefore represent the most important basis for the further development of our strategic fields of action in the area of sustainability. As a successful company in the chemical industry, it is important for us to address the sustainable impact of our business activities. The aim is to identify future potential opportunities and risks at an early stage and thus strengthen the resilience of our business model.

The topics defined using the method described above also constitute our material topics in accordance with section 315c in conjunction with section 289c HGB.



LIST OF DATA POINTS IN GENERAL AND THEMATIC STANDARDS RESULTING FROM OTHER EU LEGISLATION

Standard	Disclosure requirements	Related data point	Material/not material
ESRS 2 GOV-1	Gender diversity in the management and supervisory bodies	Paragraph 21 letter d	material
ESRS 2 GOV-1	Percentage of members of the management body who are independent	Paragraph 21 letter e	material
ESRS 2 GOV-4	Declaration on due diligence obligation	Paragraph 30	material
ESRS 2 SBM-1	Involvement in activities related to fossil fuels	Paragraph 40(d)(i)	not material
ESRS 2 SBM-1	Involvement in activities related to chemical production	Paragraph 40(d)(ii)*	not material
ESRS 2 SBM-1	Involvement in activities related to controversial weapons	Paragraph 40(d)(iii)	not material
ESRS 2 SBM-1	Involvement in activities related to the cultivation and production of tobacco	Paragraph 40(d)(iv)	not material

*SFRD reference: Indicator No. 9 in Annex 1 Table 2; Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1); Regulation (EU) 1893/2006, Annex I, 20.2, Manufacture of pesticides, plant protection products and disinfectants

Standard	Disclosure requirements	Related data point	Material/not material
E1-1	Transition plan to reach climate neutrality by 2050	Paragraph 14	material
E1-1	Companies excluded from the Paris-aligned benchmarks	Paragraph 16 letter g	not material
E1-4	GHG emission reduction targets	Paragraph 34	material
E1-5	Energy consumption from fossil fuels broken down by source (only climate-intensive sectors)	Paragraph 38	material
E1-5	Energy consumption and energy mix	Paragraph 37	material
E1-5	Energy intensity in connection with activities in climate-intensive sectors	Paragraphs 40 to 43	material
E1-6	Gross GHG emissions in Scope 1, 2 and 3 categories and total GHG emissions	Paragraph 44	material
E1-6	Intensity of gross GHG emissions	Paragraphs 53 to 55	material
E1-7	Reduction of greenhouse gases and CO credits ₂	Paragraph 56	material
E1-9	Risk position of the reference value portfolio against climate-related physical risks	Paragraph 66	not material



Standard	Disclosure requirements	Related data point	Material/not material
E1-9	Breakdown of monetary amounts by acute and chronic physical risk	Paragraph 66 letter a	not material
E1-9	Location of significant assets with material physical risk	Paragraph 66 letter c	not material
E1-9	Degree of exposure of the portfolio to climate-related opportunities	Paragraph 69	not material
E2-4	Quantity of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and land	Paragraph 28	material
E3-1	Water and marine resources	Paragraph 9	material
E3-1	Special strategy	Paragraph 13	material
E3-1	Sustainable oceans and seas	Paragraph 14	not material
E3-4	Total amount of water recovered and reused	Paragraph 28 letter c	material
E3-4	Total water consumption in m ³ per net revenue (Group sales) from own activities	Paragraph 29	material
ESRS 2 – IRO-1 – E4 (data points in SBM-1)		Paragraph 16(a)(i)	not material
ESRS 2 – IRO-1 – E4 (data points in SBM-1)		Paragraph 16 letter b	not material
ESRS 2 – IRO-1 – E4 (data points in SBM-1)		Paragraph 16 letter c	not material
E4-2	Sustainable practices or strategies in the area of land use and agriculture	Paragraph 24 letter b	not material
E4-2	Sustainable practices or strategies in the area of oceans/seas	Paragraph 24 letter c	not material
E4-2	Strategies to combat deforestation	Paragraph 24	not material
E5-5	Non-recycled waste	Paragraph 37 letter d	material
E5-5	Hazardous and radioactive waste	Paragraph 39	not material



Standard	Disclosure requirements	Related data point	Material/not material
ESRS 2 SBM3 – S1	Risk of forced labor	Paragraph 14 letter f	material
ESRS 2 SBM3 – S1	Risk of child labor	Paragraph 14 letter g	material
S1-1	Commitments in the area of human rights policy	Paragraph 20	material
S1-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	Paragraph 21	material
S1-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	Paragraph 22	material
S1-1	Strategy or management system for the prevention of occupational accidents	Paragraph 23	material
S1-3	Processing of complaints	Paragraph 32 letter c	material
S1-14	Number of fatalities and number and rate of occupational accidents	Paragraph 88 letters b and c	material
S1-14	Number of days lost due to injury, accident, death or illness	Paragraph 88 letter e	material
S1-16	Unadjusted gender pay gap	Paragraph 97 letter a	material
S1-16	Excessive remuneration of members of the management bodies	Paragraph 97 letter b	material
S1-17	Cases of discrimination	Paragraph 103 letter a	material
S1-17	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	Paragraph 104 letter a	material
ESRS 2 SBM3 – S2	Significant risk of child labor or forced labor in the value chain	Paragraph 11 letter b	material
S2-1	Commitments in the area of human rights policy	Paragraph 17	material
S2-1	Strategies related to labor in the value chain	Paragraph 18	material
S2-1	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	Paragraph 19	material
S2-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	Paragraph 19	material
S2-4	Problems and incidents related to human rights in the upstream and downstream value chain	Paragraph 36	material



Standard	Disclosure requirements	Related data point	Material/not material
S3-1	Commitments in the area of human rights	Paragraph 16	not material
S3-1	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	Paragraph 17	not material
S3-4	Problems and incidents in connection with human rights	Paragraph 36	not material
S4-1	Strategies in connection with consumers and end users	Paragraph 16	material
S4-1	Non-compliance with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines	Paragraph 17	material
S4-4	Problems and incidents in connection with human rights	Paragraph 35	material
Standard	Disclosure requirements	Related data point	Material/not material
G1-1	United Nations Convention against Corruption	Paragraph 10 letter b	material
G1-1	Protection of whistleblowers	Paragraph 10 letter d	material
G1-4	Fines for violations of corruption and bribery regulations	Paragraph 24 letter a	material
G1-4	Standards for combating corruption and bribery	Paragraph 24 letter b	material



11.2 ENVIRONMENTAL (E)

INFORMATION IN ACCORDANCE WITH ARTICLE 8 OF REGULATION (EU) 2020/852 (TAXONOMY REGULATION)

11.2.1 EU TAXONOMY

FUNDAMENTALS

As a central instrument of the "European Green Deal", the EU taxonomy is a classification system developed by the European Commission, which is intended to create a uniform understanding for the first time for determining ecologically sustainable economic activities within the European Union. The EU Commission intends to assess these economic activities within the EU according to their sustainability in order to facilitate corresponding financial decisions by market participants. It is also a central component of the EU action plan for sustainable finance. The aim of this action plan is to redirect capital flows into sustainable economic activities in order to accelerate the transformation of the economy towards sustainability and create market transparency.

For the classification of economic activities, a distinction must be made between taxonomy eligibility and taxonomy conformity. An economic activity is taxonomy-eligible if it is listed in the EU taxonomy and can therefore potentially contribute to the achievement of at least one of the six environmental objectives listed in Article 9 of the Environmental Taxonomy Regulation:

1. Climate protection;
2. Adaptation to climate change;
3. Sustainable use and protection of water and marine resources;

4. Transition to a circular economy;
5. Prevention and reduction of pollution;
6. Protection and restoration of biodiversity and ecosystems.

According to Art. 3 of the Environmental Taxonomy Regulation, an economic activity is considered taxonomy-eligible and therefore environmentally sustainable if it is taxonomy-eligible, makes a substantial contribution to one of the six environmental objectives, does no significant harm (DNSH) to one or more of the other environmental objectives and complies with the minimum safeguards. Compliance with the significant contribution and the DNSH principle is assessed on the basis of technical assessment criteria, which the EU Commission has defined by means of delegated acts. The technical assessment criteria also specify the performance requirements for a particular economic activity.

For the reporting year 2023, the four non-climate-related environmental objectives will be included in the reporting obligation in accordance with the new delegated acts on the EU taxonomy of June 13, 2023: 1) Sustainable use and protection of water and marine resources, 2) Transition to a circular economy, 3) Pollution prevention and control and 4) Protection and restoration of biodiversity and ecosystems. For existing economic activities, the full reporting requirements for taxonomy conformity apply for the first time to the two climate-related environmental goals "climate change mitigation" and "climate change adaptation". The amendments to the Climate Delegated Regulation (EU) 2021/2139 concern, among other things, the inclusion of further economic activities in the catalog for which only taxonomy eligibility reporting is required, as well as changes to the technical assessment criteria for individual existing economic activities. For the four newly included non-climate-related environmental objectives, it is initially only necessary to report on the taxonomy eligibility of economic activities.

PROCEDURE

The Alzchem Group is required to report under the EU Taxonomy Regulation. In order to ensure compliance with the reporting obligation, Alzchem has put together an interdisciplinary team as a first step, which, in coordination with representatives of the individual business units and various specialist functions, continuously analyzes all economic activities/products in order to identify the economic activities that are taxonomy-eligible in accordance with the EU Taxonomy Regulation for all six environmental objectives and taxonomy-aligned economic activities for the environmental objectives "climate protection" and "adaptation to climate change". This approach made it possible to exclude double counting of revenue, investment and operating expenses.

The three key figures of sales, capital expenditure (CapEx) and operating expenses (OpEx) were derived primarily from the ERP (Enterprise Resource Planning) system and the existing financial reporting systems.

CHECKING THE TAXONOMY CONFORMITY OF ECONOMIC ACTIVITIES

For a taxonomy-eligible economic activity to be taxonomy-aligned, it must fulfill three overarching criteria:

- (I) Significant contribution to one of the environmental goals,
- (II) Avoidance of significant impairment of another environmental objective and
- (III) Compliance with the minimum safeguards.

In the first step, the relevant regulations for the technical assessment criteria for a significant contribution to the respective environmental objective were examined to analyze taxonomy conformity. The second step of the conformity check relates to the so-called DNSH criteria. As part of this,



it must be ensured that Alzchem's taxonomy-eligible economic activities do not significantly impair any of the other environmental objectives.

MINIMUM SAFEGUARDS REQUIREMENTS

According to the Environmental Taxonomy Regulation (Art. 8), the third overarching criterion for taxonomy compliance is that minimum safeguards must be observed when carrying out taxonomy-aligned economic activities. This addresses compliance with human rights, social and labor standards as well as requirements relating to fair competition, corruption and tax discipline.

DISCLOSABLE PERFORMANCE INDICATORS

SALES REVENUE

The sales ratio is the ratio of sales of goods or services, including intangible assets, associated with taxonomy-eligible or taxonomy-aligned economic activities to net sales within the meaning of Article 2(5) of Directive 2013/34/EU (total sales of the Alzchem Group). In the fiscal year 2023, the taxonomy-eligible share of sales essentially comprises the economic activities in the area of transmission and distribution of electricity.

A detailed development of sales can be found in [section 3.2.4 of the combined management report](#) and in [section V. No. 1 of the notes to the consolidated financial statements](#) of Alzchem Group AG.

CAPITAL EXPENDITURE (CAPEX)

The CapEx share of taxonomy-eligible or taxonomy-aligned economic activities is determined as follows: The denominator comprises additions to property, plant and equipment and intangible assets during the fiscal year 2023 under review before depreciation, amortization and revaluations, including those resulting from revaluations and impairments for the fiscal year in question and excluding changes in fair value. Additions from business combinations excluding goodwill are also taken into account, as are certain IFRS standards mentioned in the aforementioned Delegated Regulation (e.g. IFRS 16). The numerator corresponds to the portion of the capital expenditure included in the denominator that relates to assets or processes associated with taxonomy-eligible or taxonomy-aligned economic activities.

A detailed development of investments in non-current assets can be found in [section 3.2.4.2.2 of the combined ma-](#)

[agement report](#) and in [section VI. no. 11-14 of the notes to the consolidated financial statements](#) of Alzchem Group AG.

OPERATING EXPENSES (OPEX)

The share of operating expenses for assets or processes associated with economic activities that are classified as taxonomy-eligible or taxonomy-aligned is determined as follows: The proportion of total operating expenses that are taxonomy-eligible or taxonomy-aligned divided by total operating expenses in accordance with the EU Taxonomy Regulation. The relevant operating expenses in the context of reporting in accordance with the EU Taxonomy Regulation include direct, non-capitalized costs from research and development, short-term leases, building renovation measures, maintenance and repair as well as all other direct internal and external expenses in connection with the daily maintenance of property, plant and equipment that are necessary to ensure the continuous and effective functioning of these assets.

A detailed development of other operating expenses can be found in [section V. No. 5 of the notes to the consolidated financial statements](#) of Alzchem Group AG.

Development of sales

 [Section 3.2.4 of the combined management report](#)

 [Section V. No. 1 of the notes to the consolidated financial statements](#)

Development of investments in non-current assets

 [Section 3.2.4.2.2 of the combined management report](#)

 [Section VI. no. 11-14 of the notes to the consolidated financial statements](#)

Development of other operating expenses

 [Section V. No. 5 of the notes to the consolidated financial statements](#)



REPORTING TEMPLATE FOR THE KPI OF NON-FINANCIAL COMPANIES

Reporting template: share of sales from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2023

Fiscal year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does not Significantly Harm") (h)							Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) sales, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
	Code (a) (2)	Sales (3)	Sales share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)			
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
– No activity (d)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sales of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
Thereof enabling activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Thereof transitional activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Power generation using photovoltaic technology	CCM 4.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Transmission and distribution of electricity (e)	CCM 4.9	6,497	1.2%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.0%		
Construction, expansion and operation of water extraction, treatment and supply systems	CCM 5.1 WTR 2.1	1,017	0.2%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		



Fiscal year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does not Significantly Harm") (h)									
	Code (a) (2)	Sales (3)	Sales share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) sales, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Renewal of water extraction, treatment and supply systems	CCM 5.2 WTR 2.2	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Construction, expansion and operation of wastewater collection and treatment systems	CCM 5.3	223	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Renewal of wastewater collection and treatment systems	CCM 5.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Freight transportation by rail	CCM 6.2	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Operation of devices for personal mobility, cycling logistics	CCM 6.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Rail transport infrastructure	CCM 6.14	293	0.1%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Data processing, hosting and related activities	CCM 8.1	685	0.1%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Market-oriented research, development and innovation	CCM 9.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Sales of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		8,714	1.6%														1.4%		
Sales of taxonomy-eligible activities (A.1 + A.2)		8,714	1.6%														1.4%		



Fiscal year 2023	Year		Substantial contribution criteria							DNSH criteria ("Does not Significantly Harm") (h)									
	Code (a) (2)	Sales (3)	Sales share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) sales, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
Sales of non-taxonomy-eligible activities		531,935	98.4%																
Total (A + B)		540,649	100.0%																

a) The code represents the abbreviation of the relevant objective to which the economic activity can make a significant contribution and the number of the section of the activity in the relevant Annex that covers the objective, i.e.

- Climate protection: CCM (Climate Change Mitigation)
- Adaptation to climate change: CCA (Climate Change Adaptation)
- Water and marine resources: WTR (Water) - Circular economy: CE (Circular Economy)
- Pollution prevention and control: PPC (Pollution Prevention and Control)
- Biodiversity and ecosystems: BIO (Biodiversity and ecosystems)

For example, the activity 'Reforestation' would have the following code: CCM 1.1

For activities that can make a significant contribution to more than one objective, the codes for all objectives must be indicated. For example, if the operator reports that the activity 'new construction' makes a significant contribution to climate protection and the circular economy, the code would be: CCM 7.1. /CE 3.1.

The same codes should be used in sections A.1 and A.2 of this declaration form.

b) Y - Yes, taxonomy-eligible activity that is consistent with the relevant environmental objective

N - No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective

N/EL - 'not eligible', activity not eligible for taxonomy for the respective environmental objective

c) Where an economic activity contributes significantly to multiple environmental objectives, non-financial entities shall indicate in bold the most relevant environmental objective for the calculation of the KPIs of financial entities, avoiding double counting. If the use of proceeds from financing is not known, financial entities shall calculate the financing of economic activities contributing to multiple environmental objectives in their respective KPIs according to the most relevant environmental objective indicated in bold by non-financial entities in this template. An environmental objective can only be reported once in bold in a row to avoid double counting of economic activities in the KPIs of financial entities. This does not apply to the calculation of taxonomy compliance of economic activities for financial products as defined in Article 2(12) of Regulation (EU) 2019/2088. Non-financial entities shall also report the extent of taxonomy eligibility and alignment per environmental objective, including compliance with each of the environmental objectives for activities that contribute significantly to multiple objectives.

d) The same activity can only be compliant with one or more environmental objectives for which it is taxonomy-eligible.

e) The same activity may be taxonomy-eligible and non-compliant with the relevant environmental objectives.

f) EL - Activity taxonomy-eligible for the respective objective. N/EL - Activity non-taxonomy-eligible for the respective objective.

g) Activities shall only be reported in section A.2 of this template if they are not compliant with an environmental objective for which they are taxonomy-eligible. Activities that are compliant with at least one environmental objective shall be reported in section A.1 of this template.

h) To report an activity in section A.1, all DNSH criteria and minimum safeguards requirements must be met. For the activities listed under A.2, columns 5 to 17 may be completed by non-financial entities on a voluntary basis. Non-financial entities may indicate the material contribution and the DNSH criteria they meet or do not meet in section A.2 using the following codes:

a) for the significant contribution: Y/N and N/EL instead of EL and N/EL and

b) for DNSH: Y/N.



REPORTING TEMPLATE FOR THE KPI OF NON-FINANCIAL COMPANIES

Reporting template: share of CapEx from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2023

Fiscal year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does not Significantly Harm") (h)							Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) CapEx, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
	Code (a) (2)	CapEx (3)	CapEx share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)			
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
– No activity (d)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
Thereof enabling activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Thereof transitional activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Power generation using photovoltaic technology	CCM 4.1	822	3.8%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Transmission and distribution of electricity (e)	CCM 4.9	1,944	9.1%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								11.9%		



Fiscal year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does not Significantly Harm") (h)							Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) CapEx, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
	Code (a) (2)	CapEx (3)	CapEx share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)			
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
Construction, expansion and operation of water extraction, treatment and supply systems	CCM 5.1 WTR 2.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
Renewal of water extraction, treatment and supply systems	CCM 5.2 WTR 2.2	309	1.4%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							1.6%			
Construction, expansion and operation of wastewater collection and treatment systems	CCM 5.3	1	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
Renewal of wastewater collection and treatment systems	CCM 5.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.1%			
Freight transportation by rail	CCM 6.2	72	0.3%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.6%			
Operation of devices for personal mobility, cycling logistics	CCM 6.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
Rail transport infrastructure	CCM 6.14	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
Data processing, hosting and related activities	CCM 8.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
Market-oriented research, development and innovation	CCM 9.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.0%			
CapEx of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		3,148	14.7%													14.3%			
CapEx of taxonomy-eligible activities (A.1 + A.2)		3,148	14.7%													14.3%			



REPORTING TEMPLATE FOR THE KPI OF NON-FINANCIAL COMPANIES

Reporting template: share of OpEx from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2023

Fiscal year 2023	Year		Substantial contribution criteria							DNSH criteria ("Does not Significantly Harm") (h)							Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) OpEx, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
	Code (a) (2)	OpEx (3)	OpEx share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (1.1)	Adaptation to climate change (1.2)	Water (1.3)	Pollution (1.4)	Circular economy (1.5)	Biodiversity (1.6)	Minimum safeguards (1.7)			
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Ecologically sustainable activities (taxonomy-aligned)																			
– No activity (d)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Thereof enabling activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Thereof transitional activities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Power generation using photovoltaic technology	CCM 4.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Transmission and distribution of electricity (e)	CCM 4.9	481	1.6%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.8%		



Fiscal year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does not Significantly Harm") (h)							Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) OpEx, year 2022 (18)	Enabling activities category (19)	Transitional activity category (20)
	Code (a) (2)	OpEx (3)	OpEx share 2023 (4)	Climate protection (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate protection (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)			
Economic activities (1)		EUR thousand	%	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b)(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Construction, expansion and operation of water extraction, treatment and supply systems	CCM 5.1 WTR 2.1	293	1.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.2%		
Renewal of water extraction, treatment and supply systems	CCM 5.2 WTR 2.2	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Construction, expansion and operation of wastewater collection and treatment systems	CCM 5.3	2,004	6.8%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								6.7%		
Renewal of wastewater collection and treatment systems	CCM 5.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Freight transportation by rail	CCM 6.2	1,389	4.7%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.6%		
Operation of devices for personal mobility, cycling logistics	CCM 6.4	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Rail transport infrastructure	CCM 6.14	942	3.2%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.9%		
Data processing, hosting and related activities	CCM 8.1	566	1.9%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.5%		
Market-oriented research, development and innovation	CCM 9.1	1,433	4.9%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.7%		
OpEx of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		7,109	24.1%														24.3%		
OpEx of taxonomy-eligible activities (A.1 + A.2)		7,109	24.1%														24.3%		



The share of taxonomy-eligible sales, CapEx and OpEx for the fiscal years 2022 and 2023 can be found in the corresponding reporting templates. As the shares of taxonomy-eligible revenue, CapEx and OpEx do not differ significantly compared to the previous year, only the significant changes are explained below.

Alzchem's core business activities are not covered by the economic activities specified in the delegated act. Therefore, taxonomy-eligible sales are essentially only generated in connection with the transmission and distribution of electricity and from services as a chemical park operator. The change in taxonomy-eligible revenue compared to the same period of the previous year is mainly due to revenue in the Fiscal year relating to the transmission and distribution of electricity. The share of taxonomy-eligible capital expenditure (CapEx) relates to property, plant and equipment and is also mainly attributable to the transmission and distribution of electricity in 2023. The change in taxonomy-eligible capital expenditure compared to the previous year is mainly due to the decrease in capital expenditure for the transmission and distribution of electricity and the capital expenditure incurred for the first time in 2023 for the construction of a photovoltaic system. Taxonomy-eligible operating expenses primarily related to the construction, expansion and operation of wastewater collection and treatment systems, rail freight transport and market-related research, development and innovation. Taxonomy-eligible operating expenses include direct, non-capitalized costs from research and development, short-term leases, building renovation measures, maintenance and repair as well as all other direct internal and external expenses in connection with the day-to-day maintenance of property, plant and equipment.

The low rates of taxonomy-eligible sales, capital expenditures and operating expenses are mainly due to the very limited conformity of Alzchem's business activities with the economic activities listed in the EU Taxonomy Regulation. In connection with the production and distribution of organic base materials and specialty chemicals, which form the core of the business activity, none of Alzchem's products are currently covered by the scope of the EU Taxonomy Regulation for the six environmental objectives. The majority of basic chemicals are mentioned here. Precursors or intermediates are currently only included in a few categories. The EU taxonomy also ignores positive effects in connection with the use of our products, such as Eminex® or Creamino®.

Alzchem's activities and products that are not currently covered by the taxonomy are not taxonomy-eligible under the EU Taxonomy Regulation, but may still be in line with the EU's environmental objectives and therefore still be sustainable.

Alzchem has no activities in certain energy sectors such as fossil gas and nuclear energy according to the Complementary Delegated Regulation (EU) 2022/1214.

11.2.2 ESRS E1 – CLIMATE CHANGE

GOVERNANCE

Information on the inclusion of sustainability-related performance in incentive systems can be found under ESRS 2.

STRATEGY

The main effects, risks and opportunities and information on their interaction with the strategy and business model can be found under ESRS 2.

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

The description of the process for identifying and assessing the main climate-related impacts, risks and opportunities can be found under ESRS 2.

THE ALZCHEM GROUP CLIMATE ROADMAP – TRANSITION PLAN, STRATEGIES, MEASURES AND TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

OPTIMIZED ENERGY AND MATERIAL CYCLES FOR SUSTAINABLE PRODUCTION

Climate change is one of the greatest global challenges of our time – and therefore also a decisive influencing factor for our future business activities, which is why ambitious measures are urgently needed. We are committed to achieving the 1.5-degree target of the Paris Climate Agreement and see climate change as a factor that exacerbates existing risks but also offers numerous opportunities for the future. Climate change and its consequences are part of our sustainability and risk management approach across our entire value chain. It is relevant to us both in terms of the potential impact of our business activities on the global greenhouse gas balance (inside-out) and in terms of its impact on our business activities (outside-in).

In the fiscal year 2023, we set ourselves a new green milestone with the ambitious goal of becoming a climate-neutral (Scope 1) company by 2033. In order to achieve this goal, the Management Board has drawn up a comprehensive climate roadmap together with an internal sustainability committee made up of specialists from various departments. This contains clearly defined packages of measures with which we aim to reduce the direct CO₂ emissions released at all our production sites (Scope 1) by 75% by 2030. We then aim to



achieve complete climate neutrality (according to Scope 1) by 2033. In doing so, we want to continue to systematically pursue the sustainability measures we have already introduced and successfully implemented in recent years. We want to achieve our target of climate neutrality (according to Scope 1) in two main ways: We want to be independent of fossil fuels (defossilization) in the future and also make our production climate-neutral.

HOW WE ARE SHAPING THE TRANSITION TO CLIMATE NEUTRALITY (ACCORDING TO SCOPE 1)

Innovative and sustainable solutions enable our company to achieve stable growth. Long-term and environmentally conscious action is of particular importance to us – not only for our products, but also with regard to our production cycle. Reducing the amount of energy used, reducing and avoiding waste, pollution and noise control and water protection are important fields of action for us. We continuously monitor, document and evaluate the impact of our activities on the environment by determining sustainability indicators. In this way, we gain a quantitative overview of the trends that are most important to us.

Even today, the CO₂ emissions fed back into the production process allow us to reduce the total amount of CO₂ emitted each year by up to 50,000 tons. Over the past three years, we have also been able to continuously increase the amount of energy from heat recovery, which has also made a positive contribution to climate protection. We have also been able to keep dust emissions at a very low level overall. Over the last ten years, we have been able to significantly redu-

ce NOX emissions, which are mainly produced during combustion processes in our steam boilers, by improving fuel quality. Wherever possible, production-specific waste is fed back into the production process or otherwise recycled internally. We have set ourselves the goal of "zero waste" here – even though we know that "zero" is a major challenge.

Thanks to these ongoing or already completed measures, we already have low CO₂ emissions in our production processes compared to the rest of the industry, for example by using the by-product CO gas from carbide production as a substitute for natural gas. In total, around a third of total emissions can currently be used internally as a raw material and thus recycled.

OUR CO₂ FOOTPRINT

By integrating production facilities and technologies, we are already able to keep the carbon footprint of our products comparatively low. Part of our operational CO₂ footprint along the value chain is generated during the manufacture of our products through direct emissions (Scope 1) and indirect emissions from purchased energy; in the case of Alzchem, as an energy-intensive company, mainly electrical energy (Scope 2). We can cover part of the thermal energy required by using the CO gas generated in the production process. Direct emission sources come from steam generation for the operation of our production facilities, but mobile combustion sources such as vehicle engines in cars or forklift trucks, for example, are also responsible for Scope 1 emissions. The majority of indirect emissions within our va-

lue chain (Scope 3) are mainly attributable to auxiliary and raw materials, packaging and the use of our products.

As a company, we can only directly influence the direct emissions in Scope 1. Alzchem sees greater potential here to reduce emissions and thus make a positive contribution to climate protection. Scope 2 comprises indirect greenhouse gas emissions from purchased energy, such as electricity, steam, etc., which are generated outside the company's own system boundaries but consumed by the company. Energy supply companies can significantly reduce CO₂ emissions here by switching to renewable energies. We therefore welcome the efforts of politicians and society to drive forward the expansion of green electricity at a rapid pace. We assume that by 2030 – as planned by the German government – 80% of electricity will come from renewable energies. We are convinced that we can achieve similar savings rates here as in Scope 1. The emissions generated in Scope 3 are significantly influenced by the upstream and downstream supply chain. Here, for example, we want to reduce our carbon footprint through a smart purchasing policy.

The basis for reducing our Scope 1 emissions for effective climate protection is, on the one hand, the precise calculation of our own CO₂ emissions and, on the other, a thorough understanding of the individual sources of emissions. Our climate roadmap focuses on four basic principles: We want to close our production cycles more efficiently, reduce the amount of energy required, make more intensive use of the waste heat generated in our production processes and avoid any form of waste of resources. This is to be achieved through four specific packages of measures:



- Package 1: CO₂ liquefaction or use of CO₂ as a raw material
- Package 2: Sustainable raw materials management
- Package 3: Heat recovery
- Package 4: Efficiency improvements

OUR PACKAGES OF MEASURES AT A GLANCE

PACKAGE 1: CO₂ LIQUEFACTION OR USE OF HIGHLY CONCENTRATED CO₂ AS A RAW MATERIAL

The largest current sources of emissions are the steam boilers fired with fossil fuels and CO gas at the Trostberg and Schalchen sites. These steam generators are to be replaced by a new steam boiler that will be operated using the modern "oxyfuel process". This enables the recovery of highly concentrated CO₂ from the exhaust gas. As a gas or in liquefied form, this CO₂ can then be used again as a raw material in the production cycle, where it replaces heating oil or natural gas, which has also been used to date to produce CO₂ as a raw material. The use of the more highly concentrated liquid carbon dioxide (CO₂) can also increase the economic efficiency of the corresponding production process. The "oxyfuel process" enables us to make our value chains much more climate-friendly.

PACKAGE 2: SUSTAINABLE RAW MATERIALS MANAGEMENT

In the long term, Alzchem is aiming for production without fossil fuels. This can be achieved in two different ways. In the long term, fossil fuels such as natural gas or heating oil can be replaced by the energetic utilization of hydrogen, which is continuously generated in one of our production processes. Another option for moving away from fossil fuels is to completely dispense with coal as an energy source.

We are examining scenarios for closing the lime furnace at the Sundsvall site in Sweden, which currently uses coal as an energy source for deacidifying limestone. In future, it may make sense to purchase burnt lime externally, which has a significantly lower CO₂ footprint than the burnt lime produced in Sundsvall.

PACKAGE 3: HEAT RECOVERY AND USE OF WASTE HEAT

Currently, the waste heat from our production facilities at the Trostberg site is used exclusively to heat buildings and infrastructure. By expanding heat recovery, steam can be replaced in some places, which was previously generated in our boiler houses using heating oil or natural gas. In this way, exothermic energy can replace fossil energy by being fed back into the production processes.

PACKAGE 4: EFFICIENCY IMPROVEMENTS

By optimizing production processes and using artificial intelligence, Alzchem is able to significantly increase plant efficiency and thus save considerable amounts of resources. At the same time, the amount of waste and cooling water consumption can be reduced, which in turn reduces the burden on the environment. For example, old compressors are to be replaced by new speed-controlled compressors. The improved controllability means that production and consumption are more optimally coordinated, resulting in significantly lower energy consumption.

OUR OUTLOOK FOR THE YEAR 2033

Our climate roadmap offers us a great opportunity to reduce direct CO₂ emissions according to Scope 1 by around 90,000 tons by 2030 with the packages of measures described. That is more than 75% of our current CO₂ emissions.

For comparison: a beech tree has to grow for 80 years to absorb a single ton of CO₂. We already know exactly what 25% of our remaining CO₂ emissions will be in 2030. In order to achieve the targeted climate neutrality (according to Scope 1) by 2033, we will continue to reduce these residual emissions, particularly in our plants, by using the latest technologies. We are already working on initial ideas and solutions. We are at an early stage here, and the development and implementation of individual measures will take some time. For example, the use of a modern induction process for drying processes offers considerable savings potential. We will offset the residual CO₂ emissions that will inevitably remain in a company in the chemical industry through suitable additional packages of measures and indirectly through the use of our products such as Eminex® and Creamino®, which can thus permanently reduce their climate-damaging emissions. In this way, we can achieve Net Zero in 2033. This will enable the Alzchem Group, in line with the target set by the Say on Climate initiative, to reduce emissions by 50% by 2030 compared to 2010.

In total, we are planning total investments of more than EUR 30 million, which are expected to result in annual savings of around EUR 6 million from as early as 2030, from which we will benefit in the long term. By investing in the future, we are not only doing good for our environment, but also saving energy in our production processes in the long term, which has a positive economic impact on our business activities. The climate roadmap approved by the Management Board and Supervisory Board received broad support from shareholders at the Alzchem Group's Annual General Meeting on May 11, 2023 through a consultative resolution (Say on Climate) passed by a large majority.



WHAT WE ARE ALREADY DOING TODAY

We primarily see the reduction of our own emissions (Scope 1) as our main task for more climate protection, because we can directly influence this part. However, measures are also already being implemented in the other two scopes 2 and 3.

Scope 2 includes indirect greenhouse gas emissions from purchased energy, such as electricity or steam, etc., which are generated outside the company's own system boundaries but consumed by the company. As an energy-intensive company, Alzchem requires large amounts of electrical energy as an essential starting point for the production of calcium carbide from lime and coke, which is at the beginning of our NCN compound production – in contrast to the standard in the chemical industry, which is primarily based on oil and gas as raw materials or energy sources. The calcium carbide is further refined along the NCN chain and forms the further basis for the majority of our product family tree. Alzchem's total demand in 2023 amounted to approx. 0.6 TWh. In the case of electricity, the further path to climate neutrality (according to Scope 1) depends primarily on the energy supply companies, which can significantly reduce their CO₂ emissions by switching to green electricity. Alzchem therefore welcomes the efforts of politicians to push ahead with the expansion of green electricity. We assume that by 2030 – as planned by the current German government – 80% of electricity will come from renewable energies and are convinced that this will enable us to achieve CO₂ reductions similar to those in Scope 1.

Scope 3 includes all CO₂ emissions in the upstream and downstream supply chain. This includes emissions from the production and transportation of raw materials, the use and disposal of products at the end of their life cycle or waste disposal. In accordance with the GHG Protocol (Greenhouse Gas Protocol), these emissions are recorded in 15 different

categories, whereby Alzchem only reports those relevant to the company (see E1-6). In order to identify the potential for reducing emissions along our supply and value chain, we regularly carry out extensive supplier and customer audits that focus primarily on environmental and climate aspects.

Electromobility is also an important element of a climate-friendly energy and transportation policy. Alzchem is already very active in this area: company cars for employees can only be ordered as pure electric vehicles or as far-reaching plug-in hybrids. In addition, since December 2020, all employees at the German sites have been able to charge their company-owned electric or hybrid vehicles with green electricity free of charge at Alzchem e-charging stations. This offer also applies to our employees' private cars. In the future, we would also like to increasingly rely on electric drives for our forklift truck fleet.

With our sustainable product portfolio, we help our customers to reduce their GHG emissions and thus significantly improve their overall carbon footprint – for example with products for hydrogen-powered vehicles, lightweight construction and wind energy. However, two of our products from the agriculture and animal nutrition sector are particularly noteworthy. By adding Eminex® during the storage of liquid manure or biogas fermentation residues, the three main greenhouse gases methane, CO₂ and nitrous oxide that are usually produced there can be permanently reduced by 90% to 100%. Eminex® also improves the quality and fertilizing effect of the liquid manure and at the same time reduces hydrogen sulphide emissions in the barn, which benefits both occupational safety and animal welfare. The savings potential of Eminex® is around 4 to 5 million tons of CO₂ equivalents per year with today's existing production capacities. However, the potential for Europe is significantly higher.

Creamino® is a feed additive in animal nutrition based on the active ingredient guanidinoacetic acid (GAA). GAA in turn is a precursor of creatine, which is vital for all mammals and is responsible in the body for efficient energy metabolism and supports healthy growth and reproduction. By adding Creamino®, the amount of conventional feed can be reduced without any loss of quality, which ultimately leads to considerable CO₂ savings. In this way, existing resources are used more efficiently, which in turn promotes climate protection.

PARAMETERS AND TARGETS

ENERGY CONSUMPTION AND ENERGY MIX

PROCEDURE FOR PREPARING INFORMATION ON ENERGY CONSUMPTION

This report includes the energy consumption of the five locations in Germany (Hart, Schalchen, Trostberg and Waldkraiburg) and in Sweden (Sundsvall). Other locations with employees in the UK, China, USA, etc. were not included in the reporting of energy consumption. These are purely administrative with few employees and no production and therefore account for a negligible share.

Fuels are sometimes used as raw materials at Alzchem. Coke is one of the main basic raw materials for the production of calcium carbide. This produces furnace gas with a high proportion of carbon monoxide as a by-product, which is used both thermally and as a material in the further plant network. In this report, the raw material coke is therefore not used and evaluated for energy consumption, but the resulting furnace gas is.

Heating oil, in turn, is partly used to produce carbon dioxide and heating steam in steam boilers. The CO₂ resulting from the combustion of furnace gas and heating oil is then partly used as a raw material for the production of cyanamide or



dicyandiamide for lime precipitation. These complex relationships are taken into account accordingly in the CO₂ balancing.

The quantities of energy used with the various fuels are converted into MWh using the following standard values:

Furnace gas:	3.2 kWh/m ³ (= calorific value)
EL heating oil:	9.8 kWh/L
Diesel:	9.925 kWh/L
Super:	8.5 kWh/L
Natural gas:	Billing in MWh
Propane:	6.57 kWh/L

The quantitative information on energy consumption is the so-called final energy, i.e. the energy actually consumed for the purposes of the company. In the production of secondary energy sources (e.g. steam, compressed air and similar), double counting is prevented by only including the primary energy sources in the energy balance. Alzchem has not yet generated its own electricity. In future projects for in-house generation (e.g. photovoltaics), care will be taken to ensure that only the external purchase of electricity appears in the energy balance.

The Trostberg and Hart sites are chemical parks where other companies also operate, some of which are supplied by Alzchem with energy sources such as heating steam, compressed air and cooling water. The share used for external companies (e.g. natural gas for steam generation) has been deducted.

No energy is purchased from third parties, which is generated there as waste energy. External hydrogen has not yet been used as an energy source at Alzchem.

The breakdown of externally sourced energy consumption into "renewable", "non-renewable" and "nuclear" is based on the electricity labeling of the electricity supplied at the respective location. To date, no market instruments such as PPAs, green electricity certificates or green electricity tariffs have been used for the procurement of electricity. All other externally sourced energy sources (natural gas, heating oil, diesel, furnace gas from coke) are non-renewable. No renewable fuels such as biogas, wood, etc. are currently used. The proportion

of renewable energy sources in the fuels (diesel, super) corresponds to the respective local legally prescribed proportions and is not shown separately here.

CLIMATE-INTENSIVE SECTORS

All of Alzchem's production sites belong to the chemical industry and are therefore assigned to the climate-intensive sector. The information on energy consumption includes all of Alzchem's activities at these sites.

ENERGY CONSUMPTION

The year 2022 was selected as the base year for reporting. Compared to the base year 2022, there was a decrease in fuel consumption from coal and coal products (CO gas). This is due to lower carbide production. This reduced fuel volume had to be replaced by crude oil and petroleum products as well as natural gas.

The following table shows the energy consumption of the individual energy sources in the reporting year 2023 and the base year at the various production sites.

	Base year	retrospectively	
		Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
(1) Fuel consumption from coal and coal products [MWh]	161,293.5	147,419.0	-8.6%
(1.1) CO gas [MWh]	161,293.5	147,419.0	-8.6%
a) Hard	20,326.7	20,226.5	-0.5%
b) Trostberg	55,910.6	53,411.7	-4.5%
c) Schalchen	79,933.0	68,657.6	-14.1%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	5,123.2	5,123.2	0.0%

Furnace gas (mainly CO gas) is a by-product of the production of calcium carbide from lime and coke. As the carbon monoxide is produced from the raw material coke, this is accounted for here as a "coal product".



	restrospectively		
	Base year	Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
(2) Fuel consumption from crude oil and petroleum products [MWh]	12,936.8	14,284.2	10.4%
(2.1) Heating oil [MWh]	10,682.4	12,370.0	15.8%
a) Hard	995.4	442.6	-55.5%
b) Trostberg	2,783.0	4,879.3	75.3%
c) Schalchen	6,649.3	6,888.8	3.6%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	254.7	159.3	-37.4%
(2.2) Diesel [MWh]	1,868.4	1,487.5	-20.4%
a) Hard	777.2	666.0	-14.3%
b) Trostberg	783.4	611.2	-22.0%
c) Schalchen	118.198	38.9	-67.1%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	189.6	171.5	-9.6%
(2.3) Gasoline/diesel passenger cars [MWh]	386.0	426.7	10.5%
Germany Diesel	248.9	235.0	-5.6%
Germany Super	137.2	191.7	39.8%
Sundsvall	0.0	0.0	0.0%

Diesel is used both for internal logistics purposes and for Alzchem's own cars and is therefore reported separately. Heating oil is used to generate heating steam and for heating buildings.

	restrospectively		
	Base year	Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
(3) Fuel consumption from natural gas [MWh]	29,687.0	40,810.4	37.5%
a) Hard	0.0	0.0	0.0%
b) Trostberg	29,655.5	40,804.5	37.6%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	31.5	5.9	-81.3%
e) Sundsvall	0.0	0.0	0.0%

Natural gas is used to generate heating steam and in various systems for flue gas combustion.

	restrospectively		
	Base year	Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
(4) Fuel consumption from other fossil sources [MWh]	642.6	675.5	5.1%
(4.1) Propane [MWh]	642.6	675.5	5.1%
a) Hard	642.6	675.5	5.1%
b) Trostberg	0.0	0.0	0.0%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	0.0	0.0	0.0%

Propane gas is only used at the Hart site for exhaust gas combustion.



	Base year	restrospectively	
		Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
5) Consumption from purchased or received electricity, heat, steam and cooling from fossil sources (MWh)	552,251.0	458,189.6	-17.0%
(5.1) Total electricity [MWh]	726,418.7	614,366.3	-15.4%
a) Hard	482,418.1	373,350.9	-22.6%
b) Trostberg	90,436.6	84,647.6	-6.4%
c) Schalchen	22,751.1	18,500.2	-18.7%
d) Waldkraiburg	5,821.9	6,556.6	12.6%
e) Sundsvall	124,991.0	131,311.0	5.1%
(5.1) Share of renewable electricity [%]			
a) Hard	2.5%	2.5%	
b) Trostberg	3.4%	3.4%	
c) Schalchen	6.8%	6.8%	
d) Waldkraiburg	28.4%	28.4%	
e) Sundsvall	49.0%	49.0%	
(5.1) Share of nuclear power [%]			
a) Hard	9.9%	9.9%	
b) Trostberg	9.8%	9.8%	
c) Schalchen	9.4%	9.4%	
d) Waldkraiburg	9.7%	9.7%	
e) Sundsvall	51.0%	51.0%	

(5.1) Electricity fossil [MWh]	523,766.4	420,091.2	-19.8%
a) Hard	422,598.3	327,055.4	-22.6%
b) Trostberg	78,498.9	73,474.1	-6.4%
c) Schalchen	19,065.4	15,503.1	-18.7%
d) Waldkraiburg	3,603.8	4,058.5	12.6%
e) Sundsvall	0.0	0.0	0.0%
(5.2) Steam/heat [MWh]	28,484.6	38,098.4	33.8%
a) Hard	0.0	0.0	0.0%
b) Trostberg	0.0	0.0	0.0%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	28,484.6	38,098.4	33.8%
e) Sundsvall	0.0	0.0	0.0%
(5.3) Cooling [MWh]	0.0	0.0	0.0%
a) Hard	0.0	0.0	0.0%
b) Trostberg	0.0	0.0	0.0%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	0.0	0.0	0.0%

The proportion of renewable and nuclear electricity at the locations is calculated from the electricity labeling of the electricity supplied and the electricity consumption.



	restrospectively		
	Base year	Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
6) Total consumption from fossil energy [MWh] – (sum 1-5)	756,810.9	661,378.6	-12.6%
Share of fossil sources in total consumption	78.9%	77.3%	-2.0%
7) Consumption from nuclear power [MWh]	123,070.9	114,600.8	-6.9%
a) Hard	47,759.4	36,961.7	-22.6%
b) Trostberg	8,862.8	8,295.5	-6.4%
c) Schalchen	2,138.6	1,739.0	-18.7%
d) Waldkraiburg	564.7	636.0	12.6%
e) Sundsvall	63,745.4	66,968.6	5.1%
Share of consumption from nuclear sources in total energy consumption	12.8%	13.4%	
8) Fuel consumption from renewable sources [MWh]	0.0	0.0	0.0%
a) Hard	0.0	0.0	0.0%
b) Trostberg	0.0	0.0	0.0%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	0.0	0.0	0.0%

No fuels from renewable sources are used.

	restrospectively		
	Base year	Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
9) Consumption from purchased or received electricity, heat, steam and cooling from renewable sources [MWh]	79,581.4	79,674.3	0.1%
a) Hard	12,060.5	9,333.8	-22.6%
b) Trostberg	3,074.8	2,878.0	-6.4%
c) Schalchen	1,547.1	1,258.0	-18.7%
d) Waldkraiburg	1,653.4	1,862.1	12.6%
e) Sundsvall	61,245.6	64,342.4	5.1%

The energy from renewable sources comes from the share of renewable electricity.

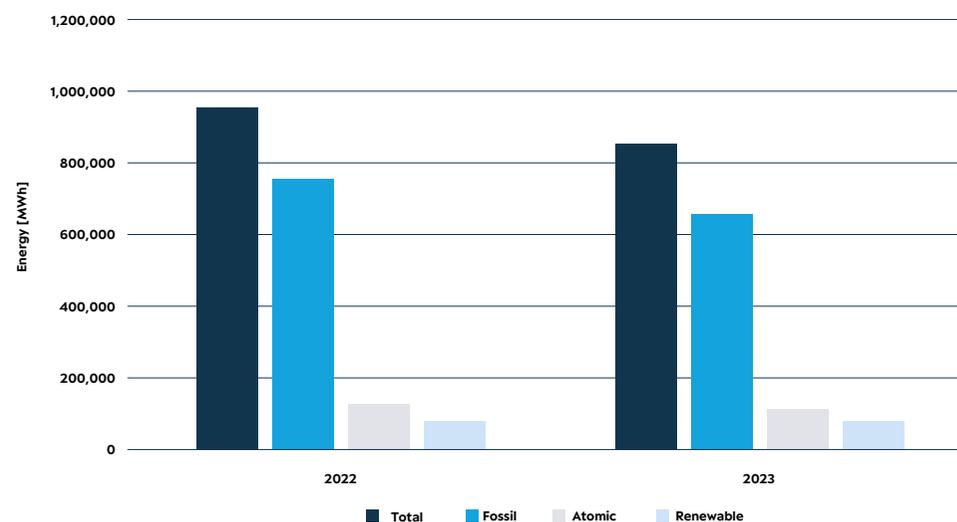
	Base year	restrospectively	
		Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
10) Consumption of self-generated renewable energy other than fuels [MWh]	0.0	0.0	0.0%
a) Hard	0.0	0.0	0.0%
b) Trostberg	0.0	0.0	0.0%
c) Schalchen	0.0	0.0	0.0%
d) Waldkraiburg	0.0	0.0	0.0%
e) Sundsvall	0.0	0.0	0.0%

The company does not yet generate its own renewable energy without fuels, for example from the sun or wind. However, the construction of our own photovoltaic system was started in the fiscal year 2023, which should make a small contribution to Alzchem's supply of renewable energy from 2024.

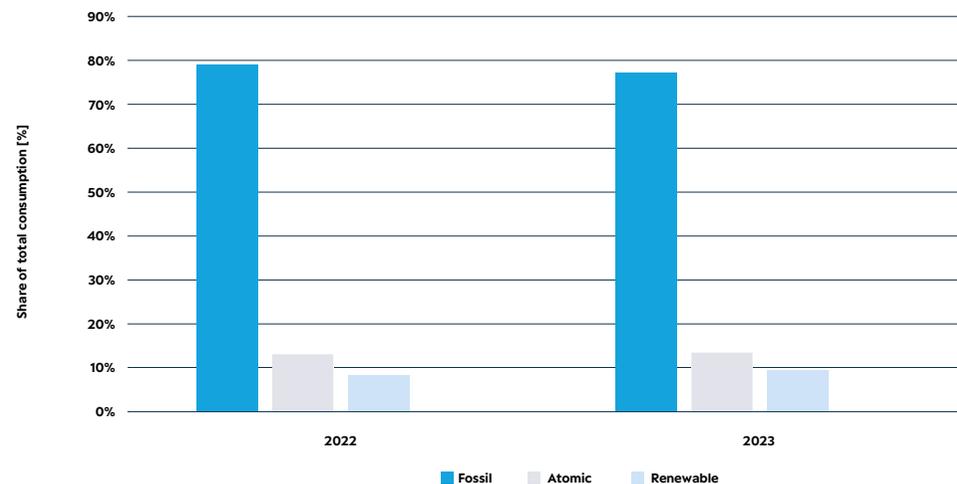
	Base year	restrospectively	
		Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
11) Total consumption of renewable energy [MWh] - (sum 8-10)	79,581.4	79,674.3	0.1%
Share of renewable sources in total energy consumption	8.3%	9.3%	
Total energy consumption incl. renewable and nuclear [MWh]	959,463.1	855,653.7	-10.8%

ENERGY CONSUMPTION OVER TIME

ENERGY CONSUMPTION ALZCHEM



SHARES IN ENERGY CONSUMPTION ALZCHEM





	Base year	retrospectively	
		Reporting year	% [2023/2022]
Reporting obligation	2022	2023	
Total energy consumption [MWh]	959,463.1	855,653.7	-10.8%
Energy intensity [KWh/T€]	1.97	1.58	-19.5%

The war in Ukraine, which began in February 2022, led to extreme increases in energy and raw material prices. The resulting cost increases for our products were largely passed on to customers, which led to sales growth. As a result, production volumes, prices and the product mix, and therefore energy consumption, changed again in the reporting year compared to the previous year. Energy intensity is therefore only comparable to a limited extent.

GROSS GHG EMISSIONS IN SCOPE 1, 2 AND 3 CATEGORIES AND TOTAL GHG EMISSIONS

The GHG emissions of the Alzchem Group are calculated in accordance with the guidelines of the GHG Protocol using the GHG calculation tool. The accounting includes all five Alzchem production sites in Germany and Sweden.

To calculate Scope 1 emissions, a balance sheet of the input and output flows with the carbon content contained therein was carried out for the full calendar year for all production processes at our production sites that generate emissions. The by-product CO gas generated during the production of carbide during the production process is used again as a raw material or energy source within Alzchem as part of the downstream production processes. Among other things, heating steam is generated during the combustion of the CO gas. Some of it is in turn burned with pure oxygen to produce highly concentrated CO₂, which is used as a raw material in the production of cyanamide or dicyandiamide, ultimately precipitates as lime powder (calcium carbonate) and is not emitted into the environment. The emission factor for the CO gas is calculated from the chemical composition. For all other fuels, the factor was taken from corresponding databases. In addition, the CO₂ quantities resulting from chemical reactions or from internal logistics (forklift trucks, shunting block, cars and trucks) were taken into account. Alzchem did not buy or sell any CO₂ certificates to offset Scope 1 emissions in the reporting year 2023. In accordance with the Paris Agreement, no other climate-damaging gases were emitted apart from CO₂. Within the five production sites, only the production of quicklime at the Sundsvall plant in Sweden is subject to EU emissions

trading (EU ETS). The share of EU ETS emissions was therefore reported for the Sundsvall site and for the Group as a whole.

Scope 2 emissions mainly consist of the emissions that must be allocated to the electricity for the production of carbide. Due to the high demand for electricity, Alzchem purchases the required electrical energy via the electricity exchange. To date, the electricity has been procured without guarantees of origin or certificates for renewable energies. The electricity supplier does not provide the electricity label for the electricity actually supplied to our company until the end of the following year. The Scope 2 emissions for the reporting year 2023 are therefore not yet available at the time of reporting and are therefore an estimate based on the previous year's electricity labeling.

To calculate the location-related Scope 2 emissions, the electricity identification shown individually for each location is used.

To calculate the market-related Scope 2 emissions, the average electricity mix for Germany and Sweden is used for the German sites (mix of electricity production in Germany/Sweden). This key figure is used to make a comparison at international level.

At the Waldkraiburg site, heating steam is purchased externally from a neighboring company. No other Scope 2 energy is purchased.

We have no information from the electricity supplier about the proportion of biogenic CO₂ emissions included in Scope 2. The share of steam purchased (Waldkraiburg site) is 0%, as this is generated using natural gas as fuel.

Alzchem's Scope 3 emissions are mainly attributable to purchased raw materials and are calculated on the basis of the respective product carbon footprint (PCF). Where available, the corresponding factors were taken from the GaBi software database. PCF values are available in the database for the majority of our raw material quantities. However, we do not have PCF values for numerous raw materials, which are purchased in relatively small quantities. Only a small amount of PCF data is available directly from our raw material suppliers. Missing data was estimated with a conservative value of 1.5 kg CO₂e/t. An estimate of the CO₂ emissions for the transportation of the raw materials was included in the calculated values and is not shown separately.

Scope 3 emissions also do not include any downstream emissions. As a manufacturer of specialty chemicals for a wide range of applications, our chemical products are used by customers for a wide variety of purposes. It is not possible to make a meaningful estimate of the emissions generated here in the use phase (= downstream). In the chemical industry, there-



fore, only the cradle-to-gate approach is usually used for the calculation (see TfS Guideline for the calculation of CO₂ footprints).

An estimate of the CO₂ emissions from the other Scope 3 categories showed that these are absolutely insignificant in relation to the raw materials and are below the cut-off criterion of 1%. Therefore, no separate information was provided here.

No bio-based raw materials or fuels were used within the Alzchem Group. The proportion of biogenic carbon that may be present in some raw materials is not known to us and plays only a minor role. Alzchem's most important basic raw materials, lime and coke, do not contain any biogenic carbon.

Quicklime is required as a raw material for the production of carbide at the two sites in Hart (Germany) and Sundsvall (Sweden). The production of quicklime from limestone (lime burning) at the Swedish site in Sundsvall generates CO₂ emissions as Scope 1 emissions. This raw material is purchased for production at the Hart site. The corresponding emissions are listed here accordingly in Scope 3.

The following table shows the CO₂ emissions broken down by location, Scope 1, 2 and 3 as well as by year.

Mandatory disclosure E1-6 GHG emissions	Base year	restrospectively	
		Year under review	% [2023/2022]
Reporting obligation	2022	2023	
Scope 1 greenhouse gas emissions [t CO₂e]	110,086	106,394	-3.4%
a) Hard	16,260	12,418	-23.6%
b) Trostberg	31,112	32,642	4.9%
c) Schalchen	12,419	11,564	-6.9%
d) Waldkraiburg	35	33	-6.5%
e) Sundsvall	50,260	49,737	-1.0%
Percentage of Scope 1 greenhouse gas emissions from regular emissions trading systems in %	0	0	0.0%
EU-ETS share Sundsvall	65%	63%	
EU-ETS share Alzchem	30%	29%	
Scope 2 greenhouse gas emissions [t CO₂e]			
Site-related Scope 2 GHG gross emissions [t CO₂e]	233,495	191,149	-18.1%
a) Hard (current)	181,872	140,753	-22.6%
b) Trostberg (electricity)	34,095	31,912	-6.4%
c) Schalchen (electricity)	8,577	6,975	-18.7%
d) Waldkraiburg (electricity+steam)	8,951	11,509	28.6%
e) Sundsvall (electricity)	0	0	0.0%



Mandatory disclosure E1-6 GHG emissions	Base year	restrospectively	
		Year under review	% [2023/2022]
Market-related Scope 2 GHG gross emissions [t CO₂e]	463,464	374,931	-19.1%
a) Hard (current)	369,532	285,987	-22.6%
b) Trostberg (electricity)	68,641	64,248	-6.4%
c) Schalchen (electricity)	16,654	13,542	-18.7%
d) Waldkraiburg (electricity+steam)	8,637	11,155	29.1%
e) Sundsvall (electricity)	0	0	0.0%
Significant Scope 3 greenhouse gas emissions [t CO₂e]	346,636	286,431	
Significant indirect Scope 3 GHG gross emissions [t CO ₂ e]			
1) Purchased goods and services			
a) Hard	237,082	176,879	-25.4%
b) Trostberg	70,737	73,367	3.7%
c) Schalchen	13,991	13,843	-1.1%
d) Waldkraiburg	5,313	2,988	-43.8%
e) Sundsvall	19,514	19,354	-0.8%
Total GHG emissions			
Total GHG emissions (site-related) [t CO ₂ e]	690,218	583,973	
Total GHG emissions (market-related) [t CO ₂ e]	920,187	767,756	

Greenhouse gas intensity on the basis of net revenue (Group revenue):

Greenhouse gas intensity	Base year	Year under review	% [2023/2022]
Group sales	[€] 488,067,000 €	540,649,000 €	10.8%
Location-based			
Total emissions	[t CO ₂ e] 690,218	583,973	-15.4%
GHG intensity	[t CO ₂ e/T€] 1.41	1.08	-23.6%
Market-related			
Total emissions	[t CO ₂ e] 920,187	767,756	-16.6%
GHG intensity	[t CO ₂ e/T€] 1.89	1.42	-24.7%

EXPECTED FINANCIAL IMPACT OF MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

No significant physical risks (e.g. storms, flooding, reduced availability of water) can be identified that could have a significant impact on the company. Alzchem currently considers physical climate-related risks to be of minor financial significance.

Transitory climate risks (transition risks) arise from the transition from an economy driven by fossil fuels to one with low greenhouse gas emissions and result primarily from regulatory framework conditions such as energy pricing and product approvals.

For further information, please refer to the risk and opportunity report in the combined management report of Alzchem Group AG as of December 31, 2023.

11.2.3 ESRS E2 – POLLUTION

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

The description of the procedure for identifying and assessing the main impacts, risks and opportunities in connection with pollution can be found under ESRS 2.



STRATEGIES IN CONNECTION WITH POLLUTION

As part of Alzchem's integrated management system, which also includes certification in accordance with the EMAS III Regulation (EC No. 1221/2009) for the German sites, the environmental aspects, their impact and the significance of the company's own activities for the Trostberg, Hart, Waldkraiburg and Schalchen sites are regularly evaluated. For the impacts with the highest significance, targets and measures to reduce the environmental impact are defined as part of the management system. This includes direct and indirect environmental aspects relating to air, water, noise and soil pollution as well as the effects of accidents and emergency situations.

MEASURES AND RESOURCES IN CONNECTION WITH POLLUTION

The Trostberg site is home to a former landfill/old landfill of the company. Since 2020, investigation programs have been carried out in cooperation and coordination with the district administration office to determine the hazard potential of the old landfills. These have identified contamination of the soil with various pollutants. Further detailed investigations were carried out to clarify a possible hazard with regard to water, soil and crops, and a concept for the future use and safeguarding of the area was drawn up together with the authorities. The area was cleared and partially renovated as part of the safeguarding process. A photovoltaic system and employee parking spaces will be built on this area by the end of 2024. In addition to the 23 charging stations for electric cars already in place since 2020, 36 more charging stations for electric cars are to be installed at the resulting employee parking spaces, which Alzchem employees can use free of charge until further notice.

These measures serve to eliminate the risk of hazards from the old deposits and to reduce emissions from employee vehicle traffic.

At the Hart site, cooling water from the calcium carbide production plant is discharged into the Mühlbach stream. In 2020, the wastewater was found to be contaminated with polycyclic aromatic hydrocarbons (PAHs). As a first step, an optimization program for wastewater treatment was launched, which has so far reduced the discharge of PAHs into the water by a factor of 30. The program is being continued with the aim of significantly reducing the pollutant load again by the end of 2025. The costs of the further reduction cannot yet be specified, as the measures required for this are still in the analysis phase. The measure serves to reduce water pollution.

TARGETS IN CONNECTION WITH POLLUTION

Based on the assessment of the significance of environmental impacts, targets and measures are defined as part of the management system's continuous improvement process (PDCA cycle) in order to minimize these impacts. These are anchored and tracked in the environmental program. For example, the reduction of water consumption and energy consumption, the minimization of pollutants entering bodies of water and the investigation of possible contaminated sites from previous waste disposal sites on company land are defined as targets. An overview of the objectives and measures is presented in our published EMAS environmental statement.

Goal	Category	Target value	Date	Origin
Reduction of NO _x emissions, waste incineration	Air emissions	NO _x < 150 mg/m ³ as an annual average	12/31/2025	WI-BREF obligatory
Reduction of PAH pollution in Mühlbach due to carbide production	Emissions to water	Compliance with environmental quality standard for watercourses	12/31/2025	Alzchem voluntary
Reduction of SO _x emissions steam boiler	Air emissions	SO _x < 30 mg/m ³ in the daily average	12/31/2024	44th BImSchV obligatory
Reduction of dust emissions flare carbide plant Sundsvall	Air emissions	< 30 to	12/31/2024	Alzchem voluntary

AIR, WATER AND SOIL POLLUTION

Release to air according to E-PRTR

Pollutant	Annual freight 2021 (kg/a)	Annual freight 2022 (kg/a)	Annual freight 2023 (kg/a)	Destination
Ammonia (NH) ₃ Trostberg location	9,504	5,835	4,921	Measurement according to VDI 3496 sheet 1 EN ISO 11732



All other air, water and soil pollutants do not exceed the threshold values according to E-PRTR. Microplastics are neither used nor produced.

SUBSTANCES OF CONCERN AND SUBSTANCES OF VERY HIGH CONCERN

PRODUCT RESPONSIBILITY AND HAZARDOUS SUBSTANCE MANAGEMENT

Product stewardship is an important element of sustainability and for Alzchem, in addition to fulfilling legal obligations, it also means assessing and transparently communicating health, safety and environmental risks associated with the handling and use of our products. This applies to the entire life cycle – from research & development through production, marketing and use by the customer to disposal. The safe handling and use of our products is a high priority for us. For us, product stewardship therefore also means fulfilling our human rights due diligence obligations and clearly assigning tasks and responsibilities for the raw materials and products we handle.

Alzchem complies with all applicable EU and national chemical regulations so that products are manufactured and tested in accordance with the provisions of the EU Chemicals Regulation regarding the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). Alzchem also ensures that all other marketing and manufacturing requirements are met. In doing so, we always ensure compliance with the applicable chemicals legislation in the country where our products are imported. Safety regulations for the use of our products are constantly kept up to date and made available to users in our safety data sheets. We take our responsibility along the entire value chain seriously and therefore also ensure this through inspections. Monitoring and ensuring the quality of our products and their suitability

for specific applications are anchored in our specialist corporate functions and the respective divisions.

Hazardous substance management, i.e. the handling of hazardous substances and mixtures, is coordinated at Alzchem Trostberg by the "Regulatory Affairs" department. This is where the safety data sheets, hazardous substance labels and operating instructions for our products as well as for the raw and auxiliary materials are created. The safety data sheets for the purchased chemical raw materials and auxiliary materials are also available there. This information is made available to all employees in the company via the database for safety data sheets ("AlzSDB") and via the "substance database" (list of substances per process and plant). In addition to the internal provision of information to product managers, laboratories and plants, all internally affected employees are actively informed by e-mail and external customers by sending out updated safety data sheets in the event of changes, such as new information or a change in classification. The safety data sheets are created in the necessary languages for all legal areas of marketing and distributed automatically when they are updated. In addition, the necessary notifications for our products, e.g. PCN notification for mixtures in Europe, are carried out and the necessary approvals for the marketing of products in other regulated areas such as food, animal nutrition, pesticides and fertilizers are applied for and managed.

A REACH registration strategy is agreed with the respective product managers for each substance imported or manufactured in the EU. If necessary, the tonnage bands are adjusted and the necessary tests are commissioned and submitted to the ECHA via the REACH dossier. The relevant product owner is also responsible for monitoring the quantities in the respective year.

For jurisdictions outside the EU (e.g. USA, Canada, Australia, China and Japan), registrations for new or modified products are also carried out by the Registration, Labeling and Product Safety department in consultation with the product owner. In addition, the Product Safety department supports the production companies in the preparation and documentation of risk assessments for the various manufacturing processes and coordinates the necessary discussions on toxicology and occupational safety (so-called Tox-Asi discussions). In the Tox-Asi meeting, protective and monitoring measures for each work step are defined and documented together with the respective production plant, occupational safety and the company doctor (e.g. extraction, PPE, organizational measures, measurements, workplace measurements and biomonitoring, documentation in the CM register in accordance with TRGS410). Furthermore, the substance database is used to provide the current classification of the chemical substances used (raw materials, auxiliary materials and products), which, together with the quantities maintained by the companies in accordance with GefStoffV and StörfallV, forms the basis for the hazardous substances register for each production plant.

If a substance used is included in the candidate list for "Substances of Very High Concern" (SVHC) drawn up by the European Chemicals Agency (ECHA), the affected product managers and companies are informed immediately, the necessary disclosure in the safety data sheet is coordinated and measures and changes in the handling of the respective substance are defined together with the company. Monitoring to update the ECHA SVHC candidate list for the substances used by Alzchem is carried out automatically via REACH-IT, additionally via the ECHA newsletter and distribution list as well as via the chemical industry associations (VCI and CEFIC), which communicate updates promptly. When the SVHC list is updated, we always check whether



these newly named substances are being handled correctly within the company and, in addition to updating and communicating via the safety data sheet, the further procedure for handling or substitution is agreed with those responsible. We work continuously with product development and the respective product manager to reduce, substitute or completely avoid harmful substances in our production and our products.

Substances of very high concern (SVHC)	Main hazard classes	Quantity in kg
Year		2023
Total quantity generated, used or procured during production	Equivalent level of concern acc. to Art 57 f, Toxic for reproduction (Art 57 c), PBT (Art 57 d), vPvB (Art 57 e)	175.661
Total quantity leaving the facilities as emissions, as products or as part of products or services	not applicable	below threshold
Quantity leaving the plants as emissions	not applicable	below threshold
Quantity leaving the plants as part of products	Equivalent level of concern acc. to Art 57 f, Toxic for reproduction (Art 57 c), PBT (Art 57 d), vPvB (Art 57 e)	175.640
Quantity that leaves the plants as a product	Toxic for reproduction (Art 57c)	13.500

So-called "Substances of Concern" (SOC) are currently being discussed in various draft laws. A definition of which substances and classifications are to be understood as such is not yet binding, which is why they are not yet listed separately.

In addition, however, the substances and products of Alzchem whose properties may result in further regulatory changes are evaluated by the Product Safety department in an annual risk assessment and, where possible, risk limitation measures are defined.

EXPECTED FINANCIAL IMPACT OF SIGNIFICANT RISKS AND OPPORTUNITIES RELATING TO POLLUTION

We do not currently expect any significant financial effects in connection with pollution. The retrofitting/upgrading of facilities that will become necessary on an ongoing basis due to changes in environmental legislation will be incorporated into the ongoing budgeting process in good time.

11.2.4 ESRS E3 – WATER AND MARINE RESOURCES

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

The description of the procedures for identifying and assessing significant impacts, risks and opportunities related to water and marine resources can be found under ESRS 2.

STRATEGIES RELATED TO WATER AND MARINE RESOURCES

USING WATER FROM OUR OWN SOURCES MORE EFFICIENTLY

Water, a vital resource for humans, is becoming increasingly scarce due to rising water consumption worldwide. For us, sustainable water management has been a central component of our corporate planning for many years and an important contribution to our corporate environmental protection. This also includes adapting our approach to the increasingly strict legal regulations. The sufficient availability of water as a resource for cooling and process water, but also as a production medium, plays a decisive role in many production processes. Alzchem will continue to optimize water management at its production sites and thus ensure responsible use of water as a resource.

The soil conditions at our Trostberg, Hart, Schalchen and Waldkraiburg sites are characterized by thick, very porous gravel layers that contain large groundwater reserves. This special geological feature allows us to pump all the cooling, process and drinking water we need



from our own groundwater wells. In doing so, we want to prevent protected areas, sensitive ecosystems and habitats from being impaired. Our aim is to continue to reduce water consumption in the future and minimize the impact on the water situation around our sites. To this end, water balances were drawn up for our production processes with the aim of generating a characteristic key figure for Alzchem's products, the so-called "water footprint", and continuously reducing it. First of all, all consumers and their consumption of process water were systematically recorded and analyzed and measures to reduce this were then defined. For example, we were able to optimize the control of water volumes in one of our plants and install a multiple use of cooling water. This resulted in cooling water savings of around 1.5 million m³ per year. Further measures to save cooling water are already being implemented and should contribute to a reduction in water consumption of at least 10% by 2024.

Our sustainable water management also includes seamless monitoring of wastewater, which mainly consists of cooling water and rainwater. Only a small fraction of the wastewater (approx. 0.5%) requires treatment and must be purified in a wastewater treatment plant. Nordic Carbide AB's cooling water supply for carbide production at our Sundsvall site in Sweden at the mouth of the Ljungan River is ensured by the site operator there. With an average water flow of 200 m³/s, a maximum of 0.5 m³/s is required there for the carbide process, meaning that there is hardly any impact on the environment.

Alzchem does not draw water from water risk areas at any of its sites. Nevertheless, as part of Alzchem's integrated management system, the focus is on reducing water consump-

tion and minimizing wastewater constituents. The supply of sufficient cooling water is an essential basis for the operation of the production facilities. Although Alzchem's sites are advantageously located in areas with a very high availability of water, future expansion projects should not lead to an increase in water withdrawal. In order to achieve this, the water consumption of the existing plants must be reduced. An application was submitted in 2023 for the renewal of the elevated water permit for the discharge of cooling water into the Alz at the Trostberg site. This application is based on a detailed aquatic ecology report, which confirms that the planned discharge volume is not expected to have any negative impact on the Alz.

In addition to cooling water, wastewater is also generated during production. In order to minimize the pollution of the receiving water here, Alzchem operates a central wastewater treatment plant (ZABA) at the Trostberg site, which ensures state-of-the-art wastewater treatment. In the reporting year 2023, the authorities issued an elevated permit for the discharge of treated wastewater from the central wastewater treatment plant into the Alz for a further 20 years. This permit is also based on a detailed aquatic ecology report, which also confirms that this discharge will not have any negative effects on the Alz due to the planned volume of discharges and that the discharged load has been minimized in accordance with the state of the art. The company's strategy with regard to water and marine resources thus helps to ensure that the ecological and chemical quality of the Alz is not impaired, but can continue to improve in the future. The water situation of the neighboring communities is not affected by Alzchem's water use.

MEASURES RELATED TO WATER AND MARINE RESOURCES

A number of specific measures have been defined at all German sites to save cooling water.

Examples:

- Installation of water-saving regulators
- Optimization of operating parameters of water consumers
- Multiple use of cooling water

Around 50% of the measures have been implemented so far. The measures are expected to be completed by the end of 2024 with estimated investments of less than EUR 1 million.

PARAMETERS AND TARGETS

GOALS RELATED TO WATER AND MARINE RESOURCES

In line with its own water strategy, Alzchem has drawn up a program to reduce water consumption at all German sites from the base year 2022 (33.9 million m³) to less than 30 million m³ by the end of 2024. This target was defined without reference to specific water consumption and should therefore be achieved regardless of production volumes. The target and individual measures were published in the Environmental Statement 2023 in accordance with EMAS. In the reporting year 2023, water consumption at the German sites was already reduced to 28.2 million m³. Further measures will enable the target for 2024 to be exceeded even more significantly.



WATER CONSUMPTION

In the reporting year 2023, Alzchem's water consumption amounted to a total of 28.2 million m³ at the German sites and 2.7 million m³ at the Sundsvall/Sweden site. Of this, no water was consumed in areas affected by water risks. No water was recovered, reused or stored at any of the sites either.

The water used at the German sites is mainly well water pumped from the Alz aquifer, which is used for cooling purposes. It is not contaminated and is only returned to the Alz at a slightly higher temperature.

Alzchem's water intensity amounted to 57,251 m³/million € sales in 2023.

Water consumption is determined by directly measuring the extracted water. Due to the high water availability in the extraction areas, there are no significant risks for products that rely on water as a resource.

EXPECTED FINANCIAL IMPACT FROM IMPACTS, RISKS AND OPPORTUNITIES RELATED TO WATER AND MARINE RESOURCES

There are plans to introduce a water abstraction charge in the federal state of Bavaria. The amount of the water abstraction charge for the various types of water (groundwater, river water, cooling water) has not yet been determined by politicians. In the worst-case scenario discussed so far, € 0.06/m³ could be charged for the entire volume of water extracted, which would lead to an additional burden for the company. A date for the introduction has not yet been set.

11.2.5 ESRS E4 – BIODIVERSITY

Biodiversity describes the variety of life forms on Earth. The loss of this diversity weakens the resilience of ecosystems to changes such as climate change and poses a global challenge for everyone. As a company in the chemical industry, we are dependent on ecosystem services such as clean air, clean water and unpolluted soil, as well as renewable raw materials. At the same time, however, we also have a decisive influence on ensuring that these resources remain available in the future. We are aware of the central importance of biodiversity for nature and human life and want to protect the environment and biological diversity.

Preventive measures to protect the environment prevent the occurrence of any pollution from fuels, oil or chemicals at all production sites. Our four German production sites are located in the Bavarian Chiemgau, one of the most beautiful vacation regions in Germany, embedded in a charming natural setting. We are aware of the special value of this landscape and its protected areas, and it is also our responsibility to protect this natural treasure for future generations. We minimize our emissions, thus protecting the air, soil and groundwater and keeping the impact on this area as low as possible.

Alzchem owns a number of areas that have been deliberately kept in a near-natural state since 2020, so that re-naturation has taken place over time and biodiversity has been able to develop there. In this way, we want to make an important contribution to nature conservation and the expansion of biodiversity on green spaces in and around our sites. Around 21 hectares of near-natural areas are currently

identified in our biodiversity report. As part of biodiversity monitoring, the existing flora and fauna is described and evaluated; targeted measures to improve biodiversity are also defined.

By deciding to leave these areas to nature and not use them for other purposes, we are making a significant contribution to improving biodiversity in our environment.

11.2.6 ESRS E5 – RESOURCE UTILIZATION AND CIRCULAR ECONOMY

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

The description of the process for identifying and assessing the material impacts, risks and opportunities associated with resource use and the circular economy can be found under ESRS 2.



STRATEGIES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

The basis for Alzchem's strategy in connection with resource utilization and the circular economy is the waste hierarchy in the Closed Substance Cycle Waste Management Act. The top priority here is the avoidance of waste and preparation for reuse, followed by recycling or other recovery (e.g. thermal). Disposal of waste is only considered after a negative assessment of these options.

Due to the "Verbund production" along its NCN chain, from the production of calcium carbide to calcium cyanamide and dicyandiamide, the company already has established processes for the use of residual materials and waste in upstream and downstream processes within the "Verbund". Part of the corporate strategy is to further close these cycles and thus increase resource efficiency (see e.g. climate roadmap). For example, fossil fuels are already being replaced by CO gas from the production of calcium carbide and the CO₂ produced during combustion is used as a raw material in production. Composite production means that primary raw materials can be saved and the proportion of secondary raw materials can be increased. This is to be further expanded in the future as part of the strategy.

MEASURES AND MEANS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Alzchem's waste management is a certified waste management company (EfB). As part of the EfB, the company operates an organized waste collection system with separate collections at the sites. This means that waste can be disposed of by type and used for recycling or recovery if necessary.

The waste generated is already taken into account during product development and the possibility of recycling is examined. Waste that is already produced is also regularly checked for possible avoidance and recycling. By constantly improving chemical syntheses, the yield is increased and the amount of waste products reduced at the same time.

Alzchem participates in external collection and take-back systems, e.g. for IBCs, drums and other packaging, which is reconditioned and reused after emptying. In addition, Alzchem participates in several packaging take-back systems such as VERENA, RIGK and Belland-Vision, through which private end users can return packaging for recycling.

To supply Alzchem's own wastewater treatment plant with carbon, methanol produced from waste streams or purchased recycled methanol is used.

PARAMETERS AND TARGETS

GOALS RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

As part of Alzchem's integrated management system (IMS), targets for the use of resources and recycling management are defined in a multi-year program in addition to the targets for all sub-areas. These are approved by the Management Board and their implementation and target achievement are regularly reviewed.

The current target program for 2024 to 2026 currently includes the following topics relating to resource use and the circular economy:

Goal	Contribution	Waste hierarchy	Commitment
Recovery of caustic soda from a production process	Circular economy	Avoidance	voluntary
Reduction in natural gas consumption Waste incineration	Conservation of resources	-	voluntary
Increase yield production processes	Conservation of resources	-	voluntary



RESOURCE INFLOWS

Significant resource inflows at Alzchem relate to all purchased raw materials. In 2023, a total of 232,013 tons of raw materials were purchased in Germany and 97,750 tons in Sundsvall/Sweden to manufacture the products. These are procured worldwide. Products from one location can also be used as raw materials for further production at the same or other locations.

Alzchem uses 0% biological materials in its production.

Externally sourced, secondary materials are not used in production. However, internally generated by-products and residual materials are reused on a large scale in the company's own production facilities. As a result, several thousand tons of external inflows can be avoided. By-products and residual materials used internally are not included in either the recycling or reuse quotas. The corresponding quantities were determined from weight data provided by suppliers or from our own measurements.

RESOURCE OUTFLOWS

In total, Alzchem produced 461,530 tons of product at its production sites in Germany and 38,507 tons in Sundsvall/Sweden in the reporting year 2023. However, many of the product quantities manufactured at one site are used as raw materials at other sites, processed further and only then delivered to customers. A large proportion of the products delivered are also further processed by our customers and do not reach the end customer directly. A product can be used in very different applications. Depending on our customers' end products, this can result in different shelf lives, repair capabilities or recycling options.

Another part of our products is used in agriculture, human nutrition or animal nutrition and ultimately returns to the biological cycle. As a result, no recycling rate can be specified for the products, or it is 0%.

The data on resource outflows is recorded in the ERP system at Alzchem.

OVERVIEW OF WASTE GENERATION IN GERMANY 2023:

Total waste	44,871 to
of which: for recycling	9,879 to
for removal	34,992 to
Total amount of hazardous waste	40,502 to
Total amount of radioactive waste	0 to
Hazardous waste for recycling	5,702 to
of which: preparation for reuse	-
Recycling	-
Other utilization	5,702 to
Non-hazardous waste for recycling	4,178 to
of which: preparation for reuse	-
Recycling	-
Other utilization	4,178 to
Hazardous waste for disposal	34,798 to
of which: Incineration	34,798 to
Landfilling	-
Other disposal	-
Non-hazardous waste for disposal	191 to
of which: Incineration	191 to
Landfilling	-
Other disposal	-
Total amount of non-recycled waste	34,992 to
Share of non-recycled waste in total waste generated	78%

The reported waste volumes are mainly production-specific waste, such as mother liquors, reaction and distillation residues, as well as non-production-specific waste, such as construction waste and municipal waste.



OVERVIEW OF WASTE GENERATION SUNDSVALL/SWEDEN 2023:

Total waste	3,758 to
of which: for recycling	2,243 to
for removal	1,515 to
Total amount of hazardous waste	1,172 to
Total amount of radioactive waste	0.0 to
Hazardous waste for recycling	0.7 to
of which: preparation for reuse	-
Recycling	0.7 to
Other utilization	-
Non-hazardous waste for recycling	0.3 to
Of which: preparation for reuse	-
Recycling	0.3 to
Other utilization	-
Hazardous waste for disposal	0.0 to
of which: Incineration	-
Landfilling	-
Other disposal	-
Non-hazardous waste for disposal	2,242 to
of which: Incineration	-
Landfilling	2,242 to
Other disposal	-
Total amount of non-recycled waste	1,515 to
Proportion of non-recycled waste in total waste generation	40%

The waste is residue from the production of calcium carbide.

EXPECTED FINANCIAL IMPACT FROM RISKS AND OPPORTUNITIES IN CONNECTION WITH RESOURCE USE AND THE CIRCULAR ECONOMY

Alzchem is an energy-intensive company. Alongside lime and coke, electricity is one of the three basic raw materials used at the beginning of Alzchem's NCN "Verbund production". The term "energy-intensive" therefore essentially refers to the consumption of electrical energy. Electricity as a raw material is therefore an essential component of the manufacturing costs for Alzchem's products. However, the share of electricity in the manufacturing costs decreases the further the individual products progress along the NCN "Verbund production". At the end of NCN "Verbund production" or outside the NCN chain, the share of electricity in manufacturing costs is significantly lower. Products from the Basics & Intermediates segment are very electricity-intensive in their production, whereas production in the Specialty Chemicals segment requires less electricity. Electricity prices could rise again compared to the 2023 level, remain stable or fall. Precise forecasts are not possible. Alzchem is therefore exposed to the risk of rising or fluctuating electricity prices. As electricity prices are an integral part of the product calculation, Alzchem can only counter this risk in the first step by increasing prices, but may have to reduce them again if electricity prices fall. Alzchem therefore only sets prices for a very short-term period in close consultation with customers. Increasingly, price escalation clauses are being agreed with customers that take into account spot electricity prices, among other things. Alternatively, longer-term price commitments are offered on the basis of back-to-back transactions. Alzchem also continuously reviews developments on the electricity markets to determine whether a hedging strategy makes economic sense.

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

The Alzchem Group operates a stable NCN family tree with the key products calcium carbide, fertilizer Perlka®, cyanamide, dicyandiamide, nitroguanidine and other high-quality derivatives, such as DYHARD®, Creapure® and Creamino®. The company strives to consistently exploit opportunities for growth through a combination of diversification, market penetration and market development. In addition to traditional products, the company continuously invests in

the development of new products and the further development of existing products.

Alzchem supplies different end markets with a wide range of products. This high level of diversification permanently supports very balanced sales and earnings growth with foot-holds in many different market segments and industries. To date, the Group has always succeeded in offsetting or even overcompensating for economic or regional sales fluctuations in one sector through growth in another segment or country.

Alzchem sells its products in diversified markets that follow global developments, have the potential for stable growth and will therefore contribute to Alzchem's positive business development. This essentially relates to important global topics such as population growth, healthy aging and climate protection.

In the area of recycling management, there is a latent financial risk not only for Alzchem due to rising disposal costs for the main waste streams of the main products. On the opportunity side, however, there is also a high potential for savings if it continues to be possible to recycle waste streams internally or externally. This can reduce both disposal costs and raw material costs.

11.3 SOCIAL (S)

11.3.1 ESRS S1 – OWN STAFF

STRATEGY

The interests and positions of the stakeholders can be found under [ESRS 2](#).

INTRODUCTION

Alzchem relies on its employees as a key success factor and, in addition to an attractive remuneration system, also offers job security, collegial behavior and the opportunity to help shape professional development. Principles of conduct such as reliability, fairness, trust, responsibility and quality are the benchmark for cooperation within the company, but also in contact with customers and suppliers.

The people in the company – and due to the very high proportion of salaried employees within the meaning of standard S1 – are the main pillar of Alzchem. The non-employees within the meaning of this standard are also taken into account, but are only represented by a very small proportion.

Over many decades, it has been possible to convince employees to work at Alzchem and its predecessor organizations, despite some significant cuts in the company structure and the associated changes in ownership. The Alzchem Group is regarded as a very family-oriented, employee-oriented and appreciative employer, in which many families have had their roots for generations and decades. To ensure that this long-standing trend is not permanently damaged by external influences or developments in society as a whole, Alzchem focuses very strongly on the needs of its employees. As determined in the materiality analysis, these are issues that are directly related to employment relation-

ships, such as fair pay, internal training opportunities, degrees of freedom in the performance of tasks, secure jobs with regard to long-term predictability for employees, as well as personal health and retirement provisions. The social framework conditions in the company were also examined, which at Alzchem are characterized by equal opportunities, inclusion, diversity and representation of interests. Furthermore, factors such as work-life balance, leisure activities, working from home and catering are important to round off an employment relationship in terms of an attractive overall package. It goes without saying that all measures and strategies are not implemented unilaterally by management, but are developed jointly in an intensive coordination process between management and employee representatives.

Above all, there are people with their duties, needs and rights – above all their human rights, which Alzchem takes very seriously and respects, maintains and sustainably upholds on a daily basis in its operational business. The topic of human rights plays a very important and valuable role in relation to our actions, particularly in the supply chain, as some suppliers also have company headquarters and production facilities in countries where there is a significantly higher risk due to lower social standards compared to Europe.

The main effects, risks and opportunities and their interaction with the strategy and business model can be found under [ESRS 2](#).

Notes on these disclosure requirements correspond to the information in ESRS 2 IRO-1. For reasons of clarity, they are not repeated here.

OWN WORKFORCE AND MATERIAL EFFECTS

The general disclosures in accordance with ESRS 2 also relate to all members of the company's own workforce. They may therefore be equally affected by material impacts on the company. In this context, the following basic disclosures are intended to contribute to a better understanding of the report:

- a) Alzchem defines employees as persons with employment contracts with the respective company of the Alzchem Group (employees employed by Alzchem). As can be seen from S1-6, this is by far the largest group of employees.

In addition, Alzchem includes non-employees (see [table 1, p. 157](#)), who are also largely integrated into Alzchem's work organization:

- Persons from temporary employment,
 - Persons from independent companies that provide services on behalf of the Alzchem sites within the framework of contracts for work and services and are under contract with the respective service provider,
 - Consultants and self-employed individuals who provide services for Alzchem on their own account.
- b) There are no significant negative effects on the company's own employees with regard to child and forced labor, as Alzchem only operates production sites in Germany and Sweden and is not active in regions susceptible to this or in developing countries. The sales companies in the United Kingdom, China and the USA are

also not affected by these impacts, as only highly qualified employees are employed there due to the specific range of tasks and these activities are not subject to any risk in this regard. Furthermore, the sales companies do not pose any risks to people or the environment.

Workers in the value chain are a particular focus and are considered separately in ESRS S2.

- c) and d) The company's health management, occupational health and safety and high occupational safety standards have a positive impact on all employees, including non-employees. In the event of work-related injuries, employees at the German production sites are cared for around the clock by the company's own medical service, which guarantees injured employees the fastest possible assistance and takes care of further treatment in nearby hospitals. The same applies to environmental and fire incidents, which are dealt with by the company's own fire departments. The site in Sweden is also covered by a medical service and a fire department through external cooperation.

MINORITIES

In the broadest sense, minority groups such as employees with disabilities or employees from smaller ethnic groups as well as underrepresented genders could potentially be at risk, but this is prevented by the implementation of binding legal requirements and also by company-specific regulations and measures. The materiality analysis did not identify any specific groups of employees at risk.

RISKS

Alzchem does not recognize any risks in the sense of effects emanating from certain groups of employees, nor any dependencies on certain groups of employees that could have lasting negative consequences for parts of the workforce or even widespread negative consequences. Very homogeneous employee structures, a very uniform understanding of fairness and justice as well as a very loyal attitude of the employees towards the company help to uncover and prevent unfavorable developments. Alzchem greatly appreciates the willingness of the workforce to participate in the development of the company and to positively support and implement change measures. This is particularly evident in the fact that the focus of the workforce is on the "big picture" and that all sites "pull together". Alzchem sees this very positive basic attitude as an opportunity to further develop the company together with its workforce and to position itself securely for the future.

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

STRATEGIES IN CONNECTION WITH YOUR OWN WORKFORCE

A strategy for managing and improving significant impacts on our own workforce is put into practice through fair, pragmatic and appreciative interaction with employees. Adequate measures are used to implement continuous improvement measures on selected topics.



It is particularly important to Alzchem to have the right employees in the right place at the right time. To this end, targeted talent management, succession planning and a demographic analysis are carried out. By setting clear targets, Alzchem lives a performance and target-oriented management style. Monitoring of individual target achievement takes place once or twice a year. In a separate program for management development, which is tailored to the respective management levels, managers are trained to lead and communicate effectively and according to the situation. By introducing the HR software rexx, Alzchem is also implementing the process of digitalization in the HR area.

EFFECTS OF STRATEGIES

Alzchem is firmly convinced that overarching strategic measures such as the climate roadmap developed by the company to reduce CO₂ emissions have no risks or negative effects on its own workforce. This means that there are no negative consequences for employees in this context, such as job losses due to downsizing measures or similar. On the contrary, it can be assumed that new strategies will safeguard competitiveness and thus jobs on the one hand and even create new jobs as a result of changed requirements on the other.

Alzchem complies with the United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the core labor standards of the ILO conventions for its workforce. These commitments also apply to the implementation of the company's strategic approaches. Alzchem treats its own employees, employees from temporary employment agencies and employees of contracted companies (contractors/external companies) deployed on the factory premises in accordance with the above-mentioned principles without

restriction. To achieve these objectives, the Alzchem Group has established a Compliance Management System (CMS), which serves to prevent and limit damage, to detect and terminate violations of rules and to fulfill legal obligations. The CMS also extends to the "Corporate Guidelines", which the Alzchem Group has implemented in order to summarize the corporate policy principles and standards with which all Alzchem employees must be familiar. They provide guidance on basic legal and ethical obligations and give Alzchem employees the necessary security for correct behavior in their day-to-day work.

HUMAN TRAFFICKING, FORCED LABOR AND CHILD LABOR

At all Alzchem sites in Germany and abroad, the issues of forced labor, slavery, human trafficking and child labor are of course non-existent. In this respect, Alzchem complies with the above-mentioned guiding principles and guidelines as well as all legal obligations in the respective countries, e.g. from the German Basic Law, General Equal Treatment Act, Youth Employment Protection Act and is also certified annually by the BME (Federal Association of Materials Management, Purchasing and Logistics) via the BME Code of Conduct.

All employment relationships are based on legally verified written employment contracts and are largely based on the collective agreements of the chemical industry at the German sites. Our employee representatives (works council) also keep a watchful eye on the legally compliant implementation of all personnel measures. Our trainees also have a minimum age of 15 years. For all recruiting measures, age is recorded and compared with the identity card or other identification documents. In addition, the issues of human trafficking, forced labor and child labor are covered in regular compliance training sessions on corporate guidelines

and are therefore part of the corporate strategy. Similar conditions apply at our plant in Sweden. Employment contracts there are subject to the collective agreements of the Swedish chemical industry.

MANAGEMENT SYSTEMS

Alzchem maintains management systems for the German plants and also for the production plant in Sweden, which include the prevention of occupational accidents.

ELIMINATION OF DISCRIMINATION AND HARASSMENT / EQUAL OPPORTUNITIES

Alzchem pursues the goal of consolidating a corporate culture that is characterized by cooperative behavior in the workplace. All employees are called upon to help create a working environment characterized by mutual respect. These contents and objectives, which are clearly aimed at preventing discrimination and harassment, are described in the corporate guidelines against the background of "Doing the right thing", with which our own employees must familiarize themselves. In addition, key statements in this regard are published in Alzchem's sustainability strategy.

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



Together with the IG BCE (German Mining, Chemical and Energy Industrial Union) and the Works Council, Alzchem took a clear position several years ago with the joint written declaration "Charter of Equality" and committed itself, among other things, to equal career development opportunities and equal pay for women and men and set the goal of developing more women in management positions. In addition, Alzchem is committed to the principles of social partnership. A social partner agreement was signed to support the social partnership culture in the company.

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

FACTS OF DISCRIMINATION

No employee, job applicant or business partner may be disadvantaged or favored on the grounds of race or ethnic origin, skin color, gender, religion or ideology, disability, age, sexual identity or social background. Any kind of harassment and discrimination is prohibited and will not be tolerated in our company. Values such as human dignity, tolerance and respect are fundamental values of an open, pluralistic society. They are enshrined in the German Basic Law and consequently guide our entrepreneurial thinking and actions as well as our corporate culture.

In addition, Alzchem is committed to the Code of Conduct of the German Association of Materials Management, Pur-

chasing and Logistics (BME) and thereby undertakes to prevent bribery and to comply with ethical principles towards customers, competitors and business partners. All business actions and decisions must be based on applicable law.

POLITICAL COMMITMENTS

According to German legislation, companies are obliged to employ at least 5% severely disabled employees in accordance with section 154, para. 1 SGB IX. Alzchem has employed significantly more employees in Germany for many years, with a quota of over 7%, who are considered severely disabled or equivalent to severely disabled people in accordance with section 2 SGB IX. The companies outside Germany also employ people with disabilities who belong to the group with special risks according to the respective national law.

PROCEDURE FOR THE PREVENTION OF DISCRIMINATION

Employees who feel that the above-mentioned basic principles are at risk in terms of harassment, hostility, discrimination, sexual harassment, bullying or similar may raise these critical issues with the works council, the HR department, the company doctor, the company bullying officer, the compliance manager or via the whistleblower hotline – anonymously if desired – for review. Our employees are informed about the procedure and the relevant contacts in regular compliance training sessions ("Doing the right thing" / company guidelines). In addition, employees can use the Alzchem intranet ("Globe") to gain detailed insight into the procedures agreed with the employee representatives, which are, for example, depicted in the company agreement on the topic of "fair conduct in the workplace and dealing with bullying".

PROCEDURE FOR INVOLVING THE COMPANY'S OWN WORKFORCE AND EMPLOYEE REPRESENTATIVES IN RELATION TO IMPACTS

COOPERATION BASED ON TRUST

Alzchem attaches great importance to integrating the interests of its employees into day-to-day operations. To this end, a trusting cooperation between management, employee representatives and the Human Resources (HR) department is maintained at all sites in order to make the framework conditions as attractive as possible for employees and to minimize work-related risks.

VIEWS OF THE COMPANY'S OWN WORKFORCE

Alzchem takes the opinions of its employees seriously and values constructive feedback. An intensive exchange between the Management Board, employee representatives and the HR departments leads to transparency with regard to the wishes, needs and views of the workforce, which are included in corporate decisions. In addition, employee satisfaction is determined through constant dialog, e.g. via employee surveys.

- a) At the German sites, employee interests are primarily represented by works councils elected by the workforce. The basis for this is the Works Constitution Act. Many issues relating to operational framework conditions and social matters, such as working hours, vacation principles, prevention of accidents at work, company pay structure, company suggestion scheme, etc. with a direct impact on the workforce are subject to co-determination and can only be implemented in company practice after negotiation between the employer and works council and subsequent recording in company agreements. In prin-



ciple, similar regulations apply to executive employees who are represented by the spokesperson committee in accordance with the Spokesperson Committee Act.

At our plant in Sundsvall, the usual Swedish regulations on employee representation apply, i.e. the interests of the employees, including all effects on the workforce, are taken over by union representatives in the company. In contrast to Germany, negotiations take place at local level without legal requirements. In the sales companies in the United Kingdom, China and the USA, no interest groups have been formed due to the small number of employees.

- b) At the locations in Germany, the employees are informed about operational changes and current issues by the Works Council at works meetings several times a year. In addition, the Management Board informs the workforce about the financial situation and current developments on a quarterly basis. At these events, employees are explicitly encouraged to put questions to the Works Council or the Management Board. Questions can also be submitted anonymously in advance. At our site in Sweden, employees are also informed at regular intervals, in particular by the management.

In Germany, the employer side negotiates with the employee representatives as required on current issues and issues requiring co-determination. In addition to informal coordination meetings, an average of up to five rounds of negotiations are held per month on various topics. In Sweden, negotiations with trade union representatives are conducted in a very pragmatic manner, as Swedish legislation only stipulates limited formal processes in this regard.

- c) Negotiations with employee representatives at an operational level are delegated to the HR department at the German locations with regard to issues that primarily affect the workforce. The written approval of issues subject to co-determination (e.g. in the form of works agreements) is primarily given by the Management Board member responsible for HR issues and the head of the HR department as well as the chairmen and deputy chairmen of the employee representative bodies. Overarching strategic decisions are controlled by the Management Board. It goes without saying that the employee representatives are involved in information processes at a very early stage.

In Sweden, the processes at location level are very similar, but adapted to the number of employees.

- d) The topic of human rights is deeply rooted in the corporate culture of the Alzchem Group. Written regulations on this point are drawn up by the individual sites themselves in cooperation with the respective employee representatives (if any).

At the German sites, a company agreement has been concluded with employee representatives on the subject of "fair conduct at the workplace and dealing with bullying" in order to prevent bullying, sexual harassment, discrimination of any kind, etc. Affected employees who feel that their personal or human rights are at risk can submit concerns for consideration and receive appropriate assistance via company bullying officers, but also via the HR department, works council or company doctor.

Written agreements with employee representatives are generally accessible to all employees in Germany via the company intranet ("Globe"). The workforce is informed of

the conclusion of new agreements, including brief information on their content, by means of Globe messages.

These issues are also taken very seriously in Sundsvall. A corresponding site guideline ensures a clear stance against the above-mentioned negative effects.

- e) The company regularly conducts employee surveys, most recently in Germany in the second quarter of 2023. Future employee surveys are planned on an annual basis. The results are taken seriously, any identified need for improvement is analyzed and measures are put into practice in collaboration with the company committees and via project groups set up specifically for this purpose.

In Sundsvall, employee surveys are carried out every five years, whereby important feedback from the workforce at such a small site is always part of day-to-day business and is generally asked at employee appraisals every three years.

INSIGHTS INTO THE VIEWS OF YOUR OWN WORKFORCE

In order to identify the interests and needs of particularly vulnerable groups of employees at the German sites and to improve working conditions through suitable measures, the company works closely with the Works Council and, in particular, with the representative body for severely disabled employees. In addition, the commitment of the youth and trainee representatives helps to ensure that the wishes and needs of this group of employees are also taken into account.



As described above, Swedish law provides for fewer formal obligations. Issues arising from the above description are analyzed, discussed and also implemented in Sundsvall in a very practice-oriented manner in cooperation with trade union representatives, the HR and USGQ (Environment, Safety, Health and Quality) departments and the aforementioned external health cooperation partner.

PROCEDURES TO ADDRESS NEGATIVE IMPACTS AND CHANNELS THROUGH WHICH EMPLOYEES CAN RAISE CONCERNS

PROCEDURE

- a) In principle, Alzchem deals openly with criticism and takes incidents that have a negative impact on the workforce or individuals very seriously and tries to develop suitable remedial measures to prevent recurrence. This is not only in line with Alzchem's general attitude, but also with the requirements of 6.1 of the OECD Guidelines.
- b) If employees at the German sites feel disadvantaged due to company regulations, discover gaps in regulations or grievances or simply recognize a need for improvement, they can confidentially contact the works council/spokespersons' committee, the representative body for severely disabled employees, the HR department, compliance managers (including the external whistleblower hotline), the harassment officers, the company doctor, the data protection officer, the information security officer, trade unions, etc. or even the Management Board directly. The information provided is analyzed and evaluated in appropriate committees and remedial measures are created that are incorporated into generally binding

regulations such as company or procedural instructions or company or spokesperson committee agreements.

The above-mentioned contact persons are not only designated as channels, but also have the necessary technical expertise to assess issues and, above all, to take appropriate remedial action themselves or, if necessary, in cooperation with other channels.

In Sundsvall, the procedures and channels described in S1-2, para. 28 apply in this respect.

- c) Alzchem has various procedures in place for handling complaints relating to employee matters.
- d) and e) At the German locations, regular training courses are held on the topic of "Doing the right thing/Corporate Guidelines", which are combined with a mandatory test. New employees complete this training in the first few days after starting work. During this training, the procedures are explained and the company contact persons are named.

In Sundsvall, similar training courses are held for selected groups of people or operational functions.

KNOWLEDGE OF PROCEDURES AND PROTECTION OF THE WORKFORCE

After completion of the above-mentioned compliance training courses, Alzchem evaluates the participation rate and invites all persons who have not yet completed the training to participate. As this is IT-supported e-learning, the participation rate can be easily monitored and controlled. Regu-

lar inquiries with the above-mentioned contacts show that the procedures are actually being used by employees.

It goes without saying that there is no company-wide retaliation against people who use the above channels, not even against employee representatives. Under German legislation, employees are protected by the Whistleblower Protection Act (see Directive (EU) 2019/1937/Whistleblower Directive) (see also [ESRS G1-1](#)) and employee representatives are protected by the Works Constitution Act and the Spokespersons' Committee Act in addition to the Whistleblower Protection Act. At this point, Alzchem would like to emphasize that a very respectful approach is maintained not only with the employees, but also with the employee representatives.

TAKING MEASURES IN RELATION TO MATERIAL IMPACTS AND APPROACHES TO MITIGATE MATERIAL RISKS AND EXPLOIT MATERIAL OPPORTUNITIES IN RELATION TO ITS OWN WORKFORCE AND THE EFFECTIVENESS OF THESE MEASURES AND APPROACHES

EFFECTS ON THE COMPANY'S OWN WORKFORCE

- a) Since 2022, the following primary measures have been taken for the German locations to prevent significant negative effects on the company's own workforce if certain general conditions occur:
 - Conclusion of a new company agreement on short-time working to temporarily reduce the working hours of certain groups of employees if necessary. The aim is to save personnel costs in emergencies and avoid redundancies.



- Conclusion of a company agreement on the subject of "job security/electricity and natural gas/heat price brakes" in conjunction with a sophisticated job security concept in order to maintain the conditions for receiving state financial relief for high energy use, secure jobs and prevent redundancies.

The options from the works agreement mentioned in S1-4, para. 38 a) Point 1 have not had to be used to date, as the issue of short-time working has been avoided across all German locations with the help of very flexible personnel deployment strategies, despite widely varying utilization of the production facilities.

- b) In 2023, several employee-oriented regulations were introduced at the German locations that will have a long-term and sustainable positive impact on the company's own workforce:
- Company agreement/spokespersons' committee agreement on the "continuation of partial retirement and long-term accounts": The aim is, among other things, to give employees the opportunity to spend the last years of their careers under more favorable conditions by reducing the workload of older employees before they retire and by creating long-term time credits that can be used before retirement.
 - Company agreement/spokespersons' committee agreement on the "Structure of the company pension scheme 2023": The aim of this new and attractive company pension scheme is to reduce the risk of poverty in old age for new employees from 2023.

In addition, Alzchem has been offering its employees at the German sites comprehensive, appreciative and employee-oriented conditions for many years, which serve to ensure the attractiveness of working conditions and to inspire employees for Alzchem in the long term.

TRAINING

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

In order to continue to be able to recruit sufficient young talent, Alzchem tries to approach interested school students to show them training opportunities at its German sites. This year, Alzchem has once again used numerous opportunities to get pupils interested in an apprenticeship. In the surrounding schools, but also via social networks, attention was drawn to training at the Trostberg Chemical Park. The so-called discovery days organized by Alzchem are worth mentioning here. Young interested parties and their parents can get an overview of the respective apprenticeships and their content. As a result, a total of 46 young people were able to start their training at the Trostberg Chemical Park on September 1, 2023 in commercial, metal and electrical engineering as well as chemical and logistics areas. In the 2023 training year, the Alzchem Group will once again maintain the high training rate of previous years at around 9% at its German sites.

STRUCTURE OF EMPLOYMENT RELATIONSHIPS

Alzchem not only wants to be a reliable employer, but also to offer secure and long-term employment relationships. Employees should be given the opportunity to develop professionally and personally and to grow together with the company in the long term. For this reason, it is important to Alzchem to make the majority of its employees' employment contracts permanent, to limit fixed-term employment contracts to a minimum, e.g. for demand-oriented reasons, and to convert these into permanent employment contracts within a short period of time where possible. This objective is also very important with regard to the topic of temporary employment in order to be able to offer this group of employees an employment contract at Alzchem after the statutory maximum period of temporary employment at the latest, provided they perform well. In addition, we enable our employees to adapt their working hours individually to their personal needs using appropriate part-time models.

FLUCTUATION RATE / LENGTH OF SERVICE / JOB SECURITY

Alzchem pursues the goal of attracting, retaining and motivating the most suitable employees. The aim is to create a sustainably stable environment for employees – without the need for restructuring or compulsory redundancies. Alzchem pays particular attention to the satisfaction and commitment of its employees. The level of fluctuation and the average length of service provide an indication of how satisfied employees actually are. These metrics amounted to 8.4% in 2023 (2022: 6.3%) and 17.5 years (2022: 17.2 years). With these two metrics, Alzchem clearly stands out from the average values for length of service in Germany.



COMPATIBILITY OF CAREER AND FAMILY

Alzchem promotes and implements a family-friendly working environment for all genders. This is achieved primarily through flexible working hours agreed with the company partner and a variety of part-time models. Within a fixed framework, flexitime and trust-based working hours allow employees to largely determine when they start and finish work and to organize their working hours flexibly. By increasing personal responsibility, flexible working hours should contribute to greater employee motivation and company loyalty, ultimately contributing to the company's success. In addition, regulations on mobile working help to achieve a better work-life balance. Various parental leave and part-time work programs enable employees to take intensive care of their children after they are born.

In cooperation with the town of Trostberg and the Arbeiterwohlfahrt Kreisverband Traunstein, a kindergarten and crèche offer was created in fall 2023. Through this cooperation, Alzchem offers its employees up to 37 places (kindergarten and crèche places) in the "Alzstadtkindergarten" in Trostberg. This means that half of the kindergarten and crèche places can be occupied by children of Alzchem employees. The possibility of longer kindergarten opening hours means that working parents are supported in their childcare needs.

ATTRACTIVE REMUNERATION

In addition to the collectively agreed conditions, Alzchem offers remuneration in line with personal performance and the respective position or responsibility – employees also receive a profit-sharing bonus depending on the company's success. Additional company and social benefits are fixed components of the Alzchem remuneration system. A function evaluation, which summarizes operational functions with

equivalent and comparable work tasks (jobs), is intended to ensure that a uniform and fair evaluation policy is guaranteed in a cross-comparison across all locations and employees (male/female/diverse). Every employee at the German locations is included in the Group accident insurance policy, which covers both the company and private areas in the event of a claim.

HEALTH MANAGEMENT

The well-being of our employees is crucial to our joint success and the resulting improvement in the Group's competitiveness. Alongside professional, intellectual and social skills, health is the most valuable asset that employees bring to the company. For this reason, the company offers a wide range of services, from nutrition and exercise to preventive health care, giving employees the opportunity to put together their own individual health program. To this end, Alzchem has developed the "gesund punkten..." program in cooperation with the local companies in the Trostberg Chemical Park, which has been successfully implemented for employees at the Trostberg, Schalchen, Hart and Waldkraiburg sites since 2010. The courses offered by professional therapy facilities and trainers are all certified in accordance with section 20 SGB V and recognized by the health insurance companies.

MEDICAL SERVICE (COMPANY DOCTOR AND PARAMEDICS)

Alzchem offers its employees comprehensive medical care at all German sites. Occupational and emergency medicine includes all measures for the prevention of work-related illnesses or occupational diseases, for maintaining health in the workplace and for the diagnosis and treatment of accidents and acute illnesses.

OPERATIONAL INTEGRATION MANAGEMENT

Often, returning to work after illness does not pose any significant difficulties. In some cases, however, continued employment in the previous sense is not possible without further ado. In such cases, measures are developed in cooperation with the integration team to enable employment appropriate to the impairment. The measures are varied and can include, for example, changes to the content of the activity, personnel support or technical changes to the workplace.

IDEAS MANAGEMENT

Ideas generated by employees are expressly welcomed by Alzchem. Alzchem would like to motivate its employees to actively participate in continuous improvement with their ideas. They promote cooperation and help to avoid accidents, improve environmental protection, implement technical progress and ultimately increase the company's profitability.

COMPANY PENSION SCHEME

The company pension scheme is implemented by means of a modular system. Both the employer and the employee pay monthly amounts into various modules, which are available to the employee after retirement. In addition, Alzchem offers its employees a long-term account into which both remuneration and vacation, time credits and time off for retirement can be deposited.

SUPPLEMENTARY COMPANY LONG-TERM CARE INSURANCE

In the 2019 collective bargaining round, an industry-wide supplementary long-term care insurance scheme was created nationwide. This is the first collectively agreed supple-



mentary long-term care insurance in Germany as part of a social partnership between BAVC and IG BCE, which covers all employees in the chemical and pharmaceutical industry covered by collective agreements without a health check via the employer. As the employer, Alzchem is responsible for registering employees and processing contributions. The background to this supplementary care insurance is that a high proportion of care costs are increasingly being borne by those in need of care, as the statutory benefits are not sufficient to cover the actual costs.

DEMOGRAPHIC FUND

The demographic fund is not a monetary fund in the traditional sense, but a solution created by the parties to the collective bargaining agreement through which Alzchem, as an employer, provides demographic contributions for its employees covered by collective bargaining agreements in order to address the challenges of demographic change. The money from this fund is used to finance instruments for shaping demographic change. The employee representatives and Alzchem have agreed to enable partial retirement and subsidies for long-term accounts. In contrast to collective wage increases, there is no individual entitlement for employees, only a collective scope for the company parties.

PERSONNEL DEVELOPMENT & FURTHER TRAINING

In order to continue to be economically successful in the future, Alzchem needs a future-oriented, qualified workforce. Alzchem offers its employees in every professional field specialist training and further education at the workplace or in specialist institutions. The qualification level of the employees is permanently adapted to the operational requirements and qualification needs in order to actively counteract the acute shortage of skilled workers on the one hand and to ensure production capability on the other. In particular, Alzchem trains employees from various production

companies to become chemical production specialists (IHK) and chemical technicians (IHK) who have been recruited as career changers from other professional fields.

HR development is geared towards identifying and developing potential and talent within the company at an early stage. A wide range of modules in the areas of management development, training, knowledge management, health management and corporate culture round off the HR development concept. There is a particular focus on a special management program, the "Leadership Journey". To this end, internal potential conferences are used to select employees who not only have high and special potential but also a wealth of management experience. The aim is to prepare this group of people for future management positions.

The performance, behavior, needs and wishes of our employees are reflected in annual employee appraisals and individual development plans are drawn up for particularly high-performing and talented employees. The high proportion of management positions filled internally confirms this approach.

Alzchem responds individually to the needs of its employees. This lays the foundation for filling key positions from within the company's own ranks.

REPRESENTATION OF INTERESTS

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

In principle, all employees are covered by the relevant collective agreements in the chemical industry. The only exceptions are senior executives within the meaning of the Works Constitution Act, who are not covered by the collective agreements but are treated similarly in many respects (see also S1-2, para. 27 a).

SIGNIFICANT RISKS AND OPPORTUNITIES

Alzchem does not identify any risks and impacts related to forced labor and child labor, as Alzchem does not operate in regions susceptible to this (see also para. 14 b) in connection with [ESRS 2](#) SBM-3). In addition, Alzchem does not see any systemic risks in its business activities that could create dependencies and thereby cause serious harm to its own workforce. Therefore, no opportunities can be derived in this regard.

PREVENTION OF SIGNIFICANT NEGATIVE EFFECTS

Alzchem strives at all times to critically review management decisions and identify potential risk factors in good time in order to avoid any significant negative impact on its own workforce. This includes, in particular, very close and constructive cooperation with employee representatives on an equal footing.

PARAMETERS AND TARGETS

OBJECTIVES RELATED TO MANAGING SIGNIFICANT NEGATIVE IMPACTS, PROMOTING POSITIVE IMPACTS AND MANAGING SIGNIFICANT RISKS AND OPPORTUNITIES

TARGETS FOR OVERCOMING SIGNIFICANT NEGATIVE EFFECTS AND EXPLOITING OPPORTUNITIES

Alzchem has set itself the goal of developing content on the following topics and taking a clear position on various issues:



- The corporate strategy is reviewed and, if necessary, revised as part of regular strategy workshops; the next one will take place in 2024. With this update, we are adapting to the changed framework conditions in order to position Alzchem as a strong company for the future.
- Reduction of occupational accidents and work-related injuries as well as improved processing of incidents including the derivation of measures to reduce the risk of recurrence (KSUND <= 39 external medical treatments, PSI <= 3 plant safety incidents, vision: 0 accidents).
- Reduction of the sickness rate at the German locations to < 5%

PROCEDURE FOR SETTING TARGETS

The aforementioned targets were drawn up by the Management Board in collaboration with the heads of Strategic Projects, Human Resources, Controlling & Accounting and Innovation Management and then submitted to the Supervisory Board for approval. Target achievement is reviewed on an annual basis. Depending on the degree of target achievement, appropriate measures are derived and demand-oriented adjustments are made if the targets are not or only partially achieved.

Goals are subject to constant review in terms of relevance and topicality. Changes in framework conditions can have a significant impact on the definition of objectives and make adjustments necessary.

CHARACTERISTICS OF THE COMPANY'S EMPLOYEES

Around 95% of the Alzchem Group's employees work in Germany. As none of the locations outside Germany (Sweden, the United Kingdom, China and the USA) employ 50 or more people and the number of employees does not simultaneously amount to at least 10% of the company's total number of employees, no separate analyses are prepared for these countries. In these cases, a note regarding "insignificance" is included in the tables. The figures for these companies are otherwise included in the figures for the "Alzchem Group". According to this standard, however, this requirement does not apply to regions, so that Alzchem carries out regional evaluations for continents despite the small number of employees in all countries outside Germany, which means that the sales companies in China and the USA act as the sole representatives of a region (continent).

EMPLOYEES/COUNTRY COMPARISON

TABLE 1: EMPLOYEES BY GENDER – ALZCHEM GROUP

Gender	Number of employees ¹
Total number of employees	1,708
Male employees	1,404
Female employees	304
Other genders ²	0
Gender not specified	0

¹ As of 12/31/2023 (number of persons)

² Gender according to employees' own statements

TABLE 1.1: AVERAGE NUMBER OF EMPLOYEES BY GENDER – ALZCHEM GROUP

Gender – Averages	Number of employees ¹
Average total number of employees	1,687
Male employees	1,396
Female employees	291
Other genders ²	0
Gender not specified	0

¹ Average values for the year 2023 (number of people)

² Gender according to employees' own statements

TABLE 2: EMPLOYEES BY COUNTRY WITH AT LEAST 50 EMPLOYEES AND AT LEAST 10% OF THE TOTAL NUMBER OF EMPLOYEES IN THE COMPANY – ALZCHEM GROUP

Countries	Number of employees ¹
Germany ²	1,631

¹ As of 12/31/2023 (number of persons)

² Due to immateriality, no other countries besides Germany are mentioned



EMPLOYEE/TYPE OF CONTRACT

TABLE 3: EMPLOYEES BY TYPE OF CONTRACT AND GENDER – ALZCHEM GROUP

Type of contract	Female	Male	Other ²	Not specified	Total
Total number of employees ¹	304	1,404	0	0	1,708
Permanent employees	245	1,249	0	0	1,494
Temporary employees	59	155	0	0	214
Employees without guaranteed working hours	0	0	0	0	0
Full-time employees	177	1,329	0	0	1,506
Part-time employees	127	75	0	0	202

¹ As of 12/31/2023 (number of persons)

² Gender according to employees' own statements

EMPLOYEES/EMPLOYEE FLUCTUATION

TABLE 4: EMPLOYEE FLUCTUATION (EMPLOYEES) – ALZCHEM GROUP

	Average total number of employees ¹	Departures from the Alzchem Group	Fluctuation rate
Employee fluctuation	1,687	144	8.5%

¹ Average values for the year 2023 (number of people)

METHODOLOGY/BACKGROUND INFORMATION

The numbers of employees listed in the tables are to be understood as headcounts. Most evaluations refer to the end of the reporting period, in this report to 12/31/2023. In excep-

tional cases, annual averages were used to determine the figures if the data was developed over an entire annual period, as in the case of determining employee fluctuation. For a better understanding, the relevant information is provided at the end of the tables.

CHARACTERISTICS OF NON-EMPLOYEES IN THE COMPANY'S OWN WORKFORCE

The following table provides information on the number of non-employees. Here it becomes very clear that the number of non-employees is very low and not significant compared to the number of own employees mentioned in S1-6. The reason for this is that Alzchem does not outsource any core competencies and only in certain cases makes use of support services to maintain business operations or, in rare cases, purchases special competencies that the organization does not have.

TABLE 1: NON-EMPLOYEES WITHIN THE COMPANY'S OWN WORKFORCE – ALZCHEM GROUP

Non-salaried employees	Number of non-employees ¹
Total number of non-employees	96
Temporary employment	14
Contracts for work and services (external services)	67
Self-employed persons (consultants etc.)	15

¹ Average values for the year 2023 (number of people)

METHODOLOGY

The figures for non-employees presented in tabular form are based on the annual average number of employees, as the deployment figures fluctuate throughout the year. For a better understanding, the relevant information is provided at the end of the respective tables. Due to the very low numbers, there is no need to make a statement on the fluctuation of this group of employees.



COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOG

As can be seen in the following table, around 96% of employees are covered by collective agreements:

TABLE 1: EMPLOYEES WITH COLLECTIVE BARGAINING COVERAGE – ALZCHEM GROUP

Collective agreement coverage	Number of employees ¹
Total number of employees	1,708
Employees bound by collective agreements	1,642
Proportion of employees bound by collective agreements	96.1%

¹ As of 12/31/2023 (number of persons)

The following regulations on collective agreements apply to employees in the European Economic Area:

In Germany, all employees are generally subject to the relevant collective agreements of the chemical industry. The only exceptions are executive employees within the meaning of the Works Constitution Act, who are not covered by collective agreements but are treated similarly in many respects.

Both the trade union IGBCE and the employers' associations VBCI and BAVC represent the employee and employer sides in collective bargaining in order to do justice to the interests of all sides in terms of social dialog. We would particularly like to point out at this point that our Works Council Chairman is a permanent member of the Bavarian Chemicals Collective Bargaining Commission (IGBCE) and the Federal Chemicals Collective Bargaining Commission (IGBCE).

The employees at the Sundsvall plant are subject to the collective agreements of the chemical industry in Sweden (IKEM).

The following table shows the collective bargaining coverage and social dialog in terms of employee representation for employees in the countries of the European Economic Area (EEA).

Employees working in non-EEA countries are not covered by collective bargaining agreements and are not represented by employee representatives.

As only Germany has a significant number of employees within the meaning of this standard, i.e. the number of employees is at least 50 and their share is at least 10% of the total number of employees, no other countries or regions are shown.

TABLE 2: COLLECTIVE AGREEMENT COVERAGE AND SOCIAL DIALOG – ALZCHEM GROUP

Breakdown by group	Collective agreement coverage		Social dialog
	Employees ¹ EEA countries ²	Employees ¹ Non-EEA countries ³	Representation in the workplace EEA countries ²
80-100%	Germany		Germany

¹ As of 12/31/2023 (number of persons)

² Only countries with at least 50 employees and a share of at least 10% of the total number of employees (insignificance threshold)

³ No employees in non-EEA countries/regions with at least 50 employees and a share of at least 10% of the total number of employees (low income threshold)

EMPLOYEES WITHOUT COLLECTIVE BARGAINING COVERAGE

Employees who are not covered by collective agreements in Germany (see also S1-8, para. 60 b) are without exception employed in management functions with a high level of responsibility and correspondingly high pay and comprise less than 3% (senior executives). Special company or individual contractual regulations often apply to this group of employees, which not only meet but far exceed the requirements of collective agreements with regard to working and employment conditions.

EUROPEAN COMPANY REPRESENTATIONS

There is no agreement on a European Works Council or similar European bodies, as the proportion of employees of the companies in the European Economic Area outside Germany is only just under 3%.



DIVERSITY PARAMETERS

It is important to Alzchem to consider all genders in management positions as well, not only to comply with formal diversity principles, but also in particular to utilize gender-specific perspectives for the benefit and well-being of the company and at the same time to enrich the corporate culture.

Alzchem attaches great importance to a balanced age distribution in order to be able to maintain business operations even in challenging times. In addition to new recruits, Alzchem also needs experienced middle-aged employees and also benefits from the extensive expertise of its older employees, who have many decades of experience.

GENDER DISTRIBUTION

TABLE 1: GENDER DISTRIBUTION ON THE FIRST AND SECOND MANAGEMENT LEVELS BELOW THE SUPERVISORY BOARD – ALZCHEM GROUP

	Female	Male	Other genders ²	Not specified	Total
Number of employees ¹ at the first level = Management Board	0	3	0	0	3
Proportion of employees ¹ at the first level = Management Board	0%	100%	0%	0%	
Number of employees ¹ at the second level = division manager	6	15	0	0	21
Proportion of employees ¹ at the second level = division manager	28.6%	71.4%	0%	0%	

¹ As of 12/31/2023 (number of persons)

² Gender according to employees' own statements

DISTRIBUTION BY AGE GROUP

TABLE 2: DISTRIBUTION OF EMPLOYEES BY AGE GROUP – ALZCHEM GROUP

Age groups	Number of employees ¹	Share of employees
Total number of employees	1,708	
Under 30 years	414	24.2%
30 to 50 years	726	42.5%
Over 50 years	568	33.3%

¹ As of 12/31/2023 (number of persons)

APPROPRIATE REMUNERATION

Alzchem pays all its employees in the EEA area wages that are well above the statutory minimum wage requirements in Germany and also above the collective agreement requirements in Sweden. This also applies to simple auxiliary activities.

Outside the EEA, Alzchem operates sales offices exclusively in the United Kingdom, China and the USA. There, due to the professional requirements, customary market remuneration for sales employees is granted at industry standard. This means that here too, employees not only enjoy an appropriate standard of living, but are paid salaries that are well above the national averages.

SOCIAL PROTECTION

The Alzchem Group grants all employees at all locations and countries comprehensive social protection with regard to the following criteria, either from legal requirements and/or against the background of company regulations in the respective countries:

- Illness
- Unemployment from the time when the employee works for the company
- Occupational accidents and disability
- Parental leave
- Retirement



PEOPLE WITH DISABILITIES

Alzchem attaches great importance to equal opportunities for all employees, explicitly including employees with disabilities. In Germany, this includes employees who are considered severely disabled or equivalent to severely disabled persons according to section 2 SGB IX.

Legislation in Sweden also places great emphasis on equal opportunities, including for people with disabilities, which is actively practiced at the Sundsvall site under the watchful eye of management and trade union representatives.

The following table lists all employees of the Alzchem Group who are considered to be persons with disabilities according to the regulations and definitions of their country:

TABLE 1: OWN EMPLOYEES WITH DISABILITIES – ALZCHEM GROUP

	Total number of employees ¹	Employees with disabilities ²	Share of employees with disabilities
Own employees	1,708	115	6.7%

¹ As of 12/31/2023 (number of persons)

² Disabilities by definition and significance in the respective countries

PARAMETERS FOR TRAINING AND SKILLS DEVELOPMENT

The entire range of Alzchem employees benefits from a wide range of training and development opportunities. These include not only training courses that expand specialist or management skills, but also training courses that deal with health and safety issues in order to minimize work and health risks in the long term. A special training program is provided for employees of external companies that provide services on our factory premises (contractors).

In annual performance reviews, the performance, behavior, needs and wishes of all employees are reflected upon and individual development plans are drawn up for particularly high-performing and talented employees. Discussions of this kind are held throughout the Alzchem Group, and every three years at the site in Sweden.

PERFORMANCE AND CAREER ASSESSMENTS

TABLE 1: NUMBER/PROPORTION OF EMPLOYEES WITH REGULAR PERFORMANCE AND CAREER ASSESSMENTS BY GENDER – ALZCHEM GROUP

Performance and career assessment	Female	Male	Other ²	Not specified	Total
Total number of own employees ¹	304	1,404	0	0	1,708
Number of own employees with regular annual performance and career appraisals	301	1,375	0	0	1,676
Proportion of own employees with regular annual performance and career appraisals	99.0%	97.9%	-	-	98.1%

¹ As of 12/31/2023 (number of persons)

² Gender according to employees' own statements

TRAINING HOURS

TABLE 2: AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE BROKEN DOWN BY GENDER – ALZCHEM GROUP

Training hours	Female	Male	Other ²	Not specified	Total
Average total number of own employees ¹	291	1,396	0	0	1,687
Number of training hours ³	4,925	19,793	0	0	24,718
Average training hours	16.9	14.2	-	-	14.7

¹ Average values for the year 2023 (number of people)

² Gender according to employees' own statements

³ Training hours in 2023

As the health and safety of its employees is particularly important to Alzchem, an additional evaluation was prepared to provide an overview of training courses on this specific topic. These values are not included in Table 2.

**TABLE 3: AVERAGE NUMBER OF HEALTH AND SAFETY TRAININGS – ALZCHEM GROUP**

Health and safety training	Ø Total number of own employees ¹	Number of health and safety training courses ²	Ø Number of health and safety training courses per employee
Own employees	1,687	19,251	11.4

¹ Average values for the year 2023 (number of people)

² Number of health and safety training courses in 2023

PARAMETERS FOR HEALTH AND SAFETY – MANAGEMENT SYSTEM

Alzchem maintains a management system at its German sites that covers health and safety and is certified in accordance with OHRIS (Occupational Health and Risk Management System).

The management system in Sundsvall (Sweden) also covers health and safety and is certified to ISO 45001.

The sales companies in the United Kingdom, China and the USA are not included in this section as they are not subject to any particular risk. However, the employees working there are included in the basic population (see para. 88 a).

Both occupational safety management systems are audited internally. OHRIS is certified by the authorities, ISO 45001 by external certifiers. In addition to the salaried employees, the management systems also include the non-salaried employees within the company's own workforce. The group of non-employees is not considered separately in the following evaluations due to the small number and low proportion.

The following key figures are to be reported for 2023 on the basis of headcount as part of this standard:

- a) 100% of the Alzchem Group's own workforce is covered by the management systems described. There were no fatalities at Alzchem in 2023 as a result of work-related injuries and work-related illnesses.

- b) A total of 42 reportable accidents at work occurred across all locations, which corresponds to a rate of 17.9 (number of cases / hours worked x 1 million).

- c) A total of three notifiable work-related illnesses occurred.

- d) There were 2,305 days lost due to accidents at work and work-related illnesses.

No workers outside the company's own workforce are employed at the locations, such as workers in the value chain.

WORK-LIFE BALANCE

As a matter of principle, Alzchem grants all employees leave for family reasons on the basis of statutory, collectively agreed and company regulations that are applicable at the respective locations and in the member states. In this way, Alzchem fully meets the needs of its employees for work-life balance.

LEAVE FOR FAMILY REASONS

According to the definition of this standard, leave for "family reasons" means the following reasons for time off work:

- a) Maternity leave
- b) Paternity leave
- c) Parental leave
- d) Vacation for family caregivers

According to this standard, 100% of Alzchem Group employees are entitled to family leave. In China, however, this does not apply due to a lack of legal regulations.



USE OF FAMILY LEAVE

TABLE 1: PERCENTAGE OF ELIGIBLE EMPLOYEES WHO HAVE TAKEN LEAVE FOR FAMILY REASONS, BROKEN DOWN BY GENDER – ALZCHEM GROUP

Family vacation	Female	Male	Other ²	Not specified	Total
Average number of employees ¹ with entitlement to family leave	291	1,396	0	0	1,687
Number of eligible employees who have exercised their entitlement to family leave ³	39	56	0	0	95
Proportion of eligible employees who have exercised their entitlement to family leave	13.4%	4.0%	-	-	5.6%

¹ Average values for the year 2023 (number of people)

² Gender according to employees' own statements

³ Number in 2023 (number of people)

USE OF FAMILY LEAVE – ALZCHEM APPROACH

Since the standard evaluation in Table 1 has little significance with regard to sustainability and an appreciative approach to "family leave", Alzchem also evaluates the population of all employees who explicitly belonged to the group of employees according to the above definition in 2023, i.e. who had children in that year or who were caring for relatives.

According to this approach, 80 employees were eligible in 2023, of which 76 employees actually used the entitlement. The high implementation rate of 95% clearly shows that Alzchem not only offers a very respectful basis for work-life balance throughout the company, but that the eligible employees are also happy to take advantage of the entitlement.

TABLE 2: PERCENTAGE OF ELIGIBLE EMPLOYEES WHO BECAME PARENTS OR ACCEPTED A CARE ASSIGNMENT IN 2023 AND TOOK LEAVE FOR FAMILY REASONS, BROKEN DOWN BY GENDER – ALZCHEM GROUP

Family vacation (condition fulfilled)	Female	Male	Other ²	Not specified	Total
Number of employees ¹ with entitlement to family leave	24	56	0	0	80
Number of eligible employees who have exercised their entitlement to family leave	24	52	0	0	76
Proportion of eligible employees who have exercised their entitlement to family leave	100%	92.9%	-	-	95.0%

¹ Number in 2023 (number of people)

² Gender according to employees' own statements

REMUNERATION PARAMETERS (DIFFERENCES IN EARNINGS AND TOTAL REMUNERATION)

Employees at the German sites and the site in Sweden are paid in accordance with collective agreements for the chemical industry (VBCI/BAVC and IKEM), which provide for gender-neutral remuneration.

In Germany, gender-neutral function evaluations are carried out for tariff employees on the basis of the Federal Collective Agreement on Remuneration (BETV) by an evaluation committee with equal representation. Alzchem has also agreed a binding set of rules for gender-neutral and competitive salary determination and development with its company partner for non-tariff employees and executives. In addition, there is also an evaluation committee with equal representation, which ensures a gender-neutral and uniform evaluation and classification of functions.



GENDER PAY GAP

The gender pay gap is calculated in accordance with this standard using the following formula:

$$\frac{(\text{Ø gross hourly earnings of male employees} - \text{Ø gross hourly earnings of female employees}) \times 100}{\text{Ø gross hourly earnings of male employees}}$$

Ø gross hourly earnings of male employees

TABLE 1: GENDER PAY GAP – ALZCHEM GROUP (GERMAN SITES)

	Ø gross hourly earnings of male employees ¹	Ø gross hourly earnings of female employees ¹	Diff. Ø gross hourly earnings of male and female employees	Gender-specific pay gap according to the above formula
Gender pay gap	30.91 €	30.70 €	0.21 €	0.7%

¹ Status 12/31/2023

The evaluation shows that the gender pay gap at Alzchem's German sites is very small and that the fair pay described above is actually practiced.

RATIO OF HIGHEST ANNUAL TOTAL REMUNERATION TO THE COMPANY MEDIAN

The ratio of the annual total remuneration of the highest-paid individual to the median of the annual total remuneration of all employees (excluding the highest-paid individual) is 22.2 on the reporting date of 12/31/2023 and is calculated using the following formula:

$$\frac{\text{Total annual remuneration for the highest-paid person in the company}}{\text{Median of total annual remuneration for employees (excluding the highest-paid person)}}$$

Median of total annual remuneration for employees (excluding the highest-paid person)

TABLE 2: RATIO OF TOTAL ANNUAL REMUNERATION – ALZCHEM GROUP (GERMAN SITES)

	Total annual remuneration for the highest-paid person in the company	Median of total annual remuneration for employees (excluding the highest-paid person)	Ratio of total annual remuneration according to the above formula
Remuneration ratio	1,509,510	67,989	22.2

METHODOLOGY

To determine the gender pay gap and the ratio of total annual remuneration, only the remuneration of employees at the German locations who were in an active employment relationship on the reporting date of December 31, 2023 and were employed for the entire year 2023 was taken into account.

Entries during the year, employees with unpaid absences of three or more months, trainees and marginally employed persons were not included in these evaluations, as they would have greatly distorted the results. For the sake of simplicity, the salaries of employees outside Germany were not included in this analysis, as they would not have had a significant impact due to the small number of employees.

INCIDENTS, COMPLAINTS AND SERIOUS IMPACTS RELATED TO HUMAN RIGHTS

INCIDENTS IN CONNECTION WITH HUMAN RIGHTS VIOLATIONS

In 2023, there were no known work-related incidents of harassment and discrimination and related complaints within the Alzchem Group's own workforce, nor any serious incidents related to human rights such as forced labor, human trafficking or child labor. As a result, no remedial action had to be taken and no fines or compensation payments had to be made.



11.3.2 ESRS S2 – LABOR IN THE VALUE CHAIN

STRATEGY

The interests and positions of the stakeholders and the effects, risks and opportunities and their interaction with the strategy and business model can be found under [ESRS 2](#).

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

STRATEGIES RELATED TO LABOR IN THE VALUE CHAIN

An important aspect for Alzchem is to develop key sustainability issues along the entire value chain. Our supply chain management, which systematically assesses the sustainability performance of our suppliers, helps us to do this. Our value chains are based on a diverse portfolio of raw materials. Raw materials, production facilities and services at Alzchem are subject to uniform Group-wide guidelines with regard to safety and environmental protection.

In the upstream value chain, Alzchem works exclusively with suppliers who can guarantee the basic requirements for security of supply and the necessary quality at economically optimal delivery conditions while maintaining our sustainability requirements. In addition, however, they should also implement and further develop more far-reaching requirements in terms of environmental and energy management, social responsibility and occupational safety with regard to their employees and information security. The processes for procurement and supplier qualification at Alzchem are defined in procedural instructions with clear responsibilities. Suppliers are evaluated based on clearly defined criteria and audited if necessary. The frequency of audits depends on the importance of the raw material for the supply chain

and the respective result of a self-assessment. Through its sustainability management, Alzchem wants to contribute to minimizing sustainability risks along the entire value chain. Potential risks should be identified and evaluated at an early stage so that concrete measures for continuous improvement can be derived in good time. This applies both to employees in the upstream and downstream value chain and to our own workforce. Our suppliers are a particular focus for Alzchem. Together with them, we want to implement the necessary improvements in order to continuously increase our sustainability performance. This progress is evaluated and documented.

In the downstream value chain, we also regularly survey our customers and consumers with regard to compliance with standards for the protection of people and the environment and the safe handling of our products. Any suggestions or measures derived from this are implemented as quickly as possible and their implementation is followed up.

The link between business and respect for human rights is an essential part of our corporate responsibility, is also anchored in our strategy and is in line with the expectations of our stakeholders. The entry into force of the Act on Corporate Due Diligence Obligations in Supply Chains further underlines these efforts.

As a globally active specialty chemicals group, Alzchem is aware of its responsibility in the business environment, especially towards the workers in the value chain. As a member of the Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Alzchem is committed to the BME Code of Conduct and thus indirectly to the principles of the UN Global Compact. In accordance with the principles of Responsible Care®, the International Labor Organization (ILO) and other CSR guidelines, we expect our suppliers and

business partners to comply with national and international laws and regulations for the protection of the environment, health, product safety and compliance with minimum social standards.

Alzchem was audited by "Together for Sustainability" (TfS), an initiative of the chemical industry, with regard to the sustainability of global supply chains and evaluated with regard to the improvement of ecological and social standards. In addition to environmental protection, the focus was also on labor and human rights, business ethics, occupational safety and responsible procurement.

In our upstream value chain, the core of our sustainable supplier management is the qualification and evaluation of suppliers before entering into a business relationship and also during the ongoing collaboration. Potential suppliers are required to submit a detailed self-assessment, which is carefully evaluated before qualification as a new supplier and subsequently leads to an assessment. The supplier information includes topics such as compliance with human rights, appropriate working conditions and supplier management. Before a new supplier is qualified, this self-disclosure is always carefully evaluated.

In addition to the supplier self-disclosure within our procurement process, we introduced training for suppliers in the fiscal year 2023, including with regard to our expectations in terms of respecting human rights. We would also like to expressly point out the establishment of a whistleblower hotline for workers throughout the value chain, which can be contacted (also anonymously) in the event of any violations.

All Alzchem suppliers are classified into three categories from A to C on the basis of self-disclosure and, if applicable,



audits. A supplier is only qualified if it is classified in categories A or B. Suppliers with a classification of C are initially not considered in order to avoid potential risks. Measures are then jointly defined with C-rated suppliers in order to implement improvements with regard to the impact on human rights, safety or minimum social standards. If suppliers have particularly serious deficiencies and no improvement can be identified, we reserve the right to terminate the cooperation.

In 2021, Alzchem drew up a new Code of Conduct for business partners, suppliers and service providers, which is based on the principles of the UN Global Compact. It defines requirements for working conditions, respect for and protection of human rights, environmental protection and safety, product safety and quality, social standards such as fairness in wages, working hours and social benefits as well as business ethics and fair competition. A prerequisite for a business relationship is that our suppliers recognize the requirements for our sustainability standards in the Code of Conduct or guarantee compliance with their own code of conduct that fully complies with our guidelines. They are also required to communicate the content of the Code of Conduct to their employees and to pass it on to their upstream value chains. We also expect them to monitor compliance. Clear exclusion criteria for cooperation here are also human rights violations in relation to child labor, forced labor and human trafficking. This applies to the entire upstream and downstream value chain.

Alzchem's strategies in relation to the entire value chain are in line with internationally recognized standards such as

Responsible Care®, the OECD Guidelines for Multinational Enterprises, the International Labour Organization (ILO) and other CSR guidelines, including the United Nations Guiding Principles on Human Rights.

To date, no cases of non-compliance with the United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines have been reported to us.

For information on the key aspects of the strategies relating to our own workforce, please refer to the disclosures in [ESRS S1](#) (Own Workforce) in this non-financial Group statement.

PROCESS FOR INVOLVING WORKERS IN THE VALUE CHAIN IN RELATION TO IMPACTS

It is essential for Alzchem to convince our suppliers that we insist on compliance with international standards on sustainability issues such as respect for human rights, occupational health and safety. Through our self-disclosure questions or audits with credible local representatives, we gain a direct insight into the situation of the local workforce and their satisfaction, for example whether the necessary occupational health and safety is provided or whether working hours are observed. It gives our suppliers a competitive advantage if their employees are treated fairly and paid accordingly. This applies equally to our own employees and to employees in the downstream value chain.

The involvement of our business partners and suppliers generally takes place before the start of a business relationship and begins with the acceptance of our Code of Con-

duct and, for our suppliers, additionally with the help of the supplier self-assessment. By the end of 2025, the responsible persons in the Alzchem Purchasing department (Purchasing Trostberg or the local purchasing organization) will explain to all relevant suppliers (focus on non-OSCE countries) our guidelines for sustainable cooperation with regard to human rights and occupational health and safety as well as the consequences of deviations or violations. This takes place either online or in person. Both the responsible purchasers in Germany and in the respective country organizations were trained accordingly beforehand. Corresponding regulations apply to our consumers and customers in the downstream value chain.

Operational responsibility for the procurement of raw materials lies with the Supply Chain Management (SCM) department, whose management reports directly to the responsible member of the Management Board (in this case the Chief Executive Officer). This department coordinates procurement across the Group in consultation with the business divisions, defines corresponding purchasing guidelines and promotes and monitors sustainable action by our suppliers.

As part of an annual CSR risk assessment, all relevant suppliers are reviewed and, if necessary, audited (online or on-site). This is done taking into account the respective country risk (focus on non-OSCE countries) and the expected damage potential for Alzchem. An assessment is then carried out, if necessary with a definition of necessary measures. Progress with regard to the implementation of the agreed measures is documented in a scorecard.





The impressions gained from on-site audits and the answers from the supplier self-disclosure form on the specific questions regarding particularly vulnerable workers (e.g. female workers, workers with disabilities) in the value chain are documented and then evaluated. If necessary, measures are derived from this and their implementation is followed up.

PROCEDURES TO ADDRESS NEGATIVE IMPACTS AND CHANNELS THROUGH WHICH WORKERS IN THE VALUE CHAIN CAN RAISE CONCERNS

In 2023, Alzchem appointed a Compliance Officer (Human Rights Officer) and set up an anonymous whistleblower system that is available to all employees throughout the value chain and was introduced online or in the form of classroom training. Potential human rights violations can be reported directly to the responsible compliance officer by e-mail or telephone. Alternatively, an electronic whistleblower system from an independent provider is available (whistleblower hotline). If desired, the report can also be made anonymously (see also the information in ESRG G1 (Corporate Policy) in this Sustainability Statement).

The Alzchem Compliance Officer is responsible for ensuring the effectiveness of these channels. The Supply Chain Management (SCM) department, in consultation with the Compliance Officer, is responsible for the immediate initiation of measures in the event of any indications.

To date, we have not received any reports of problems or violations relating to human rights issues within the value chain.

Alzchem provides all suppliers along the entire value chain with the relevant guidelines, in which the various options for reporting violations, for example with regard to human

rights issues, are discussed in detail. Explanations are provided by the responsible persons either online or in person. The option of reporting human rights violations anonymously means that retaliation against whistleblowers (workers in the value chain) can be avoided (see also the information in ESRG G1 (Corporate Policy) in this Sustainability Statement).

MEASURES RELATING TO MATERIAL IMPACTS AND APPROACHES TO MANAGING MATERIAL RISKS AND EXPLOITING MATERIAL OPPORTUNITIES

One of the goals of Alzchem's sustainability management is to minimize risks with regard to key sustainability aspects within the value chain. Key aspects and standards are defined in our procurement guidelines. Sustainability risks in our value chain should be identified and evaluated at an early stage. The necessary improvements are then implemented jointly in order to improve the sustainability performance of our suppliers. This progress is in turn evaluated and documented.

A prerequisite for cooperation is that our suppliers identify with our values. We therefore expect our suppliers to recognize our own Code of Conduct or to present their own Supplier Code of Conduct, which should be in line with Alzchem's expectations. We also expect our suppliers to introduce standards for their suppliers that are based on our specifications. Clear exclusion criteria for cooperation with a supplier are the disregard or violation of human rights as well as child and forced labor.

For the reporting year 2023, the recognition rate of the Alzchem Code of Conduct or a comparable Code of Conduct of the respective supplier was increased from 62% in 2022 to 81%. Alzchem expects a further increase to at least 85% for 2024.

Furthermore, we have begun to familiarize our relevant suppliers in non-OSCE countries with Alzchem's principles and expectations in the form of online or classroom training. In the fourth quarter of the reporting year 2023, an on-site training session on these topics was held in China with a total of seven relevant Chinese suppliers with the support of the legal department. Through these trainings of key suppliers, we increase the understanding of Alzchem's requirements with the aim of minimizing potential risks through concrete measures. After an appropriate period of time, we review and evaluate the effectiveness of the measures introduced.

Alzchem has set itself the goal of subjecting all relevant raw material suppliers from non-OSCE countries to a CSR audit by the end of 2027 in order to check the respective classification by the supplier evaluation on the one hand and to identify suppliers that represent a high risk potential for Alzchem on the other. This is done taking into account the respective country risk and the possible damage potential for Alzchem.

All employees in the Purchasing department receive regular training on sustainability and compliance topics such as our Code of Conduct. In the reporting year 2023, the employees of the Chinese Group company and our external representative in India were also trained to carry out online CSR audits.

As part of the supplier qualification process, Alzchem requests a so-called supplier self-disclosure from its current or future suppliers in order to be able to identify potential or actual negative effects on the workforce within the upstream value chain at an early stage. This self-disclosure includes, among other things, the recognition of our Code of Conduct or the submission of our own Code of Conduct, which is fully in line with our values. Based on the results of



the supplier self-assessment and the subsequent evaluation, a classification is made into three different categories A, B and C, which determines whether a company is approved as a supplier or retains its approval. Suppliers with a classification of C are not approved as suppliers and can only be considered if a CSR audit establishes that the necessary minimum requirements have been met. The assessment is documented and subsequently communicated to the respective supplier in writing.

Since 2022, Alzchem has carried out an annual CSR risk analysis. In addition to economic risks, human rights and environmental aspects of direct and indirect suppliers are also considered. The analysis focuses on raw material suppliers from non-OSCE countries. In future, we will carry out annual and ad hoc CSR risk analyses. A supplier database will be used to monitor the implementation of measures. Non-compliant suppliers can also be blocked directly via the ERP system.

To date, no relevant problems or incidents relating to human rights have been identified within our upstream and downstream value chain.

PARAMETERS AND TARGETS

OBJECTIVES RELATED TO MANAGING SIGNIFICANT NEGATIVE IMPACTS, PROMOTING POSITIVE IMPACTS AND MANAGING SIGNIFICANT RISKS AND OPPORTUNITIES

The core of sustainable supply chain management is supplier qualification, evaluation and development before entering into a business relationship and during the collaboration. Our Code of Conduct includes our expectations regarding compliance with human rights. We ask our suppliers to work towards ensuring that their suppliers also fulfill the requirements and values formulated in our Code of Conduct or their own Code of Conduct.

Alzchem only works with suppliers who have achieved a classification in category A or B as part of the supplier qualification or assessment. Suppliers with a classification of C according to the evaluation form of the supplier self-assessment are not approved as suppliers and can only be considered if it is determined within a CSR audit that the necessary minimum requirements are met, so that a higher classification in category B or A can take place.

Alzchem has set itself the goal of subjecting all relevant raw material suppliers in non-OSCE countries to a CSR audit by the end of 2027 in order to check the classification as a result of the supplier evaluation and to identify suppliers that have a high risk potential with regard to material sustainability aspects. The CSR audits are prioritized based on the CSR risk analysis.

In the reporting year 2023, a total of four CSR online audits were carried out in non-OSCE countries. The aim is to subject all relevant suppliers to a CSR online audit by the end of 2027.

CSR audits (online)	Goal		
	2022	2023	2024
Suppliers in China	3	3	4
Suppliers in India	0	3	4

The results of the CSR audits are recorded in our purchasing database and improvement measures are implemented in consultation with the supplier in the event of any deviations. In the reporting year, no serious deviations were identified at any of the six suppliers audited. We only made recommendations (e.g. introduction of a dedicated whistleblower hotline, guidelines regarding compliance with fair competition).

The plan for 2024 is for at least 85% of all relevant raw material suppliers to recognize our Code of Conduct (or a comparable code from the supplier, if available).

Acceptance of Code of Conduct or own Code of Conduct	Goal		
	2022	2023	2024
Number of raw material suppliers	129	213	223
Suppliers in %	62	81	85

Furthermore, by the end of 2025, all relevant suppliers are to be trained on the principles and guidelines relating to sustainability aspects in our supply chain. This can take the form of face-to-face or online training. Through this measure, Alzchem is significantly increasing the awareness of its suppliers to deal with sustainability issues such as human



rights in order to make improvements in their own company and at their suppliers if necessary.

Supplier training – non-OSCE country	Goal		Goal
	2023	2024	2025
Cumulative number of raw material suppliers	15	34	59
Cumulative percentage of suppliers	25	58	100

11.3.3 ESRS S4 – CONSUMERS AND END USERS

STRATEGY

The interests and positions of the stakeholders and the effects, risks and opportunities and their interaction with the strategy and business model can be found under [ESRS 2](#).

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

STRATEGIES IN CONNECTION WITH CONSUMERS AND END USERS

As an internationally active company, Alzchem bears responsibility for respecting and safeguarding human rights along the entire value chain. We therefore systematically check whether the companies within the Alzchem Group, suppliers and customers respect human rights. The human rights due diligence obligation is anchored as a central topic in our sustainable business strategy and is accordingly linked to targets. To achieve these goals, the Alzchem Group has established a compliance management system (CMS), which serves to prevent or limit damage, detect and terminate violations of rules and fulfill legal obligations. The CMS also extends to the corporate guidelines that the Alzchem Group has implemented in order to summarize the corporate policy principles and standards with which Alzchem employees are also familiar.

We want to be an attractive and fair partner for our customers. Our customers are at the center of everything we do. With our products and technologies as well as our innovative and entrepreneurial spirit, we want to grow profitably and at the same time create value for society and the environment.

99% of Alzchem's customers are global and medium-sized companies and, in the case of our product LIVADUR®, also end consumers. Our products are either supplied by our customers and consumers to the end user or further processed into an end product. Alzchem's business is characterized by a high repurchase rate from regular customers. Alzchem strives to maintain the customer loyalty rate

at a high level and to further expand it in individual business areas.

We are in continuous dialog with our customers and consumers in order to jointly tap into new innovation and growth potential and to be able to respond better and faster to their needs. This also includes the human rights due diligence obligation.

The following national and international guiding principles for business and human rights are of central importance for our human rights activities and guidelines:

- UN Guiding Principles on Business and Human Rights
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Principles and Rights at Work
- International Charter of Human Rights

We are not currently aware of any cases of non-compliance with these guiding principles involving consumers or end users of our products.

With regard to respect for human rights in relation to our own workforce and workers in the value chain, reference is also made to ESRS S1 and S2 as well as ESRS G1.

Our customer relationship management (CRM) system helps us to maintain and intensify customer relationships. This system provides support for sales, for example in correspondence with the relevant contact persons. Separate databases are available for sending samples or processing complaints. Our experts also provide our customers and consumers with direct advice or training on our products and their areas of application at regular intervals, usually by



telephone, e-mail, online or at trade fairs. This is done both for potential new customers and for existing customers to ensure the safe and proper use of our products and to rule out any risk to health or the environment.

Periodic surveys of our customers and consumers as well as audits on services, safe handling and the quality of our products are generally carried out by our sales department. Suggestions or measures derived from these are implemented promptly and their realization is also followed up.

To strengthen the compliance system, Alzchem has set up an external whistleblower system with a service provider ("Whistleblower Hotline"), which, in addition to Alzchem employees, also offers third parties, for example business partners, consumers or customers, the opportunity to express their concerns, worries or needs directly to the company, but also to point out legal violations in the company, anonymously if desired. By using the whistleblower hotline, the whistleblower does not incur any costs or disadvantages in relation to Alzchem, provided that the whistleblower has not violated laws or, for example, the company guidelines. The employees of the service provider are bound to confi-

dentiality. They will treat the identity of the whistleblower and the information provided by him confidentially, insofar as this is desired by the whistleblower and legally possible, so that the rights to privacy and data protection are safeguarded. The service provider and Alzchem will investigate the information with the necessary care and thoroughly examine the underlying facts and derive appropriate consequences.

Alzchem has set itself clear goals that can contribute to a more sustainable economy. For example, with our products in the field of agriculture, we support farmers in reconciling climate protection or the protection of water and soil with the economic challenges of modern agriculture. Alzchem's product responsibility in this area means adhering to high safety standards and minimizing risks to protect human health and the environment. The company therefore promotes and supports the safe and responsible use of its products and trains its customers in their proper use in conjunction with the wearing of suitable protective equipment. It is also expressly advised to always read the label and pro-

duct information before use and to observe the warnings and warning symbols.

To date, no problems or incidents relating to the human rights of customers or consumers have come to light.

11.4 GOVERNANCE (G)

11.4.1 ESRS G1 – CORPORATE POLICY

GOVERNANCE

The roles of the administrative, management and supervisory bodies can be found under [ESRS 2](#).

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

The description of the procedures for determining and assessing the material effects, risks and opportunities can be found under [ESRS 2](#).





THE CORPORATE CULTURE OF ALZCHEM

Alzchem's corporate culture is characterized by mutual respect and trust. Based on our corporate values and our vision, we have drawn up binding rules of conduct and summarized them in our Corporate Guidelines. These apply to all employees with regard to all activities of Alzchem in all business areas and cultures worldwide. The Corporate Guidelines summarize the most important legal and corporate policy principles and standards of Alzchem with which employees must be familiar. They provide Alzchem employees with orientation in basic legal and ethical obligations and determine our behavior internally in our dealings with each other and externally in contact with business partners, authorities, the capital market and the public.

All employees are familiarized with the corporate guidelines, including through the "Do the right thing" training course. The training offered via the iManSys training tool or held in person by suitable employees is mandatory for all employees; successful participation is documented accordingly. In addition, special training courses are offered for certain target groups on other compliance-relevant topics, such as fraud and corruption prevention, export control, antitrust law and the environment, health and safety. Participation in such training courses is also documented.

All line managers must ensure that their employees are regularly made aware of the contents of the corporate guidelines, which are also available as a flyer, and that they observe the requirements contained therein. Line managers are obliged to actively support compliance with the company guidelines by setting an example. Any compliance violations that occur in the company should be taken as an opportunity to discuss the misconduct expressed therein with the em-

ployees. In the event of reasonable suspicion or knowledge of violations of the company guidelines or legal regulations, every employee should inform the Compliance Officer, or their line manager if necessary, or alternatively the whistleblower hotline (see below). Violations of legal regulations can be punished by the state authorities. Violations of the company guidelines may also have consequences under employment law, in particular disciplinary consequences.

The Compliance Officer ensures independent and objective processing of all concerns addressed to them or received via the whistleblower hotline (see below). In this function, the Compliance Officer reports directly to the Management Board. However, he is not bound by any instructions. The Compliance Officer is also available to all employees as a contact person both to answer questions and as an advisor, for example in connection with the company guidelines. He receives all incoming information and follows it up with the necessary care appropriate to the case. The information received is treated confidentially as far as legally possible.

If the Compliance Officer establishes a sufficient initial suspicion of a violation of the principles contained in the company guidelines, he can also involve other departments of Alzchem in the clarification of the facts while maintaining the confidentiality of the information received. The employees of the Compliance Officer are also obliged to maintain confidentiality with regard to the information they become aware of.

In addition to the possibility of reporting to the Compliance Officer, the supervisor or the Works Council, Alzchem has also set up a digitally supported whistleblower system ("Whistleblower Hotline") offered by a professional service provider. In addition to Alzchem employees, the whistleblo-

wer hotline is also available to third parties, such as business partners or customers, who can use it to report violations of company guidelines or legal regulations, even anonymously.

The protection of both internal and external whistleblowers is guaranteed in all cases. The person concerned does not suffer any disadvantages as a result of calling the Compliance Officer or the whistleblower hotline, provided they have not themselves violated laws or company guidelines.

COMBATING CORRUPTION AND BRIBERY

Alzchem's corporate guidelines include a commitment to responsible and ethical business conduct and a zero-tolerance policy with regard to any form of corruption, bribery, fraud and theft, including attempts to commit such offenses. The appearance that an Alzchem employee is bribing or attempting to influence others through improper means must be avoided. All Alzchem business affairs and processes must therefore be conducted or established in a manner that complies with all applicable laws.

The corporate guidelines not only contain rules and procedures, e.g. for conflicts of interest, for maintaining confidentiality and for dealing with company-sensitive (insider) information, but also specifically address

- the acceptance and granting of gifts, invitations and benefits,
- sponsoring in the form of monetary and in-kind donations to promote cultural, social, religious, scientific, political and charitable purposes,
- the protective regulations for the prevention of money laundering that must be observed specifically for financial transactions, and



- the orderly selection of suppliers and service providers, i.e. based on objective criteria.

Based on these principles, Alzchem is committed to detecting all potential breaches of the law at the earliest possible stage, thoroughly investigating any identified non-compliance and establishing appropriate organizational measures and sanctions for the individuals involved. However, this is more than just an end in itself: we believe that the integrity of our employees is the basis for the trust that our suppliers, customers and other stakeholders place in our company. Furthermore, we believe that the integrity of our actions is an essential prerequisite for sustainable business success.

The ethical and legal standards set out in the corporate guidelines, specifically on the topics of corruption and bribery, apply to all Alzchem employees throughout the Group and – via the "Code of Conduct for Business Partners" – also to our suppliers and business partners. We also expect them to participate in competition in a fair manner.

The functions within Alzchem that are theoretically most susceptible to corruption and bribery include activities in the areas of procurement and purchasing as well as sales and marketing. This is where decisions about suppliers are made or customer relationships are maintained and sometimes highly remunerated contracts are concluded. Risks can also exist in research and development, particularly when it comes to the protection of intellectual property and patents. Finally, managers who have budgets and resources at their disposal can also be susceptible to unfair business practices. In this respect, however, Alzchem does not differ structurally from other comparable commercial enterprises.

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

Alzchem strives for a fair and reliable business relationship, especially with suppliers with whom it maintains an intensi-

ve dialog and close cooperation. In recent years, we have carried out status reviews of all major raw material suppliers outside the OECD with the help of questionnaires (scorecards), which, in accordance with the Act on Corporate Due Diligence Obligations in Supply Chains applicable to Alzchem since January 1, 2024, now also include important sustainability aspects, such as compliance with obligations and requirements in the area of environmental protection and with regard to social issues. On this basis, a comprehensive risk assessment of all key suppliers was carried out, taking particular account of social and environmental aspects.

According to Alzchem's corporate guidelines, payment for goods and services received must be made directly to the respective contractual partner. As a rule, payment is made in the country in which the contractual partner has its registered office. Full or partial payment in cash is prohibited, except in minor cases. For further payment practices – also applicable to dealings with SMEs – see below.

PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

Corruption and bribery cases in which Alzchem or an Alzchem employee was actively or passively involved have so far remained the absolute exception in corporate practice (see below). Based on a risk-based approach, there are accordingly no dedicated anti-corruption or bribery procedures or guidelines. Instead, any cases of corruption and bribery are investigated, pursued and, if necessary, punished as part of the general compliance organization and procedures. The introduction of special procedures is also not planned in the foreseeable future for the aforementioned reasons.

The awareness of Alzchem employees, including top management, for the risks associated with corruption and

bribery is strengthened through regular training. This primarily includes general training on the corporate guidelines (see above), but also special training courses that deal, for example, with the topics of "gifts and benefits", the processes in purchasing or the company's internal signature regulations (dual control principle).

PARAMETERS AND TARGETS

CONFIRMED CASES OF CORRUPTION OR BRIBERY

Neither the company nor its employees (with regard to their work for the company) have been convicted of violating applicable corruption and bribery regulations in 2023.

The company is not aware of any violations of corruption and bribery regulations (see above), so there was no need to take any (sanction) measures.

POLITICAL INFLUENCE AND LOBBYING ACTIVITIES

The lobbying activities of Alzchem and any consultants engaged for this purpose only extend to a few areas that are, however, economically all the more important for the company. The company-internal responsibility for the supervision of the respective lobbying activities within the Management Board follows the general business responsibility regulated in the business allocation plan. (For example, the member of the Management Board responsible for sales (CSO) is responsible for lobbying on an Alzchem product, the person responsible for production (COO) for an emissions issue, etc.). Where the matter in question is of Group-wide importance, the Chief Executive Officer is also responsible for monitoring lobbying activities.

In 2023, Alzchem did not make any financial contributions or contributions in kind to any office holder, political decision-maker or political party inside or outside Germany.



Alzchem has stepped up its efforts to promote its interests at European level. The main activities are documented in the EU Transparency Register:

1. REACH restriction procedure "Calcium cyanamide as fertilizer"
2. Hazardous chemicals – prohibiting production for export of chemicals banned in the European Union
3. Amendment of CLP-Regulation 2008/1272
4. Chemicals legislation – revision of REACH Regulation to help achieve a toxic-free environment
5. Soil monitoring and resilience (Soil Monitoring Law)
6. EU Parliament: 2021/2006(INI): An EU strategy to reduce methane emissions

In the REACH restriction procedure (1. above), Alzchem contributed to the ECHA committees "RAC" and "SEAC" involved in the procedure in the form of technical statements and held discussions with the responsible departments. Alzchem has uploaded contributions and comments on topics 2-5 to the relevant websites ("Have your Say"). With regard to a possible methane reduction at EU level, contact has been made with employees of the "Agri" and "Climate" Directorates-General.

Alzchem's lobbying activities vis-à-vis German and Bavarian authorities focused on the following areas:

- Support with the REACH restriction procedure "calcium cyanamide as fertilizer",
- Promotion of suitable framework conditions for the use of Eminex® to reduce methane emissions from livestock farming,
- Location policy issues, such as energy price trends and security of supply.

For a medium-sized company like Alzchem, the efficient representation of its own interests vis-à-vis state authorities, especially in Bavaria, Germany and Europe, is elementary. In order to get through to the responsible authorities with the essential arguments appropriate to the matter, experienced interest representation organizations are indispensable, if only because of their own limited resources. These include the trade associations CEFIC, VCI and IVA.

Alzchem Trostberg GmbH is registered in the EU Transparency Register (under no. 058565221863-63), in the Federal Lobby Register (under no. R001966) and in the Bavarian Lobby Register (under no. DEBYLT010E).

Members of the Management Board, Management Board and Supervisory Board of Alzchem Group companies did not hold any comparable positions in public administration (including regulatory authorities) prior to their appointment.

PAYMENT PRACTICES

In all transactions, especially of a financial nature, we observe the applicable laws, in particular the regulations for the prevention of money laundering.

Payment terms are generally agreed individually with the customer and are up to 90 days, but on average much less. Payment for goods and services received is made directly to the respective contractual partner. As a rule, payment is made in the country in which the contractual partner has its registered office. Full or partial payment in cash is prohibited, except in minor cases.

The terms of payment for deliveries and services purchased from Alzchem are negotiated individually with the respective parties. The average payment period is approx. 45 days.

The main categories of suppliers, which are divided into the purchasing areas of raw materials, services/technical goods, transportation and packaging, are reported. There is currently no breakdown by payment terms and their share of the purchasing volume.

There are currently and historically no legal proceedings pending against Alzchem for late payment.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023



Consolidated income statement

OF ALZCHEM GROUP AG, TROSTBERG,
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

in EUR thousand	Appendix no.	01/01 - 12/31/2022	01/01 - 12/31/2023
Revenues	1	542,223	540,649
Change in inventories of finished and unfinished goods		22,193	-3,804
Other operating income	2	24,177	13,857
Cost of materials	3	-288,877	-225,145
Personnel expenses	4	-137,139	-145,637
Other operating expenses	5	-101,136	-98,547
EBITDA		61,441	81,373
Depreciation and amortization	6/11/12/13	-25,543	-25,900
EBIT		35,898	55,473
Other interest and similar income	7	8,421	382
Interest and similar expenses	7	-3,037	-7,666
Financial result	7	5,384	-7,284
Result from ordinary business activities		41,282	48,189
Taxes on income and earnings	8	-11,059	-13,397
Consolidated annual result		30,223	34,792
Non-controlling interests in consolidated annual result	10	171	171
Shares of the shareholders of Alzchem Group AG in consolidated annual result		30,052	34,621
Earnings per share in € (undiluted and diluted)	9/IV	2.96	3.40

Consolidated statement of comprehensive income

OF ALZCHEM GROUP AG, TROSTBERG,
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

in EUR thousand	Appendix no.	01/01 - 12/31/2022	01/01 - 12/31/2023
Consolidated annual result	21	30,223	34,792
Other income			
Items that are not reclassified to the income statement			
Result from the revaluation of defined benefit plans		50,426	-8,332
Deferred taxes		-14,119	2,332
Total items that are not reclassified to the income statement		36,307	-6,000
Items that will later be reclassified to the income statement			
Result from the market valuation of financial assets		27	-31
Currency translation difference		-538	-302
Deferred taxes		-8	9
Total items that will later be reclassified to the income statement		-519	-324
Other income	21	35,788	-6,323
Non-controlling interests in other income		0	0
Shares of the shareholders of Alzchem Group AG in other income		35,788	-6,323
Consolidated comprehensive income	21	66,011	28,468
Non-controlling interests in other consolidated comprehensive income		171	171
Shares of the shareholders of Alzchem Group AG in consolidated comprehensive income		65,840	28,297

Consolidated balance sheet

AS OF DECEMBER 31, 2023
OF THE ALZCHEM GROUP AG, TROSTBERG

ASSETS in EUR thousand	Appendix no. 12/31/2022		12/31/2023
Non-current assets			
Intangible assets	11	2,954	3,664
Property, plant and equipment	12	181,526	177,281
Lease usage rights	13	6,250	4,855
Financial assets	14	6	6
Other receivables and other assets	15	1,531	1,369
Deferred tax assets	16	15,956	20,921

ASSETS in EUR thousand	Appendix no. 12/31/2022		12/31/2023
Total non-current assets		208,223	208,096
Current assets			
Inventories	17	122,404	107,478
Trade receivables	18	55,712	75,212
Financial assets	14	5,228	0
Other receivables and other assets	15	19,743	19,239
Deferred tax assets	19	2,307	2,769
Cash and cash equivalents	20	9,243	11,883
Total current assets		214,637	216,581
Total ASSETS		422,860	424,677



EQUITY AND LIABILITIES in EUR thousand	Appendix no.	12/31/2022	12/31/2023
EQUITY			
Capital and reserves			
Subscribed capital	21	101,763	101,763
Capital reserve adjustment item reverse acquisition / IFRS 2	21	-87,451	-88,459
Capital reserve	21	24,981	24,981
Other accumulated equity	21	-15,316	-21,639
Balance sheet profit	21	121,044	144,979
Treasury shares	21	-1,009	0
		144,012	161,625
Non-controlling interests	10/21	1,934	1,934
Total equity		145,946	163,559

EQUITY AND LIABILITIES in EUR thousand	Appendix no.	12/31/2022	12/31/2023
LIABILITIES			
Non-current liabilities			
Provisions for pensions and similar obligations	22	90,141	100,294
Other provisions	23	17,011	19,691
Loan liabilities to banks	24	27,498	48,665
Lease liabilities	13	4,622	3,377
Other liabilities	26	171	171
Deferred tax liabilities	16	5,365	6,289
Total non-current liabilities		144,808	178,487
Current liabilities			
Other provisions	23	1,944	3,537
Loan liabilities to banks	24	66,408	8,833
Lease liabilities	13	1,707	1,613
Trade payables	25	37,386	31,554
Other liabilities	26	23,059	28,930
Income tax liabilities	27	1,602	8,164
Total current liabilities		132,106	82,631
Total liabilities		276,914	261,118
Total EQUITY and LIABILITIES		422,860	424,677



Consolidated statement of changes in equity

OF ALZCHEM GROUP AG, TROSTBERG, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

	Notes no.	Subscribed capital	Capital reserve adjustment item reverse acquisition / IFRS 2	Capital reserve	Other accumulated equity	Balance sheet profit	Treasury shares	Shares of Alzchem Group AG shareholders	Non-controlling interests	Total equity
		EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Status as of 01/01/2022		101,763	-88,128	24,981	-51,104	101,127	-1,009	87,630	1,934	89,564
Dividend	IV	0	0	0	0	-10,136	0	-10,136	0	-10,136
Entitlement to compensation payment non-controlling interests		0	0	0	0	0	0	0	-171	-171
Total transactions with shareholders		0	0	0	0	-10,136	0	-10,136	-171	-10,307
Consolidated annual result	21	0	0	0	0	30,052	0	30,052	171	30,223
Other result	21	0	0	0	35,788	0	0	35,788	0	35,788
Consolidated comprehensive income		0	0	0	35,788	30,052	0	65,840	171	66,011
Share-based payment employees	21	0	677	0	0	0	0	677	0	677
Status as of 12/31/2022		101,763	-87,451	24,981	-15,316	121,044	-1,009	144,012	1,934	145,946
Status as of 01/01/2023		101,763	-87,451	24,981	-15,316	121,044	-1,009	144,012	1,934	145,946
Dividend	IV	0	0	0	0	-10,685	0	-10,685	0	-10,685
Entitlement to compensation payment non-controlling interests		0	0	0	0	0	0	0	-171	-171
Total transactions with shareholders		0	0	0	0	-10,685	0	-10,685	-171	-10,856
Consolidated annual result	21	0	0	0	0	34,621	0	34,621	171	34,792
Other result	21	0	0	0	-6,323	0	0	-6,323	0	-6,323
Consolidated comprehensive income		0	0	0	-6,323	34,621	0	28,297	171	28,468
Share-based payment employees	21	0	-1,009	0	0	0	1,009	0	0	0
Status as of 12/31/2023		101,763	-88,459	24,981	-21,639	144,979	0	161,625	1,934	163,559



Consolidated cash flow statement

OF THE ALZCHEM GROUP AG, TROSTBERG,
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

	Appendix No.	01/01 - 12/31/2022	01/01 - 12/31/2023
	28	EUR thousand	EUR thousand
Consolidated annual result before taxes		41,282	48,189
Depreciation and amortization on property, plant and equipment and intangible assets		25,543	25,900
Decrease in pension provisions		-1,651	-1,889
Profit from the sale of non-current assets		-65	-9
Other non-cash expenses (+) and income (-)		2,891	13,740
Financial result		-5,384	7,284
Interest received		61	327
Interest paid		-1,531	-3,224
Income taxes paid		-7,177	-9,049
Decrease (+)/increase (-) in inventories		-37,930	9,568
Increase in trade receivables and other receivables		-19,623	-14,863
Decrease in trade payables, other liabilities and other provisions		-314	-3,161
Change in other balance sheet items		-342	-142
Cash outflow (-)/inflow (+) from operating activities (net cash flow)		-4,240	72,671

	Appendix No.	01/01 - 12/31/2022	01/01 - 12/31/2023
	28	EUR thousand	EUR thousand
Payments for investments in non-current assets		-29,068	-20,557
Proceeds from the sale of non-current assets		68	9
Proceeds from the sale of investments		489	0
Cash outflow from investing activities		-28,511	-20,548
Free cash flow		-32,751	52,123
Proceeds from loans		0	30,000
Proceeds/payments from short-term financing lines		56,353	-56,353
Payments for the repayment of loan liabilities		-10,490	-10,055
Dividend payments to the shareholders		-10,136	-10,685
Dividend payments to non-controlling interests		-171	-171
Repayment of lease liabilities		-1,909	-1,902
Cash inflow (+)/outflow (-) from financing activities		33,647	-49,166
Net increase in cash and cash equivalents		896	2,957
Financial funds at the beginning of the period (at the closing rate of the previous year)		8,285	9,243
Changes due to exchange rate changes		62	-317
Financial funds at the end of the period		9,243	11,883
Net increase in cash and cash equivalents		896	2,957



Notes to the consolidated financial statements

AS OF DECEMBER 31, 2023

I. SEGMENT REPORTING

SEGMENT REPORTING BY OPERATING SEGMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2023:

	Specialty Chemicals	Basics & Intermediates	Other & Holding	Consoli- dation	Group
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
External sales	319,802	192,183	28,664	0	540,649
EBITDA	73,243	9,531	463	-1,864	81,373
EBITDA margin	22.9%	5.0%	1.6%		15.1%
Depreciation and amortization					-25,900
EBIT					55,473
Other interest and similar income					382
Interest and similar expenses					-7,666
Financial result					-7,284
Result from ordinary business activities					48,189
Inventories as of 12/31/2023:	55,998	49,139	4,377	-2,036	107,478

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

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



SEGMENT REPORTING BY REGIONS:

	Domestic	Abroad	Group
	EUR thousand	EUR thousand	EUR thousand
External sales 01/01 - 12/31/2023:	152,130	388,519	540,649
External sales 01/01 - 12/31/2022:	145,826	396,397	542,223
Non-current assets as of 12/31/2023:	180,450	5,349	185,799
Non-current assets as of 12/31/2022:	185,661	5,069	190,730

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

IFRS 8 requires segmentation into operating segments in accordance with the internal organizational and reporting structure. An operating segment is defined as a "component of an entity" that generates income and expenses from its business activities, whose results of operations are regularly analyzed by the responsible corporate body as part of resource allocation and performance assessment and for which discrete financial information is available. The responsible corporate body is the Management Board of Alzchem Group AG.

The reportable segments within the Alzchem Group are the segments

- Specialty Chemicals
- Basics & Intermediates
- Other & Holding

The Specialty Chemicals segment generates revenue mainly from the sale of specialty chemical products. The segment is characterized by innovative products that are used in the chemical industry, the food and animal nutrition industry and in the field of renewable energies. The products for customers in the food industry are mainly based on compounds of NCN chemistry (nitrogen-carbon-nitrogen). The product Creapure® as an endogenous substance is used as a dietary supplement in the sports sector, as a muscle tonic for older people and in

the pharmaceutical and cosmetics industries. The Bioselect® product range, which has grown very strongly in recent years, is used for customer applications in large molecule production and diagnostics, particularly for COVID-19 test kits. In the animal nutrition industry, guanidinoacetic acid is mainly produced under the product name Creamino® as an animal feed additive. The products that Alzchem sells to customers in the renewable energies sector are used in the manufacture of composite materials and adhesives (DYHARD®) and as silicon nitride for high-performance ceramics and for the manufacture of photovoltaic modules in the solar industry. The production of nitroguanidine for use in agrochemical and pharmaceutical active ingredients and as a gas generator in propellants is also allocated to this segment.

The Basics & Intermediates segment essentially bundles the activities of compound chemistry based on the primary nitrogen-carbon-nitrogen bond (NCN chain). In this segment, raw materials for specialty chemicals, products for customers in the agricultural and metallurgical sectors and intermediates for further use in the chemical industry are manufactured on the basis of lime, carbon and electricity. Customers in the agricultural sector use calcium cyanamide products as fertilizers, for example. For customers in the metallurgy sector, this segment manufactures lime- and carbide-based additives for hot metal desulphurization as well as products for deoxidation, desulphurization and steel embroidery in the secondary metallurgy sector. This segment also includes the production and sale of guanidine salts as a raw material for agrochemicals and active pharmaceutical ingredients as well as the production of nitriles as intermediate products for the chemical processing industry.

All of the Group's other activities are combined in the Other & Holding segment. The sales generated here mainly comprise service sales.

When preparing segment reporting in accordance with the internal management approach, the same accounting principles are applied as for the preparation of the IFRS consolidated financial statements.

External sales represent segment sales with external customers. The reported sales by regions relate to the customers' billing address. EBITDA is the key earnings figure regularly used by Management to assess the profitability of the segments. Intersegment sales are not recorded. Instead, the expenses to be taken into account when calculating EBITDA are determined and offset in the individual segments on the basis of causation using internal cost allocation. As a result, the expenses of the performing segment are credited and the expenses of the receiving segment are debited. The cost rates applied are reviewed regularly,



adjusted if necessary and do not include any profit mark-ups. In general, the aim of internal cost allocation is to ensure that all costs are allocated to the respective segment in accordance with 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 must be reported by specific regions in accordance with IFRS 8, are made up of intangible assets, property, plant and equipment and lease usage rights.

The Consolidation column shows Group eliminations and Group postings made solely for the purpose of preparing the consolidated financial statements. The sales revenue reported in this column includes currency effects that could not be allocated to the segments.

II. PRELIMINARY REMARK

The consolidated financial statements include Alzchem Group AG, a stock corporation (Kapitalgesellschaft) under German law with its registered office in Trostberg, Germany, and its subsidiaries. The head office of Alzchem Group AG is located at Dr.-Albert-Frank-Str. 32, Trostberg, Germany. The competent register court is 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 23, 2024.

The companies of the Alzchem Group develop, produce and trade in chemical products of all kinds and provide services as chemical park operators, among other things. The basic raw materials lime, carbon and electricity are used in further production steps at the Trostberg (headquarters), Schal-

chen, Hart, Waldkraiburg and Sundsvall (Sweden) sites to manufacture versatile products with typical nitrogen-carbon-nitrogen compounds of very high quality. Smaller sales units are also located in Atlanta (USA), Shanghai (China) and Coventry (United Kingdom). Moreover, Actegon Energy GmbH was founded in the fiscal year 2023.

The company's shares are traded in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange in Germany (WKN: A2YNT3). Due to the shareholder structure, there is no parent company within the meaning of IAS 1.138. The current shareholder structure as of the reporting date can be found in the company's combined management report and is continuously updated on the Alzchem website.

With shareholder resolutions dated November 9, 2023 and November 20, 2023, Suppliva GmbH (formerly Alzchem Nutrition GmbH) and Alzchem International GmbH were exempted from the obligation to prepare and disclose the annual financial statements and management report for the fiscal year 2023 in accordance with section 264 para. 3 HGB. Alzchem Trostberg GmbH also makes use of the exemption provisions of section 264 para. 3 HGB and was exempted from the preparation and disclosure of the management report by shareholder resolution dated November 9, 2023. The exemption resolutions were submitted to the company register by the subsidiaries Suppliva GmbH (formerly Alzchem Nutrition GmbH), Alzchem International GmbH and Alzchem Trostberg GmbH and will be published accordingly.

III. NOTES TO THE BASIS 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 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 that go beyond the requirements of the IASB have been made in accordance with section 315e of the German Commercial Code (HGB). The consolidated financial statements in the present version comply with the provisions of section 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, on the application of international accounting standards.

The provisions of the International Financial Reporting Standards (IFRS), as applicable in the EU, which were mandatory as of the balance sheet date of December 31, 2023, were applied. Standards that were not yet mandatory as of December 31, 2023 were not applied early. This approach provides 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 euros (EUR), the functional currency of the parent company Alzchem Group AG. For reasons of clarity, the figures in the consolidated financial statements are presented in thousands of euros (EUR thousand), unless otherwise stated. All figures have been rounded up or down to EUR thousand in accordance with commercial rounding, so that individual figures do not add up exactly to the totals shown.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS APPLIED FOR THE FIRST TIME IN THE FISCAL YEAR 2023

The following standards and interpretations revised or newly issued by the IASB were mandatory for the first time from the fiscal year 2023 onwards

- IFRS 17 Insurance contracts

The standard governs the accounting treatment of insurance contracts. IFRS 17 replaces the previously valid transitional standard IFRS 4. The scope of application includes insurance contracts, reinsurance contracts and certain investment contracts with discretionary participation features. The IFRS 17 standard is not relevant for the Alzchem Group, as the Alzchem Group does not have any corresponding contracts.

- IAS 1 Presentation of Financial Statements

The amendments to IAS 1 and IFRS Practice Statement 2 are intended to assist preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose significant accounting policy information rather than its significant accounting policies.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 are intended to help distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced by a definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty". Entities develop accounting estimates when accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty. A change in an accounting estimate resulting from new information or new developments does not constitute a correction of an error.

- IAS 12 Income taxes

The amendment to IAS 12 narrows the scope of the initial recognition exemption, according to which no deferred tax assets or liabilities are to be recognized at the time an asset or liability is recognized. If deductible and taxable temporary differences of the same amount arise simultaneously in a transaction, these no longer fall under the exemption, meaning that deferred tax assets and liabilities must be recognized.

The first-time application of the amendments from IAS 1, IAS 8 and IAS 12 did not result in any changes to the explanations in the notes to the consolidated financial statements or the accounting of Alzchem.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE APPLICATION IS NOT YET MANDATORY

The following standards, amendments to standards and interpretations have already been adopted, but are only mandatory for reporting periods beginning on or after January 1, 2024. The Alzchem Group will apply these from January 1, 2024 or any later prescribed date and has estimated the expected effects on the net assets, financial position and results of operations of the individual standards, amendments to standards and interpretations, insofar as this estimate was already possible.

Standards	Amendment relates to	Obligation to apply from	Adoption by EU Commission already completed
IAS 1	Presentation of financial statements Classification of liabilities with ancillary conditions as current or non-current	01/01/2024	Yes
IFRS 16	Leases Lease liability in a sale and leaseback transaction	01/01/2024	Yes
IAS 7/IFRS 7	Cash flow statement/financial instruments: disclosures Supplier Finance Arrangements	01/01/2024	No
IAS 21	Effects of changes in foreign exchange rates Lack of exchangeability	01/01/2025	No



The amendments to IAS 1 are intended to clarify the criteria for classifying liabilities as current or non-current. In future, only "rights" that exist at the end of the reporting period will be decisive for the classification of a liability. In addition, supplementary guidelines for the interpretation of the criterion "right to defer settlement of the liability for at least twelve months" and explanations on the characteristic "settlement" have been included. Furthermore, with regard to the classification of liabilities as current or non-current, it is clarified that only ancillary conditions that an entity must fulfill on or before the reporting date affect this classification. The clarifications will have no effect on the classification of the maturities of the Alzchem Group's liabilities. However, an entity must disclose information in the notes that enables users of financial statements to understand the risk that long-term liabilities with covenants could become repayable within twelve months. The loan and credit agreements contain covenants that are customary on the capital market. Failure to comply with these agreements would mean a reclassification of non-current to current liabilities to banks. Based on the medium-term planning, the Management Board does not expect the covenants to be impaired.

The amendment to IFRS 16 contains requirements for the subsequent measurement of leases in the context of a sale and leaseback (SLB) for seller-lessees. This is primarily intended to standardize the subsequent measurement of lease liabilities in order to prevent inappropriate profit recognition. In principle, the amendment means that the payments expected at the beginning of the term are to be taken into account in the subsequent measurement of lease liabilities under an SLB. In each period, the lease liability is reduced by the expected payments and the difference to the actual payments is recognized in profit or loss. Alzchem does not act as the seller-lessee in a sale and leaseback transaction. The change is therefore not expected to have any effect on the net assets, financial position and results of operations of Alzchem.

The amendments to IAS 7/IFRS 7 are intended to increase the transparency of supplier finance arrangements and their impact on an entity's liabilities, cash flows and liquidity risk. The amendments supplement the existing disclosure requirements in that entities are obliged to provide qualitative and quantitative information on finance arrangements with suppliers. According to the current status, the amendment has no effect on the net assets, financial position and results of operations at Alzchem, as there are no supplier finance arrangements.

The amendments to IAS 21 require an entity to apply a consistent approach when assessing whether a currency is exchangeable into another currency and, if this is not the case, when

determining the exchange rate to be used and the required disclosures in the notes. The currencies that are currently held within the Alzchem Group are exchangeable, so that the changes have no effect on the Alzchem Group.

SCOPE OF CONSOLIDATION/SHAREHOLDINGS

In addition to Alzchem Group AG, the following six domestic and five foreign subsidiaries in which Alzchem Group AG directly or indirectly holds the majority of voting rights are included in the consolidated financial statements:

Name, registered office	Share in capital in %	Currency	Subscribed capital in local currency
Alzchem Trostberg GmbH, Trostberg, Germany	100	EUR	EUR 11,000 thousand
Alzchem International GmbH, Trostberg, Germany	94	EUR	EUR 1,000 thousand
Alzchem Stahltechnik GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
Suppliva GmbH (formerly Alzchem Nutrition GmbH), Trostberg, Germany	100	EUR	EUR 25 thousand
Alzchem Netz GmbH, Trostberg, Germany	100	EUR	EUR 300 thousand
Actegon Energy GmbH, Trostberg, Germany	100	EUR	EUR 25 thousand
Alzchem LLC, Atlanta, USA	100	USD	USD 0 thousand
Alzchem Shanghai Co. Ltd, Shanghai, China	100	CNY	CNY 3,670 thousand
Nordic Carbide AB, Sundsvall, Sweden	100	SEK	SEK 50 thousand
Edelife Distributing LLC, Atlanta, USA	100	USD	USD 25 thousand
Alzchem UK Ltd, Coventry, United Kingdom	100	GBP	GBP 1 thousand



Actegon Energy GmbH was founded in the fiscal year 2023 as the operator of the photovoltaic plant currently under construction. No significant business activities have yet taken place in the company.

CONSOLIDATION PRINCIPLES

Subsidiaries are all companies that Alzchem Group AG controls directly or indirectly. Alzchem Group AG controls a company if it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power 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 the domestic and foreign subsidiaries included in the consolidation are prepared in accordance with IFRS 10 using uniform accounting policies.

Intragroup profits and losses, sales revenues, expenses and income as well as receivables and liabilities between consolidated subsidiaries are eliminated. If the requirements for the consolidation of third-party liabilities are met, this is applied. Intercompany profits are eliminated. The tax deferrals required by IAS 12 (Income Taxes) are made on temporary differences arising from consolidation measures.

CAPITAL CONSOLIDATION

Capital consolidation of subsidiaries is carried out 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 (acquisition method) or against the statutory equity in the case of newly founded companies.

COMPANY ACQUISITIONS/REVERSE ACQUISITIONS

The Alzchem Group applies the acquisition method of accounting for business combinations. The consideration transferred corresponds to the fair value of the assets transferred, the liabilities assumed and the equity interests issued at the time of acquisition. Incidental acquisition costs are recognized as expenses. Assets, liabilities and contingent liabilities identifiable as part of the business combination are measured at fair value at the time of acquisition upon initial consolidation. 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 net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement after a further review.

In the reporting period, no business combinations took place.

CURRENCY CONVERSION

The presentation currency and at the same time the functional currency of the Alzchem Group is the euro (EUR).

In the separate financial statements of subsidiaries that are managed in euros, transactions in foreign currencies are measured at the exchange rate at the time of initial recognition. Exchange rate gains and losses from the translation of monetary assets and liabilities occurring up to the balance sheet date are taken into account. Gains and losses from exchange rate changes are recognized in the income statement under other operating income or expenses.

The annual 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 reporting currency of the parent company and thus of the consolidated financial statements is the euro. Alzchem translates the assets and liabilities of foreign Group companies whose functional currency is not the euro at the closing rate (average spot exchange rate) at the end of the period. Expenses, income and the result, on the other hand, are translated at average exchange rates. All resulting translation differences were recognized as a separate item in equity. The items in the consolidated cash flow statement are translated at average exchange rates, while cash and cash equivalents are translated at the closing rate (average spot exchange rate) at the end of the period.



The exchange rates of major currencies used for currency translation are shown in the following table:

		Closing rate [*]		Average rate [*]	
		12/31/2022	12/31/2023	01/01-12/31/2022	01/01-12/31/2023
USA	USD	1.0666	1.1050	1.0539	1.0816
China	CNY	7.3582	7.8509	7.0801	7.6591
Sweden	SEK	11.1218	11.0960	10.6274	11.4728
United Kingdom	GBP	0.8869	0.8691	0.8630	0.8699

* Equivalent value for EUR 1

IV. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods were generally applied consistently. The preparation of the consolidated financial statements is based on the going concern principle.

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTIZATION

INTANGIBLE ASSETS

Acquired intangible assets are recognized at cost.

All acquired intangible assets with a determinable useful life are amortized on a straight-line basis. Scheduled amortization is based on the following economic useful lives throughout the Group:

Concessions, rights, licenses:	1 to 5 years
Software:	3 to 5 years

Costs associated with the operation or maintenance of software are recognized as expenses when they are 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 requirements are met.

If an impairment 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 depreciation. Significant components of an item of property, plant and equipment are recognized and depreciated individually. Subsequent costs are only recognized as part of the cost of the asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are recognized as an expense in the income statement in the fiscal year in which they are incurred. Financing costs are capitalized as part of acquisition or production costs if the requirements for capitalization are met.

Land is not depreciated. All other assets are depreciated using the straight-line method, whereby the acquisition costs are depreciated over the expected useful life of the assets as follows:

Buildings:	25 to 40 years
Operating facilities, technical equipment and machinery:	5 to 25 years
Operating and office equipment:	3 to 10 years
Vehicles:	4 to 6 years.

The residual carrying amounts and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, it is immediately written down to the latter. Gains and losses from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the residual carrying amount and recognized in profit or loss.



JOINTLY CONTROLLED ASSETS

In the case of assets that are jointly controlled with a company outside the Group, the Alzchem Group recognizes its share of these assets within property, plant and equipment, even if the Alzchem Group is not the legal owner of the jointly controlled asset.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. When determining the borrowing costs to be capitalized, any investment income from the temporary interim investment of these funds is deducted.

RESEARCH AND DEVELOPMENT COSTS

The Alzchem Group is involved in various research and development activities with the primary aim of developing new products or processes or improving existing products or processes. Expenditure on research activities is recognized as an expense in the period in which it is incurred. A review of the six criteria set out in IAS 38 for the capitalization of development costs has shown that not all criteria are 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 Alz-

chem Group reviews the existence of the criteria for new projects on an ongoing basis. If it is recognized that the requirements for the capitalization of development costs are met for individual projects, Alzchem makes use of this option.

LEASING

A lease exists if the lessor contractually grants the lessee the right to control an identified asset for a fixed period of time and the lessor receives consideration from the lessee in return.

In principle, assets for the usage rights 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), leases for assets with a lower value and leases for intangible assets. These are still recognized as an expense systematically over the lease term by exercising an option. Smaller, primarily workplace-related IT equipment, such as printers and copiers, are classified as low-value assets.

As the lessee, Alzchem recognizes the lease liabilities at the present value of the lease payments still to be made. The following lease payments are included in the calculation of the present value:

- Fixed payments (including de facto fixed payments, less any lease incentives to be received).
- Variable lease payments that are linked to an index or (interest) rate.

- Probable payments to be made under residual value guarantees.
- Probable payments to be made from the exercise of a call option.
- Probable payments to be made in the event of early termination.

When determining the term of leases, all facts and circumstances that provide an economic incentive to exercise extension options or not to exercise termination options are taken into account. Term changes resulting from the exercise of extension or termination options are only included in the lease term if an extension or non-exercise of a termination option is reasonably certain.

On initial recognition, the usage right to be capitalized corresponds to the present value of the lease payments still to be made plus initial direct costs, advance payments and dismantling costs, less any incentive payments received.

The lease liability is subsequently compounded using the effective interest method and reduced by the lease payments. The actual lease payments are divided into an interest portion and a repayment portion. The usage right is amortized on a straight-line basis over the shorter of the useful life and the term of the lease.

In the balance sheet, the lease usage rights are shown as a separate item from property, plant and equipment.

When calculating lease payments, non-lease components are not included in the calculation of lease liabilities if a separation results directly from the contract. If the contract



does not contain a separation of these components, the non-lease components are treated in the same way as the lease components.

The interest rate for the measurement of usage rights and lease liabilities corresponds to the incremental borrowing rate, unless an interest rate is implicitly specified in the lease. To determine the incremental borrowing rate, reference interest rates are derived from risk-free interest rates with matching maturities, increased by credit risk premiums and adjusted by a country risk premium.

As a lessor, Alzchem distinguishes each lease into a finance lease or an operating lease. Leases in which Alzchem, as lessor, has transferred substantially all the risks and rewards incidental to ownership of the leased asset to the lessee are treated as finance leases within the meaning of IFRS 16. In these cases, the leased asset is recognized in the lessee's balance sheet, 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 value from the lease. Leases in which Alzchem as the lessor has not transferred substantially all the risks and rewards are treated as operating leases within the meaning of IFRS 16. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease within revenue (as part of site services) and as other operating income in the income statement.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets that are subject to depreciation and amortization 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 the fair value of the asset less costs to sell and the value in use. For the impairment test, assets are summarized at the lowest level for which cash flows can be identified separately (cash-generating units).

If an impairment loss is subsequently reversed, the carrying amount of the asset (the cash-generating unit) is increased to the newly estimated 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 (cash-generating unit) in previous years. A reversal of the impairment loss is recognized immediately in profit or loss.

PUBLIC GRANTS

Government grants are recognized at fair value if it is highly probable that the grant will be received and the Alzchem Group meets the necessary conditions for receiving the grant. Government grants for costs are recognized over the period in which the corresponding costs for which they were granted as compensation are incurred. In the current

reporting period, Alzchem received cost reimbursements of EUR 2,489 thousand via the government Electricity Price Reduction Act and recognized these as a reduction in expenses under cost of materials. No other government aid programs were utilized.

CURRENT INCOME TAXES/INCOME TAX LIABILITIES

The applicable income tax rate is calculated on the basis of the tax laws that apply 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 tax rate of 15.0% on distributed and retained profits and a solidarity surcharge of 5.5%. In addition to corporate tax, trade tax is levied on profits generated in Germany. The trade tax rate is between 12.0% and 13.0%.

The profit generated by foreign subsidiaries is 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 25.7%.

On the basis of these tax regulations, expected tax payments are taken into account through the appropriate and proper formation of income tax liabilities. The Management of the Alzchem Group regularly reviews the tax declarations, particularly with regard to matters that are open to interpretation, and, if appropriate, recognizes income tax liabilities based on the amounts that are expected to be paid to the respective tax authorities.



DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognized for all temporary differences between the tax base of assets/liabilities and their carrying amounts in the IFRS consolidated financial statements (so-called liability method). Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized. If the future tax benefit from loss carryforwards can be utilized with sufficient certainty in future periods, a deferred tax asset is recognized for this.

According to IAS 12.39, deferred taxes on temporary differences in connection with investments 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, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

The temporary difference is generally only reversed when the company is sold. At the present time, the Alzchem Group is not planning to sell any companies, but would also be in a position to control the timing of the sale. No deferred taxes on temporary differences in connection with investments

in subsidiaries are recognized in the consolidated financial statements of the Alzchem Group.

Deferred taxes relating to items recognized directly in equity are also recognized in equity. Changes in all other deferred tax assets and liabilities are recognized in profit or loss. Deferred tax assets and liabilities are offset 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, unfinished goods and services, finished goods and products as well as advance payments on inventories. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In addition to direct material and production costs, production costs also include all directly attributable costs as well as 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 cost of acquisition or production as there were no qualifying assets.

FINANCIAL INSTRUMENTS

Within the Alzchem Group, the following categories of financial assets were recognized in the reporting periods:

- Measured at amortized cost (AC),
- Mandatorily measured at fair value through other comprehensive income (FVOCI),
- Measured 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 investments reported under non-current financial assets belong without exception to the "measured at fair value through profit or loss" measurement category, as the investment does not meet the cash flow criterion. No use was made of the option to recognize investments at fair value through profit or loss 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, the fair value is determined by using the most recent market transactions or a valuation method (such as the discounted cash flow method). If the input parameters for such a valuation cannot be reliably determined with an effort appropriate to 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 as of the reporting date. As of December 31, 2022, derivatives from the purchase and sale of electricity strips had to be recognized. Alzchem had purchased these electricity strips in advance



for the calendar year 2023 with the original intention of using them itself, but decided to sell them again due to market conditions. As a result of the sale, the so-called "own use exemption" of IFRS 9 no longer applied to these contracts and the derivatives were therefore recognized at fair value. Purchase and sale derivatives qualified for net recognition in accordance with IAS 32. The fair value was calculated as the difference between the contractually fixed price and the market price. The net disclosure meant that there were no longer any effects on earnings for fully closed positions. They are reported in the consolidated balance sheet under current financial assets.

RECEIVABLES AND OTHER ASSETS

TRADE RECEIVABLES

Trade receivables are initially recognized at fair value. Subsequent measurement depends on the measurement category. At the Alzchem Group, some of the receivables are allocated to a mixed business model due to regular sales of receivables as part of factoring. As these receivables also fulfill the cash flow criterion, they are therefore classified as "mandatorily measured at fair value through other comprehensive income". Trade receivables from companies without factoring activities are classified as "at amortized cost".

In both cases, value adjustments are recognized in profit or loss on the basis of the expected loss over the entire term of the receivable. If there is no objective evidence of an actual default by the debtor, this value adjustment for receivables "mandatorily measured at fair value through other comprehensive income" is corrected again 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 determination of expected losses is based on historical data of the Alzchem Group, in which the expected default rates and recovery rates are determined depending on the age of the receivables. If the current economic outlook or other macroeconomic parameters justify this, the historically determined default rates are adjusted accordingly. As of the reporting date, the Alzchem Group had not identified any factors that would justify an adjustment to the historical ratios. The corresponding ratios are then applied to the receivables portfolio not covered by trade credit insurance without individually identified defaults. In accordance with the contractual regulations in the context of factoring, the Group classifies receivables as defaulted if they have not been serviced 120 days after the due date.

OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method – in the case of non-current receivables – and less impairments. If risks exist, these are taken into account through appropriate value adjustments. The same processes and guidelines are used to determine the value adjustments for trade receivables.

Other receivables and other assets are classified as financial assets in the "at amortized cost" category, as they are in the "hold" business model and meet the cash flow criterion.

For other receivables and other assets, a risk provision in the amount of the expected loss within one year is determined upon addition (risk provision 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 by the debtor is determined, the receivable is reclassified 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. As of both reporting dates, all carrying amounts of other receivables and other assets were in risk provisioning level 1.

A significant increase in credit risk occurs at the latest when payment is 30 days overdue. An earlier reclassification on the basis of findings from the credit management process is possible in principle, but is of little practical relevance for the Alzchem Group. A default in the area of other receivables and other assets is assumed if payment is 90 days or more overdue 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 the lack of historical data for defaults on other financial receivables at the Alzchem Group, the actual expected losses are determined based on individual assessments by Alzchem. In the event of a change in the materiality of the items, additional external data would be used.

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



FACTORING

An Alzchem Group company assigns some of its customer receivables to financing companies (buyers of receivables). In accordance with IFRS 9, receivables sold are derecognized in full if substantially all the associated risks and rewards have been transferred from the seller to the buyer or, if substantially all the risks and rewards have neither been transferred nor retained, control of the receivables has been transferred. If the risks and rewards have essentially neither been transferred nor retained, but control of the receivables remains with the seller, the seller recognizes a continuing involvement. Contractual agreements transfer the risk of the customer's insolvency (del credere) to the buyer of the receivables.

On the balance sheet date, an analysis is carried out as to whether the receivables sold are to be assumed to be fully or only partially derecognized and thus the opportunities and risks from the receivables sold are transferred. If the analysis shows that Alzchem still bears part of the late payment risk from these receivables, only a partial derecognition of the sold receivables is carried out on the balance sheet date in accordance with the requirements of IFRS 9, whereby the portion that remains as "continuing involvement" is low compared to the total amount of the receivables sold. In these cases, the remaining late payment risk is recognized under trade receivables as continuing involvement. This remaining involvement is offset by a corresponding liability, which is reported under other current liabilities. As of the reporting date of December 31, 2023, the analysis of the receivables sold showed, as in the previous year, that a complete disposal had to be recognized.

The purchase price retentions from factoring initially retained by the financing company as collateral are recognized separately under other assets. They become due as soon as payment is received from the customer.

In addition, blocking retentions are agreed with the buyer of the receivables for the risk of sales deductions, which are also reported under other assets. The blocking retentions are due in full after a blocking period, provided no friction has occurred in the payment flows.

Payment of the remaining purchase price by the buyer of the receivable is made either upon receipt of payment by the buyer of the receivable or against interest at the request of the assigning company. The outstanding portion of the purchase price receivable is reported under other current assets.

Interest expenses resulting from the sale of receivables are recognized in the financial result. Administrative 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 a maximum of three months as well as current account balances. Overdraft facilities utilized are shown as liabilities to banks under current financial liabilities.

The same principles for determining value adjustments apply to cash and cash equivalents as for other financial receivables. As cash and cash equivalents by definition only include short-term investments with banks with an insigni-

ficant default risk, the low credit risk exception is also applied, which makes the review of a transfer from risk provisioning level 1 to risk provisioning level 2 obsolete. Due to the short original term of less than three months, this could only lead to a change in reporting, but not to a change in the amount of the impairment. Due to the short terms and the high credit ratings of the credit institutions concerned, the arithmetical value adjustment requirement is negligible and of minor significance for the Alzchem Group.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments recognized in the balance sheet at fair value were determined on the basis of the data or input parameters used for measurement in accordance with a three-level hierarchy in accordance with the requirements of IFRS 13:

- Level 1: Exchange or market price on an active market for similar financial instruments.
- Level 2: Input parameters other than the quoted prices included in Level 1 that are directly or indirectly available for the financial instruments.
- Level 3: Input parameters for the financial instruments are not available on the market.



EQUITY

Equity consists of subscribed capital, capital reserve, the capital reserve adjustment item reverse acquisition, other accumulated equity, treasury shares and balance sheet profit.

The subscribed capital represents the nominal capital of the parent company.

The capital reserve includes all amounts of equity added to the company from outside that are not subscribed capital.

Please refer to note 21 for an explanation of the capital reserve adjustment item reverse acquisition.

As of December 31, 2022, the company held a total of 40,581 treasury shares. These treasury shares were mainly transferred to certain employees in the fiscal year 2023 as part of share-based payment. The provisions of IFRS 2 require this employee remuneration to be recognized in the capital reserve. With the transfer to the employees, the previously separately reported item "Treasury shares" was reclassified to the item "Capital reserve adjustment item Rev. acquisition/IFRS 2". As a result, Alzchem no longer holds treasury shares. The treasury shares held in the previous year were acquired as part of the share buyback program. In accordance with IAS 32, the purchase price for the treasury shares must be deducted from equity. The nominal amount of the treasury shares acquired must be openly deducted from equity. Alzchem has opted for presentation in a single

item "Treasury shares". They are recognized at acquisition cost including transaction costs and less any tax benefits.

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

OTHER PROVISIONS

Provisions are recognized when the Alzchem Group has a present legal or factual obligation as a result of a past event, it is probable that the settlement of the obligation will result in a charge on assets and the amount of the provision can be measured reliably. If a number of similar obligations exist, the probability of a charge on assets is determined on the basis of the group of these obligations. The provisions are recognized at the present value of the expected expenses, taking into account all identifiable risks, and are not offset against recourse claims.

Non-current provisions are recognized at their expected expenses discounted to the balance sheet date if the interest portion is material. The interest rate applied is a pre-tax interest rate that reflects the current economic situation in the market environment and takes into account the risk of the obligation, insofar as this has not already been reflected in the estimated future cash outflows.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The Alzchem Group has various pension plans. This includes both defined benefit and defined contribution plans. Defined contribution plans are post-employment benefit plans under which the company pays fixed contributions to an independent entity (such as a fund or an insurance company) and is not legally or factually obliged to pay any further contributions, even if the fund or the claims from the insurance contract concluded do not have sufficient assets to provide all benefits relating to employee work in the reporting period and earlier periods. A defined benefit plan is a plan that is not a defined contribution plan.

The agreements on which the defined benefit plans are based provide for different benefits in the Group, depending on the subsidiary. These essentially comprise

- pension commitments from reaching the respective retirement age,
- one-off payments on termination of employment.

The provision recognized in the consolidated balance sheet for defined benefit plans is the present value of the pension obligation as of the balance sheet date less the fair value of any plan assets. The actuarial valuation of pension provisions for the company pension scheme is carried out in accordance with the projected unit credit method pre-



scribed in IAS 19 (Employee Benefits), whereby an actuarial valuation is carried out by independent actuaries on each balance sheet date. As part of this projected unit credit method, the pensions and acquired entitlements known on the balance sheet date and the expected future increases in salaries and pensions are taken into account. The valuations are based on the legal, economic and tax circumstances of the respective country. The obligations existing exclusively in Germany are calculated using the following parameters:

	12/31/2022	12/31/2023
Discount rate in %	3.70	3.20
Wage and salary trend in %	3.00	3.00
Pension trend in %	2.25	2.25

With regard to the determination of pension trends, the Alzchem Group is guided by future, long-term inflation expectations when pensions are adjusted in line with the development of the consumer price index in accordance with section 16 para. 2 No. 1 BetrAVG. The high inflation already realized on the valuation date of the previous year before the balance sheet date was taken into account once at 10% and for the following years at 2.25%. Similar adjustments were not necessary again as of December 31, 2023. Changes in the discount rate are taken into account in rounded 0.10 percentage points in the event of a change compared to the discount rate on the previous reporting date.

Employee fluctuation is determined on a company-specific basis and taken into account depending on age and length of service. The actuarial valuations as of December 31 are based on the biometric principles of the "Mortality Tables

2018 G" by Klaus Heubeck. The provision is made up of the present value of the defined benefit obligation less the fair value of the plan assets.

The actuarial gains and losses arising from the defined benefit plans from unexpected changes in pension obligations and from changes in actuarial assumptions are recognized in other comprehensive income and in the consolidated statement of comprehensive income in the periods in which they are incurred. Past service costs and gains or losses from plan settlements are recognized directly in profit or loss when the plan is adjusted, curtailed or settled. The interest portion of the addition to provisions included in pension expenses (interest costs for pension obligations and expected return on plan assets) is shown as interest expense within the financial result. The service cost is reported under operating personnel expenses.

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

BENEFITS DUE TO TERMINATION OF THE EMPLOYMENT RELATIONSHIP

Termination benefits are granted if an employee is dismissed before the normal retirement date or if an employee voluntarily leaves the employment relationship in return for a severance payment. The Group recognizes termination benefits immediately if it has a demonstrable and unavoidable obligation to terminate the employment of current employees in accordance with a detailed formal plan that cannot be reversed, or if it has a demonstrable obligation to pay termination benefits upon voluntary termination of employment by employees. Benefits that fall due more than twelve

months after the balance sheet date are discounted to their present value. Claims to termination benefits are reported under personnel provisions.

PROFIT-SHARING AND BONUS PLANS

In the Alzchem Group, a provision is recognized as a liability in cases where there is a contractual obligation for profit sharing or other performance-related employee bonuses or where the Group has a factual obligation based on past business practice.

SHARE-BASED PAYMENTS

The members of the Management Board of Alzchem Group AG were granted stock appreciation rights (SARs) in various tranches as a long-term incentive (LTI) and from the granting of transitional payments. The SARs granted were classified and measured as cash-settled share-based payment in accordance with IFRS 2.30 et seq. The fair value of the work performed by the Management Board members as consideration for the granting of the options is recognized as an expense over the vesting period in accordance with IFRS 2 and recalculated at each balance sheet date using a Monte Carlo simulation. Further explanations are provided in note 34. The provision is reported under other non-current provisions and the expense under operating personnel expenses.

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



DEBT

LOAN LIABILITIES TO BANKS

Loan liabilities are initially recognized at fair value less transaction costs and subsequently at amortized cost using the effective interest method.

Loan liabilities are classified as current if repayment is due within the next twelve months.

The loan liabilities are allocated to the category "financial liabilities measured at amortized cost".

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are initially recognized at fair value less transaction costs and subsequently at amortized cost using the effective interest method. Trade payables and other current financial liabilities are allocated to the category "financial liabilities measured at amortized cost". Trade payables and other liabilities are classified as current if the contractual payment is due within the next twelve months.

CONTINGENT LIABILITIES

Contingent liabilities are possible or existing obligations that arise from past events but for which an outflow of resources is not considered probable. According to IAS 37, such obligations are not to be recognized in the balance sheet but disclosed in the notes.

REVENUE RECOGNITION

Alzchem generates revenue through the sale of chemical products to customers and through the provision of services as part of site services. The determination of the amount of revenue and the timing of revenue recognition is different for these revenue categories.

DELIVERY OF PRODUCTS

In the product area, Alzchem's performance obligation consists of the delivery of chemical products to the place of delivery to be determined by the customer. As a rule, only one performance obligation arises from the contracts with customers. If Alzchem also assumes and organizes the transport service to the customer, this is usually part of the costs for fulfilling the performance obligation to the customer (so-called "fulfilment costs"). However, the transportation service is a separate performance obligation if the performance obligation to deliver the chemical products was fulfilled before completion of the transportation 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 considerations exist in the context of bonus agreements with customers based on contractually agreed volumes and in part from discounts granted in compliance with certain shortened payment periods. In these cases, Alzchem determines the transaction price taking into account the most probable amount and includes the variable price components in the realization of sales if it is probable that the customer will achieve the agreed targets or, based on the customer's payment history, it can be assumed that the customer will deduct the discount amount granted. If the final settlement with the customer subsequently results in a change in the transaction price, it is recognized as a reduction or increase in revenue in the period in which the final settlement with the customer takes place. This period may differ from the period in which the performance obligation was fulfilled. No further discretionary decisions other than this assessment of the variable price components are necessary. Based on 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 assume that there will be any significant changes in sales upon final settlement with the customer. This assumption is reviewed annually using the ratio of subsequently recognized revenue to the revenue recognized in the previous year. In the reporting period 2023, this related to 0.03% (previous year: 0.20%) of the sales revenue recognized in the previous year. Financing components are not to be taken into account due to the contractually agreed short-term payment terms. Alzchem does not receive any non-cash consideration from its customers in the product area.



It is generally not necessary to allocate the transaction price to several performance obligations. If the transportation service has been identified as a separate performance obligation, the stand-alone selling price is determined on the basis of the expected costs plus an appropriate margin.

In the case of product deliveries, the service is provided and revenue is therefore recognized at a specific point in time. Revenue is not recognized over a period of time. The following indicators are used to determine the time of performance:

- Alzchem has an unconditional claim to payment.
- The customer has legally acquired ownership of the delivered products.
- The delivered product has passed into the physical possession of the customer.
- The risks and opportunities in connection with the delivered product have been transferred to the customer.
- The customer has accepted the goods or services.

The overall assessment of these indicators leads to revenue recognition for product deliveries by Alzchem at the time of the transfer of risk based on the Incoterms agreed with the customer.

Alzchem sells its products to customers with the assurance that they comply with the exact specifications of the chemical composition. No further guarantees are given. In the very rare cases in which the product specification was not achieved, a provision for a guarantee obligation is recognized on a case-by-case basis in accordance with the requirements of IAS 37 and reported under other provisions. Based on past experience and the quality control of the products prior to delivery, the transaction price is not taken into account when determining the amount of revenue.

PROVISION OF SERVICES

The services as a site operator can be permanent services or variable services, which the customer must first always call up individually. The performance 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 calculated as the price per unit. There are no other price components 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 services area.

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

The benefit accrues to the customer during the provision of the service by Alzchem and the customer also consumes this accrued benefit immediately. Thus, the performance obligation from the individual site services is fulfilled over a period of time. The method that best represents the transfer of benefits and thus the fulfillment of the performance obligation to the customer is the output-oriented method 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 provided, i.e. when the customer has used the service and the payment claim has arisen.

Revenue is recognized at the same time. In the case of permanent site services, the performance obligation is provided over a period of twelve months of the calendar year. This is invoiced 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 department and company doctor) and after one month, 1/12 of the performance obligation is provided. In these cases, there is a so-called "stand-ready performance obligation", as Alzchem only has to provide the permanent site service and the customer already benefits from the provision. Revenue for these site services is recognized on a straight-line basis over the twelve-month period of the contract, as this approach represents the best estimate for an "output-oriented" determination of the performance progress for these performance obligations.

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

Revenue from contracts with customers results in receivables that are included in full in trade receivables. Trade receivables and the associated sales are generally recognized immediately after the performance obligation has been fulfilled.

OTHER INCOME AND RECOGNITION OF EXPENSES

Expenses are recognized as expenses when the service is used or when they are incurred.

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

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



FINANCIAL RESULT

Interest income and interest expenses are recognized 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 carrying amount of the asset.

In the case of finance leases, the payments are divided into an interest portion and a repayment portion using actuarial methods.

Borrowing costs are recognized in profit or loss in the period in which they are incurred, unless they are borrowing costs for qualifying assets that must be capitalized.

DIVIDEND DISTRIBUTION

Shareholders' claims to dividend distributions are recognized in the period in which the corresponding resolution is passed.

EARNINGS PER SHARE

The share buyback in the previous year had an impact on earnings per share. The calculation of undiluted earnings per share is based on the weighted average number of shares outstanding during the period. Shares bought back during the period are only considered to be outstanding on a pro rata basis until they are bought back and are weighted accordingly. Thereafter, treasury shares are not taken into account when determining the number of shares outstanding. Following the reissue of treasury shares in the past fiscal year, these were again taken into account in the cal-

ulation. The previous year's figures have not been adjusted in accordance with IFRS. There are currently no dilution effects. The calculation is carried out by dividing the consolidated result attributable to the shareholders of Alzchem Group AG by the number of shares outstanding.

LEGAL DISPUTES AND CLAIMS FOR DAMAGES

The companies of the Alzchem Group are involved in various lawsuits and official proceedings as part of their general business operations or such could be initiated or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty in view of the uncertainties inherent in legal disputes, it is currently estimated that there will be no significant negative impact on the Group's results of operations beyond the risks recognized as liabilities or provisions in the consolidated financial statements.

USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions and estimates have been made that have affected the recognition and amount of assets, liabilities, income, expenses and contingent liabilities. 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 regarding the forecast and discounting of future cash flows

expected from the asset to be tested. In individual cases, the actual values may differ from the assumptions and estimates made. Changes are taken into account when better knowledge becomes available.

The estimates are based on empirical values and other assumptions that are considered appropriate 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 global tax provision is formed on the basis of a profit calculation carried out 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 to what extent 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 assessment of the probability that future taxable profits (taxable income) will be available.

There are also uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable income. Particularly against the background of international interdependencies, differences between the actual results and Alzchem's assumptions or future changes to these assumptions may result in changes to the tax result in future periods.



PROVISIONS

When determining the recognition of provisions, assumptions must be made about the probability of the outflow of resources occurring. These assumptions represent the best possible estimate of the underlying situation, but are subject to a certain degree of uncertainty due to the necessary use of assumptions. When measuring the provisions, assumptions must also be made about the amount of the possible outflow of resources. This applies in particular 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 amount of the provision. Accordingly, the use of assumptions also results in certain uncertainties here.

The calculation of the present value of pension obligations is largely dependent on the selection of the discount rate and other actuarial assumptions, which are recalculated at the end of each fiscal year. The underlying discount rate is the interest rate of corporate bonds with a high credit rating, which are denominated in the currency in which the benefits are paid and which have the same maturity as the pension obligations. Changes in these interest rates can lead to significant changes in the amount of the pension obligation. The same applies to long-term landfill provisions, which can change significantly due to changes in the discount rate.

At the time of preparing the consolidated financial statements, all identifiable risks were taken into account in the underlying assumptions and estimates.

CONSIDERATION OF GENERAL UNCERTAINTIES

Overall, Alzchem is operating in an increasingly complex and uncertain macroeconomic and geopolitical environment. However, the uncertainties have decreased significantly compared to the previous year. The current business environment requires us to deal with the war in Ukraine and the sanctions imposed on Russia. Added to this are the uncertainties following the resurgence of the crisis in Israel. The uncertainties surrounding forecasts remain high and lead to the application of accounting principles that are sensitive to estimates and assumptions, as well as to discretionary decisions by Management. These developments can have a negative impact on the fair values and carrying amounts of assets and liabilities as well as the amount and timing of the realization of earnings and cash flows of Alzchem. The consequences vary considerably depending on the region and customer sector. Alzchem based its estimates and assumptions on currently available knowledge and the best information available.

In particular, the following aspects were again examined in more detail:

As a result of changes in customer payment behavior, the need for value adjustments on trade receivables could increase. At present, no adjustments to the payment terms for individual customers were necessary and no changes in payment behavior were identified. In addition, many receivables are insured. The value adjustments recognized resulted from individual assessments that could not be attributed to the current global crises. The calculation of the expected losses is based on historical data of the Alzchem Group, in which the expected default rates and recovery rates are determined depending on the age of the receivables. If the current economic outlook or other macroeconomic parameters justify this, the historically determined default rates are adjusted accordingly. As of the reporting date, the Alzchem Group had not identified any factors that would justify an adjustment to the historical rates. If the expectations do not materialize, there could be a need for additional value adjustments on trade receivables.

In the fiscal year 2023, impairment tests were carried out on property, plant and equipment based on external and internal indicators, but these did not result in any impairment losses.



V. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. SALES REVENUE

Alzchem generates revenue through the sale of chemical products to customers and through the provision of site services.

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

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Sales from product sales	517,505	516,123
Sales from services	24,718	24,526
	542,223	540,649

Sales revenues are distributed as follows across the segments shown in the segment reporting:

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Product sales in the Specialty Chemicals segment	288,361	319,802
Product sales in the Basics & Intermediates segment	227,539	192,183
Product sales in the Other & Holding segment	1,605	4,138
Service sales in the Other & Holding segment	24,718	24,526
	542,223	540,649

The geographical breakdown of total sales is as follows:

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Germany	145,826	152,130
European Union	173,886	173,404
Rest of Europe	25,573	28,309
NAFTA	83,914	94,661
Asia	62,487	39,789
Rest of the world	50,537	52,355
	542,223	540,649

Revenue from contracts with customers results in receivables that are included in full in trade receivables. The opening and closing balances of these receivables can be taken from the trade receivables balance sheet item as of the respective reporting date. Trade receivables have a heterogeneous maturity structure upon initial recognition, which is generally less than 60 days. The impairment losses on trade receivables recognized in the reporting period can be found in Note 18. There were neither contract assets nor contract liabilities as of either reporting date.

In the reporting period, revenue of EUR 143 thousand (previous year: EUR 834 thousand) was recognized for which the performance obligation was already fulfilled in the previous period. These result from the final settlement of volume-based pricing with individual customers in the fiscal year 2023. No deferrals due to transport services were required in the entire reporting period.

The total amount of the remaining performance obligations is not disclosed as there are no contracts with customers that run for more than one year.



2. OTHER OPERATING INCOME

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Own work capitalized	7,185	4,864
Income from currency translation	6,314	3,947
Income from the reversal of provisions and liabilities	2,124	1,353
Income from services to third parties	122	273
Income from energy tax refunds	205	171
Income from the valuation of derivatives	5,228	0
Miscellaneous other income	2,999	3,249
	24,177	13,857

The income from the valuation of derivatives in the previous year resulted from the sale of electricity strips for the calendar year 2023. Alzchem had purchased these strips in advance for the calendar year 2023, but then decided to sell them again due to market conditions. Forward purchases and forward sales both took place in the fiscal year 2022. As a result of the sale, the so-called "own use exemption" of IFRS 9 no longer applies to these contracts and the derivatives were therefore recognized at fair value. The changes in fair value were to be recognized as income from the measurement of derivatives. No comparable transactions took place in the fiscal year 2023.

Own work capitalized results from the capitalization of self-constructed items of property, plant and equipment.

Income from services to third parties includes expense allowances in connection with the European Chemicals Regulation (REACH).

Miscellaneous other income includes income from grants of EUR 1,529 thousand (previous year: EUR 1,795 thousand).

3. COST OF MATERIALS

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Cost of raw materials, consumables and supplies, production-related electricity and purchased goods	285,653	222,798
Cost of purchased services	3,224	2,346
	288,877	225,145

4. PERSONNEL EXPENSES

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Wages and salaries	112,319	120,634
Social security contributions and pensions	24,820	25,003
	137,139	145,637

The item social security contributions and pensions includes current payments for employer contributions to the statutory pension insurance scheme amounting to EUR 8,298 thousand (previous year: EUR 8,043 thousand).

The following table shows the average number of employees in the Alzchem Group during the reporting period:

	2022	2023
Commercial workers	850	857
Employees	698	700
Trainees	129	133
	1,677	1,689



5. OTHER OPERATING EXPENSES

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Selling expenses	28,269	21,048
Environmental/disposal costs	9,745	14,070
Maintenance	12,579	12,768
Other third-party services	10,645	8,481
Consulting, research and development costs	6,802	7,854
Expenses from currency translation	6,211	5,590
Insurances	4,552	4,877
IT costs	2,727	3,516
Miscellaneous other expenses	19,606	20,343
	101,136	98,547

The consulting, research and development costs presented above only include external research and development costs. A total of EUR 11,413 thousand (previous year: EUR 10,788 thousand) in research and development costs, including personnel expenses and other attributable expenses, were recognized as expenses in the reporting period. Miscellaneous other expenses include expenses for marketing, travel, rents, fees and contributions as well as other taxes.

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Details of scheduled depreciation and amortization can be found in the consolidated statement of changes in non-current assets. As in the previous year, no impairment losses were recognized on property, plant and equipment and intangible assets in the reporting period.

7. FINANCIAL RESULT

The financial result is made up of the following items, broken down by origin, as follows:

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Interest and similar income		
Receivables from banks	48	321
Interest income from the discounting of current provisions	7,647	0
Other	726	61
	8,421	382
Interest and similar expenses		
Interest expense from additions to pension provisions	1,393	3,302
Loan liabilities to banks	1,122	2,506
Interest expense from sale of receivables	414	595
Interest expense from additions to other non-current provisions	0	1,155
Interest expense from lease liabilities	103	105
Other	5	3
	3,037	7,666
Financial result	5,384	-7,284



Interest income from banks results from current account balances and short-term cash investments. Other interest income includes EUR 7 thousand in interest income from taxes (previous year: EUR 12 thousand). In the fiscal year 2023, interest expenses of EUR 528 thousand (previous year: interest income of EUR 7,353 thousand) were incurred from the change in interest rates for the measurement of other non-current provisions. Interest expenses from tax back payments amounted to EUR 0 thousand in the fiscal year 2023 (previous year: EUR 0 thousand).

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 321 thousand in the fiscal year 2023 (previous year: EUR 48 thousand). The total interest expense for financial assets measured at amortized cost or financial liabilities not measured at fair value through profit or loss amounted to EUR 2,506 thousand in the fiscal year 2023 (previous year: EUR 1,122 thousand). No interest income or interest expenses were recognized in any reporting period for financial assets measured at fair value through other comprehensive income.

All interest income and interest expenses resulting from financial assets and financial liabilities were calculated using the effective interest method.

8. TAXES ON INCOME AND EARNINGS

Income tax expense breaks down as follows:

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Actual tax expense	-4,895	-15,108
thereof relating to other periods	371	-111
Deferred tax expense (-)/income (+)	-6,165	1,710
thereof relating to other periods	-143	240
thereof from temporary differences	-5,506	1,428
	-11,059	-13,397

Income taxes paid or owed in the individual countries and deferred taxes are reported as taxes on income.

Deferred taxes are calculated on the basis of the tax rates expected in the individual countries at the time of realization; these are generally based on the statutory regulations in force or adopted on the balance sheet date.

The following reconciliation shows the differences between the income tax expense actually recognized and the expected income tax expense. The expected income tax expense is calculated by multiplying earnings before income taxes by the applicable income tax rate. In accordance with IAS 12.85, the applicable income tax rate is the rate 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 - 12/31/2022	01/01 - 12/31/2023
Consolidated annual result before income taxes	41,282	48,189
Applicable income tax rate	28.00%	28.00%
Expected income tax expense	11,559	13,493
Effects from differing foreign tax rates	-164	-68
Effects from differing domestic tax rates	32	93
Tax effects		
Tax additions	125	260
Tax-free income	-275	-305
Tax income relating to other periods	-413	-243
Tax expense relating to other periods	185	114
Other differences	10	54
Total tax effects	-368	-121
Total tax expense	11,059	13,397
Effective tax rate	26.79%	27.80%

9. EARNINGS PER SHARE

As of December 31, 2022, the company held a total of 40,581 treasury shares. These treasury shares were transferred to certain employees in the first half of 2023 as part of payment. This affects the number of shares used to calculate earnings per share. The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the reporting period. The shares transferred to employees are considered to be outstanding on a pro rata basis from the date of transfer and are weighted accordingly. Until then, treasury shares were not included in the calculation of shares outstanding. The IFRS regulations do not provide for an adjustment of the previous year's figures. The following overview shows the weighted average number of shares outstanding for the respective reporting periods:

	01/01 - 12/31/2022	01/01 - 12/31/2023
Weighted average number of shares outstanding	10,135,754	10,169,572
Earnings per share in EUR	2.96	3.40
Number of shares outstanding at the reporting date 12/31	10,135,754	10,176,335



VI. NOTES TO THE CONSOLIDATED BALANCE SHEET

10. NON-CONTROLLING INTERESTS IN THE CONSOLIDATED ANNUAL RESULT

The non-controlling interests in the consolidated annual result relate to the 6% minority interest in Alzchem International GmbH, which is held by the four former main shareholders of Alzchem Group AG. The development of the non-controlling interests can be found in the consolidated statement of changes in equity.

The following financial information relates to the non-controlling interests (percentage) in the subsidiaries:

in EUR thousand	12/31/2022	12/31/2023
Non-current assets	2,813	2,293
Current assets	61	91
Non-current liabilities	0	0
Current liabilities	767	277
Cash flow	0	0
Distributions paid	0	0
Annual result	0	0
Other result	0	0
Overall result	0	0

A profit and loss transfer agreement was concluded between Alzchem Trostberg GmbH and Alzchem International GmbH with effect from January 1, 2018. As a result, Alzchem International GmbH will transfer its future profits in full to Alzchem Trostberg GmbH, which will also assume any losses incurred by Alzchem International GmbH in full. The agreement was originally concluded for a period of five years and could not be terminated during this time. As neither party terminated the agreement on December 31, 2023, the agreement was automatically extended by one year.

As a result of the agreement, the Group has received the entire annual result and the total comprehensive income of Alzchem International GmbH since January 1, 2018. Consequently, the non-controlling interests will not receive any further annual results for the period of the profit and loss transfer agreement. The minority shareholders of Alzchem International GmbH were granted a compensation payment of EUR 2.85 (gross) per share and year for the duration of the profit and loss transfer agreement for the loss of their variable earnings entitlement.

In the consolidated balance sheet, the present value of the future compensation payments to be made has already been recognized in full (EUR 342 thousand; December 31, 2022: EUR 342 thousand) in other current and non-current liabilities. The non-controlling interest in Group equity was reduced by the same amount. The annual compensation payments to be made to the non-controlling interests are allocated (pro rata) to the consolidated annual result of the non-controlling interests and therefore do not correspond to the actual annual result of the non-controlling interests, as this is zero in the years of the profit and loss transfer agreement. The figure reported above in the overview corresponds to 6% of the actual annual result of Alzchem International GmbH. However, EUR 171 thousand (December 31, 2022: EUR 171 thousand) from Alzchem International GmbH was allocated to the consolidated annual result of the non-controlling interests in the balance sheet. The cash settlement takes place in January of each fiscal year in the same amount.



11. INTANGIBLE ASSETS

Intangible assets include acquired software, rights and licenses. The Alzchem Group had no internally generated intangible assets as of the reporting dates shown.

The development of intangible assets in the period from January 1 to December 31, 2022 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition cost 01/01/2022	6,728	1,521	8,249
Additions	1,126	0	1,126
Disposals	-102	-8	-110
Reclassification	235	0	235
Currency translation	-22	-1	-23
Status on 12/31/2022	7,966	1,513	9,479
Amortization 01/01/2022	4,659	1,261	5,920
Additions	677	53	731
Disposals	-99	-8	-107
Reclassification	0	0	0
Currency translation	-20	-1	-20
Status on 12/31/2022	5,218	1,307	6,525
Net carrying amount 12/31/2021	2,069	260	2,329
Net carrying amount 12/31/2022	2,747	206	2,954

The development of intangible assets in the fiscal year 2023 is as follows:

in EUR thousand	Software	Concessions, patents, licenses and similar rights	Total
Acquisition cost 01/01/2023	7,966	1,513	9,479
Additions	1,321	0	1,321
Disposals	-50	-55	-105
Reclassification	127	0	127
Currency translation	-1	0	-1
Status on 12/31/2023	9,362	1,458	10,820
Amortization 01/01/2023	5,218	1,307	6,525
Additions	685	53	738
Disposals	-50	-55	-105
Reclassification	0	0	0
Currency translation	-2	0	-2
Status on 12/31/2023	5,851	1,305	7,156
Net carrying amount 12/31/2022	2,747	206	2,954
Net carrying amount 12/31/2023	3,511	153	3,664

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 material intangible assets that were not yet ready for use as of the reporting date.



12. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in the period from January 1 to December 31, 2022 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 cost 01/01/2022	71,274	279,256	25,307	11,396	387,232
Additions	1,478	15,736	2,503	6,578	26,295
Disposals	-18	-1,323	-1,641	-50	-3,032
Reclassification	382	7,331	545	-8,493	-235
Currency translation	-96	-431	-3	-88	-618
Status on 12/31/2022	73,019	300,571	26,711	9,341	409,642
Depreciation 01/01/2022	27,389	162,397	18,640	0	208,426
Additions	2,234	17,712	2,788	0	22,735
Disposals	-18	-1,219	-1,596	0	-2,833
Reclassification	0	0	0	0	0
Currency translation	-13	-195	-3	0	-212
Status on 12/31/2022	29,591	178,696	19,829	0	228,116
Net carrying amount 12/31/2021	43,885	116,859	6,667	11,396	178,806
Net carrying amount 12/31/2022	43,428	121,874	6,883	9,341	181,526



The development of property, plant and equipment in the fiscal year 2023 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 cost 01/01/2023	73,019	300,571	26,711	9,341	409,642
Additions	360	7,923	2,499	8,766	19,548
Disposals	-3	-2,605	-1,053	-275	-3,937
Reclassification	257	5,507	291	-6,182	-127
Currency translation	0	39	-12	-2	25
Status on 12/31/2023	73,633	311,435	28,436	11,648	425,152
Depreciation 01/01/2023	29,591	178,697	19,829	0	228,116
Additions	2,253	18,041	2,915	0	23,208
Disposals	-1	-2,460	-1,001	0	-3,461
Reclassification	0	0	0	0	0
Currency translation	-1	19	-10	0	8
Status on 12/31/2023	31,842	194,296	21,733	0	247,871
Net carrying amount 12/31/2022	43,428	121,874	6,883	9,341	181,526
Net carrying amount 12/31/2023	41,791	117,139	6,703	11,648	177,281



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 offices, storage space and company apartments. The carrying amounts of these individual leased properties are not disclosed separately in accordance with IFRS 16.58, as individual carrying amounts either do not exist or are not material when taking into account the total carrying amount of the land and buildings.

Plant and machinery includes jointly controlled assets as of the balance sheet date, although these have already been fully depreciated. This relates to a steam boiler that is operated at the Waldkraiburg site together with a neighboring company on its property. The Alzchem Group's share in this joint agreement is 50%. The two companies each purchase 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 3,778 thousand in the fiscal year 2023 (previous year: EUR 4,177 thousand). As in the previous year, no income was generated from this jointly controlled asset.

Borrowing costs were not capitalized as part of the production costs of technical equipment, machinery and buildings in the fiscal year 2023 or in the previous year.

Property, plant and equipment in the amount of EUR 13,185 thousand (December 31, 2022: EUR 13,336 thousand) serves as collateral for loan liabilities to banks.

13. LEASING

The Alzchem Group has concluded leases primarily for vehicles, forklift trucks, railroad cars, office space and software. Leases for smaller, primarily workplace-related IT equipment, such as printers and copiers, are classified as low-value leases and are not recognized in the balance sheet. Similarly, leases with a term of up to twelve months and leases for intangible assets are not recognized in the balance sheet.

The following table shows the development of the lease usage rights in the reporting periods, broken down by the classes of property, plant and equipment relevant to Alzchem:

in EUR thousand	Land, land rights and buildings	Plant and machinery	Operating and office equipment	Total
Carrying amount 01/01/2022	471	7,061	154	7,686
Additions	0	678	0	678
Depreciation	-135	-1,884	-59	-2,078
Disposals	-46	0	0	-46
Currency translation	8	2	0	10
Carrying amount 12/31/2022	298	5,857	95	6,250
Additions	0	556	20	577
Depreciation	-118	-1,806	-36	-1,960
Disposals	0	0	0	0
Currency translation	-12	0	1	-12
Carrying amount 12/31/2023	168	4,607	80	4,855



In the fiscal year 2023, cash outflows of EUR 2,006 thousand (previous year: EUR 1,965 thousand) were recorded from leases.

The carrying amounts of the lease liabilities and the future payments from these lease liabilities are broken down by maturity as follows:

12/31/2022

in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Present value of lease liabilities	1,707	4,622	0	6,329
Payments from lease liabilities	1,779	4,739	0	6,518

12/31/2023

in EUR thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Present value of lease liabilities	1,613	3,373	4	4,990
Payments from lease liabilities	1,689	3,445	4	5,137

In addition to depreciation, the following expenses and income in connection with leases were recognized in the income statement:

Income statement items in EUR thousand		01/01 - 12/31/2022	01/01 - 12/31/2023
Other operating expenses	Lease expenses for short-term leases	62	313
Other operating expenses	Lease expenses for low-value leases	63	75
Other operating expenses	Variable lease expenses outside lease liabilities	27	25
Interest and similar expenses	Interest expense for lease liabilities	104	105
Sales revenues	Income from operating lease agreements	1.067	1.097
Other operating income	Income from operating lease agreements	532	518

The Alzchem Group has not generated any income or losses from subletting usage rights under leases or from sale and leaseback transactions.

There are no significant extension or termination options for the currently recognized lease usage rights that are not taken into account in the calculation of lease liabilities, nor have any residual value guarantees been provided. There are also no obligations from leases already concluded but not yet commenced as of the balance sheet date. Future payments from variable lease payments are expected to be approximately at the level of the past fiscal year 2023.



The leasing conditions are negotiated individually and include a variety of different conditions. The leasing agreements do not contain any credit terms, but leased assets may not be used as collateral for borrowing.

The Alzchem Group has not identified any finance leases as a lessor. As a site operator, Alzchem rents or leases individual offices, storage areas and company apartments. The Alzchem Group expects the following inflows from these contracts in the coming periods:

Expected in the fiscal year						
as of 12/31/2022 in EUR thousand	2023	2024	2025	2026	2027	After 2027
Proceeds from operating lease agreements	1,429	918	917	913	571	3,493

Expected in the fiscal year						
as of 12/31/2023 in EUR thousand	2024	2025	2026	2027	2028	After 2028
Proceeds from operating lease agreements	1,489	1,064	1,059	1,047	717	3,354

14. FINANCIAL ASSETS

The non-current financial assets fully comprise shares in another investment and are allocated to the measurement category "at fair value through profit or loss". As there are no observable market values for this investment and, taking into account its 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 the fair value. An investment in the USA was sold in the previous fiscal year. The write-up to the fair value to be recognized prior to the sale, determined by the selling price, amounted to EUR 474 thousand and was recognized in the financial result. At present, the Alzchem Group does not plan to sell the remaining investment.

As of the previous year's reporting date, derivatives from the sale of electricity strips had to be recognized. Alzchem had purchased these electricity strips in advance for the calendar year 2023, but decided to sell them again due to market conditions. As a result of the sale, the "own use exemption" of IFRS 9 no longer applies to these contracts and the derivatives were therefore recognized at fair value. They were recognized in the balance sheet under current financial assets. No similar transactions were recognized as of December 31, 2023.



15. OTHER RECEIVABLES AND OTHER ASSETS

Non-current and current other receivables and other assets are made up of the following financial and non-financial assets:

in EUR thousand	12/31/2022	12/31/2023
Non-current receivables and other assets		
therein financial assets		
Total non-current financial assets	0	0
therein non-financial assets		
Prepaid expenses and deferred charges	1,465	1,243
Other	66	126
Total non-current non-financial assets	1,531	1,369
Total non-current receivables and other assets	1,531	1,369
Current receivables and other assets		
therein financial assets		
Receivables from purchase price retention, special blocked account and settlement account	6,134	6,624
Short-term restricted cash investments	5,902	5,902
Other	375	2,038
Total current financial assets	12,411	14,564
therein non-financial assets		
Tax receivables	5,642	2,491

in EUR thousand	12/31/2022	12/31/2023
Prepaid expenses and deferred charges	1,369	1,968
Other	321	215
Total current non-financial assets	7,332	4,675
Total current receivables and other assets	19,743	19,239

The receivables from purchase price retention, special blocked account and settlement account result from factoring transactions and represent receivables from the factor. Short-term investments relate to cash and cash equivalents invested with banks with a fixed-interest period of a maximum of twelve months. This cash investment in the amount of EUR 5,902 thousand (December 31, 2022: EUR 5,902 thousand) serves entirely as collateral in accordance with the legal requirements for the aftercare and recultivation of landfill sites and is therefore restricted.

Prepaid expenses were mainly recognized for prepayments for insurance, software and maintenance contracts. Insurance policies in connection with the current stock exchange listing are also reported under non-current assets.

No value adjustments have been recognized on the non-current and current financial assets listed above, nor do they include any overdue amounts. As of the balance sheet date, there are no indications that payments will not be made when these items fall due.

The current and non-current financial assets shown here include the following receivables in foreign currency:

in EUR thousand	12/31/2022	12/31/2023
Total	224	461
USD	0	93
SEK	60	1
CNY	164	367



16. 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	12/31/2022	12/31/2023
Deferred tax assets		
Intangible assets	0	0
Property, plant and equipment	162	157
Financial assets	8	8
Inventories	712	1,236
Other receivables and other assets	1,530	3,062
Provisions	11,753	15,007
thereof on pension obligations	11,580	14,048
Liabilities	1,767	1,394
Tax loss carryforwards	24	56
Total deferred tax assets	15,956	20,921
thereof current	4,017	5,700
thereof non-current	11,939	15,220
Deferred tax liabilities		
Intangible assets	342	335
Property, plant and equipment and lease usage rights	4,917	5,951
Other receivables and other assets	35	0

in EUR thousand	12/31/2022	12/31/2023
Provisions	16	3
Liabilities	55	0
Total deferred tax liabilities	5,365	6,289
thereof current	90	0
thereof non-current	5,275	6,289
Netting of deferred tax assets and liabilities	0	0
Balance sheet recognition of deferred tax assets	15,956	20,921
Balance sheet recognition of deferred tax liabilities	5,365	6,289

The changes in deferred taxes compared to the previous year were recognized in the income statement in the amount of EUR 1,710 thousand (previous year: expense of EUR 6,165 thousand). The change in deferred taxes is included in other comprehensive income in the amount of EUR 2,342 thousand (previous year: EUR 14,127 thousand).

EUR 12 thousand (December 31, 2022: EUR 11 thousand) of the deferred tax assets on income tax loss carryforwards listed here are attributable to domestic companies. Of this amount, EUR 6 thousand (December 31, 2022: EUR 5 thousand) is attributable to trade tax and EUR 6 thousand (December 31, 2022: EUR 6 thousand) to corporation tax. Deferred tax assets were recognized on all income tax loss carryforwards in the reporting year. The existing tax loss carryforwards in Germany and abroad are non-forfeitable.

The calculation of deferred taxes led to a surplus of deferred tax assets. Based on the approved corporate planning, it can be assumed that there will be sufficient taxable income in the future to make the realization of deferred tax assets probable.

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries in the amount of EUR 50,319 thousand (December 31, 2022: EUR 68,583 thousand).

For further information, please refer to the accounting policies and the explanations in section IV.



17. PROVISIONS

in EUR thousand	12/31/2022	12/31/2023
Raw materials, consumables and supplies	44,358	33,354
Unfinished goods	29,051	27,163
Unfinished services	25	22
Finished goods	48,416	46,503
Merchandise	468	255
Advance payments	86	181
	122,404	107,478

In the fiscal year 2023, changes in impairment losses on inventories amounting to EUR 5,357 thousand (previous year: EUR 2,203 thousand) were recognized as an expense under cost of materials or changes in inventories. The impairment losses were mainly recognized for overreach, lack of marketability and write-downs to net realizable value. The total amount of inventories recognized as an expense in the fiscal year 2023 was EUR 225,145 thousand (previous year: EUR 288,877 thousand).

18. TRADE RECEIVABLES

Impairment losses developed as follows in the reporting period:

in EUR thousand	01/01/2022	Addi- tions	Consump- tion	Reversal	Currency translation	12/31/2022
Value adjustments on trade receivables (AC)	17	0	0	-8	0	9
Value adjustments on trade receivables (FVOCI)	312	17	0	-48	0	281
Total	329	17	0	-56	0	290

in EUR thousand	01/01/2023	Addi- tions	Consump- tion	Reversal	Currency translation	12/31/2023
Value adjustments on trade receivables (AC)	9	0	0	0	0	9
Value adjustments on trade receivables (FVOCI)	281	103	-262	0	0	121
Total	290	103	-262	0	0	130

The impairments as of the reporting date relate to a gross receivables volume before collateral and impairments of EUR 65,662 thousand (FVOCI) (December 31, 2022: EUR 44,449 thousand) and EUR 9,680 thousand (AC) (December 31, 2022: EUR 11,553 thousand).

The ratio of the expected loss, measured against the total receivables portfolio, was 0.22% as of the reporting date, with the individual rates based on historical values fluctuating between 0.01% and 0.09% depending on how overdue the receivables are. Historically, around 94.82% of the outstanding amount for receivables that have reached the status of "defaulted" was realized through the realization of collateral or other recovery measures.

As of the reporting date of December 31, 2023, the Alzchem Group had received collateral from trade credit insurance to secure trade receivables in the amount of EUR 54,795 thou-



sand (December 31, 2022: EUR 29,001 thousand). Of this amount, collateral of EUR 3,876 thousand (December 31, 2022: EUR 1,757 thousand) is attributable to overdue receivables.

In the case of receivables that are neither impaired nor overdue, there are no indications as of the balance sheet date that payments will not be made when due.

Due to the Group's international activities, trade receivables include the following foreign currency receivables translated into the Group currency, the euro, as of the reporting dates:

in EUR thousand	12/31/2022	12/31/2023
Total	31,499	21,085
USD	23,170	14,673
JPY	4,672	1,294
SEK	2,952	3,959
CNY	705	1,159
Other	0	0

The carrying amounts of the receivables sold as part of factoring, less the agreed retentions, amount to EUR 0 thousand (December 31, 2022: EUR 26,639 thousand). As of the reporting date of December 31, 2023 and the previous year's reporting date, the analysis of the receivables sold showed that a complete disposal had to be recognized. Both in the past year and in the previous period, there were no cash flows from the purchase price retentions to the factoring company as part of factoring.

19. INCOME TAX ASSETS

Tax receivables include income tax receivables of domestic companies in the amount of EUR 2,340 thousand (December 31, 2022: EUR 2,307 thousand) and foreign companies in the amount of EUR 429 thousand (December 31, 2022: EUR 0 thousand). These mainly result from overpayments in the past and previous fiscal year.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

in EUR thousand	12/31/2022	12/31/2023
Balances with banks	9,237	11,878
Cash on hand	6	5
	9,243	11,883

Cash and cash equivalents are denominated in the Group currency, the euro, and translated into the following currencies:

in EUR thousand	12/31/2022	12/31/2023
Total	8,426	7,489
USD	3,686	2,932
CNY	3,082	1,759
SEK	1,509	2,502
Other	149	296



21. EQUITY

SUBSCRIBED CAPITAL

The subscribed capital corresponds to that of Alzchem Group AG. The subscribed capital of Alzchem Group AG, Trostberg, amounts to EUR 101,763,350.00 as of the reporting date (December 31, 2022: EUR 101,763,350.00) and is divided into 10,176,335 no-par value shares with a notional interest in the share capital of EUR 10.00 per share.

As of December 31, 2022, the company held a total of 40,581 treasury shares. As the treasury shares were transferred as part of the share-based payment of certain employees in the fiscal year 2023, the treasury shares are no longer reported in Alzchem's portfolio as of December 31, 2023. Shares with special rights are not and have not been issued. The same rights and obligations are associated with all shares.

AUTHORIZED CAPITAL 2022

The Management Board is authorized pursuant to section 5 para. 5 of the company's Articles of Association to increase the share capital of Alzchem Group AG with the approval of the Supervisory Board on one or more occasions until May 4, 2027 by a total of up to EUR 10,176,330.00 (in words: ten million one hundred and seventy-six thousand three hundred and thirty euros) by issuing up to 1,017,633 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2022). In principle, shareholders are to be granted subscription rights. The statutory subscription right can also be granted in such a way that the new shares are underwritten by a bank or a syndicate of banks determined by the Management Board with the obligation to offer them to the company's shareholders for subscription.

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

- in the event of a capital increase against contributions in kind, in particular for the acquisition of companies, parts of companies or interests in companies;
- in the case of capital increases against cash contributions, if the issue price of the new shares issued with the exclusion of subscription rights pursuant to section 186 para. 3 sentence 4 AktG is not significantly lower than the market price of the shares of the same class and features already listed on the stock exchange and the total pro rata amount of the share capital attributable to the new shares issued with the exclusion of subscription rights pursuant to section 186 para. 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. Shares issued or sold in direct or analogous application of section 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise are to be counted towards this limit of 10% of the share capital;
- to avoid fractional amounts; and/or
- to issue shares as part of share participation or other share-based programs against cash and/or non-cash contributions to employees of the company or one of its affiliated companies, whereby the employment relationship with the company or one of its affiliated companies must exist at the time of the commitment to issue shares.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the conditions of the share issue, including a profit participation deviating from section 60 para. 2 AktG. If shares are issued to employees of the company or an affiliated company, the shares may also be

issued in such a way that the contributions to be made on them are covered by the portion of the annual net profit that the Management Board and Supervisory Board could allocate to other retained earnings in accordance with section 58 para. 2 AktG. The Supervisory Board is authorized to amend the company's Articles of Association accordingly after full or partial utilization or 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.

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 2019 authorized Alzchem Group AG in accordance with section 71 para. 1 No. 8 AktG to acquire treasury shares in a volume of up to 10% of the share capital existing at the time of the resolution until the end of April 30, 2024. The shares acquired on the basis of this authorization, together with other shares in the company that Alzchem Group AG owns at the time of acquisition or that are attributable to it in accordance with sections 71d or 71e AktG, may at no time account for more than 10% of the share capital. The authorization may not be used by Alzchem Group AG for the purpose of trading in treasury shares.

The authorization can be used in full or in partial amounts, once or several times by Alzchem Group AG or by dependent or majority-owned companies of Alzchem Group AG or by third parties acting for the account of Alzchem Group AG or of 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 directed to all shareholders. In the event of acquisition via the stock exchange, the purchase price (excluding ancillary acquisition costs) may not be more than 10% higher or lower than the share price de-



terminated on the trading day by the opening auction in Xetra trading (or a comparable successor system).

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 trading day prior to the day of the public announcement of the offer. If there are not insignificant deviations in the relevant price after publication of the public purchase offer, the offer may be adjusted. In this case, the price on the third trading day prior to the public announcement of any adjustment will be used as a basis. The volume of the offer may be limited. If the subscription of the offer exceeds the fixed volume, acceptance must be based on quota(s). 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 in the company that have been acquired on the basis of this authorization for all legal purposes. In particular, the Management Board is authorized to do the following:

1. The Management Board is authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization via the stock exchange or by means of offers to all shareholders. Shareholders have no subscription rights if shares are sold via the stock exchange. In the event of a sale by public offer, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts.

2. The Management Board is also authorized, with the approval of the Supervisory Board, to sell treasury shares acquired on the basis of this authorization in a manner other than via the stock exchange or by means of offers to all shareholders if the treasury shares acquired are sold at a price that is not significantly lower than the stock market price of shares of the company with the same rights at the time of the sale. Shareholders' subscription rights are excluded. This authorization is limited to a total of 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or, if this is lower, of the share capital of the company existing at the time this authorization is exercised. Shares issued or sold in direct or analogous application of section 186 para. 3 sentence 4 AktG during the term of this authorization up to the time of its exercise 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 of the company acquired on the basis of this authorization as (partial) consideration in the context of business combinations or for the acquisition of companies, equity 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 treasury shares of the company acquired on the basis of this authorization to employees of the company or its Group companies for purchase or to transfer them. The Supervisory Board is authorized to offer or transfer treasury shares in the company, which were acquired on the basis of this authoriza-

tion or a previously granted authorization, to members of the company's Management Board for acquisition.

5. The Management Board is further authorized, with the approval of the Supervisory Board, to redeem treasury shares of the company acquired on the basis of this authorization without the redemption or its implementation requiring a further resolution by the Annual General Meeting. The authorization to redeem shares may be exercised in whole or in part. The redemption 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 remaining shareholders in the share capital is increased in accordance with section 8 para. 3 AktG. In this case, the Supervisory Board is authorized to adjust the number of shares stated in the Articles of Association.

Shareholders' subscription rights are excluded when the measures under paras. 3 to 5 are implemented.

The aforementioned authorizations may be exercised once or several times, in full or in partial amounts, individually or jointly, within the aforementioned limits.

The Management Board made use of the buyback authorization in agreement with the Supervisory Board on January 29, 2021 to launch a share buyback program with a volume of up to EUR 1,000,000.00. The treasury shares bought back in this way by June 2021 were issued to certain employees of the company in March 2023 as part of the share-based remuneration described in section 8.1.



CAPITAL RESERVE ADJUSTMENT ITEM REVERSE ACQUISITION / IFRS 2

The adjustment of the subscribed capital of Alzchem Trostberg GmbH to the subscribed capital of Alzchem Group AG and the transactions from the capital increases in the fiscal year 2017 that did not affect the subscribed capital of Alzchem Group AG are presented in the capital reserve adjustment item Reverse Acquisition / IFRS 2. These adjustments were necessary in order to present the requirements for accounting for and reporting a reverse business combination in the 2017 fiscal year.

In the fiscal year 2023, the item increased by EUR 1,009 thousand due to the recognition of share-based payment in accordance with IFRS 2.

CAPITAL RESERVE

The capital reserve represents that of Alzchem Trostberg GmbH at the time of the reverse acquisition and amounted to EUR 24,981 thousand at the time of the transaction. Capital measures carried out after the transaction are eliminated by way of capital consolidation for the purposes of the consolidated financial statements.

TREASURY SHARES

As of the balance sheet date, Alzchem held 0 (previous year: 40,581) treasury shares. The treasury shares previously held were transferred to certain employees in March 2023 as part of a share-based payment.

OTHER ACCUMULATED EQUITY

Gains and losses that are not recognized in the income statement but in other comprehensive income are reported in other comprehensive income. In the Alzchem Group, this includes the difference from the translation differences from foreign financial statements into the reporting currency, effects from the remeasurement of defined benefit obligations, changes from the fair value measurement of financial assets in other comprehensive income and related deferred taxes in the period under review. The development of the individual items in the period under review is as follows:

	Measurement of financial assets measured at fair value through other comprehensive income	Difference from currency translation	Valuation of pension provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Status on 01/01/2022	29	924	-52,057	-51,104
Gains (+) or losses (-) recognized in other comprehensive income	27	0	50,426	50,453
Currency translation difference	0	-538	0	-538
Deferred taxes	-8	0	-14,119	-14,127
Status as of 12/31/2022	48	386	-15,750	-15,316
Status as of 01/01/2023	48	386	-15,750	-15,316
Gains (+) or losses (-) recognized in other comprehensive income	-31	0	-8,332	-8,363
Currency translation difference	0	-302	0	-301
Deferred taxes	9	0	2,332	2,341
Status as of 12/31/2023	27	84	-21,750	-21,639



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 include the earnings accumulated in the reporting year and in previous fiscal years, less dividend payments to shareholders. In accordance with the requirements for accounting for and reporting a reverse business combination, the balance sheet profit are 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 10,685 thousand (previous year: EUR 10,136 thousand) to the shareholders. Based on the 10,176,335 shares of Alzchem Group AG entitled to dividends at the time of payment, this resulted in a dividend per share of EUR 1.05 (previous year: EUR 1.00). The dividend in the reporting periods was distributed as a cash dividend.

For the fiscal year 2023, a proposal will be made to the Annual General Meeting to distribute a dividend of EUR 1.20 per dividend-bearing share from the balance sheet profit. This corresponds to EUR 12,211,602.00 based on the number of dividend-bearing shares as of December 31, 2023.

NON-CONTROLLING INTERESTS

The shares in the capital of Alzchem International GmbH that are not attributable to the shareholders of Alzchem Trostberg GmbH are reported under non-controlling interests in the amount of EUR 1,934 thousand (December 31,

2022: EUR 1,934 thousand). The changes are shown in the consolidated statement of changes in equity.

Further financial information on non-controlling interests can be found in note 10.

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 as a going concern and to generate appropriate returns for the shareholders and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital.

The capital structure is managed in such a way that it takes account of changes in the macroeconomic environment and risks arising from the underlying assets. The operating cash flow puts the company in a position to make optimum use of its own financial resources. In the case of investments that are generally only made after careful consideration of the cost/benefit potential, it is regularly reviewed whether the available own financial resources can be replaced by long-term financing in favor of improved raw material purchase 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, debt capital procurement is managed using a target debt capital structure that is based on companies in the same industry and with similar size characteristics of the Alzchem Group. When selecting financial instruments, the focus is on financing with matching maturities, which is achieved by managing maturities. When monitoring the capital structure and other resulting key figures, the focus

is on taking into account and complying with contractually regulated agreements in financing contracts (covenants).

The focus of capital monitoring and capital management is essentially on the Group equity ratio. Compliance with contractual covenants in financing agreements is also linked to this. Alzchem therefore defines the Group equity ratio as a capital management parameter.

The Group equity ratio developed as follows in the reporting period:

in EUR thousand	12/31/2022	12/31/2023
Total capital	422,860	424,677
Equity	145,946	163,559
Equity ratio in %	34.5	38.5

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions relate to benefit commitments for former and current employees of the Alzchem Group. The provisions are formed on the basis of pension plans for commitments to retirement, disability and surviving dependants' benefits. The amount of the individual pension benefits from the commitments is based on the wage or salary level and/or the position in the company hierarchy as well as the length of service. The duration of the performance bonus is not limited during the lifetime of the beneficiary. The Alzchem Group is therefore exposed to the risks of future salary increases and longevity. The company regularly counters the risk of salary increases during collective bar-



gaining and attempts to keep the risk low. Due to the relatively low proportion of plan assets, however, the risks are not significantly limited.

The amount of the provision recognized exclusively in Germany is as follows as of the balance sheet dates:

in EUR thousand	12/31/2022	12/31/2023
Provisions for pensions	90,141	100,294

The present value of the defined benefit obligations of the Alzchem Group companies developed as follows:

in EUR thousand	DBO	Plan assets	Provision
Status as of 01/01/2022	140,097	92	140,005
Effects from the revaluation	-50,426	-	-50,426
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	-53,072	-	-53,072
thereof adjustments based on experience	2,646	-	2,646
Interest expense	1,394	-	1,394
Current service cost	828	-	828
Pensions paid	-1,685	-	-1,685
Expected income from plan assets	-	8	-8
Payments from plan assets	-	-33	33

in EUR thousand	DBO	Plan assets	Provision
Status as of 12/31/2022	90,208	67	90,141
Status as of 01/01/2023	90,208	67	90,141
Effects from the revaluation	8,332	-	8,332
thereof change in demographic assumptions	0	-	0
thereof change in financial assumptions	7,749	-	7,749
thereof adjustments based on experience	583	-	583
Interest expense	3,302	-	3,302
Current service cost	407	-	407
Pensions paid	-1,930	-	-1,930
Expected income from plan assets	-	0	0
Payments from plan assets	-	-42	42
Status as of 12/31/2023	100,319	25	100,294



Reconciliation of the obligations to the provision value:

	12/31/2022	12/31/2023
	EUR thousand	EUR thousand
Defined benefit obligation not fund-financed	90,141	100,294
Defined benefit obligation fund-financed	67	25
Subtotal	90,208	100,319
Less fair value of plan assets	-67	-25
Provisions for pensions and similar obligations	90,141	100,294

The effects from the revaluation of defined benefit obligations recognized in other comprehensive income in the fiscal year 2023 are as follows:

in EUR thousand	12/31/2022	12/31/2023
Change in demographic assumptions	0	0
Change in financial assumptions	-53,072	7,749
Adjustments based on experience	2,646	583
	-50,426	8,332

The amounts recognized in the income statement in the reporting period break down as follows:

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Interest expense	1,394	3,302
Service cost	828	407
Expected income from plan assets	-8	0
	2,214	3,709

The expected cash outflows from pension obligations in the coming year total EUR 2,675 thousand (previous year: EUR 2,345 thousand).

Current payments for employer contributions to the statutory pension insurance scheme are recognized as an expense in the operating result for the respective year and amounted to a total of EUR 8,298 thousand in the Group in the fiscal year 2023 (previous year: EUR 8,043 thousand).

The plan assets developed as follows:

in EUR thousand	2022	2023
Status as of 01/01	92	67
Expected income from plan assets	8	0
Payments from plan assets	-33	-42
Status as of 12/31	67	25

The plan assets consist entirely of a reinsurance policy for which there is no quoted market price on an active market.



A change in the three main parameters influencing 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 12/31/2023: 3.20%	100,294
Increase to 3.30%	98,667
Decrease to 3.10%	101,961

Wage and salary trend

As of 12/31/2023: 3.00%	100,294
Increase to 4.00%	103,329
Decrease to 2.00%	98,424

Pension trend

As of 12/31/2023: 2.25%	100,294
Increase to 3.25%	111,853
Decrease to 1.25%	90,740

If pensioner mortality were to fall by 20%, the present value of the pension obligation would be EUR 106,164 thousand.

When calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used (calculation of the present value using the projected unit credit method) as for the calculation of the provisions for pensions recognized in the consolidated balance sheet. When 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 is as follows as of the reporting date:

Present value of pension obligation in EUR thousand	Average term in years	Obligated company
100,319	17	Alzchem Trostberg GmbH/ Alzchem Group AG

Deferred tax assets of EUR 14,048 thousand (December 31, 2022: EUR 11,580 thousand) were recognized on the pension provisions recognized in the Group.



23. OTHER PROVISIONS (CURRENT AND NON-CURRENT)

	Provisions for landfills	Provi- sions for personnel	Provisions for guarantees from product sales	Provisions for subsequent customer compensation/ commissions	Other provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Status 01/01/2022	11,411	12,425	245	859	2,400	27,340
Utilization	0	-2,697	0	-42	-836	-3,576
Additions	598	4,229	0	48	875	5,750
Reversal	-119	-351	-29	-400	-641	-1,540
Reclassification	0	-1,461	0	0	0	-1,461
Accrued interest/ discounted interest/change in interest rate	-5,448	-2,055	0	0	-52	-7,555
Currency translation	0	-5	0	1	0	-4
As of 12/31/2022	6,441	10,085	216	467	1,746	18,955
Non-current	6,441	9,837	0	0	733	17,011
Current	0	248	216	467	1,013	1,944
As of 12/31/2022	6,441	10,085	216	467	1,746	18,955

	Provisions for landfills	Provi- sions for personnel	Provisions for guarantees from product sales	Provisions for subsequent customer compensation/ commissions	Other provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Status 01/01/2023	6,441	10,085	216	467	1,746	18,955
Utilization	0	-2,566	0	-39	-451	-3,056
Additions	1,069	5,437	0	224	1,510	8,239
Reversal	0	-61	-49	-409	-28	-546
Reclassification	0	-1,637	0	0	0	-1,637
Accrued inter- est/discounted interest/change in interest rate	431	822	0	0	21	1,274
Currency translation	0	0	0	-1	0	0
Status 12/31/2023	7,941	12,080	167	242	2,799	23,229
Non-current	7,941	11,805	0	0	-55	19,691
Current	0	275	167	242	2,854	3,537
Status 12/31/2023	7,941	12,080	167	242	2,799	23,229

The provisions for landfill sites relate to statutory requirements for the aftercare and recultivation of landfill sites. The provisions were recognized on the basis of internal and, in some cases, external cost estimates (prepared by experts) and taking into account a discount rate appropriate to the term.



The changes in the fiscal year 2023 resulted from changes in parameters and discounting or interest rate effects. The cash outflows from these non-current provisions are expected over a substantial period of time as part of the aftercare obligations.

The provisions for personnel relate to provisions for service bonuses, provisions for annual leave in the event of a pension claim and other social benefits for employees. They are recognized on the basis of actuarial assumptions and discounted to reflect the term to maturity.

Provisions for guarantees from product sales are recognized based on past experience. The approach is reviewed annually and adjusted to current developments.

The provisions for subsequent customer compensation and commissions relate to supply contracts with customers that run beyond the balance sheet date and to which subsequent price reductions are granted if certain minimum purchase quantities are exceeded.

Other provisions include provisions for impending losses from individual customer orders in the amount of EUR 1,281 thousand (December 31, 2022: EUR 441 thousand).

Other provisions mainly relate to provisions for other fees and premiums not yet invoiced, the amount of which is still uncertain.

24. LOAN LIABILITIES TO BANKS

in EUR thousand	12/31/2022	12/31/2023
Residual term at balance sheet date of less than one year	66,408	8,833
thereof current portion of loan liabilities	10,055	8,833
Residual term at balance sheet date of more than one year	27,498	48,665
	93,906	57,498

The non-current loan liabilities to banks that were granted in the fiscal years 2017 and 2020 have fixed interest rates of between 1.25% and 1.65%. These loans are repaid quarterly with a

final repayment on September 30, 2027. In the fiscal year 2023, Alzchem was granted loans in the amount of EUR 30,000 thousand with a final maturity date of December 31, 2027 and March 31, 2028. The interest rate on these loans is variable and depends on the 3-month EURIBOR plus the bank-specific margin.

Current liabilities to banks as of December 31, 2023 consist entirely of the current portion of loan liabilities (EUR 8,833 thousand; December 31, 2022: EUR 10,055 thousand). No other short-term financing lines had been drawn down as of the reporting date of December 31, 2023 (December 31, 2022: EUR 56,353 thousand). Utilization during the year is primarily through money market loans. The interest rate is variable and depends on the 1-month or 3-month EURIBOR plus a bank-specific margin.

Based on the customary payment agreements with the banks, the maturities and thus the cash outflow from current loan liabilities to banks are as follows:

in EUR thousand	12/31/2022	12/31/2023
Carrying amount	66,408	8,833
due in the following time bands:		
< 30 days	56,353	0
30 - 90 days	2,514	2,208
90 - 180 days	2,514	2,208
180 days - 1 year	5,027	4,416

Loan liabilities to banks are secured by property, plant and equipment with a carrying amount of EUR 13,185 thousand as of the reporting date (December 31, 2022: EUR 13,336 thousand). All liabilities to banks are denominated in euros.



Loan liabilities developed as follows in the reporting period:

	Current loan liabilities	Non-current loan liabilities
	EUR thousand	EUR thousand
Status 01/01/2022	10,490	37,553
Cash-effective change		
Repayment	-10,490	0
Borrowing	56,353	0
Cash-effective change		
Accrued interest	0	0
Reclassification	10,055	-10,055
As of 12/31/2022	66,408	27,498
Status 01/01/2023	66,408	27,498
Cash-effective change		
Repayment	-66,408	0
Borrowing	0	30,000
Cash-effective change		
Accrued interest	0	0
Reclassification	8,833	-8,833
Status 12/31/2023	8,833	48,665

25. TRADE PAYABLES

Based on the customary 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	12/31/2022	12/31/2023
Carrying amount	37,386	31,554
due in the following time bands:		
< 30 days	36,102	27,542
30 - 90 days	1,025	3,767
90 - 180 days	0	0
180 days - 1 year	259	245

Due to the Group's international activities, the following foreign currency liabilities translated into the Group currency EUR are included in trade payables as of the reporting dates:

in EUR thousand	12/31/2022	12/31/2023
Total	2,483	3,887
USD	1,016	1,235
SEK	1,056	1,565
CNY	407	1,031
Other	4	56

Apart from the customary country-specific retention of title, no collateral has been provided for the trade payables reported. No trade payables were overdue on the balance sheet dates.



26. OTHER LIABILITIES

The details of other current liabilities are as follows:

in EUR thousand	12/31/2022	12/31/2023
Personnel liabilities	13,046	17,223
Liabilities from energy taxes	3,652	5,118
Other tax liabilities	2,825	2,389
Liabilities from bonus settlements to customers	1,366	899
Liability towards employers' liability insurance association	236	205
Other	1,934	3,096
	23,059	28,930

Other current liabilities include other financial liabilities in the amount of EUR 7,280 thousand (December 31, 2022: EUR 5,425 thousand). This includes the following amounts in foreign currencies translated into euros:

in EUR thousand	12/31/2022	12/31/2023
Total	15	306
USD	15	296
JPY	0	10

The maturities and thus the cash outflow of current financial liabilities are as follows:

in EUR thousand	12/31/2022	12/31/2023
Carrying amount	5,425	7,280
due in the following time bands:		
< 30 days	557	426
30 - 90 days	810	473
90 - 180 days	3,652	5,118
180 days - 1 year	406	1,263

As of the reporting date, other non-current liabilities amounted to EUR 171 thousand (December 31, 2022: EUR 171 thousand). These comprise financial liabilities in EUR in full.

27. INCOME TAX LIABILITIES

Income tax liabilities include domestic income tax liabilities of EUR 7,940 thousand (December 31, 2022: EUR 1,351 thousand) and foreign income tax liabilities of EUR 224 thousand (December 31, 2022: EUR 250 thousand).

28. CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the financial funds of the Alzchem Group have changed in the reporting periods. Financial funds are defined as cash and cash equivalents less cash and cash equivalents with restricted availability.

In accordance with IAS 7, cash flows are broken down into cash inflows/outflows from operating activities, investing activities and financing activities.



in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Cash outflow (-)/inflow (+) from operating activities (net cash flow)	-4,240	72,671
Cash outflow from investing activities	-28,511	-20,548
Free Cash flow	-32,751	52,123
Cash inflow (+)/outflow (-) from financing activities	33,647	-49,166
Net increase (+)/decrease (-) in cash and cash equivalents	896	2,957

The cash flow statement is prepared using the indirect method.

Financial funds as of December 31, 2023 amounted to EUR 11,883 thousand (December 31, 2022: EUR 9,243 thousand) and comprise immediately available bank balances, checks and cash in hand.

Other non-cash income and expenses amounting to EUR 13,740 thousand (previous year: EUR 2,891 thousand) mainly include value adjustments on inventories, additions to and reversals of pension provisions, other provisions and liabilities and, in the previous year, the valuation of derivatives and the granting of shares in accordance with IFRS 2.

29. 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 specifically:

- Liquidity risks
- Market risks (interest rate and currency risks)
- Credit risks

Due to its activities, the Alzchem Group is exposed to a variety of financial risks. Risk is understood to mean unexpected events and possible developments that have a negative impact on the achievement of set targets and expectations. Relevant are risks with a significant influence on the net assets, financial position and results of operations. The Alzchem Group's risk management system analyses various risks and attempts to minimize negative effects on the company's financial position. Risk management is carried out in the Finance department in accordance with existing guidelines.

The Group distinguishes between liquidity, credit and market risks for the measurement and management of significant individual risks.

LIQUIDITY RISKS

Liquidity risk in the narrower sense refers to the risk of not being able to meet current or future payment obligations or only being able to do so under unfavorable conditions. 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 in sufficient amounts at all times. The necessary information is provided and continuously analyzed via Group financial planning with additional weekly rolling 14-day liquidity planning.

The long-term corporate financing of the Alzchem Group is secured by the ongoing cash flow from the operating business and sufficient available short and long-term debt financing.

Through the Group's internal financial clearing transactions, short-term liquidity surpluses of individual Group companies are used to internally finance the cash requirements of other Group companies. This helps to reduce the volume of external debt financing and optimize cash and capital investments and therefore has a positive impact on the Group's net interest income.

Consolidated and integrated liquidity planning is prepared at the level of the Alzchem Group on the basis of the latest status of the corporate planning/projection, including any additional special effects recognizable at short notice.

The Alzchem Group is mainly financed 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 as of the reporting dates:

in EUR thousand	Maximum line	Utilization	Free availability
As of 12/31/2022	77,500	56,353	21,147
As of 12/31/2023	87,500	0	87,500

The sale of customer receivables to a factoring company is used as a further short-term financing instrument. The maximum factoring volume as of December 31, 2023 was EUR 40 million (December 31, 2022: EUR 40 million). The receivables sold as part of factoring as of the reporting date, less the agreed retentions, amounted to EUR 0 thousand (December 31, 2022: EUR 26,639 thousand).

Long-term loans were concluded in the fiscal years 2017 and 2020 to finance investments. In the fiscal year 2023, a total of EUR 30,000 thousand was converted from short-term financing lines into long-term loans as part of a refinancing measure. As of the reporting date, the outstanding loan balance in relation to this long-term financing amounted to EUR 57,498 thousand (December 31, 2022: EUR 37,553 thousand). The current portion of this financing amounted to EUR 8,833 thousand as of the reporting date (December 31, 2022: EUR 10,055 thousand).

Other current financial liabilities from non-derivative financial instruments amounted to EUR 39,005 thousand as of the reporting date (December 31, 2022: EUR 42,982 thousand).



MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows the maturity structure of the contractual, undiscounted cash flows from interest and principal payments for non-derivative financial liabilities:

12/31/2022 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Loan liabilities to banks	66,861	28,146	0	95,007
Trade payables	37,386	0	0	37,386
Other financial liabilities	5,425	171	0	5,596
Total	109,672	28,317	0	137,989

12/31/2023 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Loan liabilities to banks	9,146	48,999	0	58,146
Trade payables	31,554	0	0	31,554
Other financial liabilities	7,280	171	0	7,451
Total	47,980	49,170	0	97,150

With regard to its financial liabilities, the Alzchem Group has not breached any payment agreements or contractually regulated agreements in financing agreements (covenants).

The undiscounted cash outflows are subject to the condition that the repayment of liabilities is based on the earliest due date.

A more detailed presentation of the maturity band "up to 1 year" is provided for loan liabilities to banks in note 24, for trade payables in note 25 and for other financial liabilities in note 26.

Of the primary financial liabilities reported in the Group as of December 31, 2023 in the amount of EUR 96,503 thousand (December 31, 2022: EUR 136,887 thousand), EUR 13,185 thousand (December 31, 2022: EUR 13,336 thousand) or 14% (December 31, 2022: 10%) are secured.

The securities are composed as follows:

12/31/2022

in EUR thousand	Land charge over land and buildings	Technical equipment and machinery	Total
Loan liabilities to banks	11,000	2,336	13,336

12/31/2023

in EUR thousand	Land charge over land and buildings	Technical equipment and machinery	Total
Loan liabilities to banks	11,000	2,185	13,185

In addition, the majority of companies are supplied under country-specific retention of title.

If the original financial liabilities are broken down by region, the following risk concentrations result, which Alzchem monitors regularly:

	12/31/2022		12/31/2023	
	EUR thousand	%	EUR thousand	%
Total	136,887	100	96,503	100
Germany	129,851	95	89,043	92
Europe – EU (excluding Germany)	5,508	4	4,804	5
Europe – Other	11	< 1	143	< 1
Rest of the world	1,517	1	2,512	3



CREDIT RISKS

Credit risks arise from the complete or partial default of a customer, for example due to insolvency, and in the context of financial investments. The maximum default risk amounts to the carrying amounts of all financial assets. Value adjustments on trade receivables and other receivables and assets are recognized in accordance with uniform Group rules and cover all identifiable credit risks.

In order to minimize the risk of default on receivables, Alzchem imposes minimum requirements on all business partners with regard to their creditworthiness and also sets individual maximum exposure limits. The amount of the upper credit limit reflects the creditworthiness of a contracting party and the typical size of the transaction volume with this contracting party. This is based on a limit system laid down in the treasury guidelines, which is based on the classifications of international rating agencies and internal creditworthiness checks as well as internally acquired empirical values with the respective contracting parties. In addition, the special limits of the trade credit insurance are taken into account for each customer. The Alzchem Group is therefore only exposed to credit risks to a very limited extent.

The following table shows the maximum default risk and the collateral held by the Alzchem Group, broken down by balance sheet item and measurement category as of December 31, 2022 and December 31, 2023:

12/31/2022	Maximum default risk	Collateral held		Calculated risk
Balance sheet item/valuation category	EUR thousand	EUR thousand	%	EUR thousand
Financial assets				
At fair value through profit or loss	5,233	0	0	5,233
Other receivables and other assets				
At amortized cost	12,411	0	0	12,411
Trade receivables				
At amortized cost	11,559	3,074	27	8,485
At fair value through other comprehensive income	44,153	25,928	59	18,226
Cash and cash equivalents				
At amortized cost	9,243	0	0	9,243
Total financial assets	82,600	29,001	35	53,598



12/31/2023	Maximum default risk	Collateral held	Calculated risk	
Balance sheet item/valuation category	EUR thousand	EUR thousand	%	EUR thousand
Financial assets				
At fair value through profit or loss	6	0	0	6
Other receivables and other assets				
At amortized cost	14,564	0	0	14,564
Trade receivables				
At amortized cost	9,588	5,222	54	4,366
At fair value through other comprehensive income	65,624	49,573	76	16,051
Cash and cash equivalents				
At amortized cost	11,883	0	0	11,883
Total financial assets	101,664	54,795	54	46,869

All collateral is provided in full in the form of trade credit insurance.

As described under IV. Accounting and valuation methods, recognizable default risks in the receivables portfolio are generally taken into account by recognizing adequate value adjustments. The development of value adjustments on trade receivables is shown in Note 18.

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 measurement category:

12/31/2022	Gross carrying amount	Not due	Overdue in days		
Balance sheet item/valuation category in EUR thousand			1 - 30	31 - 120	> 120
Financial assets					
At fair value through profit or loss	5,233	5,233	0	0	0
Other receivables and other assets					
At amortized cost	12,411	12,411	0	0	0
Trade receivables					
At amortized cost	11,553	10,988	327	144	94
At fair value through other comprehensive income	44,449	42,175	1,666	100	508
Cash and cash equivalents					
At amortized cost	9,243	9,243	0	0	0
Total financial assets	82,889	80,050	1,993	244	602



12/31/2023	Gross carrying amount	Not due	Overdue in days		
Balance sheet item/valuation category in EUR thousand			1 - 30	31 - 120	> 120
Financial assets					
At fair value through profit or loss	6	6	0	0	0
Other receivables and other assets					
At amortized cost	14,564	14,564	0	0	0
Trade receivables					
At amortized cost	9,680	9,432	203	0	45
At fair value through other comprehensive income	65,662	60,122	2,298	277	2,964
Cash and cash equivalents					
At amortized cost	11,883	11,883	0	0	0
Total financial assets	101,794	96,006	2,501	278	3,009

A breakdown of the Group's total financial assets by region shows the following risk concentrations:

	12/31/2022		12/31/2023	
	EUR thousand	%	EUR thousand	%
Total	82,600	100	101,664	100
Germany	33,825	41	39,859	39
Europe – EU (excluding Germany)	9,340	11	23,276	23
Europe – Other	1,232	2	1,644	2
Rest of the world	38,203	46	36,885	36



MARKET RISKS (INTEREST RATE AND CURRENCY RISKS)

Market risk is defined as the risk of a loss that may arise as a result of a change in market parameters relevant to valuation (currency, interest rate, price).

CURRENCY RISKS

The Group operates internationally and is therefore exposed to foreign currency risk based on changes in the exchange rates of various foreign currencies. Foreign currency risks can arise from expected future transactions, recognized assets and liabilities and net investments in foreign operations.

In order to minimize possible risks from changing exchange rates, the Alzchem Group sometimes 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 29,036 thousand (December 31, 2022: EUR 40,149 thousand) are attributable to financial assets denominated in foreign currencies and EUR 4,193 thousand (December 31, 2022: EUR 2,498 thousand) to financial liabilities denominated in foreign currencies. The concentration of risk relating to foreign currency is as follows:

Financial Assets	12/31/2022		12/31/2023	
	EUR thousand	%	EUR thousand	%
Total	40,149	100	29,036	100
USD	26,856	67	17,697	61
JPY	4,746	12	1,490	5
SEK	4,521	11	6,463	22
CNY	3,951	10	3,285	11
Other	75	< 1	100	< 1

Financial Liabilities	12/31/2022		12/31/2023	
	EUR thousand	%	EUR thousand	%
Total	2,498	100	4,193	100
SEK	1,056	42	1,565	37
USD	1,030	41	1,530	37
CNY	408	16	1,031	25
JPY	0	0	10	< 1
Other	4	< 1	56	1

Sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity were carried out as of the reporting dates in order to present currency risks. The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments on the reporting date. It is assumed that the portfolio on the reporting date is representative for the year as a whole. For the analysis of currency sensitivities, only the currencies USD, JPY, CNY and SEK, which are significant for the Alzchem Group, were taken into account.

As of the balance sheet date, the Alzchem Group is exposed to currency risks, which are mainly reflected in the balance sheet items trade receivables, trade payables and cash and cash equivalents.

If the euro had appreciated or depreciated by 10% against the main foreign currencies in which the Alzchem Group operates as of December 31, 2023, the reported equity in functional currency would have changed by EUR -2,254 thousand (December 31, 2022: EUR -3,416 thousand) or EUR 2,755 thousand (December 31, 2022: EUR 4,176 thousand).

The hypothetical impact on earnings (before taxes) of EUR -2,254 thousand (December 31, 2022: EUR -3,416 thousand) or EUR 2,755 thousand (December 31, 2022: EUR 4,176 thousand) results in detail from the following currency sensitivities



in EUR thousand	12/31/2022		12/31/2023	
	+10%	-10%	+10%	-10%
Total income statement	-3,416	4,176	-2,254	2,755
EUR/USD	-2,348	2,870	-1,470	1,796
EUR/SEK	-315	385	-445	544
EUR/CNY	-322	394	-205	250
EUR/JPY	-431	527	-135	164
Total other comprehensive income	0	0	0	0
Effect total equity	-3,416	4,176	-2,254	2,755

INTEREST RATE RISKS

Interest rate risks can arise primarily from changes in market interest rates, which lead to changes in expected cash flows. In order to minimize interest rate risks, loans are only taken out or concluded on a long-term basis and at fixed interest rates if necessary. Non-current loan liabilities to banks are predominantly at fixed interest rates and are therefore not sub-

ject to interest rate risks. In the fiscal year 2023, a total of EUR 30,000 thousand was converted from short-term financing lines into long-term loans as part of a refinancing process. These loans have variable interest rates and are subject to the volatility of market interest rates. The short-term financing lines drawn down as of December 31, 2023 also have variable interest rates. If the average interest rate for the utilization of the financing lines in the fiscal year 2023 had been 0.5 percentage points higher or lower than the actual interest rate, the reported result for the period or equity (before taxes) would have decreased or improved by EUR 88 thousand (previous year: EUR 180 thousand).

PRICE RISKS

Price risks mainly arise in the purchasing area due to changes in the market price of raw materials, electricity and gas. In order to minimize price volatility, forward transactions and price escalation clauses are used to counteract these risks. The forward transactions in the fiscal year 2023 relate to the purchase of electricity exclusively for the company's own requirements. The forward purchases concluded in the previous year for the fiscal year 2023 for electricity purchases in Germany were also sold again in the previous year. As both transactions are based on the same volume of electricity procurement (in MW), market price changes for both transactions always offset each other in full, meaning that there is no market price change risk.



CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following table shows the carrying amounts and fair values of financial assets by measurement category in accordance with IFRS 9:

12/31/2022	At amortized cost		At fair value		Total amount	
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income with subsequent reclassification to the income statement	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost		
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value	
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	
Financial assets	–	–	5,233	5,233	5,233	
Other receivables and other assets	12,411	–	–	12,411	12,411	
Trade receivables	11,559	44,153	–	55,712	55,712	
Cash and cash equivalents	9,243	–	–	9,243	9,243	
Total financial assets	33,213	44,153	5,233	82,600	82,600	



12/31/2023	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	Financial assets measured at amortized cost		
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value	
Balance sheet item	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Financial assets	–	–	6	6	6	
Other receivables and other assets	14,564	–	–	14,564	14,564	
Trade receivables	9,588	65,624	–	75,212	75,212	
Cash and cash equivalents	11,883	–	–	11,883	11,883	
Total financial assets	36,034	65,624	6	101,664	101,664	



The following table shows the carrying amounts and fair values of financial liabilities by measurement category in accordance with IFRS 9:

Balance sheet item	At amortized cost		Fair value	
	Financial liabilities measured at amortized cost			Total amount
	Carrying amount	Carrying amount		
	EUR thousand	EUR thousand	EUR thousand	
Loan liabilities to banks	93,906	93,906	92,626	
Trade payables	37,386	37,386	37,386	
Other liabilities	5,595	5,595	5,595	
Total financial liabilities	136,887	136,887	135,607	

Balance sheet item	At amortized cost		Fair value	
	Financial liabilities measured at amortized cost			Total amount
	Carrying amount	Carrying amount		
	EUR thousand	EUR thousand	EUR thousand	
Loan liabilities to banks	57,498	57,498	56,991	
Trade payables	31,554	31,554	31,554	
Other liabilities	7,451	7,451	7,451	
Total financial liabilities	96,503	96,503	95,996	



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 assumptions described below.

Due to the short-term maturities of the financial assets, it is assumed that the fair values correspond approximately to the carrying amounts.

The balance sheet items trade payables and other liabilities generally include liabilities with short remaining terms, so that the fair values are assumed to correspond approximately to the carrying amounts reported.

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 calculated by discounting the cash flows associated with the liabilities, taking into account the current interest rate parameters observable on the market. The individual credit ratings of the Group are taken into account in the present value calculation in the form of standard market creditworthiness and liquidity spreads. This approach corresponds to level 2 in the IFRS 13 hierarchy.

Certain financial assets are measured at fair value on a recurring basis and allocated to the corresponding IFRS 9 categories. The following table shows these financial assets and their measurement levels in accordance with IFRS 13:

12/31/2022 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
- Measured at fair value through other comprehensive income	44,153	–	44,153
Financial assets			
- Measured at fair value through profit or loss	5,228	6	5,234
Total assets	49,381	6	49,387

12/31/2023 in EUR thousand

Assets	Level 2	Level 3	Total
Trade receivables			
- Measured at fair value through other comprehensive income	65,624	–	65,624
Financial assets			
- Measured at fair value through profit or loss	–	6	6
Total assets	65,624	6	65,630

Financial liabilities were not recognized at fair value in the reporting period.

There were no reclassifications between the individual hierarchies for determining fair values in the reporting period.

The market value of the electricity derivatives measured at fair value through profit or loss is allocated to level 2.

The market value of trade receivables measured at fair value through other comprehensive income is allocated to level 2. The market values of trade receivables measured at fair value are derived with reference to transactions in comparable instruments. In particular, the transaction prices in the context of the sale of receivables, for which the buyer regularly refers to the nominal value, are used. In the event of a default event, these values are adjusted by the value adjustment requirement.

The Alzchem Group holds one investment in the category "at fair value through profit or loss", the market value of which is to be allocated to level 3. In the absence of reliable input parameters for a more complex model and due to the minor significance of this investment 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 have no material impact on the significance of the item for the Alzchem Group or on the net assets, financial position and results of operations of the Alzchem Group. The reported value



has not changed compared to the previous year. In the previous year, an investment in the USA was sold with a previously recognized reversal of impairment of EUR 474 thousand. In the reporting period, income of EUR 28 thousand (previous year: EUR 207 thousand) was recognized from these financial assets, which was reported in the financial result.

NET RESULT FROM FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following overviews show the net gains or losses from financial instruments recognized in the income statement and in other comprehensive income by measurement category:

01/01-12/31/2022 in EUR thousand	Interest	Currency translations	Impairment losses/reversals	Changes in the fair value of derivatives	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	48	-76	0	0	0	-28	0
Financial assets at fair value through profit or loss	0	0	474	5,228	207	5,909	0
Financial assets measured at fair value through other comprehensive income	0	730	32	0	0	762	27
Financial liabilities measured at amortized cost	-1,122	-552	0	0	0	-1,674	0
	-1,074	102	506	5,228	207	4,969	27

01/01-12/31/2023 in EUR thousand	Interest	Currency translations	Impairment losses/reversals	Changes in the fair value of derivatives	Income from investments	Net result P&L	Other result
Financial assets measured at amortized cost	321	458	0	0	0	780	0
Financial assets at fair value through profit or loss	0	0	0	0	28	28	0
Financial assets measured at fair value through other comprehensive income	0	-1,575	-103	0	0	-1,678	-31
Financial liabilities measured at amortized cost	-2,506	-527	0	0	0	-3,033	0
	-2,185	-1,643	-103	0	28	-3,904	-31



No interest income from impaired trade receivables was recognized in the reporting periods. The effects of currency translation are reported under other operating income or other operating expenses. The remaining effects can be found in the financial result.

DERIVATIVES AND HEDGE ACCOUNTING

The Alzchem Group sometimes uses hedging transactions to hedge currency risks from future transactions. However, no currency hedges were used in the periods currently presented.

As of the previous year's reporting date, derivatives from the sale of electricity strips had to be recognized. Alzchem had purchased these electricity strips in advance for the calendar year 2023, but decided to sell them again due to market conditions. As a result of the sale, the so-called "own use exemption" of IFRS 9 for these contracts no longer applies and the derivatives were therefore to be recognized at fair value. They are reported in the balance sheet under current financial assets. There were no derivative financial instruments as of December 31, 2023.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are only offset if net settlement is possible at any time and is also planned. At Alzchem, this applied to electricity trading derivatives in the previous year. The netted derivatives had a net value of EUR 5,228 thousand in other current financial assets and consisted of EUR 16,791 thousand in sales derivatives and EUR 11,563 thousand in purchase derivatives. There is no other collateral or offsetting agreements that cannot be recognized in the balance sheet.

30. COMPANY ACQUISITIONS

No company acquisitions were recognized in the periods currently presented.

VII. OTHER NOTES

31. OTHER FINANCIAL OBLIGATIONS

In addition to the lease liabilities already recognized in accordance with IFRS 16, the Alzchem Group also has other financial obligations for maintenance and service contracts for machinery and equipment, software and other operating and office equipment as well as for purchase commitments. These were as follows as of the reporting dates:

12/31/2022 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,383	304	28	1,715

12/31/2023 in EUR thousand	Up to 1 year	1 - 5 years	Over 5 years	Total
Maintenance and service contracts	1,304	622	15	1,942

Order commitments amounted to EUR 62,914 thousand as of December 31, 2023 (December 31, 2022: EUR 70,384 thousand). These mainly consist of long-term purchase obligations for lime and electricity deliveries (EUR 43,916 thousand; previous year: EUR 65,414 thousand) and for property, plant and equipment (EUR 18,998 thousand; previous year: EUR 4,970 thousand).

The disclosures on leases in accordance with IFRS 16 are contained in the separate Note 13 Leases.

32. CONTINGENT LIABILITIES

The company does not expect any claims to be made for potential environmental obligations arising from the sale of the alloy plant in 2008 in the amount of EUR 2.1 million until 2038 due to the industrial structure at the site.



33. CORPORATE BODIES OF THE COMPANY

The following persons were appointed to the Management Board of Alzchem Group AG in the reporting period:

- Andreas Niedermaier, Qualified Economical Engineer (FH) – CEO
- Klaus Englmaier, Qualified Engineer (FH) – COO
- Dr. Georg Weichselbaumer, Chemist – CSO

The members of the Management Board are the persons in key positions of the Alzchem Group in accordance with IAS 24. The remuneration of the members of the Management Board amounted to a total of EUR 3,992 thousand in the reporting period (previous year: EUR 1,804 thousand). The remuneration can be broken down as follows:

in EUR thousand	01/01 -12/31/2022	01/01 -12/31/2023
Fixed remuneration	775	815
Bonus	840	1,296
Remuneration in kind/other remuneration	41	46
Post-employment benefits	148	158
Share-based payment (Long-Term Incentive)/ transitional payment	0	1,678
	1,804	3,992

The resulting outstanding balances as of December 31, 2023 amount to EUR 1,296 thousand (December 31, 2022: EUR 840 thousand) and are reported under other current liabilities. The provisions for post-employment benefits for the members of the Management Board amount to EUR 966 thousand (December 31, 2022: EUR 845 thousand) and are reported under provisions for pensions and similar obligations. The provision for share-based payments in the amount of EUR 1,781 thousand (December 31, 2022: EUR 103 thousand) for the members of the Management Board appointed as of December 31, 2023 is part of the current and non-current other provisions. The individual remuneration of the members of the Management Board of Alzchem Group AG is included in the separate remuneration report 2023 of Alzchem Group AG.

The Supervisory Board of the parent company Alzchem Group AG, consisting of four members, is required by the Articles of Association to hold one meeting per calendar quarter and must hold two meetings per calendar half-year.

The following persons were members of the Supervisory Board in the reporting year:

- Markus Zöllner (Chairman)
- Steve Röper
- Prof. Dr. Martina Heigl-Murauer
- Dr. Caspar Freiherr von Schnurbein (Deputy Chairman).

All members of the Supervisory Board of Alzchem Group AG were also appointed to the Supervisory Board of Alzchem Trostberg GmbH throughout the reporting period.

In addition, the employee representatives Karl Held (until July 31, 2023), Christian Ortbauer and Christian Rieder (since August 1, 2023) were members of the Supervisory Board of Alzchem Trostberg GmbH in the reporting period. The aforementioned Supervisory Board members are also key management personnel of the Alzchem Group in accordance with IAS 24. The remuneration of all Supervisory Board members amounted to EUR 168 thousand (previous year: EUR 180 thousand), which resulted in outstanding balances of EUR 168 thousand as of the reporting date (December 31, 2022: EUR 180 thousand). The employee representatives on the Supervisory Board of Alzchem Trostberg GmbH received standard market remuneration for their activities. The individual remuneration of the members of the Supervisory Board of Alzchem Group AG is included in the separate remuneration report 2023 of Alzchem Group AG.

34. SHARE-BASED PAYMENT

STOCK APPRECIATION RIGHTS 2019

The Management Board members Andreas Niedermaier, Klaus Englmaier and Dr. Georg Weichselbaumer concluded Management Board contracts in the fiscal year 2019 that determine among other things, the granting of stock appreciation rights ("Stock Appreciation Rights 2019"). As a long-term incentive, the members of the Management Board receive a certain number of stock appreciation rights (SARs) with a multi-year assessment basis. SARs do not grant an entitlement to the transfer of 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 the dividends granted up to that point) is above the average closing price of the Alzchem Group AG share in the 60 trading days before January 1, 2020



(with this "base price" increasing by three percentage points each year from January 1, 2020). In the two (or three) exercise periods in January 2023 (not utilized), 2024 (or 2025), depending on the Management Board member, a certain portion of the SARs can (could) 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, if the relevant requirements 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 the fiscal year 2019 ("treasury shares 1"). If the bonus exceeds a contractually defined maximum amount, this amount is capped; the bonus exceeding the maximum amount is forfeited.

In addition, 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 SAR, the company was entitled to demand a compensation payment from the Management Board member depending on the number of shares sold. This did not happen, as the members of the Management Board did not report this under stock corporation law.

Following the grants in the fiscal year 2019, no further SARs were granted to the members of the Management Board in the reporting period under the Management Board contracts 2019. As of December 31, 2023 and December 31, 2022, the number of SARs granted (2019) amounted to 250,000. Of these, 230,000 can be exercised in January of the following year (previous year: 130,000).

The fair value was determined on the basis of a Monte Carlo model and the expense recognized in personnel expenses was distributed on a straight-line basis from the grant date to the beginning of the exercise period. In the fiscal year 2023, an expense of EUR 886 thousand (previous year: income of EUR 351 thousand) was recognized from this plan, which led to a provision of EUR 938 thousand (previous year: EUR 52 thousand). The valuation was based on the following parameters.

	12/31/2022	12/31/2023
Residual term (in years)	0.5 - 1.1	0.1 - 1
Expected volatility	28.0% - 31.7%	18.2% - 28.7%
Risk-free interest rate	2.14% - 2.56%	3.08% - 3.86%
Share price at valuation date	EUR 16.90	EUR 26.00

As the members of the Management Board are entitled to payment of dividends granted between January 1, 2020 and the date of exercise, it was not possible to explicitly model the dividend in the calculation.

The expected volatility of the Alzchem share was determined on the basis of the historical volatility of comparable companies with matching maturities. As the present subscription rights (SARs) are not options and the subscription rights securitize a payment in the amount of the share price valid at the time of exercise, the exercise price for the SARs is EUR 0.00.

STOCK APPRECIATION RIGHTS 2022 AND 2023

In the fiscal year 2022, Management Board members Klaus Englmaier and Dr. Georg Weichselbaumer concluded new Management Board contracts which, among other things, provide for the granting of stock appreciation rights ("Stock Appreciation Rights 2022"/"SAR 2022"). The Management Board member Andreas Niedermaier concluded a new Management Board contract in the fiscal year 2023, which, among other things, provides for the granting of stock appreciation rights ("Stock Appreciation Rights 2023"/"SAR 2023"). The number of SAR 2022 to be allocated per tranche is calculated by dividing the allocation amount by the "assumed four-year share price increase", which is determined by the Supervisory Board. A SAR 2022 grants an entitlement to payment of a cash amount depending on the exercise price (average of the Xetra-weighted closing prices of the Alzchem Group AG share in the last 30 trading days before the date of exercise of the SAR + the dividends paid since the allocation date), reduced by the allocation price (average of the Xetra-weighted closing prices of the Alzchem Group AG share in the last 60 trading days before the allocation date). The exercise periods of the SARs are to be determined by the Supervisory Board. The minimum holding period for exercising SARs ends at the earliest four years after the allocation date.

The SARs were granted as part of a so-called long-term incentive (LTI) agreement. For the individual beneficiaries, in addition to a payout cap on the total LTI, a payout cap was also defined with regard to the total remuneration, which must be taken into account when accounting for the SAR 2022 and SAR 2023. In the event of significant detrimental breaches of duty towards the Alzchem Group, the Supervisory Board can reclaim all or part of the LTI tranche granted for a specific year within a one-year period. This also applies to LTIs that have already been paid out.

In the fiscal year 2023, the members of the Management Board were granted 53,000 SARs, which can be exercised for the first time on December 31, 2026.

SAR 2022 and SAR 2023 are also cash-settled share-based payments in accordance with the provisions of IFRS 2. The fair value was determined on the basis of a Monte Carlo model and the expense recognized in personnel expenses was distributed on a straight-line basis from the grant date to the beginning of the exercise period. In the fiscal year 2023, personnel ex-



penses of EUR 161 thousand (previous year: EUR 51 thousand) were recognized from this plan, which led to a provision of EUR 212 thousand (previous year: EUR 51 thousand). The valuation was based on the following parameters:

	12/31/2022	12/31/2023
Residual term (in years)	4.0 - 6.0	3.0 - 6.0
Expected volatility	28.4% - 30.7%	27.5% - 31.5%
Risk-free interest rate	2.51% to 2.58%	1.92% to 2.12%
Share price at valuation date	EUR 16.90	EUR 26.00

As the members of the Management Board are entitled to payment of the dividends granted between the grant date and the date of exercise, it was not possible to explicitly model the dividend in the calculation.

The expected volatility of the Alzchem share was determined on the basis of the historical volatility of comparable companies with matching maturities. As the present subscription rights (SARs) are not options and the subscription rights securitize a payment in the amount of the share price valid at the time of exercise, the exercise price for the SARs is EUR 0.00.

TRANSITIONAL PAYMENTS

The remuneration system 2023 approved by the Annual General Meeting in May 2023 provides for transitional payments for the liquidity gap that arose for the members of the Management Board during the transition to the new LTI 2022 and LTI 2023 regulations. These multi-year bridging payments ("transitional payment 2024", "2025" and "2026") are granted in the form of SARs in the amount of a pre-defined allocation amount. The SARs allocated under the "transitional payment 2024" can be exercised for the first time after a holding period of one year (i.e. in 2025), the SARs allocated under the "transitional payment 2025" after a holding period of two years (i.e. in 2026) and the SARs allocated under the "transitional payment 2026" after a holding period of three years (i.e. in 2027); the exact exercise periods are determined by the Supervisory Board. Instead of the "assumed four-year share price increase" applicable in the LTI regulations, an "assumed one-year share price increase" is therefore to be applied for the "transitional payment 2024", an "assumed two-year share price increase" for the "transitional payment 2025" and an "assumed three-year share price increase" for the "transitional payment 2026".

In the fiscal year 2023, the members of the Management Board were granted 176,666 SARs, none of which were exercisable as of December 31, 2023.

The transitional payments are also cash-settled share-based payments in accordance with the provisions of IFRS 2. The fair value was determined on the basis of a Monte Carlo model and the expense recognized in personnel expenses was distributed on a straight-line basis from the grant date to the beginning of the exercise period. In the fiscal year 2023, personnel expenses of EUR 631 thousand (previous year: EUR 0 thousand) were recognized from this plan, which led to a provision of EUR 631 thousand (previous year: EUR 0 thousand). The valuation was based on the following parameters:

	12/31/2023
Residual term (in years)	1.0 - 3.0
Expected volatility	27.5% - 30.1%
Risk-free interest rate	2.12% to 3.15%
Share price at valuation date	EUR 26.00

As the members of the Management Board are entitled to payment of the dividends granted between the grant date and the date of exercise, it was not possible to explicitly model the dividend in the calculation.

The expected volatility of the Alzchem share was determined on the basis of the historical volatility of comparable companies with matching maturities. As the present subscription rights (SARs) are not options and the subscription rights securitize a payment in the amount of the share price valid at the time of exercise, the exercise price for the SARs is EUR 0.00.

SHARE GRANT TO EMPLOYEES 2022

The share-based payment granted to certain employees in the fiscal year 2022 resulted in personnel expenses of EUR 677 thousand in 2022. A total of 40,581 shares were granted to employees from treasury shares. The fair value of the shares on the grant date (December 12 to 14, 2022) was used to measure the equity instruments to be granted. The transfer took place in the fiscal year 2023.



35. RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Related parties include persons in key positions in the Alzchem Group. These are listed by name and with their remuneration in Note 33.

The companies controlled by the shareholders LIVIA Corporate Development SE, Munich, and four two na GmbH, Munich, as well as the companies controlled by their shareholders or legal representatives are considered related parties of the Alzchem Group in the reporting period.

No transactions were conducted with related parties in the reporting period.

36. LEGAL DISPUTES AND CLAIMS FOR DAMAGES

The Alzchem Group is not involved in any court or arbitration proceedings with a significant impact on the Group's position. The existing, overall immaterial proceedings have not yet been concluded and the Management does not expect any material obligations from them. In general, the exact amount of a possible obligation or claim cannot be reliably determined due to the high level of uncertainty associated with such proceedings.

37. FEES FOR THE AUDITORS

The auditor of the consolidated financial statements of Alzchem Group AG as of December 31, 2022 and 2023 was RSM Ebner Stolz GmbH & Co. KG (formerly: Ebner Stolz GmbH & Co. KG) Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Munich branch.

Fees totaling EUR 381 thousand (previous year: EUR 273 thousand) were incurred in the fiscal year 2023 for services provided by the auditor of the consolidated financial statements within the meaning of section 318 HGB. This includes EUR 34 thousand (previous year: EUR 30 thousand) attributable to the previous year. The remuneration is broken down into the following services

in EUR thousand	01/01 - 12/31/2022	01/01 - 12/31/2023
Other audit and assurance services	13	3
Audit services	260	378
Total	273	381

The other audit and assurance services in the fiscal year 2023 relate to an audit of Alzchem Netz GmbH in accordance with section 6b para. 6 EnWG. The other audit and assurance services in the previous year related to an invoice for the audit of the proper archiving of incoming invoices.

38. LIST OF SHAREHOLDINGS

The list of shareholdings of Alzchem Group AG in accordance with section 313 para. 2 HGB as of December 31, 2023 is as follows:

Company name	Seat	Share of capital in %
Subsidiaries		
Alzchem Trostberg GmbH	Trostberg, Germany	100
Alzchem International GmbH	Trostberg, Germany	94
Alzchem Stahltechnik GmbH	Trostberg, Germany	100
Suppliva GmbH (formerly Alzchem Nutrition GmbH)	Trostberg, Germany	100
Alzchem Netz GmbH	Trostberg, Germany	100
Alzchem LLC	Atlanta, USA	100
Alzchem Shanghai Co. Ltd	Shanghai, China	100
Nordic Carbide AB	Sundsvall, Sweden	100
Edelife Distributing LLC	Atlanta, USA	100
Alzchem UK Ltd.	Coventry, United Kingdom	100
Actegon Energy GmbH	Trostberg, Germany	100

The share in capital was calculated in accordance with section 16 AktG and therefore includes directly and indirectly held shares in Alzchem Group AG.

39. EVENTS AFTER THE BALANCE SHEET DATE

At its meeting on December 5, 2023, the Supervisory Board of Alzchem Group AG unanimously resolved to appoint Andreas Lösler to the Management Board of Alzchem Group AG with effect from January 1, 2024. As CFO, Mr. Lösler is responsible for Controlling, Accounting & Finance, Investor Relations & Communication, Human Resources, Information Technology and Insurance. As CEO, Andreas Niedermaier will focus increasingly on the areas of Strategy, Law, Supply Chain, ESG and Risk Management.

After the end of the fiscal year 2023 and up to the date of preparation of the consolidated financial statements, there were no events with a material impact on the net assets, financial position and results of operations.

40. CORPORATE GOVERNANCE

In December 2023, the Management Board and Supervisory Board of Alzchem Group AG issued the declaration required by section 161 AktG and made it publicly available on the website.

Trostberg, February 23, 2024

Alzchem Group AG

The Management Board


Andreas Niedermaier (CEO)


Klaus Englmaier (COO)


Dr. Georg Weichselbaumer (CSO)


Andreas Lösler (CFO)



RESPONSIBILITY STATEMENT





Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements and the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company, and the combined management report includes a fair review of the development and performance of the business and the position of the Group and the company, together with a description of the principal opportunities and risks associated with the expected development of the Group and the company.

Trostberg, February 23, 2024

Alzchem Group AG

The Management Board



Andreas Niedermaier (CEO)



Klaus Englmaier (COO)



Dr. Georg Weichselbaumer (CSO)



Andreas Lösler (CFO)



DECLARATION ON THE REMUNERATION TRANSPARENCY ACT



Declaration on the Remuneration Transparency Act

The Act on the Promotion of Remuneration Transparency between Women and Men came into force on July 6, 2017. At the heart of the law is the right of individual employees to information on the pay of the other gender in companies with more than 200 employees. The law also includes a requirement for employers to carry out audits to ensure compliance with the equal pay requirement and a reporting obligation for employers with more than 500 employees on statistical data and the equality measures implemented in the company. The right to information could be asserted for the first time from February 2018. The equality report had to be prepared for the first time in 2018 for the year 2016. The report must be attached to the combined management report and disclosed in the company register, section 22 para. 4 of the Remuneration Transparency Act. It is not part of the consolidated financial statements and not part of the combined management report.

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

- Alzchem Trostberg GmbH and Nordic Carbide AB are members of the employers' association VBCI and IKEM and apply the collective agreements of the chemical industry.

The collective agreements and pay scales are available to all employees.

- Alzchem regularly carries out function evaluations in summary form with its company partner for the area of tariff employees in accordance with collective agreement regulations in the sense of the federal collective wage agreement via evaluation committees with equal representation, which meet at least six times a year. Equivalent functions are combined into job families via a company agreement, which ensures fair and gender-neutral function evaluation and, as a result, gender-neutral grouping and pay determination with regard to employees. An evaluation committee with equal representation meets regularly to evaluate new job families in a gender-neutral and uniform manner.
- Alzchem has also agreed a binding set of rules for gender-neutral, competitive salary determination and development with its company partner for the areas of non-tariff employees and executives. In addition, there is also an evaluation committee with equal representation, which ensures a gender-neutral and uniform evaluation and classification of functions.

- 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.

- The declarations on gender-neutral function evaluation ensure that functions are evaluated exclusively with regard to the qualitative requirements and function-specific requirements, which are completely independent of the gender of the job or function holder.

As of December 31, 2023, the Alzchem Group employed 1,329 men (including the 3 members of the Management Board) (previous year: 1,322) and 177 women (previous year: 175) on a full-time basis and 75 men (previous year: 73) and 127 women (previous year: 120) on a part-time basis.

Alzchem has set itself the goal of increasing the proportion of female managers in senior management (first and second management levels). This has already increased significantly in recent years and currently stands at 12.5% (2018: 0%).



FURTHER INFORMATION

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Independent auditor's report

to Alzchem Group AG, Trostberg

REPORT ON THE AUDIT OF 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, 2023, 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, 2023, 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, 2023. In accordance with German legal requirements, we have not audited the content of the non-financial (Group) statement contained in section 11 of the combined management report and the Group Corporate Governance statement contained in section 9 of the combined management report.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2023 and of its results of operations for the fiscal year from January 1 to December 31, 2023 based on these requirements and

- the accompanying combined management report overall gives a true and fair view of the situation of the Group. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the above-mentioned components of the combined management report that were not audited as to their content.

In accordance with sec. 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the combined management report in accordance with sec. 317 HGB and the EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is further described in the section "responsibility of the auditor for the audit of the consolidated financial statements and the combined management report" of our auditor's report. We are independent of the Group companies in accordance with European and German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, we declare pursuant to sec. 10 para. 2 letter f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to sec. 5 para. 1 EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

PARTICULARLY IMPORTANT AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly important audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2023. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the audit matters that we consider to be of particular importance:



PENSION PROVISIONS

a) The risk for the consolidated financial statements

In the consolidated financial statements of Alzchem Group AG, Trostberg, the balance sheet item “provisions for pensions and similar obligations” includes EUR 100.3 million (24% 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 100.3 million and the fair value of plan assets of EUR 0.0 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 in secs. IV. and VI. (no. 22). In our view, these matters were of particular significance for our audit because the recognition and valuation of these items, which are significant in terms of amount, are based to a significant extent on estimates and assumptions made by the legal representatives.

b) Audit procedure and conclusions

As part of our audit, we evaluated the actuarial reports obtained from the respective Group companies and the professional qualifications of the external experts. We reviewed the contractual bases and the quantity structure. We assessed the actuarial parameters for appropriateness through plausibility testing procedures. We verified the presentations in the consolidated financial statements, in particular in the notes to the consolidated financial statements, on the basis of the expert opinions and checked the completeness and plausibility of the disclosures. On the basis of our audit procedures, we were able to convince ourselves that the estimates and assumptions made by the legal representatives are justified and adequately documented.

OTHER INFORMATION

The legal representatives or the Supervisory Board are responsible for the other information. The other information includes:

- the components of the combined management report referred to in the section “audit opinions” which have not been audited as to their content,
- the report of the Supervisory Board,
- the responsibility statement of the legal representatives on the annual financial statements or the consolidated financial statements, and the responsibility statement on the combined management report,
- the Declaration on the Remuneration Transparency Act,
- the other parts of the published annual report, but not the consolidated financial statements, not the components of

the combined management report included in the content audit, and not our audit opinion thereon.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to sec. 161 AktG on the German Corporate Governance Code, which forms part of the (Group) Corporate Governance statement contained in section 9 of the combined management report. Besides, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, evaluate whether the other information

- contain material inconsistencies with the consolidated financial statements, with the audited disclosures in the combined management report or with our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If we conclude, based on the work we have performed, that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.



RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements that comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group based on these requirements. Furthermore, the legal representatives are responsible for the internal controls that they have determined are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of the financial statements and misstatement of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole gives a true and fair view of the Group's situation and is consistent in all material aspects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (sys-

tems) they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and whether the combined management report as a whole provides a suitable view of the Group's situation and is consistent, in all material aspects, with the consolidated financial statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with sec. 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if it could reasonably be expected that they would, individually or collectively, influence the economic decisions of addressees

taken on the basis of these consolidated financial statements and combined management report.

During the audit, we exercise professional judgment and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material misstatements in the consolidated financial statements and the combined management report due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements that result from fraud is higher than the risk of not detecting material misstatements that result from error, as fraud may involve collusion, counterfeiting, intentional omissions, misleading presentations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the combined management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of the accounting methods used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- we conclude on the appropriateness of the going concern basis of accounting used by the legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial



statements and the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group not to be able to continue as a going concern.

- we evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to sec. 315e para. 1 HGB.
- we obtain sufficient appropriate audit evidence regarding the accounting information of the companies or business activities within the Group to give an audit opinion on the consolidated financial statements and the combined management report. We are responsible for directing,

supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we assess the consistency of the combined management report with the consolidated financial statements, its compliance with the law, and the view of the Group's situation conveyed by it.
- we perform audit procedures on the forward-looking statements made by the legal representatives in the combined management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements from these assumptions. We do not give an independent audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those responsible for supervision, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide a statement to those charged with supervision that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to affect our independence and, if relevant, the actions taken or safeguards implemented to eliminate independence threats.

From the matters we discussed with those responsible for supervision, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group for the current reporting period and are therefore the particularly important audit matters. We describe these matters in our auditor's report unless law or other regulations preclude public disclosure of the matter.



OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SEC. 317 PARA. 3A HGB

Audit opinion

In accordance with sec. 317 para. 3a HGB, we have performed an audit with reasonable assurance as to whether the reproductions of the consolidated financial statements and the combined management report (hereinafter also referred to as “ESEF documents”) contained in the file “alzchem-groupag-2023-12-31-de.zip” and prepared for disclosure purposes comply in all material aspects with the requirements of sec. 328 para. 1 HGB on the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the aforementioned file.

In our assessment, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for disclosure purposes comply in all material respects with the requirements of sec. 328 para. 1 HGB regarding the electronic reporting format. Beyond this audit opinion and our audit opinions contained in the preceding “report on the audit of the consolidated financial statements and the com-

bined management report” on the accompanying consolidated financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2023, we do not give any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file in accordance with sec. 317 para. 3a HGB and in consideration of the IDW audit standard: audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with sec. 317 para. 3a HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (revised). Our responsibility thereafter is further described in the section “responsibility of the auditor of the financial statements for the audit of the ESEF documents”. Our auditing practice has applied the quality management requirements of the IDW quality management standards: requirements for quality management in auditing practice (IDW QMS 1 (09.2022)).

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with sec. 328 para. 1 sentence 4 no. 1 HGB and for the tagging

of the consolidated financial statements in accordance with sec. 328 para. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they consider necessary to enable the preparation of the ESEF documents that are free from material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB to the electronic reporting format.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as part of the accounting process.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB. During the audit, we exercise professional judgment and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material violations, whether intentional or unintentional, of the requirements of sec. 328 para. 1 HGB, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of giving an audit opinion on the effectiveness of these controls.



- we evaluate the technical validity of the ESEF documents, meaning whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 for the technical specification of that file, as applicable at the reporting date.
- we assess whether the ESEF documents allow for a content identical XHTML reproduction of the audited consolidated financial statements and the audited combined management report.
- we assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

OTHER INFORMATION ACCORDING TO SEC. 10 EU-APRVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on May 11, 2023. We were appointed by the Supervisory Board on October 24, 2023. 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 Audit Committee pursuant to sec. 11 EU-APrVO (audit report).

OTHER MATTERS – USE OF THE AUDITOR'S REPORT

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to ESEF format – including the versions to be entered in the company register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Ms. Olga Resnik.

Munich, February 23, 2024

RSM Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl
Certified Public
Accountant

Olga Resnik
Certified Public
Accountant

List of abbreviations

AB	Aktiebolag (stock corporation)	IFRIC	International Financial Reporting Interpretations Committee
AG	Aktiengesellschaft (stock corporation)	IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer	JPY	Yen
CFO	Chief Financial Officer	LLC	Limited Liability Company
COO	Chief Operating Officer	Ltd.	Limited
CSO	Chief Sales Officer	LTI	Long Term Incentive
CNY	Renminbi Yuan	mn	million
DBO	Defined Benefit Obligation	No.	Number
EBIT	Earnings before interest and taxes	OCI	Other Comprehensive Income
EBITDA	Earnings before interest, taxes, depreciation and amortization	SAR	Stock Appreciation Rights
EU	European Union	S.à.r.l.	Société à responsabilité limitée
EUR	Euro	SEK	Swedish Krona
GmbH	Gesellschaft mit beschränkter Haftung (Limited Liability Company)	SIC	Standing Interpretations Committee
HGB	Handelsgesetzbuch (German Commercial Code)	USA	United States of America
IAS	International Accounting Standard	USD	United States Dollar
IASB	International Accounting Standards Board		



Financial calendar 2024

January 31 to March 1, 2024	Quiet Period*
March 1, 2024	Annual Report 2023
March 31 to April 30, 2024	Quiet Period
April 30, 2024	Quarterly Statement 1st Quarter of 2024
May 7, 2024	Annual General Meeting 2024
July 2 to August 1, 2024	Quiet Period
August 1, 2024	Half-year financial report 2024
October 12 to November 7, 2024	Quiet Period
November 7, 2024	Quarterly Statement 3rd Quarter 2024

* In a "quiet period", Alzchem Group AG only communicates with the capital market to a limited extent before publishing quarterly or annual statements.

Remarks

This report may contain forward-looking statements based on current assumptions and forecasts made by the management of Alzchem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

In the interests of readability, the annual report does not use the masculine, feminine and diverse (m/f/d) forms of language simultaneously. All references to persons apply equally to all genders.

Only the German version of this Annual Report is legally binding.

Imprint

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