



MORE THAN
TORQUE:
REVOLUTIONISING
TECHNOLOGY

2023 ANNUAL REPORT

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EXPERTS
FOR
MAGNETO-
STRICTIVE
SENSORS



FACTS AND FIGURES

NCTE AG AT A GLANCE

FOUNDED	October 2003
TECHNOLOGY	Sensors that measure torque, angle, position, bending and shear
NCTE STANDS FOR	Non-Contact Torque Experts
CERTIFICATIONS	ISO 9001:2015 and ISO 14001:2015
PATENTS	More than 20 patents and patent families granted
LOCATION	Oberhaching near Munich, Germany
SALES	Global
CEO	Dr. Jürgen Uebbing
MEMBERSHIPS	Association for Sensors and Measurement [AMA], German Engineering Federation [VDMA]

MULTI-YEAR COMPARISON

		2023	2022	2021	2020	2019
RESULTS OF OPERATIONS						
Sales	EUR thous.	6,041	5,325	5,409	4,624	5,565
Gross operating revenue	EUR thous.	5,984	5,398	5,452	4,599	5,625
Cost of materials	EUR thous.	2,060	2,062	1,896	1,550	2,266
Cost of materials ratio	%	34.4	38.2	34.8	33.7	40.3
Gross profit	EUR thous.	3,982	3,263	3,514	3,074	3,299
Gross profit margin	%	65.6	61.8	65.2	66.3	59.7
Personnel expenses	EUR thous.	2,522	2,570	2,869	2,590	2,764
Personnel expenses/ no. of employees	EUR thous.	79	83	90	74	77
Personnel expense ratio	%	42.1	47.6	52.6	56.3	49.1
Other operating expenses	EUR thous.	1,430	1,255	959	769	995
Other operating expenses ratio	%	23.9	23.2	17.6	16.5	17.7
EBIT	EUR thous.	181	-237	2	-1273	-514
Net income/ loss for the year	EUR thous.	80	-285	-47	-1320	-561
NET ASSETS AND FINANCIAL POSITION						
Fixed assets	EUR thous.	976	1189	1261	1480	2551
Total assets	EUR thous.	4,158	4,057	4,540	4,507	5,619
Equity	EUR thous.	3,257	2,930	3,215	3,262	4,582
Equity ratio	%	78.3	72.2	70.8	72.4	81.5
Number of employees [annual average]		32	31	32	35	36

LETTER
FROM THE
MANAGEMENT
BOARD

Dear Shareholders,

It gives me great pleasure to present to you our Annual Report, highlighting NCTE's growth and success stories from the past fiscal year.

Over the course of 2023, we engaged with the entire staff to identify the five core values shaping our work at NCTE AG.

WE ARE:

PASSIONATE,
ENTERPRISING,
FORWARD-LOOKING,
COLLABORATIVE
AND DEPENDABLE.

Our first annual report as a publicly traded company, which I am proud to present to you today, is grounded in these five key concepts:

PASSIONATE

All of us here at NCTE AG are passionate about developing, producing and selling sensors for the non-contact measurement of torque, force, shear and bending. At our Oberhaching site outside Munich, we have the most dedicated staff working every day to make applications smarter with our innovative and highly durable sensor solutions. Solutions that are helping clients become more sustainable in growth markets from e-mobility and agtech to Industry 4.0.

NCTE hit a major milestone in 2023, celebrating one million e-bike sensors sold globally. Breaking the one-million mark with our e-bike sensor sales shows just how popular e-bikes have become and just how vital reliable, long-lasting sensor technology is. We are proud to do our part in the sustainable mobility movement.

When it comes to agtech, data is quickly becoming the cash crop of the future. The harsh environmental conditions in farming provide the ideal testing ground for our robust sensors. Many of today's agribusinesses use our solutions to lower their raw material costs and prevent overfertilization as well as water pollution.

Building on our patented technology and our decades of experience, we hope to disrupt even more markets in the future. Our goal is to give clients the contactless measurement solutions they need to build the data-driven business models of the future.

ENTERPRISING

NCTE AG posted record sales in 2023. Driven by the e-bike and off-highway segments, our annual sales topped EUR 6 million for the first time, while our net income for the year of EUR 80 thousand was the highest in five years.

We achieved this record result despite some very real challenges in our core markets, most notably the e-bike market with its post-pandemic hangover and inventory surpluses. Even under these difficult conditions, we succeeded in renewing a number of key contracts with existing e-bike clients and landed the first deals with our recently launched MidSense sensor system.

According to our estimates, the sluggish e-bike market is expected to turn around mid-2024. Growth forecasts for the bike industry are optimistic overall, with e-bikes as a continuing key driver.

We also posted earnings and expanded our reach in the manufacturing and motorsports segments, while the comparatively new off-highway segment [agtech] outperformed expectations in 2023. On the basis of a development project with a major agricultural player in a region new to the Company, we will have a new product ready for the production line in 2024. This will enable us to press ahead with our internationalization strategy and work towards landing new high-volume orders.

FORWARD-LOOKING

NCTE took the bold step of going public on the m:access segment of the Munich Stock Exchange. Increasing our market visibility and enabling investors to actively trade in our shares, the listing on the stock exchange marks an important milestone in the Company's long-term growth strategy.

In recent years, NCTE AG has grown from a start-up to a technology leader in the field of torque measurement. Our sensor solutions are transforming various industries by enabling non-contact measurement of torque and other forces in a wide range of applications. The public trading of our shares and direct access to the capital markets will provide valuable support as we move forward with our growth strategy.

This forward-looking approach is also evident in our sustainability strategy. We are particularly proud of our very first ESG rating from the well-respected analysts at Asset Impact GmbH, which rated us as a "Very Sustainable" company, the highest of five ESG levels. You can find more information on the rating in our Sustainability Report, which is now an integral part of our annual reporting.



||||| CEO OF NCTE AG |||||

WITH KIND REGARDS,
DR. JÜRGEN UEBBING

COLLABORATIVE

As in previous years, we remained committed to integrity, fairness and dependability in our collaboration with partners and clients in 2023. These long-standing relationships not only help us to improve the quality of our products over time, but also further consolidate our position in the industry. For over a decade, NCTE has been a reliable partner for Fazua, Pendix, Fischer, VanRaam and many other renowned companies in the e-bike market.

We are particularly proud of our global partnerships, which are based on shared values and allow us to produce torque sensors with the highest environmental standards and a fully transparent supply chain. The same applies to our network of more than 40 distributors in 35 countries, where our partners deliver a steady stream of repeat sales with our standardized sensors.

DEPENDABLE

We remain committed to our growth strategy in the current fiscal year and continue to offer clients first-class products and services. Investing in innovation, solidifying our market position and maximizing shareholder value remain our key aims moving forward.

In closing, I would like to thank our shareholders, employees, clients and business partners for their loyalty and support.

We are confident that our strategy and vision, underpinned by our core values, will keep us all on the path to success.

COMPANY PRESENTATION

- 2.1 Technology
- 2.2 Markets
- 2.3 Growth strategy

NCTE

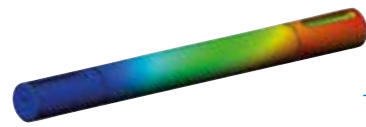
WE
MAKE
MACHINES
AND
PRODUCTS
SMARTER

NCTE is passionate about developing, producing and selling high-tech sensors designed to take precise measurements of torque, force, shear and bending. Whether they are looking for custom or standardized solutions, numerous e-mobility, agtech and Industry 4.0 clients rely on our made-in-Germany sensors to maximize the potential of their machinery and products.

We provide the technology to collect data easily and in real time wherever forces are at work, and our clients' applications just keep getting smarter and more sustainable.

As a pioneer in the field of non-contact torque measurement, NCTE is committed to driving innovation. Our magnetoelastic technology is robust enough to work under the most extreme environments and deliver reliable, real-time data where no other measurement technology can. Thanks to our deep expertise, NCTE is a dependable implementation partner for clients committed to helping them unleash previously untapped potential.

Working under the same roof at our Oberhaching site near Munich, our production and technology teams are dedicated to developing the innovative sensor solutions that make our clients' applications smarter and more resource-efficient. Our sensor sales have a global reach, and we always invest 15 percent of our total revenues back into research and development.

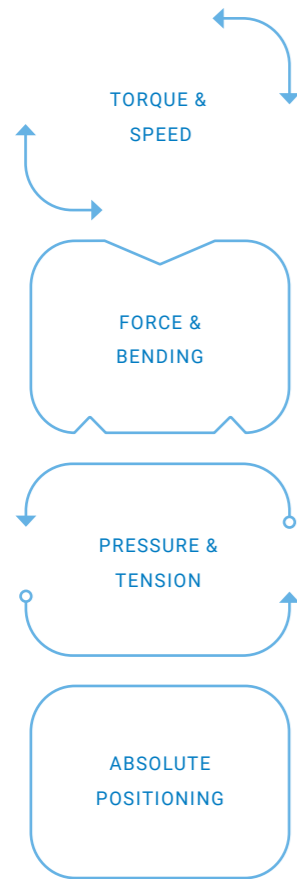


2.1 TECHNOLOGY

NCTE's sensor technology is based on the physics of magnetostriction. When force is applied to an object, the magnetic field around the object changes, and we can measure that change.

In other words, based on the change in the magnetic field, we can determine the precise amount of force applied to an object equipped with NCTE's proprietary technology.

The Company holds more than 20 patent families worldwide for this sensor technology to date.

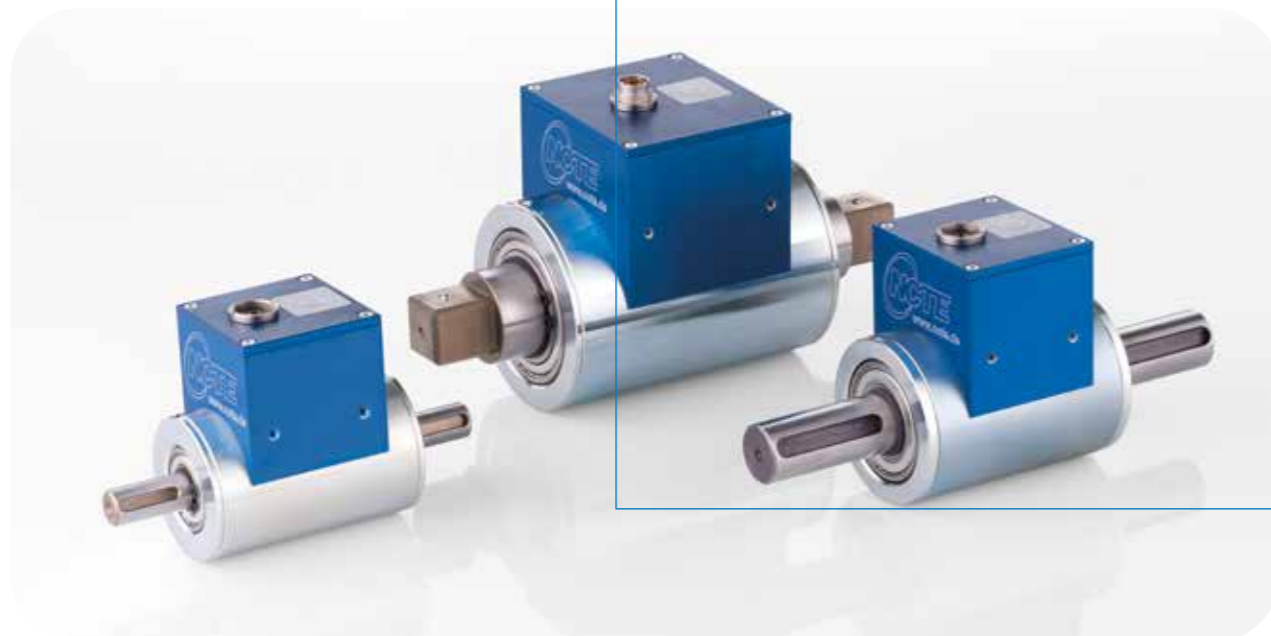


NCTE
DELIVERS DATA
IN REAL TIME
WHERE NO OTHER
MEASURING
TECHNOLOGY
CAN

- Force
- Torque
- Speed
- Frequency
- Force distribution [symmetry]
- Maximum load
- Absolute positioning

BENEFITS

- + Able to turn existing components into primary sensors
- + Easy to integrate
- + Maintenance-free with a long operating life
- + Free from wear and tear thanks to contactless operation
- + Reliable, long-lasting and temperature stable even in extreme environments
- + Able to collect real-time measurement data
- + Scalable in production
- + Versatile in terms of possible applications



With our sensor solutions, NCTE serves a wide range of industries and plays a key role in making today's machines smarter over time.

OPTIMIZATION

IS OUR COMPETITIVE ADVANTAGE



E-BIKE

Measurement technology for torque, speed and direction of rotation plays a key role in e-bike motors, whether they sit in the bottom bracket, the mid-drive or the hub [front or rear wheel]. Thanks to precise measurement directly on the shaft, our sensor technology unites the cyclist with their e-bikes to ensure a smoother, jerk-free ride.

The torque sensors measure the precise pedaling force applied by the rider, allowing the motor to adapt and provide the perfect amount of assistance or none at all. Ensuring accurate and reliable measurements even with vibrations, dirt, water and other challenges, this robust, contactless technology is ideal for everything from e-mountain and cargo bikes to city e-bikes and e-road bikes.

NCTE has been a dependable partner for numerous companies for more than a decade, including Fazua, Pendix, Fischer and VanRaam, and we hit a major milestone with our one-millionth global sale of e-bike sensors in 2023.

The new MidSense torque sensor was also launched last year, a modular system for mid-mounted e-bike motors with a range of pre-installed features that is ready for the production line today.



AGRICULTURAL TECHNOLOGY AND CONSTRUCTION MACHINERY

In the farming sector, NCTE sensors make heavy agricultural machines smarter with applications designed to calibrate hay balers for maximum throughput, for example, or optimize the discharge rate of fertilizer spreaders. Our sensors can also monitor the condition or wear and tear of farm machinery in real time for use with predictive maintenance applications.

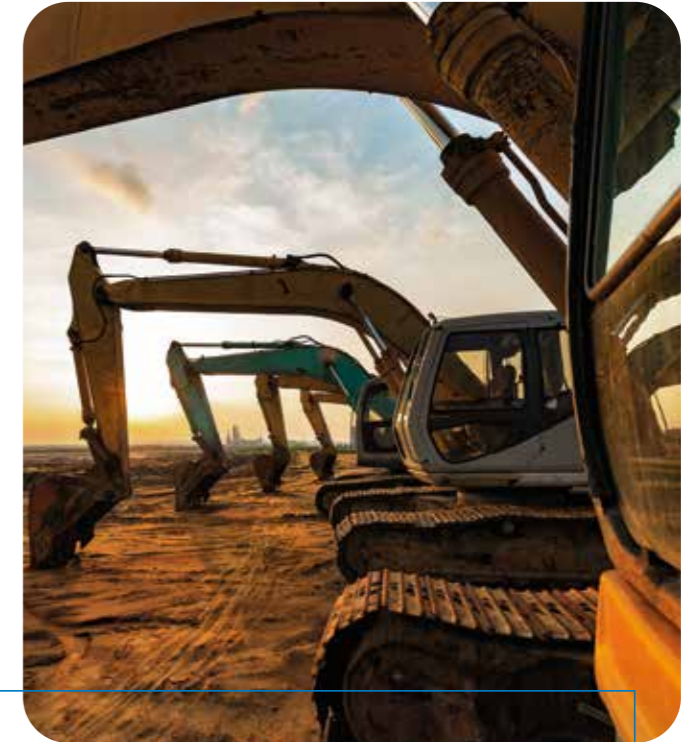
Dealing with the harsh environmental conditions is the biggest challenge for sensor technology in farming, and our non-contact, fully encased measurement tools are designed to withstand everything from strong vibrations and aggressive crop juices to dust, water and oil. In 2023, we added the PTO 7300 to our portfolio, a line of plug & play sensors for tractors and other farming implements, which can be mounted directly on the power take-off shaft without any special equipment. For off-highway vehicles deployed on challenging terrain, such as excavators, bulldozers or concrete pumps, NCTE sensors measure and monitor critical processes and provide all the relevant real-time data our clients need.



INDUSTRY AND ROBOTICS

NCTE's non-contact sensor technology measures torque in machines and collects reliable and precise data to optimize processes in various industries, whether it is automotive, medical devices or Industry 4.0. Equipped with sensors for torque and other forces, robots have a greater sense of touch to perform "delicate" tasks or to tighten screws to a specified torque.

The resulting data, delivered directly to the customer interface in real time, allows for highly dynamic robot movements. NCTE also offers a wide range of standardized sensor solutions for everything from test benches to highly complex manufacturing equipment, and the non-contact operation means no wear and tear.



MOTOR-SPORTS AND FITNESS



When it comes to our motorsport clients, NCTE delivers sensors to ensure every screw fits perfectly even under extreme loads, which can help save precious time in races decided by milliseconds.

We work with some of the best-known racing teams [including Formula 1] to optimize performance on and off the track.

In the fitness sector, our sensors collect precise, accurate data to optimize operation of fitness equipment and help athletes make and maintain performance gains.



INDUSTRY LEADERS

worldwide rely on NCTE sensor technology in their products:

- Fazua/ Porsche – eBike Performance
- Fischer
- Pendix
- VanRaam
- Schaeffler
- Baxter



MARKET
EXPANSION
STRATEGY
BOOSTED BY
STOCK MARKET
DEBUT



2.3 GROWTH STRATEGY

NCTE's initial public offering marked a major milestone in the Company's long-term growth strategy. NCTE shares have been listed on the open market of the Munich Stock Exchange [m:access] since October 2023, an opportunity for the Company to become more visible on the market and for investors to actively trade in our shares.

This is a key part of the Company's strategy to raise the capital we need to finance our long-term growth.

As announced by the NCTE Management Board, our primary goal is to drive growth in the e-bike [e-mobility], agtech and industry markets across the globe.

In the coming years, the company sees further growth potential in existing as well as new markets and will pursue additional certifications and licenses there.

With the experience gained from motorsport, NCTE aims to bring the best insights from the racetrack to local repair shops. This could include, for example, automatically detecting and applying a specified torque when changing tires – a sure way to minimize human error and deliver certified quality.

The market for smart power tools offers promising prospects for the Company, and not just in auto repair shops. For example, instead of a multi-step quality control process, NCTE sensors can perform inspection and approval in a single step, complete with seamless and traceable certification.

In 2023, NCTE landed a development contract with a major player in the off-highway segment, which is located in a new region for the company. This represents a key step in our internationalization strategy for the agtech segment, and we hope to have new large-batch orders for this product on the books in the near future.

We still regard e-bikes as a growth market in the medium term and plan to expand our reach in this segment. In 2023, NCTE succeeded in renewing major contracts with existing key accounts and securing the first deals for our recently launched MidSense sensor system. We are looking to further consolidate our position on this market in 2024 with new products and features.

INVESTOR RELATIONS

- 3.1 NCTE shares
- 3.2 Shareholder structure
- 3.3 IR and PR activities

NCTE AG shares have been listed on the open market of the Munich Stock Exchange [m:access] since October 10, 2023, with the listing on the stock exchange marking a major milestone in the Company's long-term growth strategy.

The listing has helped NCTE gain more market visibility and enabled investors to actively trade in NCTE AG shares.

The ability to raise capital over the long term is the main goal of the listing.

3.1 NCTE SHARES

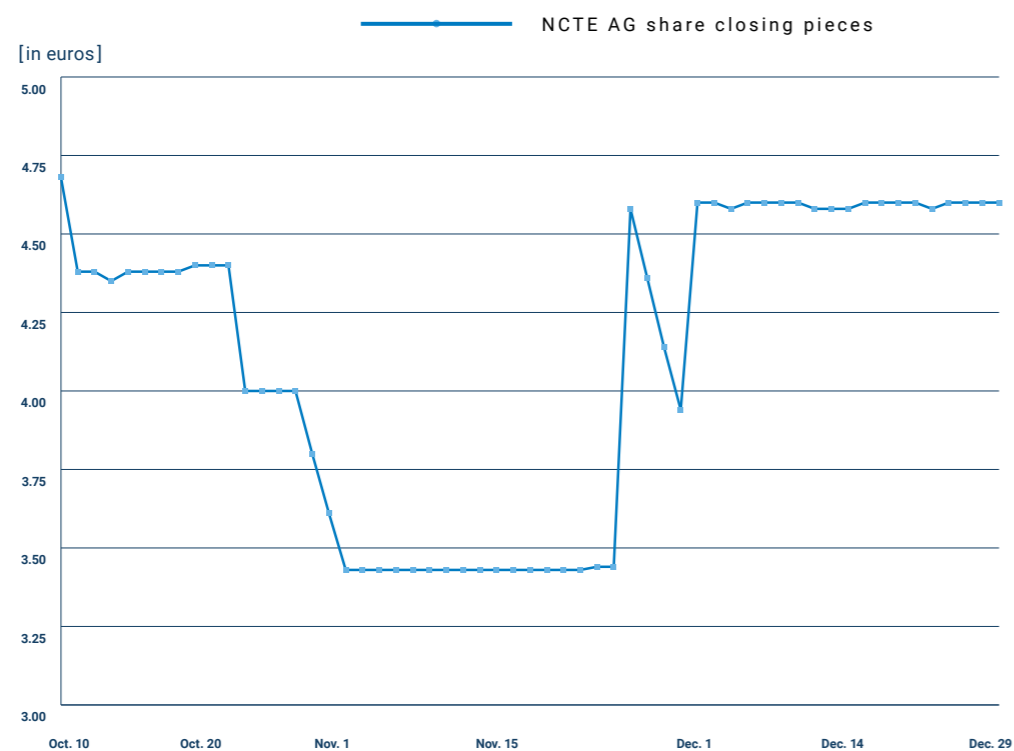
||||| [as of Dec. 31, 2023] |||||

NUMBER OF NO-PAR VALUE SHARES	4,730,007
SHARE CAPITAL	EUR 4,730,007
MARKET CAPITALIZATION	EUR 21,758,032.20
[OCT. 10, 2023] HIGH	EUR 4.68
[NOV. 2, 2023] LOW	EUR 3.43
SECURITY IDENTIFICATION NUMBER	A0LEZB
ISIN	DE000A0LEZB2
LEVEL OF TRANSPARENCY	m:access [OTC MARKET]

NCTE AT THE MUNICH STOCK EXCHANGE

NCTE shares started the year at EUR 4.68 after the listing on the stock exchange on October 10, 2023. The low trading volume for the rest of the year led to a volatile share price, as the low liquidity gave every trade an outsized impact on the share price.

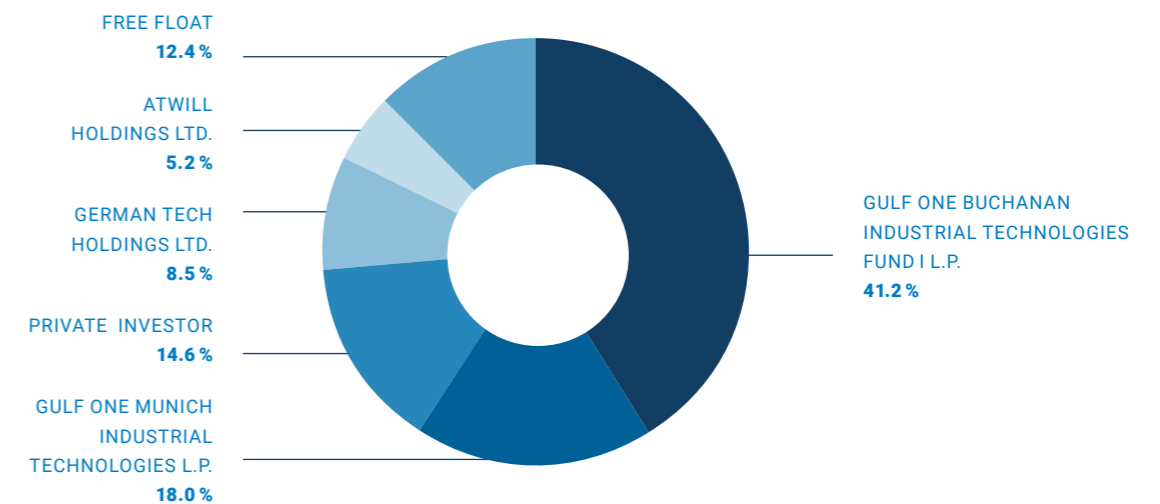
After hitting the low for the year at EUR 3.43 on November 3, 2023, the share price closed the year at EUR 4.60. NCTE's market capitalization was roughly EUR 22 million at the end of fiscal 2023.



||||| NCTE SHARE PRICE PERFORMANCE: Oct. 10, 2023 to Dec. 31, 2023 |||||

3.2 SHAREHOLDER STRUCTURE

||||| as of Dec. 31, 2023, according to voluntary declarations |||||



3.3 IR AND PR ACTIVITIES

In addition to the mandatory disclosures for m:access, NCTE AG has issued voluntary disclosures to shareholders and all interested parties as well as regular performance reports throughout the year.

After the October 10, 2023 listing on the stock exchange on the open market of the Munich Stock Exchange, NCTE published its first IR newsletter for Q3/23, gave a roadshow presentation to institutional investors, financial journalists and analysts at the Munich Capital Market Conference [Münchner Kapitalmarkt Konferenz] and took part in the German Equity Forum [Deutsches Eigenkapitalforum] in Frankfurt am Main.

Over the course of fiscal 2023, NCTE issued six press releases on business-related events, expanded its reach on social media and maintained contact with the trade and financial press through its public relations team.

INVESTOR AND PUBLIC RELATIONS FOCUS

||||| Further information on NCTE AG is available at www.ncte.com/ir |||||

||||| INVESTOR RELATIONS NCTE AG |||||

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Germany

SUPER- VISORY BOARD REPORT

The effects of the increased geopolitical tensions had an impact on the Company's performance in 2023. On the customer side, trends varied in the individual markets. Sales were up year-on-year in the e-bike, motorsports, distributor, agtech and industry segments, while sales in the medical segment declined, although this is due to a one-off effect in the previous year [passing on higher material prices to customers].

NCTE had several promising discussions in fiscal 2023 about potential future partnerships and alliances and expects to post the first sales with these prospective customers in 2024.

In all, 2023 sales rose by 13% to EUR 6,041 thousand [prior year: EUR 5,325 thousand].

On the earnings side, EBITDA [earnings before interest, taxes, depreciation and amortization] increased by EUR 416 thousand to EUR 421 thousand [prior year: EUR 5 thousand].

The Company's overall performance in 2023 was satisfactory given the sales target range between EUR 5.6 million and EUR 7.2 million. At EUR 421 thousand, EBITDA was close to the middle of the target range between break-even at the low end and EUR 1.1 million at the high end.

COOPERATION WITH THE SUPERVISORY BOARD

During the year under review, the Supervisory Board performed all of its required duties, as outlined in the relevant laws and in the Articles of Association, advised the Management Board on the management of the Company and reviewed as well as monitored its management activities. Dr. Jürgen Uebbing served as CEO and sole member of the Management Board during fiscal 2023.

In the view of the Supervisory Board, the subject matter, scope and timeliness of the Management Board reporting were very good. The Management Board was available at all times to discuss and respond to questions posed by the Supervisory Board and to advise on key business transactions both during and outside of Supervisory Board meetings. The Management Board consulted with the Chairman of the Supervisory Board on a weekly basis by phone or in person at NCTE's offices.

The Munich-based auditor WirtschaftsTreuhand GmbH, which were appointed as the Company's auditors by the Annual General Meeting on May 24, 2023, audited the accounts of NCTE AG for the 2023 fiscal year and the management report, including the accounting, and issued an unqualified audit opinion. At the Supervisory Board meeting on March 19, 2024, the auditors reported in detail on the key findings of its audit and provided in-depth responses to all questions posed by the Supervisory Board.

The Supervisory Board independently reviewed the annual financial statements of NCTE AG for the 2023 fiscal year as prepared by the Management Board, the management report and the auditor's report. No objections were raised by this review.

At its meeting on March 19, 2024, the Supervisory Board concurred with the auditor's findings and approved the Company's annual financial statements and the management report. The 2023 annual financial statements have therefore been adopted as outlined in Section 172 sentence 1 AktG [German Stock Corporation Act].

SUPERVISORY BOARD MEMBERS

The Supervisory Board consisted of the following members during the year under review: Günter Pröpster [Chairman], Michael Dams [Deputy Chairman] and Ziyad F. Omar.

COMMITTEES

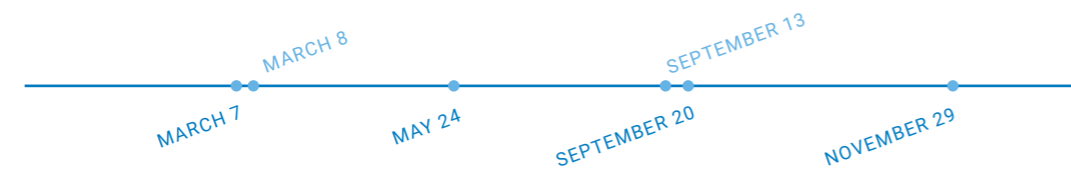
The Supervisory Board, being limited to three members, did not see a need to form any committees during the 2023 fiscal year. In accordance with legal norms, the Supervisory Board does not believe that forming committees would substantially improve the board's existing activities.

The Supervisory Board would like to thank the Management Board and all of staff members of the Company for their dedication, their enthusiastic efforts to promote the interests of the Company and the outstanding accomplishments during the 2023 fiscal year, despite the difficult conditions.

The Supervisory Board would also like to thank the Company's business partners for their excellent cooperation.

||||| OBERHACHING [GERMANY],
MARCH 19, 2024, FOR THE
SUPERVISORY BOARD |||||


GÜNTER PRÖPSTER, CHAIRMAN
OF THE SUPERVISORY BOARD



SUPERVISORY BOARD MEETINGS

The Supervisory Board held four ordinary meetings and two extraordinary meetings in 2023, some of which were held online.

The Supervisory Board meeting to approve the annual financial statements took place on March 7, 2023, in which the board members discussed and subsequently adopted the annual financial statements for the fiscal year ending December 31, 2022. The auditor for the previous fiscal year, WirtschaftsTreuhand GmbH, Wirtschaftsprüfungsgesellschaft, Munich [Germany], presented the annual financial statements and was available to answer questions from the Supervisory Board. The members of the Supervisory Board also decided on the invitation and the agenda for the Annual General Meeting and resolved to hold the AGM in person.

The other main issues discussed at the meeting were the listing of NCTE shares on the open market of the Munich Stock Exchange, the Company's performance in the first two months of the new fiscal year, the forecasts for Q1/23 and the sales outlook for the 2023 fiscal year as a whole.

In the extraordinary meeting on March 8, 2023, the Supervisory Board dealt with a letter of engagement with S&MC Investmentbank AG in relation to the securitization of NCTE AG shares, the listing of the shares on the open market of the Munich Stock Exchange and the prospect of a cash capital increase.

The May 24, 2023 ordinary meeting focused mainly on the business performance for the first four months of the fiscal year, the forecast for H1/23 and the sales outlook for the 2023 fiscal year as a whole. The Supervisory Board expressed concerns regarding the sales underperforming projections.

The Management Board presented the initiatives introduced to boost sales and they were positively received by the Supervisory Board members. The members also discussed the listing of the NCTE shares on the open market of the Munich Stock Exchange.

The extraordinary meeting on September 13, 2023 was convened to discuss NCTE's listing on the stock exchange on the open market of the Munich Stock Exchange once again.

In the ordinary meeting on September 20, 2023, the Supervisory Board focused mainly on the Company's performance during the first eight months and the forecasts for the 2023 fiscal year as a whole, with special attention paid by the Supervisory Board to the decline in incoming orders. The Management Board provided an overview of the mitigating measures put in place, which were critically examined by the Supervisory Board and deemed sensible and effective.

The final ordinary Supervisory Board meeting for the year under review took place on November 29, 2023. In addition to reporting on and discussing ongoing business, the Supervisory Board held in-depth discussions on the draft budget for 2024 and the development projects in the pipeline for the 2024 fiscal year. Following extensive discussions, the Supervisory Board concluded that the 2024 budget was appropriate and approved it unanimously.

In addition to its ordinary and extraordinary meetings, the Supervisory Board held several conference calls to discuss important issues related to NCTE's business performance.



SUSTAIN- ABILITY REPORT

- 5.1 Sustainability impact of the sensor technology
- 5.2 SDG – Sustainable Development Goals
- 5.3 Environmental performance
- 5.4 Corporate social responsibility

LONG-LASTING. WEAR-FREE.

QUALITY
„MADE IN
GERMANY“

NCTE's sensor systems support sustainable mobility in e-bikes, ensure more efficient use of resources in agriculture and manufacturing, and help people improve their health and well-being with fitness equipment.

The magnetostrictive technology we have developed is particularly durable, and our made-in-Germany non-contact torque sensors are manufactured to the highest quality standards. That makes our sensors long-lasting and virtually wear-free, able to outlast the equipment and applications they serve. As long as the e-bike is on the road, the tractor is on the field and the end-of-line test is still in operation – our sensors will keep delivering reliable, real-time data where no other measurement technology can.

At NCTE, we see sustainable development as a way to secure long-term profitability, growth and global expansion. We invest in the best training for our staff and offer high-tech jobs with a bright future.

Our production processes meet the world's highest environmental standards, backed by a fully transparent supply chain. We pride ourselves on building long-standing relationships based on integrity, fairness and dependability with clients and distributors across the globe.



The Sustainable Development Goals [SDGs] are a set of 17 goals adopted by the United Nations in 2015 as a blueprint for building a sustainable future in terms of the economy, society and the environment.

NCTE AG supports the following SDGs in particular: 2 [zero hunger], 6 [clean water and sanitation], 9 [industry, innovation and infrastructure], 11 [sustainable cities and communities] and 13 [climate action]. We have already started working on plans to incorporate more SDGs into our processes and look forward to rolling out the associated initiatives in the near future.

We make sure that our work, occupational safety, risk management, environmental management and quality management processes are all certified by external accreditation authorities, including ISO 9001 and ISO 14001, with additional compliance management certifications in the pipeline.

The specialist provider of climate data and analytics Asset Impact certified our ESG performance as above-average, issuing NCTE AG with a “Very Sustainable” rating overall, the highest on its five-tier scale.

The Company remained committed to corporate environmental, social and economic responsibility during the 2023 fiscal year and is proud to present this year’s Sustainability Report. In it, we document our progress, challenges and initiatives in the area of sustainability and highlight our efforts to make a positive impact on our environment and society more broadly.

Each of the 17 UN Sustainable Development Goals [SDGs] is specified by subordinate targets. Activities are considered particularly SDG-effective if they precisely support a target.

The company’s scope and product development aim to create long-term products. Longevity and efficiency of its products are central to the “Sustainability Impacts” and serve as the foundation.

Longevity refers to the contactless measurement systems, which, by design, are protected from environmental influences [such as temperature fluctuations, dirt, or moisture]. As a result, the sensors have a very low risk of failure and attrition. They can be recalibrated and/or be replaced at any time without significant resource consumption in case of errors or failures. Each individual sensor is equipped with a serial number to trace any potential error. The processes are carefully documented and improved continuously.

In addition to the longevity of the products, the integration and use of the measurement systems have direct positive effects on the environment and on the resource consumption. Two main topics are central here: the optimization and longevity of e-bikes, and the dosing and reduction of fertilizers in agriculture.



E-BIKES

Urban transportation planning in Europe is increasingly geared towards sustainability i.e. by promoting walking and cycling as well as public transportation. This trend is driven both by the urgent need to rapidly reduce transport emissions to contribute to superordinate climate goals and citizens' demands for cleaner air, safer and quieter streets, a wider range of travel options, and more livable communities. [www.ecf.com/users/philip-amaral/trusted-content/cycling-and-eu-urban-mobility-framework-2]

The EU-Urban Mobility Framework [www.ec.europa.eu/commission/presscorner/detail/en/fs_21_6781] puts the EU Commission and member states well on the way to achieve all this, aiming, among other things, to provide financial incentives for citizens by national governments, such as mileage reimbursement for every kilometer cycled, tax benefits for bicycle leasing schemes, or direct purchase incentives. In this regard, NCTE AG also offers internal schemes to its own employees to lease or borrow bicycles and e-bikes. However, it is essential to consider the complete lifecycle of an e-bike. The battery of an e-bike is a critical point since, on one hand, it is expensive, and on the other hand, its production can generate significant greenhouse gas emissions, while it is also the component most likely to fail and to wear. [www.utopia.de/ratgeber/elektrofahrrad-e-bike-oeko_19107].

Therefore, it is crucial to extend the battery's product lifecycle and to increase its efficiency. NCTE AG has focused its technological expertise on this challenge in order to enhance the longevity and efficiency of e-bikes' batteries, thereby contributing to a sustainable future and supporting multiple SDGs [www.unric.org/en/sustainable-development-goals-cycling].

The sensor implemented by NCTE AG regulates the power supply of the e-bike motor, ensuring that neither too much nor too little electricity is consumed, thereby using the battery more efficiently.

The long-term use of an e-bike is particularly important to justify emissions from battery production. The manufacturing and disposal of lithium-ion batteries – currently the most common battery type in e-bike batteries – burdens the environment with approximately 22 kg to 30 kg of carbonequivalents. Compared to the roughly 20 kg of carbon equivalents emitted per 100 km by a car, the greenhouse gas emissions from e-bike battery production are already offset after about 150 kilometers of riding. Sensible recycling of rechargeable batteries and bicycles themselves further contributes to resource conservation. [www.umweltbundesamt.de/sites/default/files/medien/378/publikationen/hgp_electric_bikes_get_things_rolling.pdf]

We see NCTE AG on the right track to make a fundamental contribution to climate protection by improving the longevity of e-bikes batteries.



5.2. SDG – SUSTAINABLE DEVELOPMENT GOALS

||||| Analyzed by Asset Impact GmbH |||||

The company significantly contributes to the following

UN Sustainable Development Goals:

SDG 2: ZERO HUNGER

With the help of NCTE sensor technology, precise dosing of fertilizers can be achieved, leading to increased crop yields and reduced usage of fertilizers. Furthermore, work is being done on new technologies to optimize plant growth. Here, target 2.4 is supported, which reads "By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality."

SDG 6: CLEAN WATER AND SANITATION

With the help of NCTE sensor technology, precise dosing of fertilizers can be achieved, resulting in a significant reduction in consumption while enabling only the necessary amount of fertilizer to be applied. This reduces the burden on ground water and on rivers. Through this technology, NCTE AG potentially supports the goal of "Clean Water" and specifically target 6.3: "By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally."

SDG 9: INDUSTRIE, INNOVATION, AND INFRASTRUCTURE

As a result of its development efforts, NCTE AG holds more than 20 patent families worldwide on various innovative sensor technologies. In doing so, NCTE AG supports the transition of industry towards sustainability. The company potentially promotes target 9.5: "Enhance scientific research and upgrade the technological capabilities of industrial sectors in all countries, including by 2030 encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending." The durability of NCTE sensors, ensured by the highest product quality, the offering of recalibrations in its own service area, as well as certification according to ISO 9001 [Quality Management Systems] and ISO 14001 [Environmental Management Systems], are noteworthy in this regard.

SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

As a supplier to the globally expanding e-bike market, NCTE AG contributes both globally and locally to achieving climate goals and making cities more sustainable. In doing so, it particularly supports target 11.6: "By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management." The NCTE segment with the strongest revenues is sensor technology for e-bikes, which can make a significant contribution to reducing carbon emissions in urban areas, where the transportation sector accounts for approximately 12% of global emissions.

SDG 13: CLIMATE ACTION: TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

By lowering fertilizer consumption, emissions are directly reduced. Indirectly, but no less significantly, emissions are avoided through the support of e-bikes by the sensor solutions of NCTE AG. Thus, NCTE AG makes a significant contribution to climate protection.

AGRICULTURE

The German Federal Ministry of Food and Agriculture emphasizes that in organic farming, the management of fertilizers and pesticides plays a significant role in climate protection [www.umweltbundesamt.de/sites/default/files/medien/1410/publikationen/2020-03-17_texte_32-2020_oekologische-landwirtschaft.pdf].

Organic regulations prohibit synthetic materials such as mineral and chemical pesticides, which require significant amounts of fossil fuels for their production, thus saving considerable amounts of carbon dioxide emissions. Researchers estimate that in 2010, approximately 0.4 to 0.6 gigatons of CO₂ were generated by the synthesis of nitrogen fertilizers, which corresponds to up to 10% of direct global agricultural emissions and 1% of total greenhouse gas emissions. These emissions can be largely reduced or completely avoided if applying ecological and more efficient farming practices.

A report by the European Environment Agency also emphasizes the need to reduce pressures on aquatic ecosystem [www.umweltbundesamt.de/themen/nachhaltige-loesungen-zu-wasser-landwirtschaft].

The Environment Agency particularly emphasizes the urgency of a transformation towards sustainable agriculture in order to achieve water conservation goals and other environmental objectives. This requires a shift in both agricultural management practices and consumer behavior.

With the innovative technology of NCTE sensors, fertilizer savings of up to 20% can be achieved. The significant reduction in consumption ensures that only the required amount of fertilizer is applied, thereby reducing environmental strain, especially on ground water. Furthermore, the technology allows for precise variation in fertilizer dosage, relieving pressure on parts of agricultural land while optimizing supply to areas crucial for yield. Overall, this approach reduces fertilizer application while simultaneously increasing farmers' yields.

5.3 ENVIRONMENTAL PERFORMANCE

At NCTE AG, we pride ourselves on our responsible and respectful approach to the environment and natural resources. The sustainable and efficient use of energy as well as the reduction of our overall energy consumption are at the heart of these efforts.

We conducted an extensive internal risk and impact assessment as the basis for a wide range of sustainability-forward strategies and initiatives that have become an integral part of our corporate strategy.

After analyzing the targets and strategies we adopted to reduce the environmental impact of our products, to protect natural resources during production and to reduce carbon emissions in our day-to-day operations, Asset Impact issued a very favorable assessment of our sustainability efforts, particularly for a company of our size.

WASTE MANAGEMENT AND RECYCLING INITIATIVES

Effective waste management is a key priority for NCTE AG in our efforts to minimize resource use and waste streams. Using a system that records and tracks our consumption data on an ongoing basis, we can benchmark our use of electricity, water and other resources as well as the volume of waste against preset targets. This not only helps us to improve our waste management performance, but also to continue reducing our overall environmental impact. There are plans already in place to start measuring our CO₂ footprint in the near future.

NCTE AG sends over a thousand packages across the globe every year. With such a high shipping volume, packaging and logistics are central to our efforts to minimize waste and reduce upstream emissions. In line with sustainability guidelines, we have ambitious plans for closed-loop recycling, logistics optimization and other initiatives. The use of recycled paper as packaging material is already having a positive impact on our water use, energy consumption and CO₂ emissions.



5.4 CORPORATE SOCIAL RESPONSIBILITY

Social responsibility and the well-being of our employees are cornerstones of the corporate culture here at NCTE AG. By continuously investing in our employees, we strive to create a workplace culture based on respect, diversity, security and personal growth.

We offer our employees a wide range of benefits, such as German language courses for employees with an international background, contributions towards the German travel pass known as "Deutschlandticket", a subsidized bike-to-work program, ergonomic workstations and complimentary beverages.

The particular skills of each member of staff are recorded in our skills matrix as a basis for regular corporate learning and development initiatives. As a company that also offers vocational training, NCTE AG is committed to nurturing young talents and training the next generation of highly-qualified specialists.

To promote sustainability and safety throughout the Company, we have set ambitious targets based on key performance indicators and introduced transparent and systematic policies on employee rights, compensation and discrimination.

Our employment contracts, health and safety measures, safety training and systems specifications are all clearly structured and subject to the quality management standards in ISO 9001 as well as regular audits by external accreditation authorities.



TRANSPARENT COMMUNICATION

In addition to a positive work environment, transparent communication and employee involvement in corporate decisions are high on our agenda here at NCTE AG. We firmly believe that open and transparent communication builds trust and promotes a culture of engagement and collaboration within the workforce. Regular employee reviews, weekly team meetings and transparent lines of communication are a big part of this, ensuring we hear the voices of all employees and encourage active participation in the life of the Company.

Thanks to this integrative approach, we have succeeded in creating a workplace where each member of staff feels valued and empowered to reach to their full potential. We make sure all employees are directly involved in the efforts to develop more sustainable processes and plan to introduce an innovation incentive program in the near future.

In 2023, NCTE AG hosted a series of workshops and team-building events with all staff as part of our effort to identify and define our core values, which are currently being rolled out enterprise-wide. We are collaborative, forward-looking, enterprising, passionate and dependable. These core values describe our corporate culture and shape everything we do in our day-to-day work as well as our relationships with customers, partners and the community. By incorporating these values into our business practices, we endeavor to create a work environment built on respect, commitment and mutual support.

GOVERNANCE

In terms of governance, NCTE AG takes a transparent and responsible approach to complying with legal regulations and achieving our sustainability goals. A strong governance system is the backbone of our corporate management, based on clear structures, workflows and responsibilities. We rely on clear guidelines and internal oversight systems to ensure compliance with the relevant laws and regulations and to mitigate risks.

Our corporate sustainability vision and strategy is crystal clear and firmly embedded in our governance processes. We strive to provide consistent as well as transparent reporting on our sustainability initiatives and advances to earn the trust of our stakeholders and make an active contribution to lasting change in our industry.

At NCTE AG, our quality management, environmental management and data security systems are all clearly defined in ISO standards [9001, 14001] and certified by external accreditation bodies. We have also completed an in-depth assessment of our ESG risk and are currently developing suitable management strategies to master these challenges.

In a series of considered next steps, we hope to deliver on our ambitious goals and put additional sustainability initiatives and controls in place. This includes regular sustainability reports like this one, adding further information and disclosures over time, as well as compliance audits and ISO 37301:2021 certification. We also plan to track our exact CO₂ footprint, complete with a "Scope 3" analysis.

DESIGNING A SUSTAINABLE SUPPLY CHAIN

NCTE AG believes that maintaining a sustainable supply chain is vital, not only in reference to our own practices, but also to the operations along the entire supply chain. That is why we work closely with our suppliers to ensure we share the same values and standards when it comes to environmental protection, social responsibility and ethical business conduct. We advocate for fair working conditions, rigorous environmental standards and ethical business practices, and expect our suppliers to follow suit. Working closely with all our partners, we aim to build a sustainable supply chain that will have a positive impact on our Company and our stakeholders for many years to come.

In terms of supplier requirements, there are clear guidelines regarding the workflows and operating procedures to monitor in the ISO 9001 and ISO 14001 standards. These guidelines offer valuable support in clarifying sustainability issues, drawing up framework agreements and understanding self-declarations.

Both internal and external auditors regularly audit and systematically assess our compliance with supplier requirements as defined in the VDA 6.3 and ISO 14001 certifications.



ANNUAL FINANCIAL STATEMENTS

- 6.1 Income statement
- 6.2 Balance sheet
- 6.3 Notes
- 6.4 Statement of changes
in fixed assets

6.1 INCOME STATEMENT

[All figures in EUR]	2023	2022
1. Sales	6,041,152.21	5,324,838.45
2. Increase/decrease of stock in finished goods and work in progress	-56,683.94	-8,125.44
3. Other own work capitalized	0.00	81,000.00
4. Other operating income	447,967.33	493,813.35
5. Cost of materials	-2,059,581.15	-2,061,715.38
a] Cost of raw materials, consumables and supplies and of purchased merchandise	-2,050,057.29	-2,197,505.76
b] Cost of purchased services	-9,523.86	-10,762.20
6. Personnel expenses	-2,521,830.57	-2,569,773.97
a] Wages and salaries	-2,155,463.63	-2,197,505.76
b] Social security, post-employment and other employment benefit costs – of which post-employment benefits: € -45,00 [-700,00]	-366,366.94	-372,268.21
7. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-240,554.05	-242,233.32
8. Other operating expenses	-1,429,545.14	-1,254,665.00
9. Other interest and similar income	0.00	9.39
10. Interest and similar expenses	-100,000.49	-47,213.21
11. Earnings after taxes	80,924.20	-284,065.13
12. Other taxes	-913.00	-827.00
13. Net income for the year [prior year: net loss]	80,011.20	-284,892.13

6.2 BALANCE SHEET

ASSETS	[All figures in EUR]	Dec. 31, 2023	Dec. 31, 2022
A. Fixed assets			
I. Intangible fixed assets			
1. Internally generated industrial and similar rights and assets		459,618.76	507,849.64
2. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets		310,040.29	415,291.07
		769,659.05	923,140.71
II. Tangible fixed assets			
1. Technical machinery and equipment		142,862.66	192,541.34
2. Other equipment, operating and office equipment		63,148.11	72,606.04
		206,010.77	265,147.38
III. Long-term financial assets			
Shares in cooperatives		300.00	300.00
Total fixed assets		975,969.82	1,188,588.09
B. Current assets			
I. Inventories			
1. Raw materials, consumables and supplies		624,679.86	1,006,177.29
2. Work in progress		18,202.16	56,113.07
3. Finished goods and merchandise		29,731.94	48,504.97
4. Prepayments		0.00	4,250.00
		672,613.96	1,115,045.33
II. Receivables and other assets			
1. Trade receivables		1,279,752.54	600,217.78
2. Other assets		379,560.03	383,133.87
		1,659,312.57	983,351.65
III. Cash-in-hand and bank balances		840,567.62	750,786.21
Total current assets		3,172,494.15	2,849,183.19
C. Prepaid expenses		9,122.28	18,735.57
		4,157,586.25	4,056,506.85

EQUITY AND LIABILITIES	[All figures in EUR]	Dec. 31, 2023	Dec. 31, 2022
A. Equity			
I. Subscribed Capital		4,730,007.00	4,683,658.00
II. Additional paid-in capital		15,328,799.05	15,128,571.37
III. Accumulated losses brought forward		-16,881,899.09	-16,597,006.96
IV. Net income [prior year: net loss]		80,011.20	-284,892.13
Total equity		3,256,918.16	2,930,330.28
B. Provisions			
Other provisions		492,788.70	281,749.34
C. Liabilities			
1. Payments received on account of orders		12,519.00	112,070.00
2. Trade payables		300,223.31	175,791.70
3. Other liabilities		95,137.08	556,565.53
Total liabilities		407,879.39	844,427.23
- Of which taxes Euro 91,963.93 [Euro 46,104.20]			
- Of which social security Euro 2,865.84 [Euro 1,832.45]			
		4,056,506.85	4,157,586.25

6.3.1 GENERAL NOTES

The annual financial statements of NCTE AG [NCTE] were prepared according to the provisions of the German Commercial Code [HGB] and in compliance with the provisions of the German Stock Corporate Act [AktG].

The Company is a small-sized corporation as defined in Section 267 [1] HGB. The annual financial statements were prepared according to the provisions for medium-sized corporations as defined in Section 267 [2] HGB. The Company has availed of size-related relief provisions in some cases. The income statement was prepared using the total cost method.

The Company has availed of the option to present disclosures in the balance sheet, the income statement or the notes.

The fiscal year is the calendar year.

NCTE AG with its registered offices in Oberhaching [Germany] is listed in the commercial register of the Munich District Court under the number HRB 164384.

6.3.2 ACCOUNTING POLICIES

There have been no fundamental changes to the accounting policies from the previous year.

FIXED ASSETS

Internally generated intangible fixed assets are carried at cost [development cost] provided there is at least a strong probability that an asset will actually be completed by the balance sheet date. Where internally generated intangible fixed assets are subject to wear and tear, they will be amortized on a straight-line basis over the expected useful life, which is 15 years based on the technical usability.

Intangible fixed assets and tangible fixed assets acquired from a third party against payment are carried at cost, less scheduled amortization and depreciation, provided they are subject to wear and tear. Additions to fixed assets are generally depreciated on a pro rata basis using the straight-line method over the expected useful life of the assets.

Additional impairment losses are recognized if the fair value of an individual asset falls below its carrying amount, and the impairment is expected to be permanent.

Low-value assets with a cost of between EUR 250.00 and EUR 1,000.00 are written down over a useful life of five years. Low-value assets at a cost below EUR 250.00 are immediately expensed.

The cooperative shares reported under long-term financial assets are carried at cost.

INVENTORIES

The raw materials, consumables and supplies are carried at production cost or at the lower replacement cost.

Finished goods and work in progress are carried at production cost. Production costs include direct material costs, direct production costs, an appropriate share of the material and production overheads and impairment charges for fixed assets provided they are production-related. Interest on debt is not included in the production costs. Where the expected sale price less selling costs is the lower fair value, impairment is charged in the appropriate amount.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are generally carried at nominal value or at the fair value on the balance sheet date, whichever is lower. Specific valuation allowances are made for identifiable risks. General valuation allowances are made for overall credit risk; irrecoverable receivables are written off.

CASH-IN-HAND AND BANK BALANCES

Cash-in-hand and bank balances are carried at their nominal value on the balance sheet date.

PREPAID EXPENSES

Prepaid expenses include payments made prior to the balance sheet date where they represent expenses for a certain period after this date.

EQUITY

Equity is carried at the nominal amount.

PROVISIONS

The other provisions, which account for all identifiable risks and uncertain liabilities, are carried at the settlement amount deemed necessary by prudent business judgment. Other provisions with a term of more than one year are discounted at interest rates appropriate to the term, which are calculated and published by the "Deutsche Bundesbank" in accordance with the German Regulation on the Discounting of Provisions [Rückstellungsabzinsungsverordnung or RückAbzinsV].

The provisions recognized in the year under review have a term of up to ten years.

LIABILITIES

The liabilities are carried at their settlement amount.

FOREIGN CURRENCY ITEMS AND CURRENCY TRANSLATION

Items denominated in foreign currencies are translated in accordance with Section 256 a HGB.

DEFERRED TAXES

Deferred taxes are recognized where temporary differences arise between the carrying amounts in the commercial balance sheet and the tax balance sheet, provided that the Company expects the deferred tax benefit to be realized in subsequent fiscal years. Deferred tax assets are also recognized on accumulated losses brought forward for corporate and trade tax purposes, provided that the Company expects to offset these losses within the next five years. The surplus of deferred tax assets at the end of the year under review were not recognized in the balance sheet in accordance with the accounting option provided in Section 274 [1] sentence 2 HGB.

SALES

Sales are recognized when the price risk from delivery has been transferred in accordance with the relevant terms of delivery.

OTHER OPERATING INCOME AND EXPENSES

Other operating income is recognized when earned. Operating expenses are recognized as soon as the underlying service is rendered or when the financial liability is incurred.

GOVERNMENT GRANTS

Grants received are recognized as income or, to the extent that they relate to capitalizable expenses, are deducted from the cost of acquisition or production.

6.3.3 NOTES TO INDIVIDUAL ITEMS OF THE BALANCE SHEET

DEVELOPMENT COSTS

Internally generated intangible fixed assets were capitalized in the fiscal year under review as well as previous years. The total R&D costs for fiscal 2023 amounted to EUR 96,846.40 [prior year: EUR 200,859.71].

FIXED ASSETS

The statement of changes to fixed assets reports the classification of and movement in the individual items reported as fixed assets [appendix to the notes].

INVENTORIES

The inventories include write-downs to the lower fair value amounting to EUR 41,954.47 [prior year: EUR 48,326.62].

RECEIVABLES AND OTHER ASSETS

As in the previous year, the receivables and other assets all have a remaining term of up to one year. A general valuation allowance of EUR 17,568.79 [prior year: EUR 8,030.4] was recognized for trade receivables as of the balance sheet date. Specific valuation allowances amounting to EUR 103,932.15 [prior year: EUR 0.00] were required in the 2023 fiscal year.

EQUITY

As of December 31, 2023, the Company's share capital amounts to EUR 4,730,007.00 [prior year: EUR 4,683,658.00] and is divided into 4,730,007 [prior year: 4,683,658] no-par value bearer shares.

The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital until May 24, 2028 by up to EUR 2,365,003.00, once or severally, by issuing new, no-par value bearer shares for cash or contributions in kind, in which case the subscription rights of shareholders may be excluded.

As of the balance sheet date, EUR 2,365,003.00 in authorized capital remained. As of December 31, 2023, the additional paid-in capital amounted to EUR 15,328,799.05 [prior year: EUR 15,128,571.37].

ACCUMULATED LOSSES BROUGHT FORWARD

The Company reported EUR -16,881,899.09 in accumulated losses brought forward as of December 31, 2023 [prior year: EUR -16,597,006.96].

The breakdown of the accumulated losses is as follows:

[All figures in EUR]	2023	2022
Net loss for the year	80,011.20	-284,892.13
Accumulated losses brought forward	-16,881,899.09	-16,597,006.96
Net accumulated losses	-16,801,887.89	-16,881,899.09

PROVISIONS

The other provisions relate to:

[All figures in EUR]	Dec. 31, 2023	Dec. 31, 2022
Obligations relating to personnel	194,878.16	115,580.76
Warranty obligations	52,114.00	42,386.00
Outstanding invoices	111,391.01	71,119.05
Other provisions	134,405.53	52,663.53
Total	492,788.70	281,749.34

LIABILITIES

[All figures in EUR]	Dec. 31, 2023 Total amount	Within one year	From 1 to 5 years	After more than 5 years
Payments received on account of orders	12,519.00	12,519.00	0.00	0.00
Trade payables	300,223.31	300,223.31	0.00	0.00
Other liabilities	95,137.08	95,137.08	0.00	0.00
Total	407,879.39	407,879.39	0.00	0.00

[All figures in EUR]	Dec. 31, 2023 Total amount	Within one year	From 1 to 5 years	After more than 5 years
Payments received on account of orders	112,070.00	112,070.00	0.00	0.00
Trade payables	175,791.70	175,791.70	0.00	0.00
Other liabilities	556,565.53	556,565.53	0.00	0.00
Total	844,427.23	844,427.23	0.00	0.00

With the exception of standard retentions of title on the trade payables, the liabilities are unsecured.

DISTRIBUTION BLOCK

A total of EUR 328,695.17 is blocked from distribution pursuant to Section 268 [8] HGB [prior year: EUR 383,020.20], representing the value of the internally generated intangible fixed assets at EUR 435,819.64 less the deferred tax liabilities attributable to them amounting to EUR 107,124.47.

6.3.4 NOTES TO INDIVIDUAL ITEMS OF THE INCOME STATEMENT

SALES

The sales for fiscal 2022 include revenues from a licensing agreement amounting to EUR 225,000.00 [prior year: EUR 225.000,00], an extremely significant transaction.

OTHER OPERATING INCOME

The other operating income includes EUR 41,182.00 [prior year: EUR 50,312.00] in government grants as well as income from compensation for a revenue loss from one customer totaling EUR 358,151.85 [prior year: EUR 374,471.00], which are extremely important to the Company. Other operating income also includes EUR 2,399.74 [prior year: EUR 567.93] in gains from currency translation.

OTHER OPERATING EXPENSES

The other operating expenses include EUR 258.62 [prior year: EUR 1,073.43] in losses from currency translation.

6.3.5 OTHER INFORMATION

NUMBER OF EMPLOYEES [excluding the Management Board members]

The average number of employees during the year under review was:

	2023	2022
Full-time	26	28
Part-time	6	3
Total	32	31

DERIVATIVES

As in the previous year, there were no open derivatives as of the balance sheet date December 31, 2023.

MANAGEMENT BOARD

During the fiscal year just ended, the members of the Management Board were: Dr. Jürgen Uebbing, Graduate Physicist, member of the Management Board, Munich
The Company has opted not to disclose the remuneration of its Management Board members in accordance with Section 286[4] HGB.

SUPERVISORY BOARD

In the 2023 fiscal year, the members of the Supervisory Board were:

- Günter Pröpster, Engineer, Munich, Managing Director at Gulf One GmbH, Munich [Chairman]
- Michael Dams, Engineer, Fürstfeldbruck, Senior Partner & Channel Manager at National Instruments Germany GmbH, Munich [Deputy Chairman]
- Ziyad Omar, MBA and BA in Mathematics and Computer Science, Manama [Kingdom of Bahrain], CEO at Gulf One Capital BSC^(c)

The Company has opted not to disclose the remuneration of its Supervisory Board members in accordance with Section 286[4] HGB.

ADVANCES AND LOANS GRANTED AND CONTINGENT LIABILITIES

The Company has not granted any advances or loans to members of the Management Board or the Supervisory Board, nor has it entered into any contingent liabilities in their favor.

CONTINGENT LIABILITIES

The Company had one bonus agreement with 2i international GmbH as of the balance sheet date. In the past, Munich-based 2i international GmbH granted a discount on its consulting services to NCT Engineering GmbH. In return, ST Holding AG promised to issue a bonus payment to 2i international GmbH in the event of the partial or full sale or liquidation of NCTE AG [formerly ST Holding AG], contingent on the proceeds of the sale. The Company therefore has a contingent liability amounting to an estimated EUR 130 thousand, which will only take effect if the Company is sold or liquidated. Based on the current shareholder structure and the underlying investment strategy, the Company does not expect to have to pay this amount in the near term, but it cannot rule out that an obligation to pay this bonus may arise in the future.

TRANSACTIONS NOT INCLUDED IN THE BALANCE SHEET AND OTHER FINANCIAL OBLIGATIONS

The Company has the following financial obligations:

[All figures in EUR]	Due 2024	Due 2025	Due 2026	Due 2027 ff.	Total
Leasing	50,598.88	48,200.16	40,844.59	5,123.73	144,767.36
Rent	221,287.63	221,287.63	223,162.22	223,162.22	888,899.70
Total	271,886.51	269,487.79	264,006.81	228,285.95	1,033,667.06

PRIOR YEAR [All figures in EUR]	Due 2023	Due 2024	Due 2025	Due 2026 ff.	Total
Leasing	25,966.14	3,772.52	2,028.00	1,690.00	33,456.66
Rent	219,431.61	221,287.63	221,287.63	446,324.43	1,108,331.30
Total	245,397.75	225,060.15	223,315.63	448,014.43	1,141,787.96


The rental payments relate solely to the production, R&D and administrative premises at the Oberhaching [Germany] site. These are standard lease agreements with a term until December 31, 2027. There are no significant or unusual risks. Besides the cash flow advantages and the positive effect on the equity ratio, renting is a better solution for the Company than investing in property, as the rental agreement provides more security in terms of budgeting and calculating expenses as well as more flexibility for NCTE AG's plans for further growth.

EVENTS AFTER THE BALANCE SHEET DATE

Geopolitical tensions may impact customer demand and supply chain security into the future. However, based on current forecasts, the Management Board does not believe that the future impact of these tensions on the Company's net assets, financial position and results of operations will be as strong as it was in fiscal 2023.

No other events of particular significance occurred after the balance sheet date.

||||| OBERHACHING, GERMANY,
MARCH 7, 2024 |||||



THE MANAGEMENT BOARD,
DR. JÜRGEN UEBBING

6.4 STATEMENT OF CHANGES IN FIXED ASSETS

[All figures in EUR]	ACQUISITION AND MANUFACTURING COST				DEPRECIATION AND AMORTIZATION				BOOK VALUE	
	As of Jan. 1, 2023	Additions	Disposals	As of Dec. 31, 2023	As of Jan. 1, 2023	Additions	Disposals	As of Dec. 31, 2023	As of Dec. 31, 2023	As of Dec. 31, 2022
A. Fixed assets										
I. Intangible fixed assets										
1. Internally generated industrial and similar rights and assets	1,866,114.03	0.00	0.00	1,866,114.03	1,358,264.39	48,230.88	0.00	1,406,495.27	459,618.76	507,849.64
2. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	1,284,759.81	11,232.50	0.00	1,295,992.31	869,468.74	116,483.28	0.00	985,952.02	310,040.29	415,291.07
Total intangible fixed assets	3,150,873.84	11,232.50	0.00	3,162,106.34	2,227,733.13	164,714.16	0.00	2,392,447.29	769,659.05	923,140.71
II. Tangible fixed assets										
1. Technical machinery and equipment	579,921.37	3,015.94	0.00	582,937.31	387,380.03	52,694.62	0.00	440,074.65	142,862.66	192,541.34
2. Other equipment, operating and office equipment	235,500.61	13,687.34	0.00	249,187.95	162,894.57	23,145.27	0.00	186,039.84	63,148.11	72,606.04
Total tangible fixed assets	815,421.98	16,703.28	0.00	832,125.26	550,274.60	75,839.89	0.00	626,114.49	206,010.77	265,147.38
III. Long-term financial assets										
Shares in cooperatives	300.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	300.00	300.00
Total long-term financial assets	300.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	300.00	300.00
	3,966,595.82	27,935.78	0.00	3,994,531.60	2,778,007.73	240,554.05	0.00	3,018,561.78	975,969.82	1,188,588.09

MANAGEMENT REPORT

- 7.1 Business model
- 7.2 Research and development
- 7.3 Economic report
- 7.4 Risk report
- 7.5 Opportunity report
- 7.6 Outlook

7.1 BUSINESS MODEL

NCTE AG [NCTE] develops, produces and markets sensor systems based on the principle of magnetostriction. The sensors are used for contactless measurement of torque and other physical forces in a variety of industrial applications. In addition to standardized sensors for use on the test bench and in technical trials, the product portfolio is focused on highly-integrated, customer-specific solutions.

The Company's largest and most successful product range is for e-bike drive systems. In addition, NCTE has also been active for more than ten years in mechanical and automotive engineering, off-highway technology, automation, robotics and medical technology as well as in the field of motorsports with some of the leading Formula 1 and Moto GP teams. In recent years, NCTE has successfully transformed itself from a purely R&D operation into a high-tech business with the product range and manufacturing capacity for serial production.

NCTE AG successfully listed its shares on the open market of the Munich Stock Exchange [m:access segment] on October 10, 2023 [ISIN: DE000A0LEZB2, WKN: A0LEZB]. The listing on the stock exchange marks an important milestone in the Company's long-term growth strategy.

The listing makes the Company's more visible on the market and invites investors to actively trade in NCTE AG shares. With the market entry, the Company's main goal is to raise additional capital over the long term.

NCTE continues to invest considerable capital in research and development.

With EUR 97 thousand in R&D expenses going to grant projects and internally generated intangible assets in the 2023 fiscal year [prior year: EUR 201 thousand]. In total, the Company's R&D expenses for the 2023 financial year amounted to EUR 869 thousand [previous year: EUR 968 thousand].

The key focus of NCTE's research and development activities in the 2023 fiscal year was as follows:

- Development of measurement technology using weak magnetic fields on unloaded magnetized steel components for the purposes of improving the quality of magnetostrictive torque measurement.
- Modular torque sensor for use with mid-mounted motors in electric bikes ["MidSense"].
- Miniaturization and optimization of the coils to measure magnetic field changes ["double coil"].

NCTE plans to continue to budget significant funds for R&D to further improve the Company's market position in terms of technology and sales. In the year under review, the Company received, and is expected to continue to receive, government grants for its R&D activities from Germany's Federal Ministry for Economic Affairs and Climate Action [Bundesministerium für Wirtschaft und Klimaschutz, or BMWK], among others. The government grants amounted to EUR 41 thousand in the year under review [prior year: EUR 49 thousand].

7.3. ECONOMIC REPORT

7.3.1. MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

7.3.1.1. MACROECONOMIC TRENDS: GLOBAL ECONOMY STABILIZES AT A LOW LEVEL

In its December 2023 Economic Forecast, the ifo institut¹ reported global economic growth in 2023 stagnated at 2.7%, roughly the same rate as the previous year. A decline in consumer demand in many eurozone countries and last year's energy price shock had a particularly negative impact on the industrialized regions of Central Europe. Overall, total economic output in the eurozone rose by 0.5% in 2023. In the US, the economy remained robust despite all expectations, bolstered by private consumer spending and expansive monetary policy. The ifo Institut believes that China is masking the effects of the country's real estate crisis through government stimulus measures. According to ifo's 2024 forecasts, growth in global production is expected to slow to 2.0%.

In the World Economic Outlook for 2023², the International Monetary Fund reported that price-adjusted GDP in advanced economies shrank again by 1.0% to 1.6% in 2023, and the Fund expects a further slowdown to 1.5% in 2024. It will be 2025 before growth is expected to go as high as 1.8% again. According to the report, growth in the US rose by 0.6% to 2.5% in 2023 and is expected to fall to 2.1% in 2024. Economic growth in emerging and developing economies was stable at 4.1% in 2023 and is expected to remain at this level in 2024. In China, economic output rose by 2.2% to 5.4%, with a slight decline to 5.2% forecast for 2024.

7.3.1.2. GERMANY: WEAK ECONOMY PERSISTS IN THE 23/24 WINTER HALF-YEAR

According to the Federal Ministry for Economic Affairs and Climate Action [BMW³], the German economy remained sluggish in 2023, with GDP falling by 0.3% for the year as a whole. The rising geopolitical uncertainties, lingering losses in purchasing power as well as a general reluctance to spend led to a 0.8% drop in price-adjusted consumer spending, which puts that figure below the pre-pandemic level in 2019.

Government spending was also down by -1.7% on the previous year. Exports fell by 1.8% due to weak demand from abroad, while the 3% decline in imports was even more significant due to weak domestic demand.

The BMWi does not expect the economy to turn around in the first quarter of 2024, given the continued weakness in all leading indicators, the ongoing and emerging geopolitical crises, which could increase transportation costs and disrupt the supply chain, as well as temporary administrative increases in consumer prices expected at the start of the year. For 2024, however, the ministry believes that falling inflation rates, rising real wages and the gradual recovery in the global economy could potentially lead to an improvement in the key negative economic indicators and result in a domestically driven recovery.

In its Winter 2023 Economic Forecast, the „ifo Institut“ forecast that the German economy will recover in 2024, thanks to falling inflation, rising wages and higher employment combined with growing purchasing power and overall economic demand. Overall, the institute expects price-adjusted GDP to increase by 0.9% in 2024 and a further 1.3% in 2025 provided the economy continues to stabilize.

7.3.1.3. SENSOR SECTOR

A] MEASUREMENT AND TESTING TECHNOLOGY

According to the website⁴ of the German Association for Sensors and Measurement [AMA], expectations for this growth industry are high and on the rise: There are approximately 2,500 manufacturers, resellers, engineering firms, specialist service providers and research institutes operating in Germany's sensor and measurement technology sector today, which together employ approximately 250,000 predominately highly-skilled staff and generate roughly EUR 35 billion in sales every year.

AMA cites figures published by commercial market researchers that put the global market potential for this sector at an estimated USD 70 to 120 billion. While 40% of the sensor systems produced in Germany are destined for direct export, if you add to that the indirect exports [e.g., machinery, other production equipment and products with sensor systems], the export ratio of German measurement systems is upwards of 70%.

The association reports⁴ that sales in sensor and measurement technology were flat at plus/minus 0% in Q1/23, grew 5% and 7% in Q2/23 and Q3/23, respectively, compared in each case with prior-year quarterly rates. Incoming orders in the sector stabilized during the third quarter, making the association cautiously optimistic at the time of the press release. The forecast for Q4/23 put sales at plus/minus 0%, though some important customer markets have a more subdued view of economic development.

According to the members of the association, the sluggish growth in sales is primarily due to supply bottlenecks from the pandemic period, which are only now going back to normal levels after an upswing while stocks were being replenished.

Sector performance was encouraging in the third quarter 2023, which the association sees as evidence of the sector's robust and resilient nature. As the ongoing digital transformation and the trend toward miniaturization keeps innovation in high demand, the association still believes that long-term growth is likely for fast-moving medium-sized manufacturers operating in this sector in Germany.

The fact that manufacturers' warehouses are still full is one key risk in this market, along with the reluctance of customers in industrial machinery and equipment sector to invest.

¹ ifo
Winter 2023 Economic Forecast,
"Economic Recovery Delayed –
Budget Gap Harbors New Risks",
December 14, 2023.

² IWF
International Monetary Fund
"World Economic Outlook"
January 6 2024, page 6.

³ Press release from the BMWi
"Bundesministerium für
Wirtschaft und Klimaschutz":
"The German Economy in
January 2024"
[„Die wirtschaftliche Lage in
Deutschland im Januar 2024“],
January 15, 2024.

⁴ AMA website,
[www.ama-sensorik.de/
verband/brancheninformationen/](http://www.ama-sensorik.de/verband/brancheninformationen/),
version dated February 8, 2024

⁵ AMA, 2023 Quarterly survey:
"Q3/23 Sensor and Measurement
Technology: sales and order intake
up" ["Q3/23 Sensorik und Mess-
technik: Umsatz und Auftragsein-
gänge positiv im 3. Quartal"],
December 13, 2023

B] E-BIKE

Germany's main bicycle industry association Zweirad-Industrie-Verbands e.V. ZIV⁶ cited the ongoing war in Europe, rising inflation, consumer reluctance and very bad weather as the key factors impacting performance in its bicycle and e-bike industry market data for the first five months of fiscal 2023. Despite these factors, sales of bicycles, and e-bikes in particular, did not fall as much as expected across Germany from January to May 2023 compared to the very strong previous year. A total of 0.45 million bicycles were produced in the first five months of 2023, down around 15% on the previous year, while production in e-bikes rose by 5% to 1.05 million units during the same period. Sales fell in the first five months compared to previous year's strong performance: bicycle sales were down 20% to 0.83 million, and e-bike sales down 12% to 0.85 million units. A total of 0.26 million e-bikes were exported during the first quarter, up 14% year-on-year. The export rate for e-bikes was even higher, with a 56% increase year on year to 0.19 million units.

The sector's downward trend continued in early 2024, as reported by Spiegel Mobilität⁷. According to a background update from bike magazine⁸, there were significantly fewer bikes sold by the sector as compared to the pandemic period. A number of manufacturers have their warehouses full even as sales have slumped, leading to the first bankruptcies, including long-established German Company Prophete and Dutch e-bike manufacturer VanMoof. Taiwan-based sector giant Merida reported a 26.4% drop in sales for 2023, while Swiss manufacturer Scott found itself in need of a EUR 161 million cash injection. Even Giant based in Taiwan, one of the largest bike manufacturers in the world, had difficulty meeting its obligations.

For 2023 as a whole, the ZIV is forecasting sales totaling 2.2 million e-bikes, down 10% on the previous year. In view of the volatility in the broader economy, the sales figures and the forecasts for the sector, there is an element of uncertainty in the association's sales forecast for the 2023 fiscal year.

After the huge pandemic bike boom, the sector is now struggling with full warehouses, high production costs and a decline in consumer appetite due to the uncertainty about the economic outlook. There are significant risks given the up to 10% drop in sales forecast for the important e-bike market. Experts do not expect inventories to further normalize – and the associated increase in call-off orders – until the second half of 2024. For some customers, it may take even longer to clear the inventories.

C] ROBOTICS AND AUTOMATION

2023 was not a good year for Germany's industrial machinery and equipment manufacturers, according to the German Engineering Federation VDMA⁹. The sector reported a 12% year-on-year drop in sales for the 2023 fiscal year as a whole. In real terms, the key sales markets in Europe, the US and China are still not confident that the upturn in the global economy is here to stay, which is exactly what the capital goods industry in particular would need. As a result, the Federation does not see any evidence of a turnaround. On the German market, companies in this sector reported an 11% drop in order intake in 2023, with 13% fewer orders coming from foreign buyers.

The economists at the VDMA are forecasting global machinery sales in price-adjusted terms to be flat in the 2023 and 2024 fiscal years, while the outlook at the country level remains very mixed. They are predicting growth in all four major production locations in Asia in 2024, with India leading the pack once again. The country benefits from strong economic growth as well as the inflow of direct investments to one of Asia's most attractive investment and production locations. There is also growth, albeit relatively small, in South Korea and Japan, unlike the comparatively large slump forecast for China, where growth rates are flattening as many experts have long expected. After a price-adjusted decrease of 1% in 2023, China-based industrial machinery and equipment manufacturers are expected to grow once more by 2% in both 2024 and 2025, which would be the sector's lowest growth rates in recent decades.

The robotics and automation sector is a sub-sector of the industrial machinery and equipment manufacturing industry. In June 2023, the VDMA Robotics+Automation specialist group¹⁰ saw its German-based market well on its way to another record year with sales increasing 13% to EUR 16.2 billion for 2023 as a whole. This is likely to exceed the previous record result of EUR 15.1 billion from 2018. In 2022, companies in this sector had already increased sales by 5% to EUR 14.3 billion.

There are full order books across the market, while suppliers have built up large order backlogs during the pandemic and are gradually processing these orders as the bottlenecks in the supply chains ease. The sector appears, at long last, to be leaving the pandemic behind.

Based on the VDMA's assessment, automation will continue to play a key role in both the manufacturing and service sectors in Germany. Today, the service sector generates 70% of the overall economic value being created. Robotics is in urgent demand for the service sector to remain productive despite staff shortages, for example in laboratory automation. The demand for robotics and automation in manufacturing is also being driven by strong trends toward digital transformation. The automotive industry is currently developing new production technologies for electric cars. And as renewable energies gain more traction in our climate action era, the demand is soaring for cost-effective, highly-automated mass production of green tech products such as fuel cells. All of these applications contribute to the strong economic and technological development of the robotics and automation industry.

D] AGRICULTURAL VEHICLES

Sensor technology is a must-have when it comes to implementing innovative and sustainable technology on farms, particularly in the area of fertilizer technology, automatic steering and mechanical weed control. In January 2024, the industry association for agricultural, gardening and construction equipment in Germany "LandBauTechnik"¹¹ published Q2/23 economic figures for the sector in the trade journal Agrartechnik, based on a survey of 6,000 agricultural and construction machinery and power tool specialist companies. For the first time in years, the sector reported negative performance, with sales down by 0.7% compared to the same quarter of the previous year. Sales in new machinery, down 2.8%, were hit particularly hard. The reasons cited by the association include the obvious reluctance among rural customers to invest in new equipment due to inflation and rising costs, high inventories in machine warehouses and, for the first time, high interest rates.

At the sector's leading trade fair Agritechnica 2023, the industry association for the agricultural machinery sector VDMA "Landtechnik"¹² reported that the agricultural machinery market peaked in the middle of the year. With growth rates in the high double digits range, the agricultural machinery manufacturing specialist group of the VDMA reported half-year sales of at least EUR 6 billion. Once the pandemic and crisis-driven supply bottlenecks had cleared, the record high order backlogs were gradually reduced. Farmers and contractors will only be able to meet the strict European sustainability targets if they have access to high-performance technology, especially when it comes to sustainable fertilization and pest management methods. State-of-the-art sensor, video and software technology ensures the precise application of plant protection products to meet the needs of individual crops. In addition, exports of European agricultural technology to the US and countries in South America and Southeast Asia are becoming increasingly important. This can cushion the sideways performance of the sector in some traditional Western European markets, at least in certain areas.

The association's 2024 forecast for the global business are cautious overall. This year as well, the key risks in this market stem from rising inflation, high interest rates and increasing costs. The industry is also plagued by a shortage of skilled workers.

⁶ ZIV e.V. press release, "Bicycle market H1/2023: Positive figures overall" ["Fahrradmarkt 1. HJ 2023: Insgesamt positive Zahlen"], June 15, 2023.

⁷ Spiegel Mobilität, "Full warehouses, high discounts – sluggish consumer spending hits the bicycle industry" ["Volle Lager, hohe Rabatte – Konsumflaute setzt Fahrradbranche zu"], February 3, 2024.

⁸ bike, "Background: update Bike industry lacks power – full warehouses and mass lay-offs – what's going on?" ["Hintergründe: Update „Bike Branche ohne Power – Volle Lager und Massenentlassungen – was ist da los?"], February 2, 2024.

⁹ VDMA: Order intake in industrial machinery and equipment manufacturing December/2023 fiscal year: "Moderate drop in orders as of February 2, 2024" ["Auftragseingang im Maschinen- und Anlagenbau Dezember/ Gesamtjahr 2023: Moderate Ordereinbußen zum Jahresschluss, 2. Februar 2024"].

¹⁰ VDMA "Robotik + Automation": "Record high expected for robotics and automation" ["Allzeithoch für Robotik und Automation erwartet"], June 14, 2023.

¹¹ Agrartechnik: "LandBauTechnik", "Sector economy in a slump, forecasts downgraded further" ["Branchenkonjunktur rückläufig, Erwartungen weiter abgeschwächt"], January 2024.

¹² VDMA "Landtechnik", press release "European agricultural technology remains a driver of innovation and growth for global architecture" ["Europäische Landtechnik bleibt Innovations- und Wachstumstreiber für die globale Landwirtschaft"], November 13, 2023.

E] OFF-HIGHWAY

Off-highway vehicles are a sub-category of agricultural and construction vehicles and are therefore dependent on the developing and growth rates of this sector. According to an analysis by Mordor Intelligence¹³ the market for off-highway engines is currently growing at a rate of 6.8%. The trend toward mechanization in agriculture in development countries and the general increase in automation in numerous important sectors such as agriculture, construction, mining and infrastructure are driving the increased use and development of off-highway vehicles. An important factor that makes this market all the more relevant for NCTE AG is the increasing electrification of off-highway vehicles in terms of battery technologies, electric motors, charging infrastructures and smart control technologies, which require the increased use of innovative sensor technology.

Risks in this segment stem from high prices and maintenance expenses, as well as strict standards and regulations for carbon emissions.

7.3.2. PERFORMANCE IN THE 2023 FISCAL YEAR

The effects of the increased geopolitical tensions had an impact on the Company's performance in 2023. On the customer side, trends varied in the individual markets. Sales were up year-on-year in the e-bike, motorsports, distributor, agricultural vehicles and industry segments, while sales in the medical segment declined, although this is due to a one-off effect in the previous year [passing on higher material prices to customers]. NCTE had several promising discussions in fiscal 2023 about potential future partnerships and alliances and expects to post the first sales with these prospective customers in 2024.

In all, 2023 sales rose by 13% to EUR 6,041 thousand [prior year: EUR 5,325 thousand].

On the earnings side, EBITDA [earnings before interest, taxes, depreciation and amortization] increased by EUR 416 thousand to EUR 421 thousand [prior year: EUR 5 thousand].

The Company's overall performance in 2023 was satisfactory given the sales target range between EUR 5.6 million and EUR 7.2 million. At EUR 421 thousand, EBITDA was close to the middle of the target range between break-even at the low end and EUR 1.1 million at the high end.

7.3.3. POSITION OF THE COMPANY

A] RESULTS OF OPERATIONS

We have already highlighted the key aspects of the Company's sales performance above. The year-on-year decrease in other operating income from EUR 494 thousand in 2022 to EUR 448 thousand in 2023 is mainly attributable to three factors. Firstly, the Company amended its agreement with a major client during fiscal 2021, which resulted in 2023 income from compensation for revenue loss totaling EUR 358 thousand [prior year: EUR 374 thousand]. Secondly, government grants for publicly funded projects fell from EUR 50 thousand to EUR 41 thousand. And finally, other operating income decreased year-on-year from EUR 70 thousand to EUR 49 thousand.

At EUR 2,060 thousand, the cost of materials was roughly in line with the prior-year figure [EUR 2,062 thousand], which led to an improvement in the material usage ratio. This is mainly due to a percentage increase in the margins for the off-highway and medical segments. In response to the shortage of electronic components on the global market, the Company had to tolerate higher prices in the previous year to ensure every order was filled. However, the higher prices could only be passed on to customers at a reduced margin.

The slight 2% decrease in personnel expenses to EUR 2,522 thousand [prior year: EUR 2,570 thousand] is due to changes in the structure of the workforce.

Depreciation and amortization expenses in 2023 decreased slightly to EUR 241 thousand [prior year: EUR 242 thousand].

Other operating expenses rose by EUR 175 thousand to EUR 1,430 thousand year-on-year [prior year: EUR 1,255 thousand]. This is primarily the result of specific valuation allowances for at-risk receivables [EUR 104 thousand] and realized losses on receivables [EUR 77 thousand]. At EUR 100 thousand, interest and similar expenses were higher than the previous year's figure [EUR 47 thousand] and relate to provisions for additional remuneration for the silent partnership terminated at the end of the previous year.

Based on these developments, the Company ended the 2023 fiscal year with a net income of EUR 80 thousand [prior year: net loss of EUR 285 thousand].

B] FINANCIAL POSITION

Capital structure

At EUR 4,730 thousand [prior year: EUR 4,684 thousand] and EUR 15,329 thousand [prior year: EUR 15,129 thousand], respectively, the subscribed capital and the additional paid in capital increased over the previous year due to a capital increase during the fiscal year. NCTE's total assets amounted to EUR 4,158 thousand as of December 31, 2023 [prior year: EUR 4,057 thousand], up by 2% year on year. The equity ratio increased from 72% in 2022 to 78% in the year under review, which is still relatively high.

The increase in other provisions by EUR 211 thousand to EUR 493 thousand is mainly attributable to the provision for additional remuneration in connection with the silent partnership [EUR 100 thousand] and higher provisions for personnel [EUR 75 thousand]. Payments received on account of orders decreased significantly year on year from EUR 112 thousand to EUR 13 thousand. Trade payables increased significantly from EUR 176 thousand to EUR 300 thousand. At EUR 95 thousand, the other liabilities were significantly below those of the prior year [EUR 557 thousand], due to the repayment of the silent partnership in January 2023.

Overall, the Company's provision and liabilities decreased from EUR 1,126 thousand to EUR 901 thousand, resulting in a slight decrease in the share of provisions and liabilities in the total liabilities from 28% to 22%.

Investments

The Company invested EUR 11 thousand [prior year: EUR 12 thousand] in intangible assets such as the expansion of the ERP system. At EUR 17 thousand, the investments in tangible fixed assets fell significantly year-on-year [prior year: EUR 77 thousand]. The Company invested a total of EUR 28 thousand during the year under review [prior year: EUR 170 thousand].

Write-downs on intangible assets and tangible fixed assets totaled EUR 241 thousand in 2023 [prior year: EUR 242 thousand], the majority of which related to the amortization of intangible assets [EUR 165 thousand, prior year: EUR 152].

Cash flow

The Company maintained its liquidity at all times in the 2023 fiscal year. The 2023 capital increase amounting to EUR 247 thousand acts as another major building block for the financing of the Company's planned future expansion.

Cash and cash equivalents increased by 12% year-on-year from EUR 751 thousand as of December 31, 2022 to EUR 841 thousand as of December 31, 2023. The positive cash flow of EUR 90 thousand was mainly due to a EUR 374 thousand cash inflow from operating activities and a EUR 256 thousand cash outflow from financing activities.

C] NET ASSETS

The year-on-year decrease in inventory from EUR 1,115 thousand to EUR 673 thousand is mainly attributable to the 63% increase in sales in December 2023 compared to the previous year. This led to an increase in trade receivables from EUR 600 thousand to EUR 1,280 thousand. At EUR 380 thousand, the other assets are roughly in line with the prior-year figure [EUR 383 thousand].

D) OVERALL STATEMENT ON THE POSITION OF THE COMPANY

As a result of the measures implemented during the 2023 fiscal year, we find NCTE's financial position, results of operations and net assets to be sound.

7.4 RISK REPORT

Based on its business activities, the Company is subject to the following key risks.

7.4.1. ECONOMIC RISKS

In December 2023, the ifo Institut¹⁴ downgraded its forecast for German economic growth in 2024 from 1.4% to 0.9%. For 2025, the Institut expects growth to accelerate slightly to 1.3%. The main reasons for this, according to the experts, are the uncertainties that increase consumer saving rates and investment reluctance among both companies and private households, which is delaying the economic recovery. The uncertainty surrounding the federal budget following a recent ruling by the German Constitutional Court is also driving this development. If the government decides to cut the 2024 budget, the growth rate would fall even further to 0.7% according to the ifo model.

In principle, however, the institute believes recovery is within sight due to the strong rise in wages, record-high employment and interest rates coming down after recent highs.

The Institut sees risks in the budget deficit, the uncertain economic policy, the effects of the war in Ukraine and Gaza and in the wage and inflation trends. We have outlined the economic risks for the individual sectors earlier in this report.

7.4.2. SECTOR-SPECIFIC RISKS

Sensors and measurement technology are key technologies for today's cutting-edge technology and innovation. Whether it is the automotive industry, consumer electronics, safety systems, industrial manufacturing or Industry 4.0, it is difficult to find an industrial sector that does not rely on sensors and measurement systems for electronic testing, monitoring, regulating or automation. According to the association, however, the full warehouses at manufacturers as well as the economic uncertainty driving customer's reluctance to invest in industrial machinery and equipment.

As a provider of e-bike sensors in OEM solutions, NCTE is well-positioned on the international e-bike market, which is currently plagued by full warehouses. For the first time, sales of traditional bicycles as well as e-bikes declined in the year under review. There are further risks in the higher interest rates and high inflation which are dampening consumer spending as well as the increase in working from home, which has reduced the demand for subsidized bike-to-work schemes.

The market for robotics and automation is booming, and sensors are in high demand here, making it challenging to meet the steadily increasing demand. NCTE sees this as a growth segment. The rising interest rates and rising prices for raw materials and other products as well as the shortage of personnel and skilled workers are the main risks fueling investment reluctance.

The markets for agricultural vehicles and off-highway vehicles are growing, and the demand for increasing electrification and innovation is driving the use of sensor technology in these segments. Similar to the robotics and automation segment, investment reluctance and the skill shortage are key risks in this segment.

7.4.3. COMPANY-SPECIFIC RISKS

A] COMPETITIVE RISKS

NCTE AG's core markets are very competitive. As interest in the e-bike market grows, NCTE is facing increased competition with foreign suppliers that have similar technologies but different cost structures. In addition to the high-tech features of these products and the resulting cost advantages for customers, the price-point plays a critical role in purchase decisions and in the decision whether to switch from a competitor's proven torque measurement technology to the innovative technology of NCTE or its direct competitors with torque measurement systems based on magnetoelastic principle. NCTE is addressing this risk by developing standardized products and customizations for specific clients as well as by looking for additional cost-saving potential.

B] TAKEOVER RISKS

If a foreign Company takes over one of the Company's customers, the transaction may be subject to regulations on knowledge transfer that could have a negative impact on NCTE. Restrictive handling of innovative technologies in this context carries the risk that the new entity decides not to pursue NCTE's technology or to postpone existing orders indefinitely.

C] TECHNOLOGICAL RISKS

The products manufactured by NCTE must meet high quality standards to remain competitive against rival products in the marketplace. In addition to further development of its own technology for new applications, the Company dedicates considerable effort to quality assurance, while at the same time prioritizing making production more cost-efficient. NCTE works closely with key suppliers on these cost-saving initiatives. Overall, as with all innovative companies, new product and technology features carry considerable risks.

D] PRODUCT RISKS

The Company mitigates product risks, such as liability claims due to product defects, by ensuring its products are of the highest quality. At the same time, NCTE cannot rule out the possibility that products may have faults or defects – also those caused by suppliers that fail to meet the Company's quality standards – and that these faults or defects may result in additional costs, adverse effects or reputational damage. If so, there is a possibility in principle that customers could make damage or abatement claims, particularly as the Company handles all of the marketing and sales of its products in-house.

E] PURCHASING AND MANUFACTURING RISKS

NCTE purchases the components it needs for the production of its sensors from various manufacturers and does not produce them in-house. To avoid becoming dependent on specific suppliers, NCTE is working on diversifying its supplier base and has entered into collaborative partnerships to this end. The Company has succeeded in sourcing suitable backup suppliers for various components. Although professional quality and supplier management measures help mitigate supply chain risks, the Company is subject to risks from limited availability of third-party components that may not be available on time, at the budgeted cost or in the required quality, or from the default of key suppliers. NCTE has countered the risk of component shortages on the world market in the wake of the pandemic by stocking up on certain vital parts.

The Company also faces the risk that some customers may postpone or cancel call-off orders under blanket agreements. In the previous year, the Company accounted for this risk by creating a provision for imminent losses from pending transactions in the amount of EUR 59 thousand. Moreover, there are two suppliers of key components for the e-bike segment that have a monopoly position.

¹⁴ ifo Institut, press release: "ifo Institut cuts forecast for 2024 growth to 0.9%" ["ifo Institut kürzt Prognose für Wachstum 2024 auf 0,9 Prozent"], December 14, 2023.

F] FINANCIAL AND LIQUIDITY RISKS

In line with its strategic alignment, NCTE needs to secure funding for further investments to safeguard the future success of the business – particularly in the areas of product development and expansion into new market segments and new geographical regions.

Customers in the e-bike segment defaulted on their payments in 2023. The Company prevented further defaults in 2023 through its receivables management system and was forced to set up specific valuation allowances for at-risk receivables.

G] PATENT LAW RISKS

Given the existing competition on the market, NCTE is exposed to certain risks in terms of possible patent infringements. It addresses this risk primarily through patent agreements for the most important target market [e-bikes], which has enabled the Company to significantly reduce its exposure to patent law risks in the e-bike market. NCTE has also applied for and received additional industrial property rights, which has strengthened its competitive position. However, there is a real possibility that the Company could incur legal expenses if it is obliged to defend its patents before the courts. NCTE works with experienced patent lawyers and other attorneys on an ongoing basis to obtain legal certainty, also with regard to foreign jurisdictions where the Company has been granted other, possibly relevant patents.

NCTE also faces the risk that it may be unable to launch its innovative technologies if other companies with patents block the technology, or if the Company is unable to come to an agreement on the use of patents.

H] HUMAN RESOURCES RISKS

As in the past, NCTE is reliant on dedicated, highly-skilled and, in some cases, specialized staff. The Company has ambitious plans for the future, and there is a risk that the availability of key personnel will limit its targeted growth. There is also a risk that key personnel will leave the Company. NCTE endeavors to remain competitive on the labor market by offering employees performance-related salary components, flexible work models, generous work-from-home policies, flat hierarchies and the opportunity to take on responsibility early in their careers.

I] OTHER RISKS

Changes in the German government's fiscal policies could lead to restrictions in grant funding. If NCTE were to rely more on equity funding for its development projects, that would have a knock-on effect on earnings.

J] RISKS IN CONNECTION WITH THE GEOPOLITICAL TENSIONS

The global implications of current geopolitical tensions could have a negative impact on NCTE's business. There could be disruptions in the supply chains for the components required by the Company's products. Customers could also postpone delivery of existing orders or even cancel them outright. The Company cannot rule out the possibility of instituting a reduced hours policy where this is the case.

Overall, the negative effects of the geopolitical tensions described above could have a serious impact on the Company's results of operations and liquidity.

K] SUMMARY OF THE RISK REPORT

Based on the information available to us today, there are no recognizable risks to the Company's future as a going concern, provided the business develops in line with management's approved plans for fiscal 2024. There is, however, a risk that geopolitical tensions could have significant negative effects on the Company's business performance in the 2024 fiscal year.

7.5 OPPORTUNITY REPORT

A] MARKET OPPORTUNITIES

Measures to expand sales offer the best opportunity for NCTE to improve and accelerate growth. These include increasing sales volumes and profit margins in existing markets, particularly in the markets for e-bikes, off-highway and test rigs, as well as cultivating new markets, expanding into new geographical regions through distributors and developing new market potential through its focus on standardized solutions. There is also significant potential to improve gross margins at the product level by growing sales in markets where standard sensors are in demand.

B] ALLIANCES

Through cooperation agreements with renowned manufacturing companies, the Company has an opportunity to expand into new business areas, building on the past success of its 2015 licensing agreement in the aviation market and its 2017 cooperation agreement in the e-bike market. Alliances with well-known customers could also help the Company overcome the barriers to entry in certain markets and secure higher-volume orders.

C] INNOVATION AND FURTHER DEVELOPMENT

There are additional opportunities to improve earnings by cutting costs through technological innovation, further development of existing sensors and finding new areas of application for magnetostriction.

D] FINANCING MEASURES

The financing climate for technologically innovative companies like NCTE was promising in fiscal 2023. The Company succeeded in harnessing the influx of fresh capital to fast-track growth and expand into new applications, markets and geographies.

7.6 OUTLOOK

The Management Board is forecasting sales in the range of EUR 6.0 million and EUR 8.0 million for the 2024 fiscal year. In terms of EBITDA, the target range is between just above break-even at the lower end and EUR 1.0 million at the higher end. These forecasts are based on the assumption that the geopolitical tensions will not have a significant impact on business performance. As a result, these forecasts are subject to certain risks, though it is not possible to quantify these risks given the exceptionally high level of uncertainty.

NCTE had at its disposal EUR 0.84 million in cash and cash equivalents as of the balance sheet date. Provided 2024 results are in line with forecast sales and earnings, the Company will have sufficient cash and cash equivalents to meet its financial obligations.

The actual performance of NCTE may differ from these forecasts in a positive or a negative sense due to the opportunities and risks outlined above [please refer to the risk report and the opportunity report].

||||| OBERHACHING, GERMANY,
FEBRUARY 29, 2024 |||||



THE MANAGEMENT BOARD,
DR. JÜRGEN UEBBING

INDEPENDENT AUDITOR'S REPORT

To NCTE AG, Oberhaching, Germany

AUDIT FINDINGS

We have audited the annual financial statements of NCTE AG – comprising the balance sheet as of December 31, 2023 and the income statement for the fiscal year from January 1, 2023 to December 31, 2023 and the notes to the financial statements including a presentation of the accounting policies. Our audit also included the management report of NCTE AG for the fiscal year from January 1, 2023 to December 31, 2023.

In our opinion and based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the provisions of German commercial law applicable to stock corporations and convey a true and fair view of the Company's net assets and financial position as of December 31, 2023 and its results of operations for the fiscal year from January 1, 2023 to December 31, 2023 in accordance with the principles of proper accounting in Germany, and
- the attached management report provides an accurate overall view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German law and accurately reflects the opportunities and risks of the Company's future development.

Pursuant to Section 322[3] sentence 1 HGB, we hereby declare that our audit has not led to any reservations regarding the proper presentation of the annual financial statements and the management report.

BASIS FOR OUR AUDIT OPINION

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the HGB and the German generally accepted auditing practice standards promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer or IDW]. Our responsibility in accordance with these provisions and principles is further specified in the section of our audit opinion entitled "Auditor's responsibility for the audit of the annual financial statements". We act independently of the Company in accordance with German commercial and professional standards and have fulfilled our other professional obligations in accordance with these requirements. We believe that the evidence obtained during our audit is sufficient and appropriate to form the basis for our audit opinion on the annual financial statements and the management report.

OTHER INFORMATION

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises the other parts of the annual report which are expected to be made available to us after the date of this auditor's report, but not the annual financial statements, not the management report and not our auditor's report thereon. The Supervisory Board is responsible for the report of the Supervisory Board. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above – if available – and, in doing so, to consider whether the other information is

- materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit,
- or otherwise appears to be materially misstated.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

It is the responsibility of the legal representatives of the company to ensure that the annual financial statements prepared by them comply in all material respects with the provisions of the German commercial law applicable to stock corporations and that the annual financial statements convey a true and fair view of the Company's net assets, financial position and results of operation in accordance with the principles of proper accounting in Germany.

Moreover, the legal representatives of the company are responsible for the internal controls they have deemed necessary pursuant to the principles of proper accounting in Germany to ensure that the presentation of the annual financial statements is free from any material misstatements, whether due to fraud [i. e., manipulation of accounting records and impairment of assets] or error.

In preparing the annual financial statements, it is the responsibility of the legal representatives of the Company to evaluate its ability to continue as a going concern. It is also their responsibility to report any relevant matters that relate to the ability of the Company to continue as a going concern. Furthermore, they are responsible for the accounting policies used to prepare the balance sheet on a going concern basis, insofar as such accounting policies are not in conflict with factual or legal realities.

The legal representatives are also responsible for preparing the management report, which as a whole conveys a true and fair view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German law and accurately reflects the opportunities and risks of the Company's future development. Moreover, it is the responsibility of the legal representatives to take the precautions and measures [systems] that they have deemed necessary to be able to prepare a management report that complies with the relevant German laws and to provide sufficient, appropriate evidence for the statements made in the management report.

The Supervisory Board is responsible for monitoring the accounting processes used by the Company to prepare the annual financial statements and the management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to establish with reasonable assurance that the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and that the management report as a whole conveys a true and fair view of the Company's position and is consistent in all material respects with the annual financial statements and the findings obtained during our audit, complies with German law and accurately reflects the opportunities and risks of the Company's future development.

It is also our responsibility to issue an audit report that contains the findings of our audit of the annual financial statements and the management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal material misstatements.

Misstatements may result from fraud or error and are deemed material if it is reasonable to expect that they will affect, either individually or severally, the financial decisions made by potential investors on the basis of these annual financial statements and the management report.

During the audit, we exercise professional discretion and maintain a critical stance.

IN ADDITION, WE

- identify and assess the risks of material misstatements in the annual financial statements and management report, whether due to fraud or error, plan and perform our audit in response to such risks and obtain evidence during our audit that is sufficient and appropriate to form the basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, falsifications, intentional omissions, misleading representations or the suspension of internal controls.
- gain an understanding of the internal control systems relevant for the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to establish an audit plan that allows us in the given context to provide our opinion on the effectiveness of these systems within the Company, but that is not expressly designed to audit these systems.
- assess whether the accounting policies put in place by the legal representatives are appropriate and whether the estimates and related disclosures presented by the legal representatives are reasonable.
- draw conclusions about the appropriateness of the accounting policies used by the legal representatives on a going concern basis and whether there is, based on the evidence obtained in our audit, material uncertainty in connection with any incidents or facts that could raise significant doubts about the Company's ability to continue as a going concern. In the event that we conclude such material uncertainty exists, we are obliged to draw attention to the relevant disclosures from the annual financial statements and the management report in our audit report or, if the information is not appropriate, to modify our audit opinion. We draw our conclusions on the basis of the evidence obtained in our audit up to the date of our audit certificate. Future incidents or facts may, however, still jeopardize the Company's ability to continue as a going concern.
- evaluate the overall presentation, the structure and the content of the annual financial statements, including the notes, and assess whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements convey a true and fair view of the Company's net assets, financial position and results of operations in accordance with the principles of proper accounting in Germany.
- assess the consistency of the management report with the annual financial statements, its compliance with the law and the overall view it conveys of the Company's position.
- perform audit procedures concerning the forward-looking statements made by the Company's legal representatives in the management report. On the basis of sufficient and appropriate audit findings, we evaluate in particular the forward-looking statements used as a basis for the significant assumptions made by the legal representatives and assess whether these forward-looking statements are properly derived from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. The risk that future events will differ materially from the forward-looking statements is significant and unavoidable.

We discuss, among other things, the planned scope and timing of the audit and the significant audit findings with those responsible for oversight, including any deficiencies in the internal control system that we have identified during our audit.

||||| MUNICH, GERMANY, MARCH 7, 2024 |||||

WIRTSCHAFTSTREUHAND GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
STEUERBERATUNGSGESELLSCHAFT



ANDREAS WEINBERGER,
WIRTSCHAFTSPRÜFER

STEFAN KNAB,
WIRTSCHAFTSPRÜFER

THANK
YOU

This annual report of NCTE AG is also available in German. The report is provided in both German and English as PDFs on the NCTE website.

||||| For more information about NCTE AG, please visit www.ncte.com/ir. |||||

FINANCIAL CALENDAR

1ST QUARTER

FEBRUARY 2024

||||| Preliminary results 2023

MARCH 2024

||||| Disclosure of financial statements 2023

MARCH 12, 2024

||||| Investors' day of SMC Bank

3RD QUARTER

JULY 2024

||||| Publication of the Interim Report for H1/2024

2ND QUARTER

APRIL 2024

||||| Publication of the 2023 Annual Report

APRIL 2024

||||| IR Newsletter Q1/24

APRIL 25, 2024

||||| Munich Capital Market Conference [Münchener Kapitalmarktkonferenz]

MAY 13, 2024

||||| Annual General Meeting

4TH QUARTER

OCTOBER 2024

||||| IR Newsletter Q3/24

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