

# QUARTERLY STATEMENT

3rd quarter of 2020



# ALZCHEM AT A GLANCE

~ € 279  
mn

sales generated by AlzChem from January to September 2020

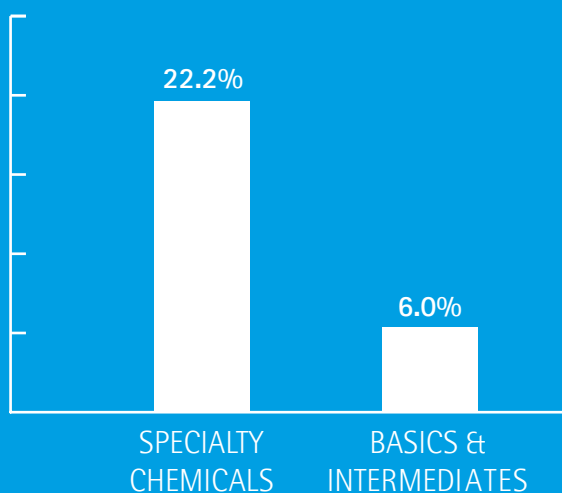
January to September 2019: ~ € 288 mn

~ € 41  
mn

EBITDA achieved by AlzChem from January to September 2020

January to September 2019: ~ € 41 mn

## EBITDA MARGIN BY MAIN SEGMENTS



## MARKETS



NUTRITION



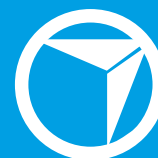
FINE CHEMISTRY



PHARMA



AGRICULTURE



METALLURGY

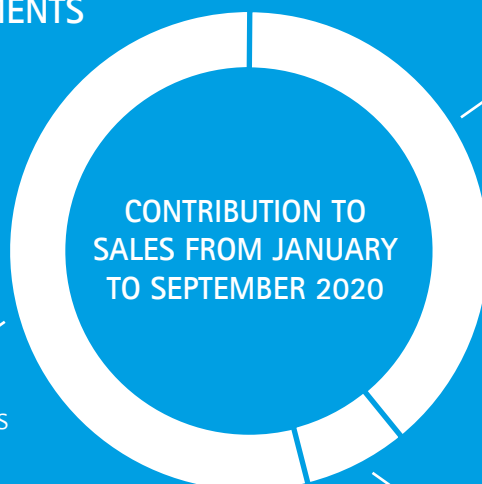


RENEWABLE ENERGY

## THREE REPORTING SEGMENTS

54.9% SPECIALTY CHEMICALS

Production and distribution of high-quality chemical products



38.3% BASICS & INTERMEDIATES

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

6.8% OTHER & HOLDING

Other activities, mainly services related to the chemical parks Trostberg and Hart

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# OVERVIEW OF THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

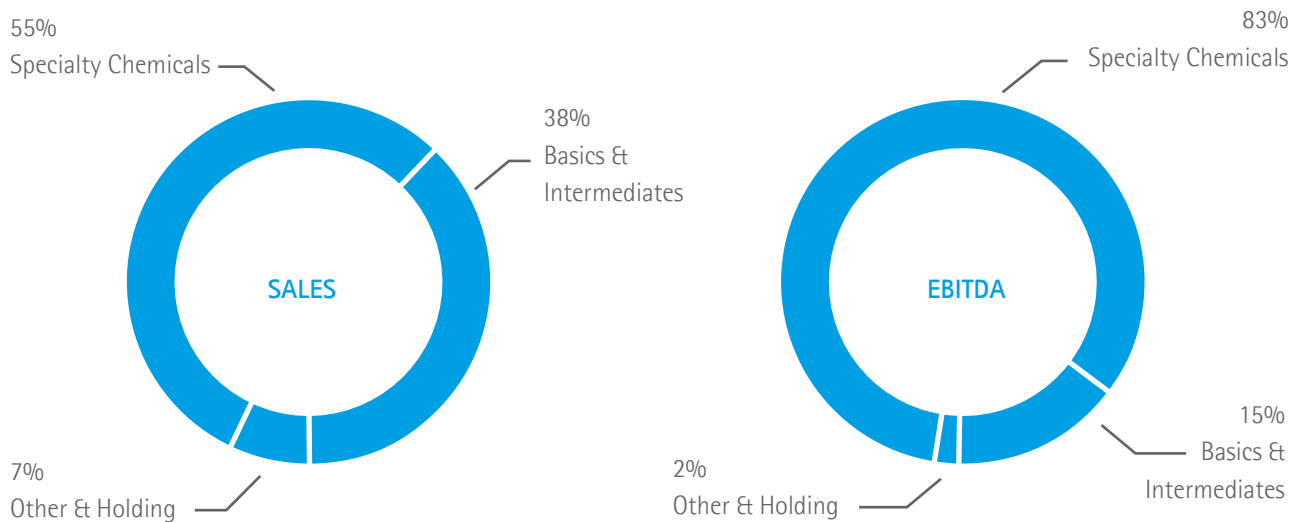
## SALES & EBITDA DEVELOPMENT WITHIN THE CORRIDOR OF THE PREVIOUS YEAR

- The operating result is at the previous year's level despite weaker sales in the third quarter.
- Positive cash flow development reflects the good operating business development in the first half of 2020, lower investments and strict cost and net working capital management.
- COVID-19:
  - A stable supply chain ensures unrestricted production operations.
  - Diversification is the unique selling point and stable backbone of the AlzChem Group.
  - Significant volume increases for Bioselect® products, as these are an essential component of the COVID-19 test kits, among others.
- Stable NITRALZ® growth based on expanded capacities, next investment step already being implemented.
- Positive business development for Perlka®.
- Continued growth trend for Creamino®.
- Significant growth in the multi-purpose plant division.
- Particularly in the third quarter, continued weak sales in the steel and automotive sectors of well over 30%.
- Forecast 2020 adjusted: sales stable to slightly declining; similar development in adjusted consolidated EBITDA.

## KEY FIGURES OF THE ALZCHEM GROUP

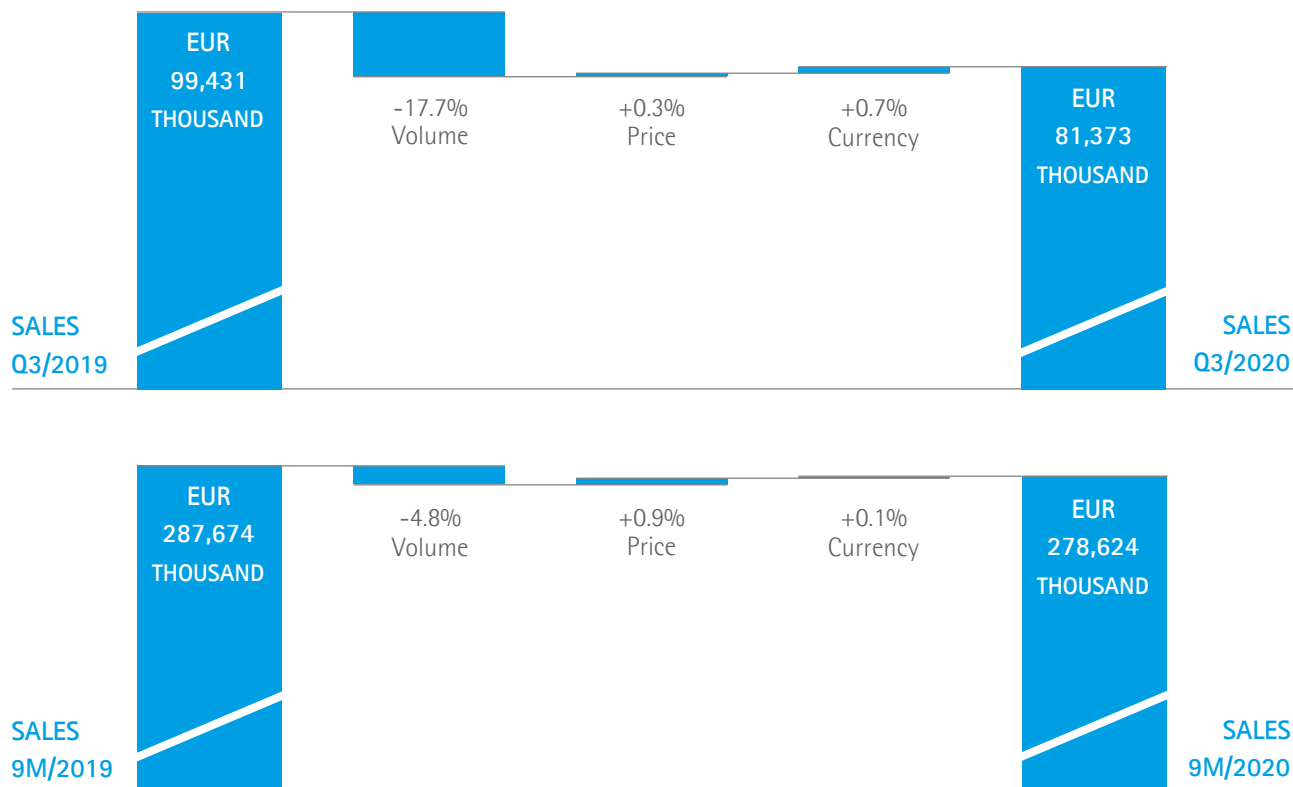
Key figure	Unit	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
Sales	EUR thousand	99,431	81,373	287,674	278,624
EBITDA	EUR thousand	13,564	11,986	41,418	41,123
EBITDA margin	%	13.64	14.73	14.40	14.76
EBIT	EUR thousand	8,601	6,318	27,856	24,131
Equity ratio	%	16.7	18.7	16.7	18.7
Inventories	EUR thousand	73,455	73,582	73,455	73,582
Inventory ratio	%	21.2	21.5	21.2	21.5
Debt ratio	Ratio	0.80	0.78	0.80	0.78

## SALES AND EBITDA SHARE BY SEGMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020



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

## CHANGE IN SALES COMPARED TO PREVIOUS YEAR



### 1. DEVELOPMENT OF THE GROUP

#### 1.1 EFFECTS OF THE COVID-19 PANDEMIC ON THE ALZCHEM GROUP

In the reporting period, it became apparent that the effects of the pandemic were very different due to the high level of industry diversification of the AlzChem Group:

- AlzChem is represented in markets that are experiencing a surge in demand due to the pandemic.
- There are customers and thus their markets that are recovering faster from the crisis and
- AlzChem delivers to markets that will be affected by the effects of the pandemic until the fiscal year 2021.

In the 1st half of 2020, the COVID-19 effects were still well compensated for by growth in other markets (growth regulators, pharmaceuticals as well as fine and specialty chemicals) despite the very significant impact in the automotive and metallurgy (steel production) sectors. As the pandemic continued, however, it became apparent, particularly in July and August, that the sales

weakness is more sustained and that more and more industries and thus business areas of AlzChem are being affected.

Despite a broad product base, it was no longer possible to fully offset the volume effects from a wide range of sectors such as automotive, aircraft construction, lightweight construction, steel production and nutrition. On the basis of flexible volume flow management within the NCN chain, market effects were compensated for as best as possible so that the Group was also able to keep all production facilities in operation in Q3/2020, with the exception of planned technical maintenance shutdowns. In addition, the flexible deployment options of our highly qualified employees proved to be an advantage in order to be able to react appropriately to volume fluctuations at short notice. Overall, the effects of the COVID-19 pandemic meant that the forecast for fiscal year 2020 had to be adjusted.

The supply chain to AlzChem's plants and to the customer proved to be intact in the 1st half and in Q3/2020. Forward-looking process support and partnership-based cooperation with suppliers and logistics companies made it possible to work out solutions for possible bottlenecks at any time.

## 1.2 EARNINGS POSITION

### CONSOLIDATED INCOME STATEMENT (IFRS, UNAUDITED)

In EUR thousand	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
<b>Sales</b>	<b>99,431</b>	<b>81,373</b>	<b>287,674</b>	<b>278,624</b>
Change in inventories of finished and unfinished products	-11,883	3,295	-4,308	2,285
Other operating income	3,670	2,732	14,211	7,805
Cost of materials	-33,416	-29,903	-111,278	-100,647
Personnel expenses	-29,313	-29,033	-91,475	-93,275
Other operating expenses	-14,925	-16,477	-53,405	-53,669
<b>EBITDA</b>	<b>13,564</b>	<b>11,987</b>	<b>41,418</b>	<b>41,123</b>
Depreciation and amortization	-4,964	-5,669	-13,563	-16,992
<b>EBIT</b>	<b>8,601</b>	<b>6,318</b>	<b>27,856</b>	<b>24,131</b>
Other interest and similar income	50	117	204	310
Interest and similar expenses	-2,359	-1,088	-5,109	-2,887
<b>Financial result</b>	<b>-2,309</b>	<b>-971</b>	<b>-4,905</b>	<b>-2,577</b>
<b>Result from ordinary business activities</b>	<b>6,292</b>	<b>5,347</b>	<b>22,951</b>	<b>21,554</b>
Taxes on income and earnings	-1,242	-1,542	-5,964	-6,575
<b>Consolidated result for the period</b>	<b>5,050</b>	<b>3,805</b>	<b>16,986</b>	<b>14,979</b>
thereof non-controlling interests	43	43	128	128
thereof shares of the shareholders of AlzChem Group AG	5,008	3,762	16,858	14,851
<b>Earnings per share in EUR (undiluted and diluted)<sup>1</sup></b>	<b>0.49</b>	<b>0.37</b>	<b>1.66</b>	<b>1.46</b>

#### DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

In the first nine months of fiscal year 2020, sales decreased by 3.1% to EUR 278,624 thousand compared to the same period of the prior year. While sales in the Specialty Chemicals segment were slightly higher than in the previous year, the decline in sales was mainly attributable to the Basics & Intermediates segment and the Other & Holding segment. While the 1st half of 2020 could still be closed with sales growth compared to the previous year, the effects of the COVID-19 pandemic were not insignificant in the 3rd quarter. The main part of the decline in sales came from the production facilities, which supplied products for the metallurgical and automotive sectors.

Despite the decrease in sales revenues, EBITDA for the 9-month period of fiscal year 2020 of EUR 41,123 thousand almost reached the level of the prior year of EUR 41,418 thousand. The main driver for this gratifying result was the significant reduction of the cost of materials compared to the prior year due to the lower raw material prices and first positive effects from the programs for digitization and process and cost optimization.

Developments on the raw material and electricity markets and the changed product mix are also reflected in the cost of materials ratio, which fell significantly from 39% to 36%. It should be noted here that changes in inventories developed in the opposite direction during the period under report. Last year, the net working capital project that was started resulted in a significant reduction of inventories by EUR 4,308 thousand,

whereas in the current reporting period, inventories were deliberately increased slightly (EUR 2,285 thousand) because of routine technical plant shutdowns towards the end of Q3.

Other operating income fell by EUR 6,406 thousand compared to the same period of the previous year and has thus almost halved. The main reason for this decrease was lower own work capitalized. In the period under review of the previous year, this was almost twice as high as in the 9-month period of the current fiscal year due to own work on the completion of the new Creamino® production plant. Foreign currency gains also fell significantly compared with the same period of the previous year.

Personnel expenses increased by EUR 1,800 thousand compared to the same period of the previous year. Planned increases in collective bargaining agreements and unplanned expenses in connection with the so-called future amount for the chemical industry contributed significantly to this.

Although savings were achieved in almost all cost items through strict cost management, other operating expenses at EUR 53,669 thousand were roughly at the prior year's level of EUR 53,405 thousand. Reduced selling and travel expenses and other external services counteracted significantly increased foreign currency expenses, which more than doubled year-on-year.

Depreciation and amortization increased as planned by EUR 3,429 thousand. This reflects the effect of the major investments and completions of new plants at the end of the previous year.

The financial result improved by EUR 2,328 thousand to EUR -2,577 thousand compared to the prior year's period. Interest income of EUR 310 thousand is approximately at the level of the prior year. The main driver in the improvement of the financial result was again interest expenses, which decreased by EUR 2,222 thousand. Here, the decrease of interest expenses from the compounding of non-current other provisions (mainly deposit provisions, anniversary provisions) and pension obligations due to further decreased interest rates showed again as the main driver of this development. In the prior-year period, this item included a decline in interest from 1.90% as of December 31, 2018, to 0.80% as of September 30, 2019, with a significant impact on the discounting effect. In

contrast, the change from December 31, 2019, to September 30, 2020, was more moderate at 0.90% to 0.70%. These interest-related effects were countered by the actual interest expenses from loan liabilities. The disbursements of the loans to finance the new Creamino® production plant (1st half of 2019) are now fully reflected in interest expenses.

Despite lower earnings before taxes, the tax expense of EUR 6,575 thousand is higher than in the 9-month comparison period 2019 with EUR 5,964 thousand. This is mainly due to additional tax payments resulting from a tax audit, which had to be expensed in the current fiscal year.

In total, consolidated result for the 9-month period of the current reporting period decreased by EUR 2,007 thousand year-on-year.

Consequently, earnings per share decreased from EUR 1.66 per share in the previous year to EUR 1.46 per share in the current 9-month period. The number of shares used for the calculation was unchanged at 10,176,335.

#### DEVELOPMENT IN THE 3<sup>RD</sup> QUARTER OF 2020

In the 3-month period from July 1, 2020, to September 30, 2020, sales decreased by EUR 18,058 thousand to EUR 81,373 thousand, which is a decline of 18%. Viewed across the segments, all segments are affected by the decrease in sales. The Basics & Intermediates segment accounted for a significant share. As described in the introduction, the decrease in sales was mainly reflected in the market areas metallurgy (steel production) and automotive, so that there was less demand for our products (hot metal desulphurization, color pigments, airbag solutions, flame retardants). The effects in the Specialty Chemicals segment were significantly lower or could be partially offset by opposing volume increases. Here, the decline in demand in the automotive and raw materials sectors (oil production) was also clearly evident. The Bioselect® and fine chemicals business continued to grow.

Pleasingly, EBITDA did not fall to the same extent as sales. EBITDA of EUR 11,987 thousand was achieved in the 3rd quarter of 2020, a decrease of 11% compared to the 3rd quarter of 2019. The significant change in inventory changes also had a positive effect on EBITDA when looking at the 3-month period.



The cost of materials ratio rose from 34% to 37% in the 3rd quarter of 2020. This is due on the one hand to a changed product mix and on the other hand to increased procurement costs for electricity.

Other operating income decreased by EUR 938 thousand and thus by 25% compared to the same quarter of the previous year. This decrease can mainly be explained by two effects. In the 3rd quarter of 2020, own work capitalized was also lower due to lower investment activity. Here, the previous year was still strongly influenced by the final work on the completion of our new Creamino® production plant. Furthermore, developments on the currency markets led to a decline in foreign currency gains of about 50%.

The planned collective bargaining wage increases resulted in a slight increase in personnel expenses by EUR 280 thousand, which corresponds to a 1% increase over the prior year.

At EUR 16,477 thousand, other operating expenses were 10% higher than in the previous year. The change compared to the prior year is almost exclusively due to the increase of foreign currency losses, which rose by EUR 1,367 thousand in the 3rd quarter 2020 alone compared to the prior year's period.

In line with the development in the 9-month period, depreciation and amortization also increased as planned by EUR 705 thousand in the 3rd quarter of 2020.

The financial result improved by EUR 1,338 thousand to EUR -971 thousand compared to the same period of the previous year. While the changes in interest income are also rather negligible when looking at the 3rd quarter of 2020, the improvement resulted in total from interest expenses. Here, the same effects as in the 9-month period 2020 compared to the prior year's period were evident.

Tax expenses in the 3rd quarter of 2020 amounted to EUR 1,542 thousand and increased by EUR 300 thousand compared to the 3rd quarter of 2019. Actual taxes decreased due to lower earnings before taxes compared to the same period of the previous year. However, there were higher releases from deferred taxes in the 3rd quarter of 2019 than in the reporting quarter, which is why the total tax expense increased.

Consolidated result for the 3rd quarter of 2020 is EUR 1,245 thousand lower than the prior year's figure.

Earnings per share in the 3rd quarter of 2020 amounted to EUR 0.37 per share compared to EUR 0.49 per share in the 3rd quarter of 2019.

### 1.3 FINANCIAL POSITION

#### CONSOLIDATED CASH FLOW STATEMENT (IFRS, UNAUDITED)

In EUR thousand	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
<b>Cash flow from operating activities</b>	22,915	22,075	25,570	33,786
Cash outflow from investing activities	-9,683	-6,403	-32,225	-16,024
<b>Free cash flow</b>	13,232	15,672	-6,655	17,762
Cash inflow/outflow from financing activities	-17,381	-13,090	3,627	-14,140
<b>Net increase/decrease in cash and cash equivalents</b>	-4,149	2,582	-3,028	3,622

## DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

The financial position of the AlzChem Group in the period from January 1, 2020 to September 30, 2020 was stable at all times. It was particularly characterized by strong cash flow from operating activities.

Cash inflow from operating activities amounted to EUR 33,786 thousand, an increase of EUR 8,216 thousand compared to the prior year. Despite a slightly lower consolidated result for the period, it was possible to generate liquid funds compared to the prior year due to efficient working capital management with a resulting reduction in inventories and a lower increase in receivables.

Cash outflow from investing activities decreased by almost half to EUR 16,024 thousand compared to the same period of the previous year. The previous year was strongly influenced by investments in the completion of the new Creamino® plant. One of the most significant investments in the current reporting period is the further capacity expansion of the NITRALZ® plant. Of the total planned investment volume of EUR 12 million, approximately EUR 3.0 million has already been invested by September 30, 2020.

Cash flows from financing activities have changed significantly compared to the previous year. While there was a cash inflow of EUR 3,627 thousand in the previous year due to the payment of the remaining loan amounts to finance the new Creamino® production plant, there was a cash outflow of EUR 14,140 thousand for the Group's financing activities in the current reporting period. The loans granted in the previous year were already subject to scheduled repayment in the current fiscal year. A total of EUR 8,951 thousand in scheduled repayments were made in the first 9 months of fiscal year 2020. The dividend paid to the shareholders of AlzChem Group AG reduced the financing cash flow by EUR 7,632 thousand, but was EUR 1,527 thousand lower than in the previous year.

In order to finance the capacity expansion of the NITRALZ® plant, AlzChem is currently in advanced negotiations with credit institutions for financing with a volume of EUR 10 million. We expect a commitment in the 4th quarter of 2020.

Cash and cash equivalents amounted to EUR 12,609 thousand as of September 30, 2020, which is an increase of EUR 3,622 thousand compared to December 31, 2019, taking into account currency effects.

## DEVELOPMENT IN THE 3RD QUARTER OF 2020

Based on the 3rd quarter 2020 alone, cash inflow from operating activities decreased slightly by EUR 840 thousand to EUR 22,075 thousand in line with the lower consolidated result for the period.

Investment activity shows a similar picture to the 9-month period. Due to the completion of the new Creamino® plant, there was a cash outflow of EUR 3,280 thousand for investments in the 3rd quarter of 2019. The investment cash outflow in the 3rd quarter of 2020 was EUR 6,403 thousand. The capacity expansion of the NITRALZ® plant is the most significant single investment in the 3rd quarter of 2020.

Cash outflows from financing activities of AlzChem amounted to EUR 13,090 thousand in the 3rd quarter of 2020 and were thus EUR 4,291 thousand lower than in the same quarter of the previous year. Short-term money market loans were repaid in the amount of EUR 9,653 thousand (3rd quarter of 2019: EUR 14,831 thousand) and loan liabilities of EUR 2,984 thousand (3rd quarter of 2019: EUR 2,157 thousand) were repaid as scheduled.

Cash and cash equivalents amounted to EUR 12,609 thousand as of September 30, 2020, an increase of EUR 2,582 thousand compared to June 30, 2020, taking into account currency effects.

## 1.4 NET ASSETS

## CONSOLIDATED BALANCE SHEET (IFRS, UNAUDITED)

In EUR thousand	12/31/2019	09/30/2020	Delta
<b>Assets</b>			
Intangible assets	1,541	1,311	-230
Property, plant and equipment	165,702	164,475	-1,227
Lease usage rights	9,770	8,344	-1,426
Financial assets	20	20	0
Other receivables and other assets	470	527	57
Deferred tax assets	34,477	35,420	943
<b>Non-current assets</b>	<b>211,980</b>	<b>210,097</b>	<b>-1,883</b>
Inventories	74,607	73,582	-1,025
Trade receivables	32,501	32,075	-426
Other receivables and other assets	14,051	13,295	-756
Income tax claims	383	816	433
Cash and cash equivalents	9,061	12,609	3,548
<b>Total current assets</b>	<b>130,603</b>	<b>132,377</b>	<b>1,774</b>
<b>Total assets</b>	<b>342,583</b>	<b>342,474</b>	<b>-109</b>
<b>Capital</b>			
Equity	61,350	64,011	2,661
Non-current liabilities	220,748	219,167	-1,581
Current liabilities	60,485	59,296	-1,189
<b>Balance sheet total</b>	<b>342,583</b>	<b>342,474</b>	<b>-109</b>

As of September 30, 2020, the total assets of AlzChem, at EUR 342,474 thousand, hardly changed compared to December 31, 2019. A decrease in non-current assets of EUR 1,883 thousand is offset by an increase in current assets of EUR 1,774 thousand. In the non-current area, scheduled depreciation on non-current assets and lease usage rights led to a decrease. Within current assets, the increase in cash and cash equivalents more than compensated for the decrease in inventories.

Equity increased by EUR 2,661 thousand to EUR 64,011 thousand as of September 30, 2020, compared to December 31, 2019. As a result, the equity ratio also improved slightly from 17.9% to 18.7%. The positive consolidated result for the period of EUR 14,979 thousand led to an increase in equity. The

renewed increase in pension obligations due to interest rates had a contrary effect on equity. As a result of the further decrease in interest rates, EUR 6,145 thousand had to be recognized in other comprehensive income as of September 30, 2020, which reduced equity, adjusted for deferred taxes, by a total of EUR 4,424 thousand. The development of pension obligations is significantly influenced by actuarial parameters. A change in these parameters does not affect consolidated result, but is recognized in other comprehensive income directly in equity. The risk-free market interest rate plays a significant role in the actuarial parameters. If this market interest rate falls, this results in an increase in pension obligations, while an increase in the market interest rate leads to a reduction in pension obligations. The risk-free market interest rate developed historically as follows:

in %	2015	2016	2017	2018	2019	Q3/2019	Q1/2020	Q2/2020	Q3/2020
Discount rate	2.50	1.75	1.75	1.90	0.90	0.80	1.70	0.80	0.70

The dividend payment to the shareholders reduced equity by EUR 7,632 thousand.

Both non-current and current liabilities of AlzChem have decreased compared to December 31, 2019. In the reduction in non-current liabilities, the effect of the scheduled repayment

of loan and lease liabilities and the associated reclassification to current liabilities more than compensated for the interest-related increase in pension obligations. The decrease in current liabilities resulted from two opposing effects. The increase from taking out short-term money market loans was offset by a higher reduction in trade payables as of the reporting date.

## 2. DEVELOPMENT IN THE SEGMENTS

### 2.1. SPECIALTY CHEMICALS SEGMENT

In EUR thousand	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
External sales	50,951	42,995	152,700	153,048
<b>EBITDA</b>	<b>9,218</b>	<b>9,418</b>	<b>33,847</b>	<b>34,033</b>
Depreciation and amortization	-1,822	-2,272	-4,442	-6,852
<b>EBIT</b>	<b>7,396</b>	<b>7,146</b>	<b>29,405</b>	<b>27,180</b>
Inventories	43,196	42,549	43,196	42,549
<b>EBITDA margin</b>	<b>18.09%</b>	<b>21.91%</b>	<b>22.17%</b>	<b>22.24%</b>

#### DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

Within the Specialty Chemicals segment, there are both extraordinary successes and significant volume declines to report. Bioselect® has experienced a very strong growth spurt. Products from our multi-purpose plants were also placed to a greater extent in the specialty and fine chemicals market. The sales curve for our product Creamino® also continued to rise. In addition to this cumulative growth of 10%, products in the automotive and oil extraction sectors experienced a decline of the same magnitude.

We were hit very hard by the COVID-19 pandemic in the DYHARD® and Nitroguanidin business units, as these supply important specialties in renewable energy applications, lightweight construction, the automotive sector and aircraft construction.

Despite intensified marketing activities in connection with the new Creapure® derivatives LIVADUR® and Your Encour!™, the segment's EBITDA increased slightly, based on strict cost management on the one hand and successful production process improvements on the other.

At EUR 42,549 thousand, inventories were at the level of the previous year. Especially in the 1st half of 2020, the level was significantly reduced and was stabilized at this figure as planned. In connection with the upcoming plant revisions, the next two months will now see increased sales from stock. At the same time, it became apparent that longer campaigns had to be run for some products in the multi-purpose plants, so that stable delivery capability can also be ensured beyond the end of 2020.

## DEVELOPMENT IN THE 3<sup>RD</sup> QUARTER OF 2020

Looking only at the section from July to September 2020, a much more differentiated picture emerges with regard to the operational business development of the Specialty Chemicals segment. The effects of the pandemic now also affected business units that felt almost no impact in the 1st half of the year. In particular, we see a slowdown in growth for Creamino® due to a lack of trial activities (travel and contact restrictions) among our potential new customers and reduced rearing activity at established farms. Furthermore,

there was no V-shaped recovery in the automotive, lightweight construction, aircraft construction or oil extraction sectors. On a positive note, growth in the Bioselect® product portfolio remains stable and Dormex® volumes are slightly above the previous year's level.

In terms of the development of EBITDA and EBIT, this means that the figures for Q3/2020 close on the previous year's level.

When looking at inventories at the balance sheet date, the same statement applies as for the 9-month period.

## 2.2 BASICS & INTERMEDIATES SEGMENT

In EUR thousand	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
External sales	41,694	32,320	115,003	106,598
<b>EBITDA</b>	<b>3,221</b>	<b>2,006</b>	<b>4,887</b>	<b>6,394</b>
Depreciation and amortization	-1,730	-1,875	-4,842	-5,550
<b>EBIT</b>	<b>1,491</b>	<b>130</b>	<b>45</b>	<b>844</b>
Inventories	29,616	31,938	29,616	31,938
<b>EBITDA margin</b>	<b>7.72%</b>	<b>6.21%</b>	<b>4.25%</b>	<b>6.00%</b>

## DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

In the Basics & Intermediates segment, after a robust 1st half of 2020, the setbacks of Q3/2020 could no longer be fully offset. The volume declines of over 30% in the metallurgy and automotive sectors could no longer be compensated for by the other business units either. The market development including the accompanying investment in the NITRALZ® product range (see Annual Report 2019), an expansion of Perlka® applications and countries as well as a stable supply of basic materials for pharmaceutical end products proved to be the mainstays in Q3/2020 as well, but the volume could no longer compensate for the declines in business.

EBITDA and especially the EBITDA margin clearly show the described. The decline in basic and volume business is clearly more than compensated by the increase in higher-value products. The favorable conditions on the raw material markets continue to provide support. In addition, Six Sigma measures were able to sustainably improve specific production costs at several plants.

The inventories of the Basics & Intermediates segment are at a slightly higher level as of September 30, 2020, as inventories are gradually being filled in connection with a planned furnace revision at the end of 2020.

## DEVELOPMENT IN THE 3<sup>RD</sup> QUARTER OF 2020

The business development in the Basics & Intermediates segment in the 3rd quarter was significantly changed compared to the Half-Year Report 2020. The significant volume declines in the metallurgy and automotive segments from the 2nd quarter of 2020 increased again in July and August.

We already saw a certain bottoming out of raw material prices in the 2nd quarter, so that no additional relief from this had an impact on the segment's EBITDA margin. At the same time, electricity prices rose, which in turn had a negative impact on the earnings performance.

When looking at inventories at the balance sheet date, the same statement applies as for the 9-month period.

## 2.3 OTHER & HOLDING SEGMENT

In EUR thousand	3rd quarter 2019	3rd quarter 2020	January 1 – September 30, 2019	January 1 – September 30, 2020
External sales	6,785	6,058	19,971	18,978
<b>EBITDA</b>	<b>1,434</b>	<b>361</b>	<b>2,629</b>	<b>758</b>
Depreciation and amortization	-1,497	-1,576	-4,539	-4,782
<b>EBIT</b>	<b>-63</b>	<b>-1,216</b>	<b>-1,910</b>	<b>-4,024</b>
Inventories	3,491	2,730	3,491	2,730
<b>EBITDA margin</b>	<b>21.14%</b>	<b>5.95%</b>	<b>13.16%</b>	<b>4.00%</b>

## DEVELOPMENT IN THE 9-MONTH PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2020

After the first 9 months of 2020, the Other & Holding segment was not quite able to match the sales of the previous year. The customers of our chemical parks were also not spared the effects of the COVID-19 pandemic. Services of a variable nature (compressed air, instrument air, operating gas, natural gas and technical services) declined slightly.

The segment's earnings reflect a price increase based on planned cost increases. The ongoing renovation and maintenance measures on the plant's own infrastructure also had an impact.

Inventories were reduced to EUR 2,730 thousand as of the reporting date of the period under review. Measures of the net working capital project also had an effect at this point.

## DEVELOPMENT IN THE 3<sup>RD</sup> QUARTER OF 2020

The comments on the 9-month period also apply to the 3rd quarter of 2020.

## 3. SUSTAINABILITY AT ALZCHEM

In the combined management report as of December 31, 2019, we reported in Section 9 on the non-financial concerns and efforts of AlzChem. There were no fundamental changes in this respect in the 9-month period of 2020. As a responsible company in the Bavarian region, we want to inform our stakeholders about our sustainability activities in the first 9 months of fiscal year 2020 in the quarterly statement as well.

### GENERAL CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is increasingly demanded in the global supply chain. For this reason, AlzChem has again undergone an independent CSR rating by the globally active evaluation platform EcoVadis in 2020. This assessment examined the company's activities in the areas of environmental protection, labor and human rights, ethics and sustainable procurement. With 68 out of 100 points achievable in the evaluation, AlzChem is once again well above the industry average and is among the top four percent of the companies in this industry worldwide that have been evaluated by EcoVadis.

In order to do justice to the ever increasing importance of this topic, we are planning to set up our own sustainability team. This interdisciplinary team will monitor AlzChem's activities on sustainability issues and create permanent improvements in AlzChem's sustainable behavior.

#### ALZCHEM AS EMPLOYER

The COVID-19 pandemic, as the all-determining topic of 2020, has also presented AlzChem with new challenges as an employer. Numerous measures have been taken to ensure the protection of our employees and to maintain operations and production. In addition to a flexible and comprehensive regulation for mobile working, many offices have now been occupied by only one employee or the number of staff has been reduced. In order to enable all our employees to return to work safely, they were provided with masks free of charge and, among other things, office workplaces were separated by the installation of partition walls. We have redesigned our meeting and social rooms in such a way that the specified distance regulations can be observed. In general, we want to provide our employees with the best possible protection by reducing personal appointments and expanding the possibilities for online meetings.

In order to continue to be perceived as an attractive employer, AlzChem again invited interested school children to this year's Training Day, which was held as an online meeting due to the COVID-19 pandemic. The effort was worthwhile. On September 1, 2020, 46 young people started their training at the Trostberg Chemical Park in commercial, metal and electrical engineering as well as chemical areas. In the training year 2020, the Trostberg Chemical Park will again maintain the high training rate of previous years at 8%. The average for the chemical industry in Bavaria is 4.5%. We are pleased to be able to offer an almost normal start to professional life even in this turbulent year.

#### ENVIRONMENTAL MATTERS

As a responsible company in the Bavarian region, but also within the scope of our global activities, it is a particular concern of ours to further improve environmental protection through our activities as well as through our product range.

The construction of a new waste gas treatment plant for regenerative thermal oxidation, for which an application was submitted to the relevant authorities in the 1st half of 2020, should make a significant contribution to improving our environmental balance.

For our Swedish location, we have purchased new railroad cars, which offer 8% more transport capacity. This does not only result in an improved cost situation – a reduced number of transports also means that AlzChem makes a further contribution to reducing emissions.

Products from our DYHARD® product range are used, among other things, in the manufacture of tanks for storing gaseous hydrogen for fuel cells in powertrain technology. In line with the company's "Green AlzChem" corporate objective, this product is characterized by optimized processing properties and reduces cleaning time as well as resin waste and the use of solvents and cleaning agents. Thus, AlzChem makes a significant contribution to the conservation of resources and supports the change towards emission-free transport as a factor influencing the global greenhouse effect.

#### 4. OUTLOOK

We can no longer confirm the forecasts for fiscal year 2020 made in the consolidated financial statements as of December 31, 2019, with this quarterly statement. The significantly slower recovery of the overall economic environment is reflected in our adjusted forecast.

Forecast <sup>1</sup> for 2020	2019	Forecast 2020	Forecast as of 09/30/2020
Group sales	EUR 376.1 million	slightly rising to sharply rising	stable to slightly declining
Adjusted EBITDA	EUR 50.1 million	stable to sharply rising	stable to slightly declining
Adjusted EBITDA margin	13.3%	stable	stable
Adjusted EBIT	EUR 30.6 million	stable to sharply rising	stable to slightly declining
Inventory ratio	19.8%	stable to slightly declining	stable to slightly declining
Equity ratio	17.9%	slightly rising	slightly rising
Debt ratio	0.79	stable	stable

Due to the continuing economic effects of the COVID-19 pandemic in individual target industries and regions, the original sales forecast cannot be met despite the partially significant growth impulses for Bioselect® products and our chemical solutions in fine & specialty chemicals, among others, as well as Creamino® growth. Group sales are expected to remain stable or decline slightly.

In the upcoming fourth quarter, we will continue to react flexibly to changes in demand and align our material flows accordingly. Although the broad base of the NCN chain continues to provide an anchor of stability, AlzChem is also permanently dependent on recovering demand.

In terms of earnings, we still see a stable basis on the commodity markets and a certain turnaround on the electricity exchanges, with the result that there will be no further relief compared with the 1st half of the year or, in terms of electricity and EUA prices, that the cost environment will tend to rise. Cost savings and process improvements will be able to compensate for part of the decline in sales. Nevertheless, ongoing increases in personnel expenses will have to be borne, so that AlzChem now assumes in its forecast a stable to slightly declining earnings trend.

Against the background of the changing product mix and the cumulative support on the purchasing and cost side, we continue to see the EBITDA margin as stable to rising.

We currently see both opportunities and risks for inventories. If volumes unexpectedly drop off, it is highly probable that we will close the year with inventory levels above the forecast. This is due to the complex German energy legislation and the associated restrictions on carbide operations. If we see quantities at the upper end of the forecast corridor, a higher quota can certainly be expected.

For the financial performance indicator equity ratio, we continue to expect a slight upward trend. As already anticipated in the 1st quarter of 2020, the discount rate did not stabilize at 1.70%, but fell to 0.70% as of September 30, 2020. For the year as a whole, a further decline in the discount rate may be within the realm of possibility, which would then have a negative impact on equity.

## 5. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date that could have an impact on the net assets, financial position and earnings position.

<sup>1</sup> The forecasts are based on unchanged regulatory assumptions, such as the continuation of the Renewable Energy Sources Act (EEG), § 19 (2) StromNEV, electricity price compensation and the continuation of existing product approvals. The forecasts 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. Should one of these factors of uncertainty or other imponderables occur, or should the assumptions on which these statements are based prove incorrect, the actual results could differ materially from the results explicitly mentioned or implicitly contained in these statements.



# LIST OF ABBREVIATIONS

€/EUR	Euro
AG	Aktiengesellschaft (stock corporation)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EUA	European Allowances

# IMPRINT

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# FINANCIAL CALENDAR 2020/2021

November 17, 2020	Deutsches Eigenkapitalforum 2020, virtual
November 30, 2020	Berenberg European Conference, London
December 8 to December 9, 2020	Münchener Kapitalmarkt Konferenz
March 19, 2021	Annual Report 2020
May 6, 2021	Quarterly Statement 1st Quarter 2021
May 12, 2021	Annual General Meeting 2021
August 5, 2021	Half-year Financial Report 2021
November 11, 2021	Quarterly Statement 3rd Quarter 2021

# REMARKS

This quarterly statement may contain forward-looking statements based on current assumptions and forecasts made by the management of AlzChem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

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

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