



**INTERIM REPORT**

31/2020

**OUR KNOW-HOW  
FOR YOUR SAFETY**

# NABALTEC GROUP

## KEY FIGURES

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

| in EUR million                             | 09/30/2020 (IFRS) | 09/30/2019 (IFRS) | Change |
|--|-------------------|-------------------|--------|
| <b>Revenues</b>                            |                   |                   |        |
| Total revenues                             | 118.9             | 141.3             | -15.9% |
| thereof                                    |                   |                   |        |
| Functional Fillers                         | 85.1              | 96.2              | -11.5% |
| Specialty Alumina                          | 33.8              | 45.1              | -25.1% |
| Foreign share (%)                          | 74.2              | 76.1              |        |
| Employees <sup>1</sup> (number of persons) | 495               | 514               | -3.7%  |
| <b>Earnings</b>                            |                   |                   |        |
| EBITDA                                     | 16.4              | 27.4              | -40.1% |
| EBIT                                       | 5.0               | 17.3              | -71.1% |
| Consolidated result after taxes            | 1.5               | 10.2              | -85.3% |
| Earnings per share (EUR)                   | 0.17              | 1.16              | -85.3% |
| <b>Financial position</b>                  |                   |                   |        |
| Cash flow from operating activities        | 20.1              | 21.4              | -6.1%  |
| Cash flow from investing activities        | -8.4              | -13.0             | -35.4% |
| <b>Assets, equity and liabilities</b>      |                   |                   |        |
|  | <b>09/30/2020</b> | <b>12/31/2019</b> |        |
| Total assets                               | 224.8             | 239.6             | -6.2%  |
| Equity                                     | 97.7              | 98.9              | -1.2%  |
| Non-current assets                         | 154.8             | 158.8             | -2.5%  |
| Current assets                             | 70.0              | 80.8              | -13.4% |

<sup>1</sup> on the reporting date 30 September, including trainees

## NABALTEC AG

Nabaltec AG, with registered office in Schwandorf, a chemicals business which has received multiple awards for innovativeness, manufactures, develops and distributes highly specialized products based on aluminum hydroxide and aluminum oxide on an industrial scale through its product segments, "Functional Fillers" and "Specialty Alumina."



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# OUR PRODUCT SEGMENTS

## PRODUCT SEGMENTS

### FUNCTIONAL FILLERS

In the product segment “Functional Fillers,” Nabaltec produces highly specialized aluminum hydroxide-based products for a wide variety of applications, and is among the leading manufacturers in the world in this area. In addition to current market trends, the development of eco-friendly flame retardants and additives is driven above all by the specific requirements of its customers.

EUR **122.2** MILLION

REVENUES 2019

EUR **22.1** MILLION

EBITDA 2019

EUR **11.9** MILLION

EBIT 2019

### SPECIALTY ALUMINA

In the product segment “Specialty Alumina,” Nabaltec manufactures innovative materials for a wide variety of industries based on aluminum oxide and occupies a leading position in the global market. The company is constantly investing in optimizing its production facilities, in innovative technologies and in improving production processes in order to enable the company to consistently supply tailor-made qualities which meet customers’ needs.

EUR **56.8** MILLION

REVENUES 2019

EUR **10.3** MILLION

EBITDA 2019

EUR **6.7** MILLION

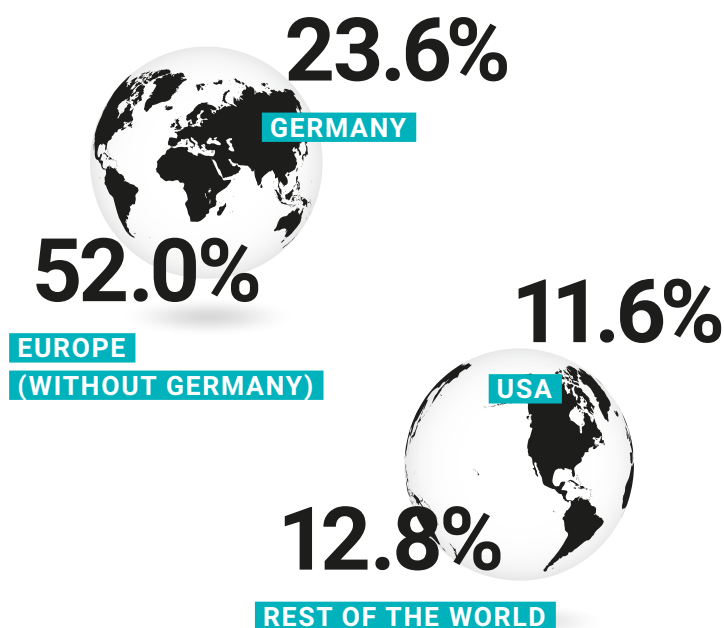
EBIT 2019

# SUSTAINABLE PRACTICES

Nabaltec products have an extremely diverse range of applications and are the preferred choice whenever utmost quality, safety, eco-friendliness and durability are required. The combination of these characteristics creates outstanding prospects for growth for Nabaltec's various specialty chemical products and is the basis for the company's many years of steadily growing financial success.

Beyond economic aspects, however, Nabaltec also attaches particular importance to ecological and social responsibility. Over the years, a certified environmental management system, an occupational health and safety management system and an energy management system have been introduced.

## REVENUE SHARES 2019



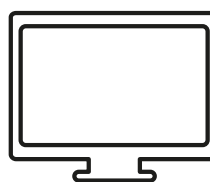
## EMPLOYEES

Sustainable employee development is important to Nabaltec AG in order to be prepared for future personnel challenges and in order to position itself as an attractive employer. As a family-friendly company which has been recognized multiple times, Nabaltec is committed to promoting young talent and values work / life balance.



## INNOVATIONS

Nabaltec AG is regularly awarded national and international prizes and distinctions for innovation. 2020, for example, the company received the "Axia Best Managed Companies Award" for outstandingly managed mid-sized companies, due in part to its highly innovative practices.



## CONTACT IR

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**NABALTEC AG  
ON THE INTERNET**  
[www.nabaltec.de/en](http://www.nabaltec.de/en)

# FOREWORD

## OF THE CEO



From left to right:  
Dr. Michael Klimes, Johannes Heckmann (CEO), Günther Spitzer

*Ladies and Gentlemen,  
Dear Shareholders and Business Partners,*

*Decisive cost-cutting measures have helped to make Nabaltec resistant in view of the pandemic*

Developments in the third quarter of 2020 have very clearly demonstrated how right we were in taking prompt and decisive action to cut costs and place our company in a position to withstand the coronavirus pandemic. As a result of these measures, we were able to post EUR 2.9 million in operating profit (EBIT) in the third quarter despite the continuing challenges, for a total of EUR 5.0 million over the first nine months of the year. We were also able to report operating cash flow of EUR 20.1 million in the first nine months of the year, nearly as high as last year's number, EUR 21.4 million. With EUR 8.4 million in investments so far this year, we were able to generate EUR 11.7 million in free cash flow. In other words, Nabaltec AG's liquidity position continues to be outstanding, which we consider to be a clear success given the current environment.

We were faced with a very noticeable drop in revenues from the year before in both the second and third quarters. Our target sectors, such as the cable and steel industries, were unable to escape the impact of the global economic downturn, which had negative consequences for Nabaltec AG. Although business improved in September, on the whole, it is too early to speak of a recovery, especially given the fact that the coronavirus crisis worsened significantly towards the end of the year and the economic impact of the measures which are being taken to counteract this crisis is not yet clear.

*Development and prospects in the boehmite product range are very positive*

We are continuing to see strong performance in our promising boehmite product range, which continues to benefit from strong and steadily growing demand in the battery industry, and for electric mobility in particular. Unfortunately, the revenue base in this fast-growing segment is not yet large enough to fully compensate for the weakness in other sectors. However, we remain highly optimistic in light of recent developments and the future outlook, particularly given the addition of new cell and separator capacity in Europe.

One key area where spending has been cut is personnel expenses. For this accomplishment, we need to thank our entire staff for coming together to reach a consensus among all interested parties. Cutting working time, and the associated reduction in employee compensation, has allowed us to obtain the financial relief which is of vital importance for the company, while at the same time securing jobs. We have deliberately avoided applying for benefits under the federal government's short-time work [Kurzarbeit] program.

Our activities in the US are a key part of our efforts to secure our company's future and we significantly expanded our US operations at the end of 2019. The outbreak of the coronavirus pandemic significantly hindered the launch of products from our new plant in Chattanooga, which went online in early March, as many industrial businesses went into lockdown. Nashtec's established sales markets experienced slumps of more than fifty percent in some cases due to their strong dependence on the US automotive industry. Despite these difficulties, maintaining a presence in the high-growth North American market with a complementary product range is of considerable strategic importance for us as it will enable us to fully exploit our mid-term growth potential. Nevertheless, the immediate market situation has compelled us to make extensive write-downs for our subsidiary Nashtec. Nashtec's low utilization ratio at the moment, and the fact that demand in the North American market is expected to remain modest in the medium term, have necessitated an extraordinary write-down in the book value of Nashtec's property, plant and equipment in the amount of EUR 21 to 25 million. This extraordinary write-down will be made in the 2020 consolidated financial statements and will weigh down our earnings considerably, but will not affect our liquidity.

*Extraordinary depreciation in the amount of EUR 21 to 25 million will not affect the company's liquidity*

On the whole, "caution" remains the order of the day as far as the management of our company is concerned. Our orders continue to be short-term in nature and we are therefore managing the company with a focus on the near term. Cost structures have been revised so as to keep capacities as flexible as possible, inventories have been optimized and adjustments have been made to the product range. We have also cut down on investments this year and limited ourselves to necessary maintenance projects, with the exception of the promising boehmite product range.

The worsening coronavirus crisis and the economic implications of this crisis make it nearly impossible to issue a reliable earnings forecast for the end of the year. In view of the fact that business is typically slow in December, revenues in the fourth quarter of 2020 are expected to be down from the third quarter of 2020. Nevertheless, we remain optimistic about Nabaltec AG's future prospects, including the outlook for 2021.

Despite the extraordinarily difficult conditions, we believe that Nabaltec is well-positioned for the current situation and is in very robust condition. At the same time, we intend to be in a position to respond at any time to a rapid and unexpected recovery in demand by supplying our customers with our accustomed reliability so as to be among the winners of a mid-term market rebound.

*Nabaltec is well positioned despite the extraordinarily difficult environment*

Schwandorf, November 2020

Yours,



**JOHANNES HECKMANN**

CEO

# NABALTEC SHARE

## THE THIRD QUARTER OF 2020



ISIN/WKN: DE000A0KPPR7/A0K PPR

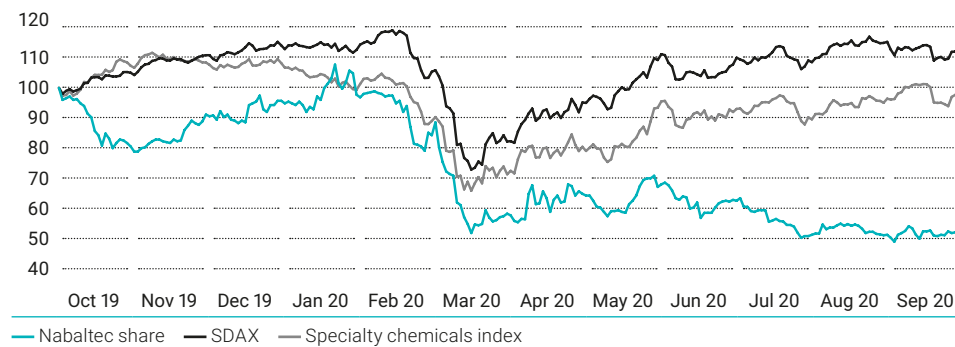
**NABALTEC SHARE HAS BEEN LISTED IN THE FRANKFURT STOCK EXCHANGE SINCE 24 NOVEMBER 2006 AND HAS BEEN TRADED IN THE SCALE MARKET SEGMENT SINCE MARCH 2017.**

*Performance of Nabaltec share remains flat in the third quarter*

The performance of Nabaltec share remains flat in the third quarter. While the comparison indices, the SDAX and the specialty chemicals index, were nearly able to make up the drastic losses they suffered as a result of the coronavirus pandemic over the recent months, Nabaltec share has yet to rebound, with a closing price of EUR 18.25 on 30 September 2020.

After starting off the year strong and climbing to EUR 37.70 on 24 January 2020, its high for the year so far, Nabaltec share dropped over the course of the coronavirus pandemic, to a low of EUR 17.15 on 4 September 2020. Nabaltec share was trading at EUR 18.25 at the end of the reporting period.

### PERFORMANCE OF NABALTEC SHARE (XETRA, INDEXED)





KEY DATA FOR NABALTEC SHARE (XETRA)

|   | First 9 months of 2020 | Year 2019 |
|---|------------------------|-----------|
| Number of shares                                    | 8,800,000              | 8,800,000 |
| Market capitalization (cutoff date, in EUR million) | 160.60                 | 290.40    |
| Average price (in EUR)                              | 23.52                  | 31.50     |
| High (in EUR)                                       | 37.70                  | 37.00     |
| Low (in EUR)  | 17.15                  | 21.90     |
| Closing price (cutoff date, in EUR)                 | 18.25                  | 33.00     |
| Average daily turnover (in shares)                  | 4,163                  | 4,454     |
| Earnings per share (in EUR)                         | 0.17                   | 1.22      |

The average XETRA daily turnover of Nabaltec share was 4,163 shares in the first nine months of 2020. In 2019, the average daily trading volume was 4,454 shares.

Earnings per share (EPS) amounted to EUR 0.17 in the first nine months of 2020. By way of comparison, EPS in the first nine months of 2019 was EUR 1.16.

*Earnings per share of EUR 0.17 in the first nine months of 2020*

Analyst recommendations from Hauck & Aufhäuser Bank for Nabaltec share continue to be positive. The bank issued a “buy” recommendation in all of its analyses in the first nine months of 2020. Its price target was most recently lowered to EUR 32.00 in a study dated 28 October 2020. Baader Bank rated Nabaltec share a “buy” in the third quarter of 2020, with a price target of EUR 28.00.

*Price targets of EUR 28.00 (Baader Bank) and EUR 32.00 (Hauck & Aufhäuser Bank)*

The analyst recommendations for Nabaltec share can be found online in the Investor Relations/ Shares section of [www.nabaltec.de/en](http://www.nabaltec.de/en).

As of 30 September 2020, the majority of Nabaltec’s 8,800,000 shares continued to be held by the Heckmann and Witzany families. The Heckmann family held 28.20% of the company’s capital stock and the Witzany family held 27.17%. The remaining 44.63% of shares are in free float.

# CONSOLIDATED INTERIM MANAGEMENT REPORT

AS OF 30 SEPTEMBER 2020

## COURSE OF BUSINESS

Nabaltec AG's market environment worsened significantly in the second quarter due to the impact of the COVID-19 pandemic and, as expected, was unable to recover over the course of the third quarter. Accordingly, Nabaltec's revenues were down sharply from the same period of last year in the third quarter as well. Revenues amounted to EUR 37.1 million in the third quarter of 2020, down from EUR 43.9 million in the same period of last year, but up slightly from the previous quarter (EUR 36.4 million). Total revenues over the first nine months of the year amounted to EUR 118.9 million, compared to EUR 141.3 million in the same period of last year (down 15.9%).

Nabaltec AG took prompt action to reduce costs, such as cutting working hours and lowering the number of temporary employees, and these measures had the effect of reducing the cost base. In April 2020, Nabaltec AG took advantage of the opportunity offered by a collective bargaining agreement to cut working hours and pay by 12% and reduce pay through 31 October 2020. Salaries of non-collective employees and the management board were reduced by the same amount. Starting on 1 November 2020, and possibly through the end of 2021, working hours for collective employees will be cut by 6.7%, with a corresponding reduction in pay.

Thanks to these and other cost-cutting measures, Nabaltec AG was able to post operating profit (EBIT) of EUR 2.9 million in the third quarter. EBIT amounted to EUR 5.0 million over the first nine months of 2020.

Third-quarter revenues in the "Functional Fillers" product segment were down 8.7%, dropping to EUR 27.3 million from EUR 29.9 million in the same period of last year. Total revenues in the segment amounted to EUR 85.1 million over the first nine months of 2020, compared to EUR 96.2 million in the same period of last year (down 11.5%). In addition to the slump in sales as a result of the pandemic, prices came under increasing pressure in these markets due to excess capacity. Revenues in the boehmite product range continued to grow. Over the first nine months of the year, boehmite revenues were up 34.1% from the same period of last year.

*Boehmite product range continues to develop positively*

Revenues in the "Specialty Alumina" product segment amounted to EUR 9.8 million in the third quarter, down 30.0% (same quarter of last year: EUR 14.0 million). Over the first nine months of 2020, total revenues in the "Specialty Alumina" segment came to EUR 33.8 million, compared to EUR 45.1 million in the same period of last year (down 25.1%). The decrease in revenues in this segment continues to be associated with a weakening in the refractory industry, which can in turn be attributed to a downturn in the European steel industry.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 16.4 million in the first nine months of 2020, compared to EUR 27.4 million in the same period of last year (down 40.1%). The EBITDA margin (EBITDA as a percentage of total performance) in the first nine months of the year fell to 14.4%, from 19.4% in the same period of last year.

Consolidated operating profit (EBIT) came to EUR 5.0 million in the first nine months of 2020, compared to EUR 17.3 million in the same period of last year. The EBIT margin (EBIT as a percentage of total performance) fell to 4.4% in the reporting period, down from 12.3% in the same period of last year.

*EBIT came to EUR 5.0 million; EBIT margin (EBIT as a percentage of total performance) at 4.4% in the first nine months of 2020*

Consolidated earnings in the first nine months of the year were weighed down by the negative impact of the pandemic as well as by non-recurring effects in the second quarter in the amount of EUR 2.1 million. These included write-downs of inventories in the US and extraordinary write-downs of equipment which was no longer needed following closure of the mullite production plant at the Schwandorf site.

Net financial income amounted to EUR –1.5 million in the first nine months of 2020, compared to EUR –2.0 million in the same period of last year.

Earnings before taxes amounted to EUR 3.5 million in the first nine months of 2020, compared to EUR 15.3 million in the same period of last year. Consolidated after-tax earnings came to EUR 1.5 million in the first three quarters of 2020, compared to EUR 10.2 million in the same period of last year. This corresponds to earnings per share of EUR 0.17. By way of comparison, earnings per share amounted to EUR 1.16 in the same period of last year.

Nabaltec's total performance was EUR 35.9 million in the third quarter of 2020, down from EUR 43.3 million in the same quarter of last year. Over the first nine months of the year, total performance fell to EUR 113.8 million from EUR 141.1 million in the same period of last year (down 19.3%). Aside from the fact that revenue performance lagged behind the previous year, this change can be attributed to the deliberate reduction in inventories of finished products and work in progress.

The cost of materials ratio (cost of materials as a percentage of total performance) climbed to 47.1% in the first nine months of 2020, from 45.8% in the same period of last year. Discounts had a negative impact on cost of materials, as did the financial burdens arising from the non-recurring effects described above. The gross profit margin (gross profit as a percentage of total performance) was 53.9% in the reporting period, down from 55.2% in the first nine months of 2019.

Although the number of employees dropped from 514 to 495, the personnel expense ratio (personnel expenses as a percentage of total performance) was 21.5% in the first nine months of 2020, up from 19.3% last year. Cost-cutting measures over the first nine months of the year resulted in a reduction in personnel expenses by EUR 2.7 million from the same period of last year.

Other operating expenses were down from EUR 23.4 million in the same period of last year to EUR 20.5 million in the first nine months of 2020. This was largely due to a decrease in freight costs and commissions for commercial agents as a result of the demand situation, as well as a decrease in outside services. The ratio of other operating expenses to total performance increased from 16.6% to 18.0%.

*Export ratio remains  
at a high level of  
74.2%*

Nabaltec's export ratio fell to 74.2% in the first nine months of the year, down from 76.1% in the same period of last year. Although the overall export ratio was lower, the Asian revenue share actually increased over the same period of last year, which was a reflection of revenue growth in the boehmite product range. The US revenue share was down significantly from last year.

Cash flow from operating activity was EUR 20.1 million in the first nine months of 2020, compared to EUR 21.4 million in the first nine months of 2019. Changes in working capital had a positive impact on operating cash flow, as did steep cuts in inventories.

Spending on investments decreased in the first nine months of the year relative to the same period of last year, from EUR 13.0 million to EUR 8.4 million. For now, Nabaltec is largely limiting itself to replacement investments, with the exception of the fast-growing boehmite segment.

Cash flow from financing activity came in at EUR –13.5 million in the first nine months of the year, compared to EUR –2.7 million in the same period of last year, due to a payment in the second quarter in the course of repayment of the loan against borrower's note.

Nabaltec Group's cash and cash equivalents amounted to EUR 26.9 million as of 30 September 2020.

Total assets decreased from EUR 239.6 million on 31 December 2019 to EUR 224.8 million. Non-current assets amounted to EUR 154.8 million, down EUR 4.0 million from their level as of 31 December 2019. Current assets were down from EUR 80.8 million on 31 December 2019 to EUR 70.0 million on 30 September 2020, due in particular to a significant decrease in inventories.

On the liabilities side of the balance sheet, the equity ratio increased from 41.3% on 31 December 2019 to 43.5% on 30 September 2020. Non-current liabilities on 30 September 2020 amounted to EUR 107.2 million, up from EUR 86.7 million on 31 December 2019. Current liabilities were down from the end of 2019, dropping from EUR 53.9 million to EUR 19.9 million. The decrease in current liabilities is explained by repayment of the first tranche of the 2015 loan against borrower's note in April 2020, in the amount of EUR 31 million, while the increase in non-current liabilities is due to receipt of a new loan in the amount of EUR 20 million.

## EMPLOYEES

As of the reporting date, 30 September 2020, Nabaltec Group had 495 employees (including trainees). On the same date of last year, this number was 514 employees. The trainee ratio was 11.1%, a traditionally high level for Nabaltec.

## OUTLOOK

The intensified measures which have been taken all over the world in an effort to contain the coronavirus pandemic and the associated uncertainty, with the economic impact unforeseeable, are continuing to have a negative impact on Nabaltec's business as well.

In light of this situation, and the fact that the further development of the coronavirus pandemic and the associated negative impact on customer demand, supply chains and production are currently unforeseeable, Nabaltec AG's Management Board suspended the forecast for Financial Year 2020 which was published on 5 March 2020 upon publication of the Annual Report on 30 April 2020. The current situation still does not allow for a new earnings forecast. Fourth-quarter revenues are expected to be down from the third quarter of 2020 given that business is typically slow in December.

*2020 forecast  
remains suspended*

2020 earnings will be significantly weighed down by the fact that, in preparing its consolidated financial statements for Financial Year 2020, Nabaltec AG is expected to take an extraordinary write-down in the amount of EUR 21 to 25 million on the book value of Nashtec's property, plant and equipment in the US, as announced in an ad-hoc notice of 27 October 2020. This is due to a reduction in Nashtec's capacity utilization to less than 50% as a result COVID-19, as well as expectations that sales in the North American market will be slow to recover in the coming years. The precise amount of the write-down will be determined when the financial statements are prepared. In addition to lowering the value of property, plant and equipment in the consolidated balance sheet, the write-down will also have the effect of reducing consolidated EBIT and net income. The extraordinary write-down will not affect cash flow.

Otherwise, the other statements made in the forecast report of the 2019 consolidated management report retain their validity.

## REPORT ON OPPORTUNITIES AND RISKS

No significant changes were evident in the first nine months of 2020 to the risk situation presented in the 2019 consolidated management report.

Schwandorf, 6 November 2020

The Management Board

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in TEUR  | 01/01/ – 09/30/2020 | 07/01/ – 09/30/2020 | 01/01/ – 09/30/2019 | 07/01/ – 09/30/2019 |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenues   | 118,916             | 37,099              | 141,282             | 43,873              |
| Change in inventories of finished goods and work in progress | -5,345              | -1,234              | -742                | -720                |
| Own work capitalized   | 254                 | 72                  | 575                 | 185                 |
| <b>Total performance</b>                                     | <b>113,825</b>      | <b>35,937</b>       | <b>141,115</b>      | <b>43,338</b>       |
| Other operating income                                       | 1,035               | 380                 | 1,355               | 631                 |
| Cost of materials  | -53,554             | -16,676             | -64,553             | -19,965             |
| <b>Gross earnings</b>  | <b>61,306</b>       | <b>19,641</b>       | <b>77,917</b>       | <b>24,004</b>       |
| Personnel expenses   | -24,464             | -7,191              | -27,188             | -8,985              |
| Depreciation   | -11,377             | -3,687              | -10,110             | -3,506              |
| Other operating expenses                                     | -20,489             | -5,867              | -23,354             | -6,673              |
| <b>Operating profit (EBIT)</b>                               | <b>4,976</b>        | <b>2,896</b>        | <b>17,265</b>       | <b>4,840</b>        |
| Interest and similar income                                  | 86                  | 23                  | 117                 | 42                  |
| Interest and similar expenses                                | -1,585              | -435                | -2,100              | -702                |
| <b>Net income from ordinary activities (EBT)</b>             | <b>3,477</b>        | <b>2,484</b>        | <b>15,282</b>       | <b>4,180</b>        |
| Taxes on income  | -1,975              | -1,130              | -5,062              | -1,534              |
| <b>Net after-tax earnings</b>                                | <b>1,502</b>        | <b>1,354</b>        | <b>10,220</b>       | <b>2,646</b>        |
| <b>Earnings per share (in EUR)</b>                           | <b>0.17</b>         | <b>0.15</b>         | <b>1.16</b>         | <b>0.30</b>         |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in TEUR   | 01/01/ – 09/30/2020 | 07/01/ – 09/30/2020 | 01/01/ – 09/30/2019 | 07/01/ – 09/30/2019 |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Net after-tax earnings</b>                           | <b>1,502</b>        | <b>1,354</b>        | <b>10,220</b>       | <b>2,646</b>        |
| Items which may be reclassified to profit and loss      |                     |                     |                     |                     |
| Currency translation (after taxes)                      | -1,665              | -1,774              | 1,837               | 1,640               |
| Net income from hedge accounting (after taxes)          | 259                 | -34                 | -53                 | -62                 |
| <b>Total</b>  | <b>-1,406</b>       | <b>-1,808</b>       | <b>1,784</b>        | <b>1,578</b>        |
| Items which will not be reclassified to profit and loss |                     |                     |                     |                     |
| Actuarial gains and losses                              | 0                   | 0                   | 0                   | 0                   |
| <b>Total</b>  | <b>0</b>            | <b>0</b>            | <b>0</b>            | <b>0</b>            |
| <b>Other comprehensive income</b>                       | <b>-1,406</b>       | <b>-1,808</b>       | <b>1,784</b>        | <b>1,578</b>        |
| <b>Total comprehensive income</b>                       | <b>96</b>           | <b>-454</b>         | <b>12,004</b>       | <b>4,224</b>        |

# CONSOLIDATED BALANCE SHEET

**AS OF 30 SEPTEMBER 2020**
**ASSETS**

| in TEUR   | 09/30/2020     | 12/31/2019     |
|---|----------------|----------------|
| <b>Non-current assets</b>   | <b>154,798</b> | <b>158,831</b> |
| Intangible assets   |                |                |
| Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments) | 467            | 502            |
| Property, plant and equipment   | 150,489        | 155,563        |
| Land, leasehold rights and buildings, including buildings on unowned land   | 45,254         | 47,237         |
| Technical equipment and machinery   | 94,635         | 90,902         |
| Other fixtures, fittings and equipment  | 4,088          | 4,079          |
| Advance payments and assets under construction  | 6,512          | 13,345         |
| Financial assets  | 78             | 78             |
| Shares in affiliated companies  | 78             | 78             |
| Deferred tax assets   | 3,764          | 2,688          |
| <b>Current assets</b>   | <b>69,980</b>  | <b>80,761</b>  |
| Inventories   | 32,426         | 40,502         |
| Raw materials and supplies  | 20,561         | 23,871         |
| Work in process   | 1,248          | 1,029          |
| Finished goods and merchandise  | 10,617         | 15,602         |
| Other assets and accounts receivable  | 10,660         | 11,275         |
| Trade receivables   | 6,548          | 5,582          |
| Receivables from income taxes   | 49             | 0              |
| Other assets  | 4,063          | 5,693          |
| Cash and cash equivalents   | 26,894         | 28,984         |
| <b>TOTAL ASSETS</b>   | <b>224,778</b> | <b>239,592</b> |



LIABILITIES

| in TEUR   | 09/30/2020     | 12/31/2019     |
|---|----------------|----------------|
| <b>Shareholders' equity</b>                               | <b>97,721</b>  | <b>98,945</b>  |
| Subscribed capital  | 8,800          | 8,800          |
| Capital reserve   | 47,029         | 47,029         |
| Earnings reserve  | 9,699          | 9,699          |
| Profit carry-forward                                      | 49,772         | 40,391         |
| After-tax earnings  | 1,502          | 10,701         |
| Other changes in equity with no effect on profit and loss | -19,081        | -17,675        |
| <b>Non-current liabilities</b>                            | <b>107,207</b> | <b>86,711</b>  |
| Pension reserves  | 46,823         | 46,373         |
| Other provisions  | 1,411          | 1,378          |
| Accounts payable to banks                                 | 58,973         | 38,960         |
| <b>Current liabilities</b>                                | <b>19,850</b>  | <b>53,936</b>  |
| Accounts payable from income taxes                        | 1,022          | 3,122          |
| Other provisions  | 171            | 187            |
| Accounts payable to banks                                 | 1,291          | 31,924         |
| Trade payables  | 11,503         | 13,395         |
| Other accounts payable                                    | 5,863          | 5,308          |
| <b>TOTAL LIABILITIES</b>                                  | <b>224,778</b> | <b>239,592</b> |

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

## CONSOLIDATED CASH FLOW STATEMENT

| in TEUR   | 01/01/ – 09/30/2020 | 01/01/ – 09/30/2019 |
|---|---------------------|---------------------|
| <b>Cash flow from operating activity</b>  |                     |                     |
| <b>Earnings before taxes</b>  | <b>3,477</b>        | <b>15,282</b>       |
| + Depreciation of fixed assets  | 11,377              | 10,110              |
| -/+ Income/loss from the disposal of assets   | -1                  | 8                   |
| - Interest income   | -86                 | -117                |
| + Interest expenses   | 1,585               | 2,100               |
| <b>Net operating income before changes in working capital</b>   | <b>16,352</b>       | <b>27,383</b>       |
| +/- Increase/decrease in provisions   | 242                 | 109                 |
| -/+ Increase/decrease in trade receivables and other assets<br>not attributable to investment or financing activity   | 664                 | -129                |
| +/- Increase/decrease in inventories  | 8,077               | -3,211              |
| +/- Increase/decrease in trade payables and other liabilities<br>not attributable to investment or financing activity | -727                | 184                 |
| <b>Cash flow from operating activity before taxes</b>   | <b>24,608</b>       | <b>24,336</b>       |
| - Income taxes paid   | -4,535              | -2,923              |
| <b>Net cash flow from operating activity</b>  | <b>20,073</b>       | <b>21,413</b>       |

CONSOLIDATED CASH FLOW STATEMENT

| in TEUR  | 01/01/ – 09/30/2020 | 01/01/ – 09/30/2019 |
|--|---------------------|---------------------|
| <b>Cash flow from investing activities</b>                             |                     |                     |
| + Payments received from the disposal of property, plant and equipment | 10                  |                     |
| - Payments made for investments in property, plant and equipment       | -8,265              | -12,903             |
| - Payments made for investments in intangible assets                   | -96                 | -129                |
| <b>Net cash flow from investment activity</b>                          | <b>-8,351</b>       | <b>-13,032</b>      |
| <b>Cash flow from financing activity</b>                               |                     |                     |
| - Dividends  | -1,320              | -1,760              |
| + Payments received from taking out financial loans                    | 20,000              |                     |
| - Payments made for the repayment of financial loans                   | -31,000             |                     |
| - Interest paid  | -1,153              | -1,014              |
| + Interest received  | 15                  | 47                  |
| <b>Net cash flow from financing activity</b>                           | <b>-13,458</b>      | <b>-2,727</b>       |
| <b>Net change in cash and cash equivalents</b>                         | <b>-1,736</b>       | <b>5,654</b>        |
| <b>Change in funds due to changes in exchange rates</b>                | <b>-354</b>         | <b>328</b>          |
| <b>Funds at start of period</b>  | <b>28,984</b>       | <b>30,289</b>       |
| <b>Funds at end of period</b>  | <b>26,894</b>       | <b>36,271</b>       |

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity attributable to shareholders of Nabaltec AG

| in TEUR                          | Subscribed capital | Capital reserve | Earnings reserve |
|----------------------------------|--------------------|-----------------|------------------|
| <b>Balance per 01/01/2019</b>    | <b>8,800</b>       | <b>47,029</b>   | <b>9,699</b>     |
| Resolved dividend payments       | —                  | —               | —                |
| Actuarial gains and losses       | —                  | —               | —                |
| Currency translation             | —                  | —               | —                |
| Net income from hedge accounting | —                  | —               | —                |
| Other comprehensive income       | —                  | —               | —                |
| Net income after taxes           | —                  | —               | —                |
| <b>Net income</b>                | <b>—</b>           | <b>—</b>        | <b>—</b>         |
| <b>Balance per 09/30/2019</b>    | <b>8,800</b>       | <b>47,029</b>   | <b>9,699</b>     |
| Actuarial gains and losses       | —                  | —               | —                |
| Currency translation             | —                  | —               | —                |
| Net income from hedge accounting | —                  | —               | —                |
| Other comprehensive income       | —                  | —               | —                |
| Net income after taxes           | —                  | —               | —                |
| <b>Net income</b>                | <b>—</b>           | <b>—</b>        | <b>—</b>         |
| <b>Balance per 12/31/2019</b>    | <b>8,800</b>       | <b>47,029</b>   | <b>9,699</b>     |
| Resolved dividend payments       | —                  | —               | —                |
| Actuarial gains and losses       | —                  | —               | —                |
| Currency translation             | —                  | —               | —                |
| Net income from hedge accounting | —                  | —               | —                |
| Other comprehensive income       | —                  | —               | —                |
| Net income after taxes           | —                  | —               | —                |
| Net income                       | —                  | —               | —                |
| <b>Balance per 09/30/2020</b>    | <b>8,800</b>       | <b>47,029</b>   | <b>9,699</b>     |

|  | Profit<br>carry-forward | Other changes in<br>equity with no effect<br>on profit and loss | Consolidated<br>shareholders' equity |
|--|-------------------------|---|--------------------------------------|
|  | 42,151                  | -11,892   | 95,787                               |
|  | -1,760                  | —   | -1,760                               |
|  | —                       | 0   | 0                                    |
|  | —                       | 1,837   | 1,837                                |
|  | —                       | -53   | -53                                  |
|  | —                       | 1,784   | 1,784                                |
|  | 10,220                  | —   | 10,220                               |
|  | <b>10,220</b>           | <b>1,784</b>  | <b>12,004</b>                        |
|  | <b>50,611</b>           | <b>-10,108</b>  | <b>106,031</b>                       |
|  | —                       | -6,875  | -6,875                               |
|  | —                       | -1,133  | -1,133                               |
|  | —                       | 441   | 441                                  |
|  | —                       | -7,567  | -7,567                               |
|  | 481                     | —   | 481                                  |
|  | <b>481</b>              | <b>-7,567</b>   | <b>-7,086</b>                        |
|  | <b>51,092</b>           | <b>-17,675</b>  | <b>98,945</b>                        |
|  | -1,320                  | —   | -1,320                               |
|  | —                       | 0   | 0                                    |
|  | —                       | -1,665  | -1,665                               |
|  | —                       | 259   | 259                                  |
|  | —                       | -1,406  | -1,406                               |
|  | 1,502                   | —   | 1,502                                |
|  | 1,502                   | -1,406  | 96                                   |
|  | <b>51,274</b>           | <b>-19,081</b>  | <b>97,721</b>                        |

# SEGMENT REPORTING

The operative segments are consistent with the business divisions of the Nabaltec Group. The risks as well as internal organization and reporting structure are mainly determined by the differentiation of the products.

## BUSINESS SEGMENTS

Nabaltec is divided into two product segments, "Functional Fillers" and "Specialty Alumina." Each segment represents a strategic business division, the products and markets of which differ from those of the other.

The product segment "Functional Fillers" produces and distributes non-halogenated flame retardant fillers for the plastics and the wire & cable industry as well as additives.

The product segment "Specialty Alumina" produces and distributes ceramic raw material and ceramic bodies for numerous applications in technical ceramics as well as the refractory industry.

### PERIOD FROM 1 JANUARY 2020 – 30 SEPTEMBER 2020

| in TEUR               | Functional Fillers | Specialty Alumina | Nabaltec Group |
|-----------------------|--------------------|-------------------|----------------|
| <b>Revenues</b>       |                    |                   |                |
| Third party revenue   | 85,091             | 33,825            | 118,916        |
| <b>Segment result</b> |                    |                   |                |
| EBITDA                | 12,703             | 3,650             | 16,353         |
| EBIT                  | 4,267              | 709               | 4,976          |

### PERIOD FROM 1 JANUARY 2019 – 30 SEPTEMBER 2019

| in TEUR               | Functional Fillers | Specialty Alumina | Nabaltec Group |
|-----------------------|--------------------|-------------------|----------------|
| <b>Revenues</b>       |                    |                   |                |
| Third party revenue   | 96,167             | 45,115            | 141,282        |
| <b>Segment result</b> |                    |                   |                |
| EBITDA                | 19,596             | 7,779             | 27,375         |
| EBIT                  | 12,078             | 5,187             | 17,265         |

# ABRIDGED CONSOLIDATED NOTES

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

## 1. GENERAL INFORMATION

Nabaltec AG, with registered office in Schwandorf, Germany<sup>1</sup>, was formed by Company Agreement of 14 December 1994 with the corporate name Nabaltec GmbH and registered office in Schwandorf (entered into the Commercial Register of the Local Court of Amberg under Commercial Register No. B 3920). It acquired the specialty oxides business of VAW aluminium AG in 1995 and was transformed into a joint stock company in 2006.

The corporate purpose pursuant to § 2 of the Articles of Association of Nabaltec AG is the manufacture of products based on mineral raw materials, particularly aluminum hydroxide and aluminum oxide, and the distribution of those products.

The shares of Nabaltec AG are listed in the Open Market (Scale) segment of the Frankfurt Stock Exchange since 24 November 2006.

## 2. BASIS OF PREPARATION

The consolidated financial statements of Nabaltec AG as of 30 September 2020 were prepared with due regard to all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC) recognized by the European Union and applicable to the financial year.

The interim financial statements of Nabaltec AG for the period from 1 January to 30 September 2020 were prepared in conformance with IAS 34, "Interim Financial Reporting," as a shorter financial report. The shorter financial statements do not contain all information prescribed for the financial statements of the financial year and should be read in conjunction with the consolidated financial statements as at 31 December 2019.

The interim financial statements encompass the period from 1 January 2020 to 30 September 2020.

The consolidated financial statements are prepared in euro (EUR). Unless stipulated otherwise, all values are rounded up or down to the nearest thousand euro (TEUR) in accordance with the commercial rounding practice. Please note that differences can result from the use of rounded amounts and percentages.

The presentation in the balance sheet differentiates between current and non-current assets and liabilities, some of which are broken down further by their respective maturities in the notes to the financial statements.

The consolidated statement of comprehensive income has been prepared in accordance with the total expenditure format.

The interim financial statements have not been audited or reviewed by the auditor.

<sup>1</sup> Nabaltec AG, Alustraße 50 – 52, 92421 Schwandorf, Germany

**SCOPE OF CONSOLIDATION**

The scope of consolidation of Nabaltec AG as of 30 September 2020 has not changed compared to the consolidated financial statements as of 31 December 2019. The consolidated financial statements include the separate financial statements of Nabaltec AG, Schwandorf, as the parent company and its subsidiaries Nashtec LLC, Corpus Christi (USA), Nabaltec USA Corporation, Corpus Christi (USA), Naprotec LLC, Chattanooga (USA), and Nabaltec (Shanghai) Trading Co., Ltd., Shanghai (China).

**NEW ACCOUNTING PROVISIONS**

All accounting and valuation methods used in the preparation of the abridged financial statements correspond to the methods applied in the most recent consolidated financial statements as at 31 December 2019.

In addition to the Standards and Interpretations used on 31 December 2019, the following Standards and Interpretations were used for the first time and had no impact on the interim financial statements:

- Amendment to references to the Framework in IFRS
- Amendment to IAS 1 and IAS 8, "Definition of materiality"
- Amendments to IFRS 9, IAS 39 and IFRS 7
- Amendment to IFRS 3 "Definition of a business operation"
- Amendments to IFRS 16: "Covid-19-related rent concessions"

Until the publication of this interim financial statement, IASB and IFRSIC published further changes to standards. Future application requires adoption by the EU into European law.

- Amendments to IAS 1: "Classification of liabilities as current or non-current"
- Amendments to IAS 16: "Property, plant and equipment"
- Amendments to IAS 37: "Provisions, contingent liabilities and contingent assets"
- Amendments to IFRS 3: "Business combinations"
- Amendment to IFRS 4: "Extension of the temporary exemption from applying IFRS 9"
- Annual Improvements to International Financial Reporting Standards (2018–2020)
- IBOR reform with amendments to various IFRS (phase 2): amendments to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments," IFRS 7 "Financial Instruments – Disclosures," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"

**3. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****REVENUES**

We refer to the segment reports with respect to the revenue by product area. Information on revenue performance may be found in the management report. The clear drop in revenues in the second and third quarter of 2020 is largely due to the impact of the COVID-19 pandemic and the associated slump in sales since April 2020.

**4. NOTES TO THE CONSOLIDATED BALANCE SHEET****PROPERTY, PLANT AND EQUIPMENT**

The additions to property, plant and equipment in the first nine months of 2020 were the result of investments, primarily in technical equipment and machinery to expand capacity and for further process optimization. Already in the second quarter of 2020, there was extraordinary depreciation in the amount of EUR 0.3 million for parts which were no longer needed due to closure of the mullite production site.



**FINANCIAL ASSETS**

Financial assets consist of the 100% interest in Nabaltec Asia Pacific K.K. The subsidiary is not fully consolidated on grounds of materiality. In the absence of an active market, the shares are measured at cost.

**INVENTORIES**

Inventories as of 30 September 2020 include necessary write-downs of raw materials, supplies and finished products in the amount of EUR 1.8 million.

**SHAREHOLDERS' EQUITY**

The change in the shareholders' equity of Nabaltec AG is presented in the consolidated statement of changes in equity.

**CURRENT AND NON-CURRENT LIABILITIES****LIABILITIES TO BANKS**

Liabilities to banks largely entail credits borrowed at standard market interest rates. The market value corresponds to the book value.

**5. OTHER DISCLOSURES****OTHER FINANCIAL OBLIGATIONS****CONTINGENT LIABILITIES AND LEGAL LIABILITY RELATIONS**

As of the cutoff date, there were no contingent liabilities, legal liability relations or other legal disputes for which provisions had not been previously made.

**RELATED PARTY TRANSACTIONS**

The group of related persons and enterprises did not change compared to the consolidated financial statements as at 31 December 2019.

No transactions with related persons and enterprises took place in the first nine months of 2020. Such transactions are conducted at standard market prices and conditions.

**SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

As part of the preparation of the consolidated financial statements for financial year 2020, Nabaltec AG will presumably disclose an extraordinary depreciation in the amount of EUR 21 to 25 million on the book value of property, plant and equipment at Nashtec LLC, USA. The background is the reduction of capacity utilization to below 50% at Nashtec triggered by COVID-19 and the expected slower recovery of sales volumes in the North American market in the years to come. The exact amount of the extraordinary depreciation will be determined during the preparation of the annual financial statements. In addition to the reduction of property, plant and equipment in the consolidated balance sheet, the measure also reduces the Group's EBIT and consolidated net income for the year. The extraordinary depreciation has no effect on cash flow.

The effects of the ongoing corona pandemic after the balance sheet date cannot currently be completely reliably estimated in terms of its duration, course or future measures to contain it. At present, therefore, it is not possible to make any further concrete statements about the future financial effects.

Schwandorf, 6 November 2020

The Management Board

## FINANCIAL CALENDAR 2021

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|                        |             |
|------------------------|-------------|
| Annual Report 2020     | 29 April    |
| Interim Report 1/2021  | 27 May      |
| Annual General Meeting | 16 June     |
| Interim Report 2/2021  | 26 August   |
| Interim Report 3/2021  | 25 November |

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## IMPRINT

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### **Statements relating to the future**

This interim report contains statements relating to the future which are based on the Management Board's current estimations and prognosis as well as on information currently available. These statements relating to the future are not to be understood as guarantees of the predicted future developments and results.

The future developments and results are rather dependent on a number of risks and uncertainties and are based on assumptions which possibly may prove to be false. We do not accept any obligation to update these statements relating to the future.

### **Rounding**

Due to computational reasons, rounding differences may appear in the percentages and figures in the tables, graphics and text of this report.



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