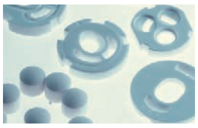
OUR KNOW-HOW FOR YOUR SAFETY

ANNUAL REPORT
2014








Nabaltec

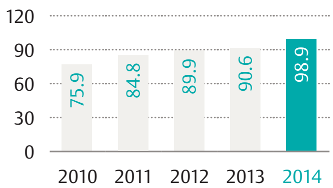
OUR BUSINESS DIVISIONS

FUNCTIONAL FILLERS

Nabaltec's functional fillers are eco-friendly and safe. Depending on their field of application, they reduce the emission of hazardous fumes in the case of fire or increase operational stability of materials for various applications, from profiles to state-of-the-art energy storage facilities.

In our business division "Functional Fillers," we develop highly specialized aluminum hydroxide-based products for a wide variety of applications, and we are among the leading manufacturers in the world in this area. In addition to current market trends, the development of our halogen-free eco-friendly flame retardants, additives and boehmites is driven above all by the specific requirements of our customers.

REVENUES (in EUR million)

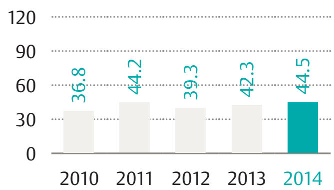


TECHNICAL CERAMICS

Nabaltec's ceramic raw materials and ceramic bodies, in special qualities, offer fields of application in all areas of life and in all industrial sectors. They provide e.g. greater mechanical strength in household ceramics and higher durability for components in engineering ceramics.

In our business division "Technical Ceramics," we develop innovative materials for a wide variety of industries based on all-natural ingredients and occupy a leading position in the global market for ceramic raw materials and bodies. We are constantly investing in optimizing our production facilities, in innovative technologies and in improving our production processes in order to enable us to consistently supply tailor-made qualities which meet our customers' needs.

REVENUES (in EUR million)



SPECIALTY CHEMICALS

FOR SAFER AND MORE ECO-FRIENDLY PRODUCTS

The range of applications for Nabaltec products is extremely diverse. They are preferred whenever utmost quality, safety, eco-friendliness and durability are required. It is the combination of these important characteristics that guarantees Nabaltec products outstanding growth prospects. The special strengths of Nabaltec are a number of functional fillers for the plastics industry and high-quality, specialized raw materials for technical ceramics, always featuring unchanging prime quality and designed for very special requirements.

OUR APPLICATIONS

FLAME RETARDANTS/FLAME RETARDANT FILLERS

Eco-friendly aluminum hydroxide is used e.g. for cables in tunnels, and aluminum monohydrate (boehmite) is used amongst others in heavy metal-free printed circuit boards.

ADDITIVES

Nabaltec's additives are used e.g. as co-stabilizers in PVC products and as process additives.

ENVIRONMENTAL TECHNOLOGY

Aluminum hydroxide serves e.g. to eliminate fumes in power plants and boehmite is used as a raw material in alternative energy storage and in catalyzers.

CERAMIC RAW MATERIALS

Aluminum oxide and sintered mullite are used primarily in the refractory and polishing industries, in the automotive sector and in glass and ceramics production.

CERAMIC BODIES

Highly specialized and ready-formulated mixtures are used particularly to prevent abrasion and protect people and vehicles, as well as in engineering ceramics.

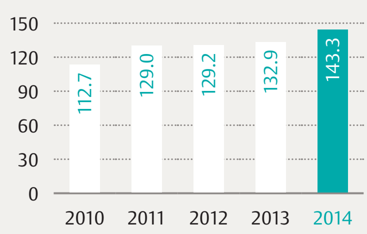
KEY FIGURES NABALTEC GROUP

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

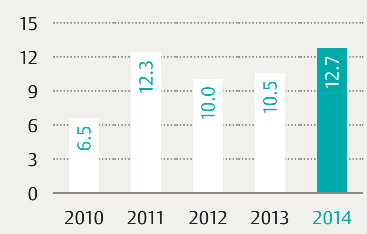
(in EUR million)	2014 (IFRS)	2013 (IFRS)	Change
Revenues			
Total revenues	143.3	132.9	7.8%
thereof			
Functional Fillers	98.9	90.6	9.2%
Technical Ceramics	44.5	42.3	5.2%
Foreign share (%)	71.6	69.2	–
Earnings			
EBITDA	22.4	19.8	13.1%
EBIT	12.7	10.5	21.0%
Consolidated result after taxes*	5.5	2.6	111.5%
Earnings per share (EUR)*	0.69	0.33	109.1%
Financial position			
Cash flow from operating activities	20.9	12.9	62.0%
Cash flow from investing activities	–10.0	–2.6	284.6%
Assets, equity and liabilities			
Total assets	178.8	176.3	1.4%
Equity	52.5	50.4	4.2%
Non-current assets	112.5	112.3	0.2%
Current assets	66.3	63.9	3.8%
Employees** (number of persons)	424	415	2.2%

* *after non-controlling interests*
** *on the reporting date, including trainees*

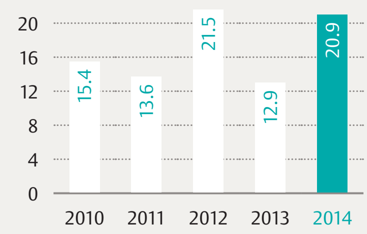
REVENUES (in EUR million)



EBIT (in EUR million)



CASH FLOW FROM OPERATING ACTIVITIES (in EUR million)

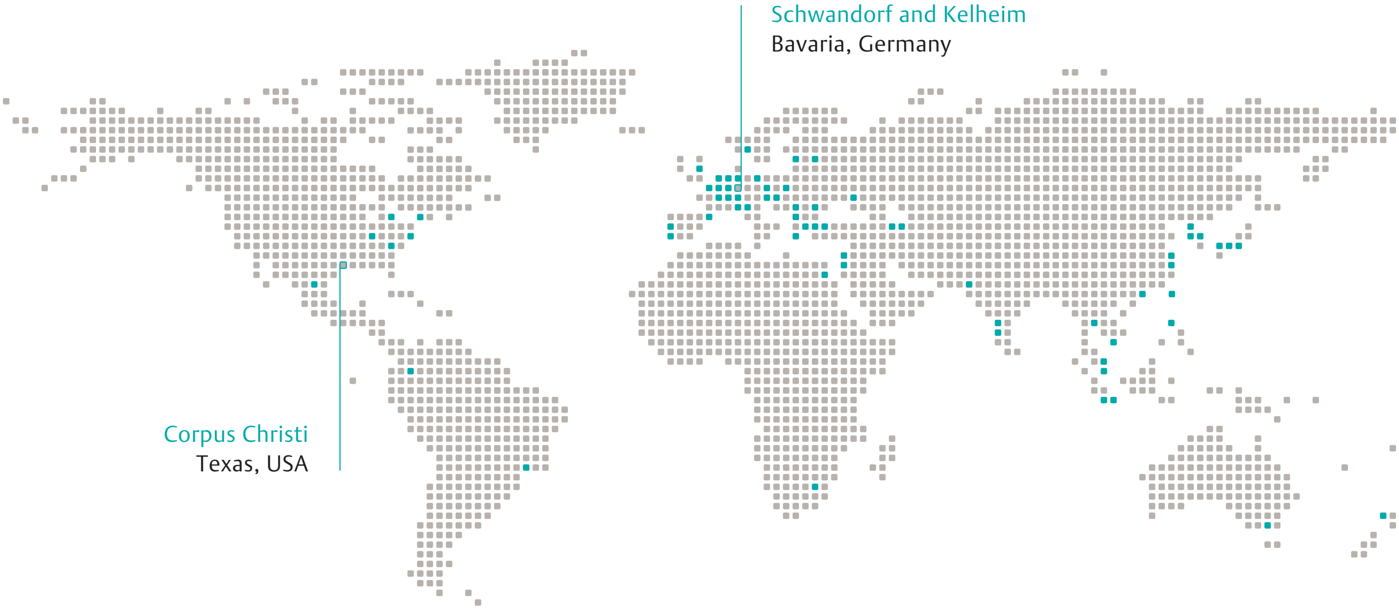


NABALTEC AG

LEADING IN ECO-FRIENDLY SPECIALTY CHEMICALS

Nabaltec AG, with registered office in Schwandorf, a chemicals business which has received multiple awards for innovativeness, manufactures, develops and distributes highly specialized products based on aluminum hydroxide (“ATH”) and aluminum oxide, as well as other raw materials, on an industrial scale through its “Functional Fillers” and “Technical Ceramics” divisions. Nabaltec maintains production sites in Germany and the US and plans to continue to consolidate its market position by expanding capacity, further optimizing processes and quality and making strategic extensions to its product range. On the strength of its specialty products, the company strives to attain the market leadership in each segment.

NABALTEC WORLDWIDE



NABALTEC MAINTAINS A GLOBAL PRESENCE,
WITH LOCATIONS IN GERMANY AND THE US
AND A NETWORK OF INTERNATIONAL AGENCIES

THE QR CODE FOR THE NABALTEC WEBSITE

Further information can be found here or at www.nabaltec.de

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TO OUR SHAREHOLDERS

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FURTHER INFORMATION

Gerhard Witzany Johannes Heckmann

MANAGEMENT BOARD FOREWORD

Ladies and Gentlemen,
Dear Shareholders and Business Partners,

Nabaltec was able to post record-high values in 2014 in revenues and earnings

Nabaltec AG was able to post record-high values in Financial Year 2014 in revenues and earnings. Revenues were up 7.8%, to EUR 143.3 million, while operating result (EBIT) was up 21.0%, to EUR 12.7 million. Our earnings per share actually more than doubled, to EUR 0.69. We achieved these results in a year in which the economic environment was quite challenging. We need only think of Germany's diminished economic growth in the summer, Europe's very modest performance or the global economy, whose rate of growth fell well short of original forecasts.

Accordingly, these results say something about the solid position which we have attained in the markets of relevance to us. Regardless of economic phase, we have always defined ourselves by our quality, reliability and innovation, not by price and quantity, and this is paying off now in extraordinary fashion. The position we have achieved,

- as the global leader in fine precipitated hydroxides for halogen-free all-natural flame retardants and Number 3 in Europe in technical ceramics;

- with an export ratio of 71.6% and strong sales in all key economic zones; and
- above all, as a partner for our customers in their daily striving for better products and solutions;

is the reason for our success in the present and, at the same time, the basis for ensuring that our company is just as successful in the future.

Additional potential arises from the outlook for boehmites and additives

Additional potential arises e.g. from the outlook for our boehmites and additives segments. Both of these product segments have yet to live up to our hopes and expectations so far. However, in light of our constant analysis of the markets and the expanded applications, we remain very confident that results will improve over the present level. At the same time, some established product segments, such as solutions for ballistics, have failed to meet expectations due to difficult external conditions, and therefore have additional potential in the medium term. At the same time, we are working on new qualities and customized solutions in all product segments. We are also continuing to expand capacity in the US. Conditions there, with respect to market access, demand growth, energy prices and the existing partnership with Sherwin Alumina, remain ideal. Moreover, the potential inherent in our market access in Asia is far from exhausted. We have been able to create a good starting point here, particularly through our partnership with Sumitomo Chemical. At the same time, we will take additional steps in 2015 in order to improve the company's position even further, structurally and financially, in each case with the goal of creating the best possible conditions for the provision of services. This includes investment in the company's future which in 2015 will be in the double-digit million range.

Nabaltec plans to sustain its pace of growth in 2015

Nabaltec continues to see itself as a growing company. We plan to sustain our pace of growth in 2015 and once again post revenue growth in the mid-single digits. As far as operating result is concerned, we expect a margin in line with last year's margin.

In light of the intact outlook, we intend to recommend to our shareholders at the 2015 annual meeting that our dividend be doubled to EUR 0.12 per share, or to a total of around EUR 1.0 million. With this dividend policy, we seek to achieve a balance so as to Nabaltec, as a growing company, to maintain solid capital reserves while at the same time implementing a comprehensible long-term dividend strategy and distributing an adequate share of current earnings to our shareholders.

We would like to take this opportunity to warmly thank the entire team of employees at Nabaltec AG, who have made these 2014 results possible with their hard work and commitment, day after day. We look forward to working together to accomplish the tasks which lie ahead and for you, dear shareholders and business partners, to continue to accompany us on our path.

Schwandorf, March 2015

Sincerely yours,

JOHANNES HECKMANN
Member of the Board

GERHARD WITZANY
Member of the Board

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec AG can look back on a successful 2014, a year in which revenues as well as earnings set new record highs. Despite a very unsettled economic environment, Nabaltec AG was able to demonstrate once again that the company's market and competitive position is well-established and that the drivers in our sales markets remain intact. Nevertheless, the Supervisory Board and Management Board devoted particular attention to carefully observing the fast-changing market situation so as to be able to take rapid action at any time.

The Supervisory Board was involved at an early stage in every fundamental decision

Under these circumstances, the Supervisory Board consistently advised, monitored and supervised Management Board with utmost care, in accordance with its responsibilities as established by law, the Articles of Association and the Rules of Procedure. The Supervisory Board was informed by the Management Board directly and involved at an early stage in every decision of fundamental importance for the company.

Whenever required by law, the Articles of Association or the Rules of Procedure, the Supervisory Board voted on the Management Board's reports and draft resolutions after careful deliberation and review. All transactions requiring approval were adopted.

In the 2014 reporting year, the Supervisory Board convened for four regular sessions: on 10 April 2014, on 26 June 2014, after the Annual General Meeting, on 1 October 2014 and on 15 December 2014. No meetings were held in 2015 prior to the Supervisory Board meeting of 16 April, which votes on adoption of the financial statements. All members were present at each session in 2014. The members of the Supervisory Board also conducted deliberations in writing and over the phone additionally. Where necessary, the Supervisory Board has adopted resolutions outside of the regular meetings. Draft resolution was approved in writing on one occasion in 2014. It was resolved that the Supervisory Board, when assessing the fairness of management board compensation in accordance with the German Corporate Governance Code, is to take into account the ratio between management board compensation and the compensation of upper management, as well as that of all employees, and a definition of upper management was adopted as well.

No conflicts of interest arose during 2014

Since the Supervisory Board of Nabaltec AG consists of just three members, the formation of committees was once again dispensed with. No conflicts of interest for individual members of the Supervisory Board arose during the 2014 reporting year in the course of deliberations, in draft resolutions or through exercise of the Board's supervisory mandate. In the estimation of the Supervisory Board, a sufficient number of members may be viewed as independent,

Prof. Dr.-Ing. Jürgen G. Heinrich | Dr. Leopold von Heimendahl (Chairman of the Supervisory Board) | Dr. Dieter J. Braun

since two members of the Supervisory Board have no personal or business relationship with the company or with the Management Board. The agreement between Nabaltec AG and Professor Heinrich with respect to the performance of research and development work regarding aspects of ceramic process engineering was terminated on 30 September 2014. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board reviewed its performance in the past Financial Year, particularly the efficiency of its procedures and the timely supply of adequate information, and the result of its examination was positive.

The Supervisory Board reviewed its performance with a positive result

FOCUS OF DELIBERATIONS

Even outside the Supervisory Board sessions, the Management Board made full and timely reports to the Supervisory Board, verbally and in writing. In particular, the Supervisory Board was kept informed e.g. of market trends, the risk and competitive situation, the development of sales, revenues and earnings and the accomplishment of objectives through monthly and quarterly reports. In addition, the Chairman of the Supervisory Board kept himself constantly informed of the current course of business, major transactions and crucial Management Board decisions. To that end, the Chairman of the Supervisory Board was engaged in a close and routine exchange of information and ideas with both members of the Management Board.

The development of revenues and earnings were routinely discussed at Supervisory Board sessions, as well as suitable measures to optimize revenue and earnings growth, the assets and financial position, risk management and questions of compliance and corporate strategy. In addition, intensive consideration was given to the following issues in 2014:

- the 2013 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- corporate governance, particularly the fairness of management board compensation;
- opportunities and risks in human resources;
- strategic technology management;
- expanding Nashtec's capacity;
- planning for 2015 and mid-term planning through 2017;
- investment and financing planning for 2015–2017.

Focus of the deliberations in 2014 included the goals and status of realization of innovation projects

Another focus of the deliberations in 2014, as well as the supervisory and monitoring activity, included the goals and status of realization of innovation projects and, especially in the session 2015 slated for adoption of the 2014 financial statements, was the effectiveness of the risk management system and the entire accounting process in Nabaltec AG and Nabaltec Group, as well as monitoring the internal controlling system.

On 7 March 2014, the Management and Supervisory Boards issued their joint Declaration of Compliance for 2014, which was posted on the company's website, www.nabaltec.de, where it can be viewed by shareholders at any time. Both the Management Board and the Supervisory Board dealt with the changes to the German Corporate Governance Code as of 24 June 2014, particularly at the meeting of 15 December 2014, preparing issuance of the 2015 Declaration of Compliance. Further information about corporate governance at Nabaltec AG can be found in the Corporate Governance Report on the company's website, www.nabaltec.de, in the Investor Relations/Corporate Governance section.

2014 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, has audited the annual financial statements and management report of Nabaltec AG, which were prepared in accordance with the German Commercial Code, as well as the consolidated financial statements, which were prepared based on the IFRS (International Financial Reporting Standards) pursuant to § 315a of the German Commercial Code, and the consolidated management report. The Supervisory Board issued the audit mandate by resolution of the Annual General Meeting of 26 June 2014. Before publishing the nomination, the Supervisory Board obtained an independence declaration from the auditor. There were no known reasons to doubt the auditor's independence. The auditor was also asked to notify the Supervisory Board immediately of any circumstances which could establish bias on its part and to keep us informed about any performances it rendered in addition to the audit. A focus of the 2014 audit will be the "financing" unit.

No known reasons to doubt the auditor's independence

Auditor issued an unqualified auditor's opinion

The auditor issued an unqualified auditor's opinion for Nabaltec AG's annual financial statements and management report and for the consolidated financial statements and consolidated management report. All of the documents pertaining to the financial statements, as well as the auditor's report, were made available to each member of the Supervisory Board in a timely manner for independent review. The documents and the auditor's report were the subject of intense consideration at the session of 16 April 2015. The auditor was present during the session, reported on the essential conclusions of the audit and was available for further questions. One focus of the auditor's explanations was his assessment of Nabaltec AG's consolidated financial statements and the accounting-related controlling system for the "financing" unit. The auditor was not able to find any accounting-related weaknesses in that area. The Management Board and the auditors have answered all of the Supervisory Board's questions fully and to its satisfaction.

After conducting an independent review of the annual financial statements and consolidated financial statements, management report and consolidated management report, the Supervisory Board has made no objections, and accepts the conclusions of the audit conducted by Deloitte & Touche GmbH. The Supervisory Board accordingly approved the annual financial statements and consolidated financial statements for 31 December 2014 which have been prepared by the Management Board, and the annual financial statements for Nabaltec AG are therefore adopted.

The Supervisory Board would like to thank the Management Board and all of management for their consistently strong, trusting and constructive collaboration. Special thanks go out to all employees of Nabaltec AG, who continued their successful work in 2014 with a great deal of commitment and innovative ideas, while maintaining the focus on customer satisfaction at all times.

Schwandorf, 16 April 2015

DR. LEOPOLD VON HEIMENDAHL
Chairman of the Supervisory Board

NABALTEC SHARE

THE STOCK MARKET 2014

ISIN/WKN: DE000A0KPPR7/A0K PPR
Since 24 November 2006 Nabaltec share has been listed in the Entry Standard segment of the Frankfurt Stock Exchange.

NABALTEC SHARE ON THE CAPITAL MARKET

Nabaltec share started off Financial Year 2014 with strong growth

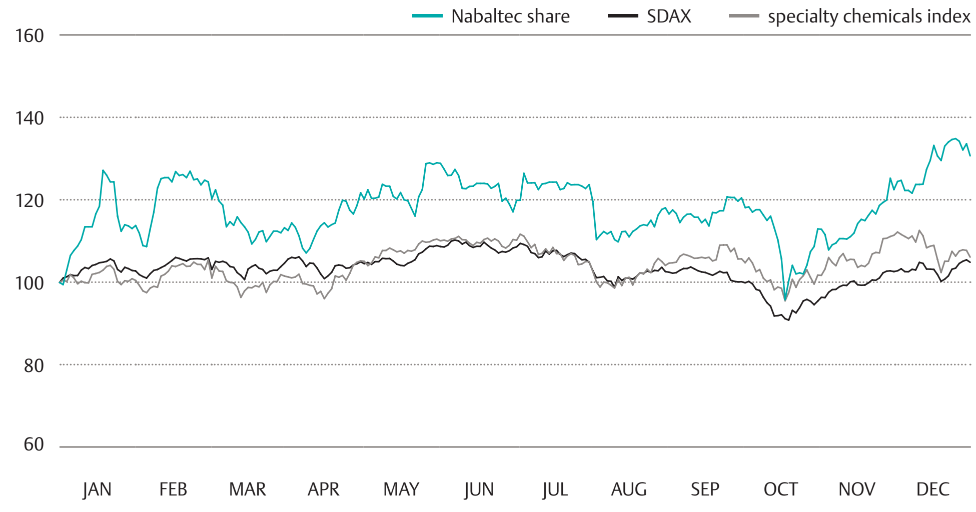
Nabaltec share started off Financial Year 2014 with strong growth. After volatile performance in the first three quarters of 2014, largely moving between EUR 10.00 and EUR 11.00, and in some cases even approaching the 12-Euro mark, Nabaltec's share price fell to a low of EUR 8.80 in mid-October. The price of Nabaltec share increased sharply over the course of the fourth quarter, and in mid-December reached its high for the reporting year, EUR 12.56.

At the end of 2014, Nabaltec share was trading at EUR 12.16, up 31.5% from its 2013 closing price of EUR 9.25. The average price for the year was also up significantly from the year before: the 2014 average was EUR 10.94, up 49.5% from last year's value of EUR 7.32.

The stock indices posted much smaller gains

The stock indices of relevance for Nabaltec, the SDAX and the specialty chemicals index, posted much smaller gains over the course of the year, finishing 2014 up 5.9% and 4.8% respectively.

PERFORMANCE OF NABALTEC SHARE 2014 (XETRA, indexed)



Nabaltec AG's market capitalization was EUR 97.28 million at the end of 2014, compared to EUR 74.00 million as of 31 December 2013.

KEY DATA FOR NABALTEC SHARE (XETRA)

	2014	2013
Number of shares	8,000,000	8,000,000
Market capitalization (cutoff date, in EUR million)	97.28	74.00
Average price (in EUR)	10.94	7.32
High (in EUR)	12.56	9.35
Low (in EUR)	8.80	6.25
Closing price (cutoff date, in EUR)	12.16	9.25
Average daily turnover (in shares)	5,467	5,822
Earnings per share* (in EUR)	0.69	0.33

** after non-controlling interests*

TRADING VOLUME

Nabaltec share's average XETRA daily trading volume was 5,467 shares in 2014, slightly lower than last year's daily trading volume, 5,822 shares. A total of about 1.4 million shares were traded on XETRA in the reporting year, representing somewhat less than one half of the free float shares. Since it was first listed, the liquidity of Nabaltec share has been reinforced by a voluntary commitment from a designated sponsor. Since 2013, this function has been performed by Baader Bank Aktiengesellschaft and ODDO SEYDLER BANK AG.

Liquidity of shares supported by two designated sponsors

EARNINGS PER SHARE

Earnings per share were EUR 0.69 in 2014

Earnings per share (EPS) were EUR 0.69 in 2014 (after non-controlling interests), compared to EUR 0.33 the year before. Nabaltec AG calculates earnings per share based on the average number of shares in circulation, in accordance with IAS 33. There was no dilution in 2014.

SHAREHOLDER STRUCTURE

The majority of Nabaltec's 8,000,000 shares are still held by the Heckmann and Witzany families. As of the cutoff date, the Heckmann family held 31.56% of the company's capital stock and the Witzany family held 29.87%. The residual shares are in free float.

SHAREHOLDER STRUCTURE (in %)

ANALYSTS' RECOMMENDATIONS

Analysts issued buy recommendations

Hauck & Aufhäuser has been following Nabaltec share with research reports consistently since 2011, and published eleven studies and updates last year. Hauck & Aufhäuser issued a buy recommendation in each of its analyses, and confirmed a price target of EUR 15.00 in its last study of the year 2014, on 17 December.

Baader Bank Aktiengesellschaft has been reporting on Nabaltec routinely since 2013 and published nine studies on the share in the reporting year. A buy recommendation was issued in all of its analyses. In its study of 18 December 2014, Baader Bank Aktiengesellschaft set a price target of EUR 16.50.

Recommendations of Nabaltec share can be found online in the Investor Relations section of www.nabaltec.de, under Analysts' Recommendations.

CAPITAL MARKET COMMUNICATIONS

Intensive dialogue with the capital market

Nabaltec AG continued its intensive investor relations activities in Financial Year 2014. It took part in several investor and analyst conferences, and was represented at road shows in Germany and in other European countries, as well as at various investor conferences, such as DVFA's Small Cap Forum, held in May 2014 in Frankfurt.

Nabaltec's financial communications activities were supplemented by numerous discussions with members of the press, particularly in connection with the publication of annual and quarterly results.

Investors can find all the information they need about Nabaltec share (in the Investor Relations section) on the company's website, www.nabaltec.de, as well as additional information about the company.

BASIC DATA FOR NABALTEC SHARE

ISIN (International Security Identification Number)	DE000A0KPPR7
Share symbol	NTG
Stock exchanges	Frankfurt (Entry Standard), over the counter in Berlin, Düsseldorf, Munich, Stuttgart
Sector	Industrial
Industry group	Products & Services
Index membership	Entry Standard, Entry All Share, DAXsector All Industrial, DAXsubsector All Industrial Products & Services

Contact Investor Relations:

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Fax: +49 9431 53-260
E-mail: InvestorRelations@nabaltec.de

TOP QUALITY FROM BAVARIA FOR RELIABLE USE WORLDWIDE

WE PROVIDE SAFETY FROM THE START

PRODUCTION AND DEVELOPMENT IN GERMANY

Located in Schwandorf (Bavaria), in the Upper Palatinate, is the headquarters of Nabaltec Group, which focuses on the processing and refinement of aluminum hydroxide, aluminum oxide and other mineral raw materials into high-quality specialty products. In addition, the entire company is managed from here. Its service centers include the laboratory service, which features the latest equipment, providing substantial chemical and physical testing capacity for both production and quality control. This is where our highly qualified employees test our products to ensure safety and quality, e.g. using a scanning electron microscope or atomic emission spectroscopy.

With our own testing facility in Kelheim (Bavaria), we are optimally equipped for development activities and model production of up to several hundred tons. In Kelheim, we test and develop new products and processes before they are transferred to production sites in Schwandorf or the US, once the pilot phase is completed. This facility also allows us to efficiently execute small-scale production of specific individual qualities according to the customers' specifications.

We also have another production site in Corpus Christi (Texas, USA), and an own sales representation in Shanghai (China).

Nabaltec AG's headquarters in Schwandorf, in the Upper Palatinate

"In Kelheim, we develop new products and manufacture them on a pilot scale until they are ready for serial production. Very often, this happens in close cooperation with our customers.

In this way, we can optimally address our customers' needs and guarantee their satisfaction."

SIEGFRIED GOGL – PRODUCTION MANAGER KELHEIM
Kelheim (Germany)

WE ARE ALWAYS CLOSE TO OUR CUSTOMERS – WORLDWIDE

IN EUROPE, AMERICA AND ASIA

QUALITY LEADERSHIP IN ALL TARGET MARKETS

With origins in Germany, today, Nabaltec serves customers all over the world with products from its business divisions “Functional Fillers” and “Technical Ceramics”.

In order to meet the standard of quality leadership, a key element of Nabaltec’s corporate strategy, it is necessary to maintain an intensive and open dialogue with our customers – worldwide. With centers of demand in Europe, North America and Asia, intercultural management is of central importance for the company’s success.

Revenue growth of 20% in Asia and North America in Financial Year 2014 is clearly visible evidence of this.

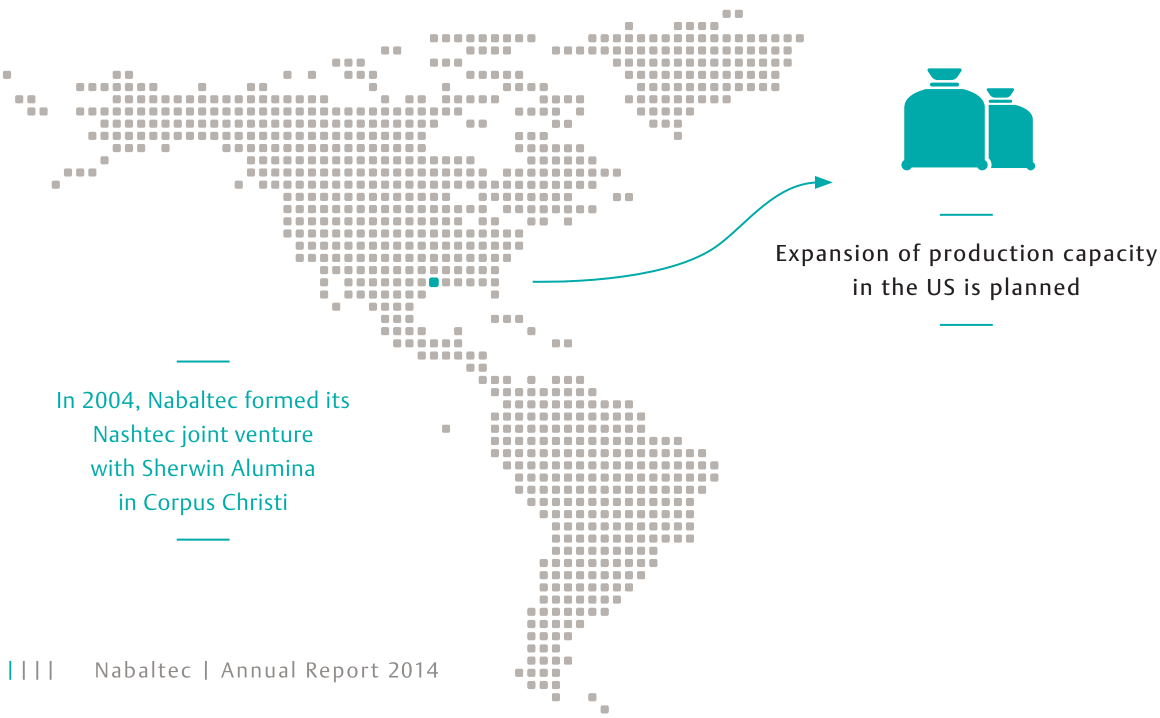
SAFETY AND ECO-FRIENDLINESS

Our customers’ products meet both local and global requirements and are subject to national and international regulations, not only as far as functionality is concerned, but also with respect to safety and environmental impact.

GROWING MARKET REQUIREMENTS

Only in direct dialogue with our customers we can offer the solutions for this purpose. We meet this target with distribution partners all over the world and offices in Asia, Europe and North America.

We confront these ever-growing requirements through active participation in national and international associations.



"When I joined Nabaltec in 2010 and being permanently located in North America, this was our next step to indicate to current customers and the market that Nabaltec is fully committed to the North American market.

We are here to stay, as local supplier, partner and member to the market and customers of North America."

KERRY SMITH – PRODUCT MANAGER NORTH AMERICA
Memphis (Tennessee, USA)

Nabaltec has been operating in the Asian market for 17 years, and has maintained its own representative office in Shanghai since 2013

Nabaltec with its own representative office in the Chinese market

DISTRIBUTION AND PRODUCTION IN THE US

A first step in the direction of a global presence was the formation of our Nashtec joint venture. After the production site was successfully commissioned in 2006, we further expanded our presence in North America. The opening of an office in Memphis, Tennessee, in 2010 was the logical consequence of the growing importance of North American customers and requirements for our company.

REPRESENTATIVE OFFICE IN SHANGHAI

In addition, we have been active in the Asian market for 17 years. Visible signs of our successful development of this market include our cooperation with Sumitomo Chemical and the opening of our new office in Shanghai in 2013. With our employee, Zhongming Xue, we are now at home in China as well.

"With an office in Shanghai, Nabaltec AG
is now much closer to the market,
to the customers, to the partners in China.

Being able to communicate within the same
time zone, speaking the same language
is certainly a huge leap in understanding."

ZHONGMING XUE – PRODUCT MANAGER CHINA
Shanghai (China)


Nabaltec

CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2014

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2014

1. DESCRIPTION OF THE BUSINESS ENTERPRISE

1.1 THE GROUP'S BUSINESS MODEL

BUSINESS OPERATIONS

Environmentally friendly and highly specialized products

Nabaltec AG develops, manufactures and distributes environmentally friendly and simultaneously highly specialized products based on mineral raw materials, in particular on the basis of aluminum hydroxide (ATH) and aluminum oxide. The Company belongs to the world's leading suppliers of functional fillers, ceramic raw material and ceramic bodies. The production capacity entails approximately 250,000 tons per annum (t.p.a.) with an export share of around 70%.

The range of applications of Nabaltec products is highly diversified:

- flame-retardant filling material for the plastics industry used e.g. for cabling in tunnels, airports, high-rises and electronic equipment
- fillers and additives that pigment and stabilize plastics and that are applied due to their catalyst features or as flame retardant in the electronics industry
- ceramic raw materials applied in the refractory industry, in technical ceramics and abrasives industry
- highly specialized ceramic raw materials for ballistics, microelectronics and ceramic filters

Outstanding growth prospects for Nabaltec products

Whenever applications require a high degree of quality, safety, environmental friendliness and product duration, Nabaltec products are always preferred. It is the combination of these important characteristics that guarantee Nabaltec products outstanding growth prospects. Particularly in the area of functional fillers, non-halogenated flame retardants, such as Nabaltec products, are increasingly replacing heavy metal containing plumbiferous, and thus environmentally hazardous, fillers. The main drivers are the globally increased environmental consciousness, comprehensive international and national regulations and the industry's self-imposed obligation. Flame protection within the plastics and cable & wire industry will continue to grow dynamically in the years to come, which is supported by recent market research results. In order to benefit from this trend disproportionately high and to gain market leadership within this segment, we have specifically expanded our production capacity for ATH-based flame-retardant fillers. Today, Nabaltec is one of the world's leading suppliers in this area.

As the world's exclusive supplier of fine precipitated aluminum hydroxide, Nabaltec has production sites in the two most important demand-driven markets in Europe and USA (i.e. in Schwandorf and Kelheim, Germany, and in Corpus Christi, USA). This permits Nabaltec to produce cost-efficiently in customer proximity and, therefore, to serve the most significant markets directly.

Also within the business division "Technical Ceramics", Nabaltec products have excellent growth potential thanks to a wide range of applications and relevant target markets. In the ceramic raw materials segment, the market for reactive alumina oxide is developing over proportionally well due to increasing refractory industry requirements. Markets for technical ceramics and the abrasive industry also continue showing solid growth.

The market for reactive alumina oxides is developing over proportionally well

Nabaltec maintains very close contacts with customers through its sales team and its technical support staff. All sales team members have specialized technical and chemical expertise, so that expert advice is guaranteed at all times. This proximity to our clients is fundamental for the concerted, client-specific design and development of our products.

CORPORATE STRUCTURE

Nabaltec, based in Schwandorf, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminum AG. In September 2006, the Company was transformed into a stock corporation and has been listed in the Entry Standard of the Frankfurt stock exchange since November 2006.

Nabaltec AG owns a 51% interest in Nashtec LLC (USA) as part of a joint venture. Its joint venture partner is Sherwin Alumina. Nabaltec AG does not have any other participations or subsidiaries.

Reflecting the characteristics of the target and buyers' markets, Nabaltec AG's operations are divided into two Company divisions, each in turn comprising of market segments, or respectively, of business units. In addition, the Company operates four service departments as profit, respectively, cost centers.

Nabaltec AG divides its operations into two business divisions

With the market segment "Environmental Engineering", Nabaltec concentrates on the development of new raw materials for alternative energy storage, electro mobility and catalysis.

BUSINESS DIVISIONS

Functional Fillers:

- Flame Retardants
- Additives
- Environmental Engineering

Technical Ceramics:

- Ceramic Raw Materials
- Ceramic Bodies

SERVICE CENTERS

- Administrative Services
- Controlling/Finance
- Technical Services
- Laboratory Services

1.2 OBJECTIVES AND STRATEGIES

For the further development of the Company, Nabaltec AG focuses on the following objectives and core strategic areas:

1. QUALITY LEADERSHIP AND A MARKET SHARE AMONG THE RESPECTIVE TOP THREE SUPPLIERS IN THE TARGET MARKETS

Nabaltec is one of the leading suppliers of flame-retardant fillers

Fire safety concerns within the plastics and cable & wire industry will continue growing dynamically in the years to come, which is supported by recent market research results by among others Roskill and Freedonia. Halogenated flame-retardant fillers will consistently be replaced by non-halogenated fillers. In order to benefit from this trend disproportionately high and to gain market leadership within this segment, we have specifically expanded our production capacity for ATH-based flame-retardant fillers. Today, Nabaltec is already one of the world's leading suppliers in this area.

In the ceramic raw materials segment, the market for reactive alumina is developing over proportionally well due to increasing refractory industry quality requirements. Markets for technical ceramics and the abrasives industry also continue showing solid growth. Nabaltec responds to this growth by further expanding its facilities for innovative products.

We are already market-leader in aluminum-oxide based readily available ceramic bodies for highly specialized applications in technical ceramics, due to amongst others the state-of-the-art production facility for granulated ceramic bodies in Schwandorf.

2. STRATEGIC POSITIONING WITHIN GROWTH MARKETS

Environmentally friendly, non-toxic and highly safe products and processing solutions are globally advancing encouraged particularly by regulatory requirements or self-imposed commitments from the industry. With an export share of around 70%, we already profit from these worldwide trends. The aim of being one of the world's top three suppliers in our own target markets goes hand in hand with the aim of being equally well represented across all global markets.

3. OPTIMIZING CUSTOMER BENEFITS BY CONTINUOUSLY IMPROVING PRODUCTION PROCESSES AND PRODUCT QUALITY

Product and process development are being continuously optimized

Through our constant exchange with our customers, the Company's product and process development activities are being continuously optimized and directed toward specific customer requirements. This does not only result in processing advantages for the customer, such as a simpler and faster fabrication, but rather also in cost advantages for Nabaltec, due to lower production and development costs. Therefore, Nabaltec continuously invests in its own technology as well as in internal research and development departments and the Company has already been collaborating with various research institutions for several years.

Optimizing processes includes efficient energy consumption as well as comprehensive environmental protection, both aspects of which represent major competitive factors. Nabaltec has taken extensive measures in order to minimize energy consumption as well as air and water pollution during operations.

4. SYSTEMATIC EXPANSION OF OUR PRODUCT RANGE

Nabaltec develops its own product portfolio along three dimensions:

- through development of new products, often in close collaboration with key customers. Examples are additives, boehmites, and abrasive oxides
- through focused quality development of existent products that meet specific customer requirements
- through further development of existing products for the expansion of their application range

Thanks to our own testing facility in Kelheim, Nabaltec disposes of optimal development and production facilities for development activities and sample production of up to several hundred tons and for new product launches.

5. FLEXIBLE AND QUICK ADAPTION OF CAPACITIES AND COST STRUCTURES THANKS TO HIGH-RESOLUTION CONTROLLING PROCESSES

Nabaltec pursues a margin oriented capacity policy

Nabaltec pursues a margin oriented capacity policy. Fluctuations in demand and changes in batch size have to be taken into account as soon as possible if production processes simultaneously should remain profitable, since the production processes in specialty chemistry can only be varied with an imminent delay. Therefore, Nabaltec has developed a highly differentiated controlling system that reacts fast; and has at its disposal the appropriate instruments so as to align costs to a large extent with fluctuations in demand and batch size.

6. SECURING FUTURE INVESTMENTS THROUGH A STRONG FINANCIAL BASE

In order to take full advantage of market potential relating to both business divisions, further investments are necessary. This investment activity is at the same time a high market entry barrier for potential new suppliers. Such as to ensure the disposal over the required investment capital, Nabaltec focuses on a broad financing basis consisting of equity, bank loans, promissory note bonds and subsidies.

1.3 CONTROLLING

Incentive scheme defines responsibilities

Nabaltec AG has implemented a companywide incentive scheme, assigning responsibilities and defining specific objectives for even the smallest units of the Company. The earnings and cost-performance accounting system is an extensive means to analyze the achievement of Company objectives. Variance analyses are available online, indicating need for action at an early stage, and promoting the leadership process through defined incentives. Variance analyses are performed for all cost centers and cost units each month.

Since 1998, the ERP software ‘Navision’ is in use by all commercial departments. The entire administration of the cost-performance accounting system, including the earnings statement, has been performed by Nabaltec on the basis of the controlling software ‘macs’ since 2003. Revenues, contribution margin, EBIT, ROCE, ROI, period of amortization and cash flows are the central key control parameters used as a basis for our business decisions.

1.4 BASIS OF THE REMUNERATION SYSTEM FOR THE GOVERNING BODIES

The remuneration of the management board and the supervisory board is specified in the Group notes.

MANAGEMENT BOARD

The management board contracts were rewritten on 14 July 2011 and amended for the last time on 3 December 2013 based on a resolution from the supervisory board. The remuneration for the board members encompasses fixed and variable components whereby the latter are relating to the annual recurring business result and are tied to the fixed annual salary with an upper ceiling. This remuneration covers all activities of the respective management board members for the company and its subsidiaries and participations.

Variable compensation system for the Management Board

The basis for the variable remuneration is calculated as follows: the consolidated profit according to IFRS before taxes and considering minority interest after deducting prior year's loss carry forward, each board member is granted a bonus of 4% of an amount exceeding the 8.33 fold of the fixed salary. The variable remuneration is restricted to 100% of the fixed salary.

As a part of and in addition to the fixed salary the management board member is entitled to benefits like car usage, accident insurance, subsidies to health care and long term care insurance as would be legally required for employees as well as continued pay for sick leave and in the event of death. In addition, upon retiring the managing board members will receive a pension amounting to 67% of their last fixed gross salary; further the bereaved spouse will be paid a widowers pension of up to 75% of the pension.

As part of a D&O insurance with an insurance coverage of up to EUR 17,500,000.00 the board members are insured up to the 1.5 fold of the respective annual fixed salary giving consideration to a 10% deductible of the damage as required by law.

SUPERVISORY BOARD

Supervisory Board remuneration was last revised in 2012

Remuneration of the supervisory board members was rewritten for the last time by resolution at the shareholder meeting on 21 June 2012. Remuneration is comprised of a fixed amount of EUR 10,000.00 annually and an attendance fee of EUR 1,000.00 per meeting whereby the chairman is entitled to the 1.5 fold of the aforementioned amounts. In case the tenure of a board member starts or ends during the fiscal year, he is entitled to the fixed remuneration on a pro rata temporis basis.

In the interest of the company, the board members are covered by this D&O insurance with an insurance coverage of up to EUR 17,500,000.00 without any deductible. The insurance premiums incurred are borne by the company.

1.5 RESEARCH & DEVELOPMENT

R&D activities play a central role for the company

Research & development activities play a central role within the context of Nabaltec AG's overall strategy. The most important element within the research & development strategy is the close collaboration and our joint development efforts with customers. In all our business divisions, the focus is clearly on offering customers superior quality and processing advantages so as to support them in securing their competitive advantage. As a leading supplier of highly specialized products, Nabaltec considers research & development to be one of our core competencies.

Close collaboration with customers is incorporated throughout all our divisions and processes. Hands-on application-oriented marketing is required to define our clients' specific needs at an early stage and to ensure that these are directly taken into account in our development activities. The same holds for client feedback regarding new product developments, but also regarding existing products. Through the technically educated sales force and its high competence, at the same time Nabaltec is also in the position to quickly identify and actively promote new trends in mature and new sales markets.

Parallel, Nabaltec has set the goal within the research & development activities of continuously optimizing their own production processes and, thereby, forming a basis for the improvement of their market position; an example of which is the optimization of energy consumption and optimizing of processes as a fundamental driver for manifold research & development projects.

Projects with research partners

Our historically grown, in-house expertise is effectively supplemented in some areas by joint projects with universities, public and private institutions, as well as research and technology companies. Research partners currently include RWTH Aachen University, Fraunhofer Institute for Structural Durability, Synthetics Department, in Darmstadt, Saechsische Textilforschungsinstitut e.V., Fraunhofer Institute for Ceramic Technologies and Systems in Dresden, and the research institute for inorganic materials – glass/ceramic in Höhr-Grenzhausen, Fraunhofer Institute for Silicate Development in Wuerzburg, German Institute for Flame Retardents and Ceramics in Höhr-Grenzhausen as well as the Study Group Fire resistant in Höhr-Grenzhausen. Additionally, Nabaltec emphasizes innovation by participating in various projects of AiF (Consortium of Industrial Research Associations) and BMWi (Federal Ministry of Economics and Technology) in both of our business divisions.

Nabaltec receives various awards for innovation strength

Nabaltec's strong commitment to research & development is expressed in receiving various national and international awards and distinctions for innovation strength. For example, the Company has already belonged seven times to Germany's top 100 innovative medium sized German companies and was distinguished several times for innovative energy.

Currently, the focus of our research & development activities lies above all in further developing and enhancing existing products and processes. The requirements are defined by the continuously changing customer and market demands. It is of utmost importance to meet these requirements all the time and thereby simultaneously expand and realign the boundaries of our own product range within our target markets.

The R&D focus on additives and boehmites in the last years will be intensively continued even after the product launch. The central focal points will be the further development of qualities as well as the identification and acquisition of new fields of operation. Not least, Nabaltec has the objective of becoming world leader in quality in both new business areas right from the start.

During fiscal year 2014, the following developments played a central role in the “Functional Fillers” business division:

Minerals based flame retardants continue to be a key growth market

The market for minerals based flame retardants still represents a considerable growth market particularly for Nabaltec’s innovative and environmentally friendly products. During 2014, growth was guaranteed by the substitution of halogenated flame retardants through non-halogenated flame retardants. In addition, through implementation of the CPR (Construction Products regulation) within the EU a further growth impulse was triggered. Through this EU-wide regulation new so far non-accessible applications for Nabaltec’s mineral products unfold. In the reporting year, central focus was placed on the consequent opening up for development of these new application areas with partially newly developed products. Especially strong emphasis was placed on the exhaust gas and waste gas corrosiveness subjects as part of CPR which are material drivers for new fields of operations and applications.

In the field of insulants for buildings isolation and in cooperation with a partner, an optimized additives/flame protection system was developed successfully which allows processors to achieve a higher process reliability. The first product releases were already obtained by the end of the year. Again the focus was placed on the subject of substituting environmentally hazardous flame protection agents.

The cooperation with Sumitomo Chemical was intensified

Cooperation with Sumitomo Chemical was further intensified during the year. Through the close connection of our strategic partner with OEMs in Japan, important momentums to further develop aluminum hydroxide and boehmites for the electrical and electronics industry were gained and implemented.

In addition, for the transportation business, Nabaltec in close cooperation with worldwide leading customers focused on the optimization of the product range for the automotive sector.

Regarding new trends in environmental engineering, Nabaltec AG is currently in the process of developing new raw materials for alternative energy storage as well as electro mobility. Furthermore, special products based on aluminum hydroxide as well as boehmite are increasingly being applied for catalysis and cleaning of waste gas emitted by automobiles.

During the reporting year, focus was placed on the following developments for the “Technical Ceramics” business division:

As part of the development of the NABALOX® product segment, activities focused on consistently advancing abrasives already established in the market. In close cooperation with our customers their special requirements were considered and specific solutions were worked out and implemented. Further special attention was placed on developing new softly calcined aluminum hydroxides used especially in the high value abrasives area. In order to prepare for the large scale industrial market entry, research was conducted at customers and approvals were obtained. A respective technical facility was installed on the Nabaltec premises. Also the development technology related assistance when placing the new facility into service was a major focus of the development activity. As expected, beyond the target market the potential of the new products could be demonstrated in other applications.

The application of reactive aluminum oxides by Nabaltec lies mainly in the refractory industry, where the products already today significantly contribute to the production of higher performance monolithic and formed products. As a result of continuing research for product improvement a new quality to supplement the portfolio could be introduced into the market.

Reactive aluminum oxides are used mainly in the refractory industry

Additionally, comprehensive technical application research as part of the project to develop new reactive aluminum oxides with a different scope of application was almost concluded. A first product as part of a pilot project was manufactured and introduced into the market.

A new type of product line with completely new application features for the production of high refractory concretes was developed. The new product group was filed with the patent office. The brand name NABACAST® was registered.

In order to expand the application range of SYMULOX® M 72 and M 85, new projects with several partners were started. The first field introductions of the products were carried out in the steel industry, a market area so far untypical for sintered mullite.

On the basis of an in depth assessment of the market and closest cooperation with our customers, several specific developments were carried out for our customers in the area of the GRANALOX® product range. In addition to these customer specific developments, a project to manufacture ceramics with regard to optimized strength was processed successfully.

Within the scope of an AiF-project, development continued in the areas of characterization and optimization of technological processing characteristics of spray granulated aluminum oxides. In this context, various testing materials for external research were provided. Any optimization potential derived is to be transferred to the GRANALOX® product range of Nabaltec.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

After only a rather moderate increase in world production of 3.1% and 2.9% was realized already in 2012 and 2013, respectively, according to the Kiel Institute for the World Economy (IfW) for 2014 an increase of 3.4% was recorded, a lower growth than still expected a year ago. This was caused by unfavorable financing conditions in emerging nations, an economic downturn in Japan as well as weather related losses in the USA. After a subdued growth of the global gross domestic product in the first half of the year, the third quarter showed a noticeable gain. The third quarter in the USA resumed strongly as the total GDP for 2014 increased by 2.2% after prior year's 1.6%. In China an increase of the GDP of 7.4% came in lower than in the previous year with 7.7%, while the economy in India accelerated more pronounced by 5.9% (PY 4.7%). The business activity in the EURO zone again increased only slightly during the summer months after the beginning recovery in the spring had come to a halt. The growth in GDP for the EURO zone increased by 0.8%, more weakly than projected a year ago, but compared to prior year (2013: –0.4%) it was able to recover somewhat.

Global production was up 3.4% in 2014

The German economy proved to be stable on average during 2014

The German economy could assert itself in a difficult worldwide environment and on average during 2014 proved to be stable. After a dynamic beginning of the year followed by a weak summer phase, the economic situation stabilized towards the end of the year. According to the Federal Bureau of Statistics, the German economy's price adjusted GDP increased by 1.6% after 0.1% in the previous year 2013 and thus remained above the average of the last ten years of 1.2%. The usage side of the GDP showed the consumption to be the most important growth motor of the economy but capital expenditures also grew. As both exports and imports grew by 3.7% respectively 2.0% compared to the previous year and reached new record levels, the export business rendered a positive contribution to the GDP growth in 2014.

2.1.2 INDUSTRY DEVELOPMENT

Revenues in the German chemicals industry were up 1.5% in 2014

In 2014, after a changing economic development, total revenue in the German chemical industry remained below expectations. With a cautious rise in demand and slightly lower prices (–1.0%) total sales could be expanded by 1.5% to EUR 193.6 billion (source: German chemical industry association VCI – Verband der Chemischen Industrie e.V.).

Domestic sales of the German chemical industry in comparison to the previous year rose by 2% to EUR 77.8 billion. Total exports grew by 1.0% to EUR 115.8 billion. Business with NAFTA-countries ("North American free trade Agreement") could be expanded strongly (+5.5%). Especially sales with pharmaceuticals contributed positive impulses. Exports to European countries posted slight gains (+1.0%). Despite the Crimean crisis, in conclusion sales with east European countries developed positively (+2.0) as only 4.0% of German chemical exports go to Russia and Ukraine. After a slight increase in investments in the previous year by the chemical industry, funds again increased in 2014 for capital expenditures for property, plant & equipment. Domestic investments of EUR 7 billion were higher by 2% than in the previous year; of which half was related to production capacity extensions.

The long-term trend of increasing demand remains intact

The long term trend of increasing demand for non-halogenated, flame-retardant fillers and in particular aluminum hydroxide is still intact. Independent forecasts assume an annual increase in worldwide demand of 6.7% till 2021 (on the basis of ATH, source: Freedonia). Market growth is especially stimulated by the growing public consciousness regarding fire safety as well as the ongoing replacement of potentially hazardous flame retardants with environmentally friendly, halogen-free aluminum hydroxide. This development specifically affects the business line fine precipitated aluminum hydroxide. In every quarter in 2014, Nabaltec could set forth the already very positive development of the prior year and achieve a new record regarding the production of fine precipitated aluminum hydroxide. According to Nabaltec AG, the prospects remain good regarding environmentally friendly additives in plastic production as well as regarding boehmite with its numerous applications.

In the special aluminum oxide and reactive aluminum oxide segments, the refractory market is influenced by the demand within the steel industry which in 2014 could increase again but still remains on a low level. Nabaltec was able to withstand the low demand from the steel industry by diversification of industry business lines and above average development of strong value adding products. Market experts also continue to expect an annual growth of around 3% for refractory products and technical ceramics (source: Roskill).

2.2 COURSE OF BUSINESS

Nabaltec was able to continue its very strong performance from the year before in 2014

In the fiscal year 2014, Nabaltec AG could tie into the already good development of the previous year and achieve improvements with the most important financial key numbers. During the year, sales stability developed on a high level and in all quarters exceeded the comparable numbers of the prior year. In total, 2014 revenues increased by 7.8% to EUR 143.3 million while the operating profit (EBIT) increased by 21.0% to EUR 12.7 million (2013: EUR 10.5 million). With a plus of 109.1% earnings per share could be doubled to EUR 0.69 (2013: EUR 0.33). Equity grew by 4.2% to EUR 52.5 million (2013: EUR 50.4 million).

The communicated revenue and earnings forecast for the financial year 2014 were exceeded. This was based on the disproportional volume growth in combination with the increase of strong value adding products.

According to Management, Nabaltec AG's market position was further improved in 2014. The respective numbers of leading positions amongst the top 3 in the relevant target markets were either confirmed or improved.

Through all four quarters Nabaltec AG recorded solid growth. With its product range and the reputation built up over years, Nabaltec is optimally equipped for a continued successful financial year 2015.

2.3 OVERVIEW OF THE COURSE OF BUSINESS AT NABALTEC AG

2.3.1 DEVELOPMENT OF REVENUE

Nabaltec Group realized sales revenue of EUR 143.3 million in 2014, and therefore exceeded prior year's level by a strong plus of 7.8% (2013: EUR 132.9 million). Direct exchange rate effects played a subordinated role in the development of revenues in 2014. Turnover volume across all business areas increased significantly by 9.0%. The export share increased to 71.6% from 69.2% in 2013.

All four quarters equally contributed to the good sales development

All four quarters equally contributed to the good sales development. The first quarter of 2014 with sales of EUR 36.8 million exceeded prior year's very strong first quarter. With sales of EUR 36.2 million, the second quarter also came in higher than the comparable number. In the second half of the year third quarter's EUR 36.5 million and fourth quarter's EUR 33.8 million again significantly exceeded the 2013 numbers.

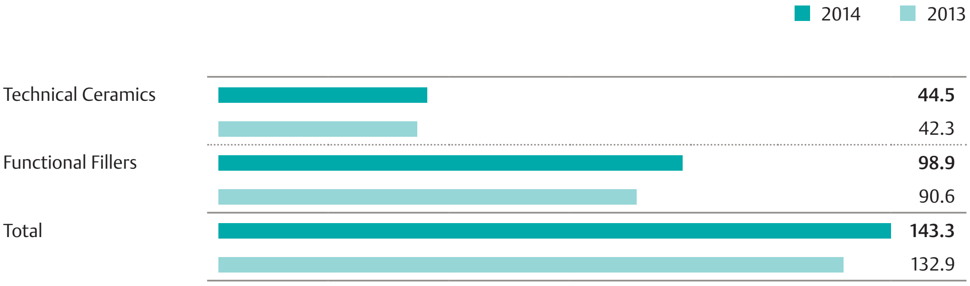
Throughout the year, orders amounted to EUR 151.2 million in total. As a result and compared to last year, a plus of 15% was gained. Nabaltec ended the financial year 2014 with an order backlog of EUR 22.5 million.

The business division "Functional Fillers" increased its revenues in 2014 from EUR 90.6 million to EUR 98.9 million, an increase of 9.2% compared to prior year. This strength in growth and profitability is significantly based on an increase in sales quantity as well as a continued stronger concentration on value adding product areas.

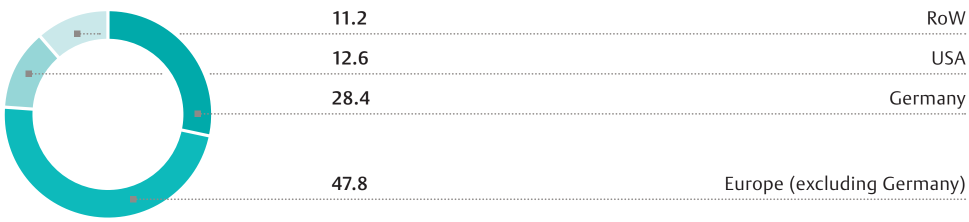
The US subsidiary, Nashtec, could further brace her market position and support the Group's profit.

The business division "Technical Ceramics" due to increased sales volume achieved revenues of EUR 44.5 million compared to EUR 42.3 million in prior year, an increase of 5.2%.

REVENUE BY BUSINESS DIVISION IN 2014 (in EUR million)



REVENUE BY REGION 2014 (in %)



Total performance was up 6.5% in 2014

Nabaltec Group's total performance increased in 2014 by 6.5% from EUR 134.3 million to EUR 143.0 million. This is mainly due to sales increases in combination with only a low decrease in the level of finished goods and work in progress. Capitalized internally generated assets amounted to EUR 0.4 million.

Other operating income of EUR 2.6 million primarily consists of exchange rate gains and other income from goods and services delivered to third parties. Compared to previous year, other operating income increased by EUR 1.3 million, mainly due to higher translation gains from EUR/USD.

OPERATIONAL EXPENSE RATIOS COMPARED TO TOTAL PERFORMANCE (in %)

	2014	2013
Cost of materials	52.5	51.8
Personnel expenses	17.8	16.8
Other operating expenses	15.9	17.7

Cost-of-materials-ratio increased slightly, by 0.7 percentage points

Compared to prior year, the cost-of-materials-ratio (compared to total performance) slightly rose by 0.7 percentage points to 52.5%. In 2014, the gross profit margin (compared to total performance) remained almost unchanged with 49.2% compared to prior year's level of 49.1%. In absolute terms, gross profit exceeded the prior year with EUR 70.4 million by EUR 4.4 million in the reporting period and EUR 66.0 million in 2013.

In 2014, the personnel-expenses-ratio (compared to total performance) of 17.8% increased from the prior year level of 16.8%. Included are the effects of a tariff increase, the cancellation of the 2013 pay cut and an increase of the number of employees from 415 per 31 December 2013 to 424 per 31 December 2014.

Other operating expenses decreased from EUR 23.8 million to EUR 22.7 million. The expense-ratio (compared to total performance) significantly improved from 17.7% to 15.9%. While the distribution-costs-ratio and the cost-ratio relating to sales agent commissions mainly remained stable, rent and leasing expenses were materially lower than last year. In addition, decreasing expenses for external services and repair services were noted.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 13.1% from EUR 19.8 million to EUR 22.4 million. This is mainly due to the increased total performance and by the business division "Functional Fillers" contributing with its further expansion of value adding products.

Taking into account the scheduled depreciation/amortization in the financial year 2014 in the amount of EUR 9.7 million, the operating result (EBIT) amounts to EUR 12.7 million compared to EUR 10.5 million in prior year. Similarly to the effect on EBITDA, this development was due to the upward trend in the overall performance as well as the significant increase in the business division "Functional Fillers".

EBIT (in EUR million)

EBT up to EUR 8.5 million in 2014

Earnings before tax (EBT) amounted to EUR 8.5 million (2013: EUR 4.7 million). This includes the financial result 2014 of EUR –4.2 million, consisting of EUR 4.3 million interest expenses and EUR 0.2 million interest income. Last year's financial result was EUR –5.9 million. The improvement in the business year is mainly due to lower interest expense caused by the conversion of corporate bonds into promissory note bonds in the fourth quarter 2013 as well as the scheduled redemption of existing loans.

Tax expense of EUR 2.5 million was incurred in the 2014 business year (2013: EUR 0.9 million) including deferred taxes of EUR 0.6 million (2013 EUR 0.4 million).

Group earnings after non-controlling interests amounted to EUR 5.5 million (2013: EUR 2.6 million). Earnings per share increased from EUR 0.33 in 2013 to EUR 0.69 in the reporting period.

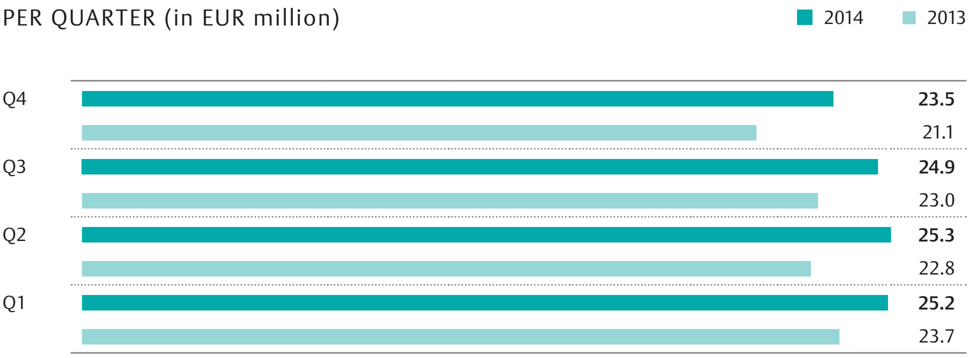
Segment report: Developments within the business divisions

FUNCTIONAL FILLERS (in EUR million)	2014	2013
Revenue	98.9	90.6
EBITDA	17.4	13.4
EBIT	10.5	6.7
Investments	5.3	2.4

The underlying market drivers for Nabaltec products were fully intact in 2014

In 2014, revenue increased by 9.2% in the business division "Functional Fillers". The setting forth of the excellent development in previous years proves that, also in 2014, the underlying market drivers for Nabaltec products are fully intact and the Company has extraordinary prospects. Globally, non-halogenated, flame-retardant fillers continue to be on the rise due to their environmental friendliness and are increasingly crowding out halogenated alternatives currently used.

REVENUE BUSINESS DIVISION "FUNCTIONAL FILLERS" PER QUARTER (in EUR million)



EBITDA in the business division "Functional Fillers" improved by 29.9%

Based on EBITDA, the business division "Functional Fillers" improved by 29.9% in the reporting period from EUR 13.4 million to EUR 17.4 million. Determining factors were an increased sales volume compared to prior year and improvements in the product mix.

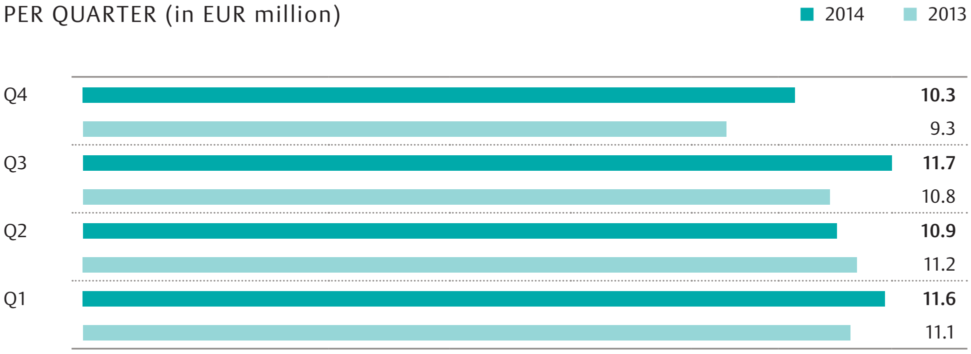
Approximately 65% of total investments of Nabaltec Group went into the "Functional Fillers" business division, mainly for process optimization, which as a result was the investment focus in the Nabaltec Group in 2014.

TECHNICAL CERAMICS (in EUR million)	2014	2013
Revenue	44.5	42.3
EBITDA	4.9	6.4
EBIT	2.2	3.8
Investments	2.8	3.4

In the reporting period, revenue increased by 5.2% from EUR 43.2 million to EUR 44.5 million in the business division "Technical Ceramics". Due to shifts in the product mix and despite increased sales volume, only a slight sales increase could be recorded.

Revenues in the business division "Technical Ceramics" were up 5.2%

REVENUE BUSINESS DIVISION "TECHNICAL CERAMICS"
PER QUARTER (in EUR million)



Based on EBITDA, earnings development in the business division "Technical Ceramics", decreased compared to prior year by 23.4% from EUR 6.4 million to EUR 4.9 million.

Approximately 35% of total capital expenditures went into the business division "Technical Ceramics", mainly for the enlarging of capacities of value adding products and the optimization of production processes.

2.3.2 FINANCIAL POSITION

The financial management directly reports to the Management Board and is responsible for, concentrating on managing Nabaltec's capital structure, cash flow management, interest rate as well as currency hedging and fundraising. The US subsidiary, Nashtec, is integrated in the Group's liquidity management.

Thanks to our own production in the USA by our subsidiary, Nashtec, Nabaltec was able to mainly eliminate exchange rate effects derived from fluctuations between US dollar and EURO. Nabaltec pursues a thorough currency hedging policy regarding any exceeding exchange rate risks, should market volatility or the volume of business transactions denominated in foreign currency require such measures.

Exchange rate fluctuations are mainly neutralized

Up to the balance sheet date, Nashtec was provided EUR 8.5 million (2013: EUR 7.8 million) in liquid funds. Interest rates and contract terms correspond to those standards used for middle-sized enterprises. In the case of debt financing with variable interest, Nabaltec from case to case avails itself of various interest rate hedging instruments with a middle and longer term fixed interest period (e.g. interest swaps).

Nabaltec has a balanced debt financing structure

Financing needs for Nabaltec's growth as well as for making its investments is primarily secured through long term bank loans and through promissory note bonds. Therefore, Nabaltec has at its disposal a balanced debt financing structure. Subsidies for EUR 4.15 million from the government of Upper Palatinate for investment projects were approved of which EUR 3.15 million were disbursed in 2013.

2.3.2.1 CAPITAL STRUCTURE

Equity ratio climbed to 29.3% in 2014

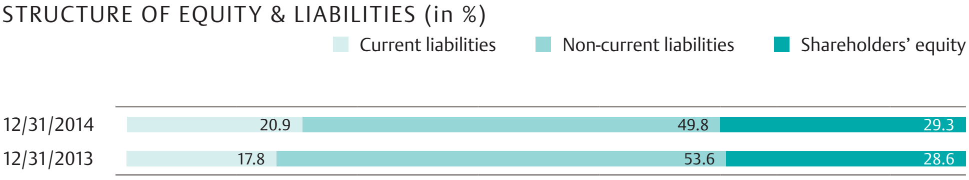
Shareholders' equity in the Group increased from EUR 50.4 million to EUR 52.5 million as of 31 December 2014. The increase is attributable to the income development in 2014. The equity ratio slightly increased from 28.6% to 29.3%. This capital base can continue to be considered as sound compared to the industry.

Non-current liabilities decreased to EUR 89.0 million

Non-current liabilities decreased in the reporting period from EUR 94.5 million to EUR 89.0 million. This includes promissory note bonds of EUR 49.7 million as well as long-term bank loans of EUR 11.7 million. Long-term payables to banks decreased by EUR 9.2 million. Due to the interest rate development, the retirement benefit obligation in 2014 increased by EUR 6.4 million to EUR 25.3 million.

In the reporting period, mainly due to higher other liabilities, current liabilities increased from EUR 31.4 million to EUR 37.4 million.

STRUCTURE OF EQUITY & LIABILITIES (in %)



Other off-balance sheet financing instruments

Nabaltec to a minor degree has entered leasing contracts with a duration of up to five years. Furthermore, Nabaltec continuously uses factoring in connection with trade receivables, also to minimize potential default risks. Nabaltec Group does not use any other financial engineering instruments.

2.3.2.2 INVESTMENTS

Nabaltec invested a total amount of EUR 8.0 million in 2014

In the reporting period, the Nabaltec Group invested a total amount of EUR 8.0 million compared to prior year's EUR 5.8 million (net of offsetting the portion of the investment grant). Investments were in particular focused on the further optimization of processes in both business divisions and the addition to capacity for strongly value adding products in the "Technical Ceramics" business division.

2.3.2.3 CASH FLOW

Net cash generated by operating activities at Nabaltec Group increased compared to prior year by 62.0% to EUR 20.9 million (2013: EUR 12.9 million). An increase in trade payables and other liabilities of EUR 4.4 million compares to higher stock levels of EUR 1.3 million and increase in trade receivables and other assets of EUR 3.5 million.

Net cash used in investing activities amounted to EUR –10.0 million in the reporting period (net of EUR 3.2 million new investment subsidies received) as compared to prior year: EUR –2.6 million.

Net cash used in financing activities amounted to EUR –13.8 million in 2014 (2013: EUR 5.2 million). In addition to a dividend distribution of EUR 0.48 million, the scheduled redemption of finance loans in current year amounted to EUR 10.0 million. Paid interest could be reduced from EUR 4.6 million to EUR 3.4 million in the reporting period.

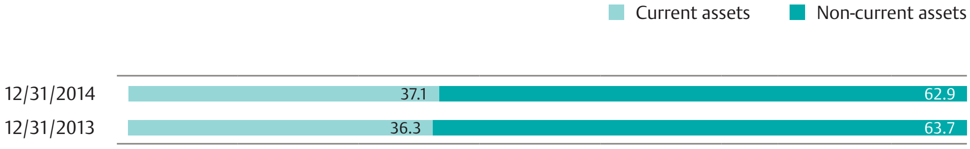
Net cash used in financing activities was EUR –13.8 million in 2014

At 31 December 2014, Nabaltec Group's financial funds which are the sum of total cash and cash equivalents amounted to EUR 27.2 million compared to EUR 29.7 million in prior year.

2.3.2.4 NET ASSETS

Nabaltec Group's total assets increased as at 31 December 2014 from EUR 176.3 million to EUR 178.8 million.

STRUCTURE OF ASSETS (in %)



As part of assets, additions to property, plant and equipment of EUR 7.8 million compared to depreciation of EUR 9.6 million. In total, fixed assets of EUR 112.0 million remained at prior year's level (2013: EUR 111.8 million). The sum of the non-current assets in the amount of EUR 112.5 million encompasses a deferred tax asset arising from the joint venture, Nashtec, amounting to EUR 0.1 million. Non-current assets amounted to 62.9% of the balance sheet total as per 31 December 2014; current assets amounted to 37.1%.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 FINANCIAL PERFORMANCE INDICATORS

In addition to the performance figures of Nabaltec AG already published in the financial report (see sections 2.2 Course of the Business and 2.3 Overview of the Course of Business), the following financial performance indicators to manage the Group are used. This internal controlling and management system enables the Company to pursue value-based management of the Group.

Significant profitability figures at Nabaltec AG:

RETURN ON SALES AND CAPITAL (in %)	2014	2013
Return on equity	11.6	7.3
Return on Capital Employed (ROCE)	9.6	7.9

Return on equity was 11.6% in the reporting year

Return on equity, consisting of the ratio of Group profit to equity, amounted to 11.6% in the reporting period and was therefore significantly above the prior year value of 7.3%. Reason for this is the increase in the annual result.

Return on Capital Employed (ROCE) compares EBIT to capital employed (non-current assets + working capital). In the reporting period, this figure amounted to 9.6% after 7.9% in prior year.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

Employees

The trainee ratio in 2014 was 11.8%

At the end of 2014, Nabaltec Group employed in total 424 employees (31 December 2013: 415). Thereof 422 were employed in Germany (31 December 2013: 413). This figure includes 50 apprentices (31 December 2013: 46). Nabaltec sets a high value on sound professional training. Therefore, also in 2014, the rate of apprentices of 11.8% traditionally represented a remarkably large portion of the workforce. This rate was higher in comparison to prior year and also exceeded the industry average significantly. Nabaltec's apprentices regularly belong to the best of their class. The Company currently has vacancies relating to training positions for male or female industrial clerks, IT clerks, chemical laboratory technicians, chemists, electrical mechanics specialists and industrial mechanics specialists.

Nabaltec is regularly among the 100 best employers among German mid-size companies

Nabaltec AG regularly belongs to the 100 best employers in the German middle market, according to the national multi-sector company comparison 'TOP JOB'. Such distinctions which Nabaltec received for the third time in 2012, indicate how seriously the Company takes its responsibility towards its employees. Nabaltec's central concern is to offer its employees company-internal perspectives and opportunities for further development in order to enhance and strengthen the employees' corporate identity, commitment and involvement.

Customer Relations

During and especially subsequent to the economic crisis, Nabaltec could again strengthen and clearly parlay its own market standing. Imperative arguments in collaboration with customers are proven delivery reliability and quality consistency. Nabaltec has demonstrated that it is a very reliable partner for long term and trusting collaboration. These attributes pose an important competitive advantage in the current market environment.

Also, due to the consequent development of our consulting expertise in technical and personnel investments for R&D, Nabaltec excels as a competent and potent supplier.

In order to secure a 360 degree access to markets and technologies, Nabaltec is engaged in several European associations. In addition to the two Cefic-professional groups pinfa and EPSA, Nabaltec is also involved with the Research Foundation Plastics e.V. In the USA, Nabaltec is involved in the pinfa North America and HDPUG (High Density Packaging User Group). Through these engagements, very early larger trends in the main sales markets "ceramics" and "flame retardants" become accessible on a global scale and enable Nabaltec to react early on.

Nabaltec products are specially designed to meet customers' needs

Prerequisite for Nabaltec's market success are products of the ongoing highest quality, developed, optimized and delivered in need-based numbers of units over a long period of time based on specific customer needs. The Company's products are continuously geared so as to help our customers make safer, environmentally friendlier, more robust and competitive products and simultaneously optimize customer production processes. Therefore, joint development projects as well as business relations result in long term supply contracts and sustainable co-operations. Particularly regarding to new products, Nabaltec often has to go through a long and thorough release-process with customers. In most cases, the successful conclusion results in long term supply agreements on the basis of reliable conditions and quantities.

Management Systems

In order to promote safety-consciousness among all of our employees and to simplify implementation of statutory and workmen's compensation board requirements, the Company already decided in 2007, in addition to its existing quality and environmental management systems in accordance with ISO 9001, respectively, ISO 14001, to also introduce a health and safety management system in compliance with BS OHSAS 18001 (British Standard Occupational Health and Safety Assessment Series). In 2014, a recurring monitoring audit of the existing management systems based on ISO 9001 and ISO 14001 and OHSAS 18001 was performed in the Schwandorf and Kelheim locations. On the site in Corpus Christi, the quality management system (ISO 9001) was also successfully reaudited.

Nabaltec introduced a certified energy management system in 2010

In order to effectively meet the requirements of a continuously changing energy market, Nabaltec AG already introduced a certified energy management system in 2010. 2014, a recurring audit of ISO 50001 took place. Furthermore, Nabaltec received an award for the participation in a project promoted by the LfU (Bavarian Environmental Protection Agency) titled: "From environmental management to sustainable management."

Environmental Protection

Nabaltec requires its own products to significantly contribute to environmental protection and to the improvement of the eco balance of a multitude of products. The increasing significance of environmental protection is one of the most important drivers for the global market success of Nabaltec products. For instance, they replace heavy metal-based additives, such as lead, and halogenated flame retardant components, such as bromine, in plastics. In this respect, it is of central importance that R&D, production as well as up and downstream logistics are conducted as environmentally friendly as possible. The conservation of natural resources is of central concern for Nabaltec and a prerequisite for the social acceptance of the Company. Nabaltec AG actively accepts responsibility for the environment; a commitment that extends well beyond its own sites. An example thereof is the reduction in water usage taken from the Naab river. Water usage increased by 16% compared to 2013; however, in total we remained below the 2011 level of water usage. The production expansion and the increased quality demands led to a higher water usage. Through many small improvements in the processes, we could maintain stable specific usage.

Nabaltec is especially focused on optimizing energy processes

As in prior years, special emphasis was placed on optimizing energy processes in production, also as a means of cutting costs. Also in 2014, this area was invested in. Through joint efforts with external partners, Nabaltec developed techniques requiring much less process energy, leading to a substantial reduction in CO_2 emissions. Participating in the task force energy management of “Bayern Innovativ GmbH” was extended until 2016. The goal is to transfer and receive innovations relating to continuous improvement processes to and from other enterprises. In collaboration with the refuse utilization association in Schwandorf, an essential part of Nabaltec’s energy needs are covered by renewable energy.

CAHC facility operates entirely without any production wastewater

In general, we endeavor to develop production processes with a closed-circuit for all production facilities. One of the milestones in this regard is the CAHC facility in Schwandorf that operates entirely without any production wastewater and has a closed water circuit. Also, regarding the handling of chemicals, e.g. sodium hydroxide solution, which is required for the production of fine hydroxide, it is consequently sought to prevent the dispersion thereof into the environment. Rather, we ensure that such chemicals can be completely used for the re-employment in an entirely closed production cycle.

Capital Market

Since the initial public offering in 2006, Nabaltec has an intact access to the capital market. This is proven by the bond offering in 2010 as well as the promissory note bond in 2013. This market access, maintained by transparent and reliable communication at all times, secures Nabaltec a balanced and largely independent means of financing, which is also perceived positively by the sales market.

3. REPORT ON SUBSEQUENT EVENTS

No further events that have a significant impact on Nabaltec Group’s net assets, financial position or earnings capacity and that would have to be disclosed occurred subsequent to the balance sheet date 31 December 2014.

4. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

4.1 OUTLOOK

OVERALL STATEMENT ON THE PROSPECTIVE DEVELOPMENT

For its own products, Nabaltec also foresees intact sales markets across the board in 2015, as well as stable demand, if the environment does not change fundamentally. The Company has taken a top international position within its markets. Thanks to the further expansion of its market position in 2014 and the reputation built up over a longer period, Nabaltec sees good future prospects for its own key products.

Nabaltec expects intact sales markets and stable demand in 2015

ECONOMIC AND INDUSTRY DEVELOPMENT

The Kiel Institute for the World Economy (IfW) expects the global GDP to grow by 3.7% in 2015. Growth in Asia (excluding Japan) is expected to be overproportional at 6.6%, while a plus of 3.2% is expected in the USA. As per the IfW, especially for the advanced economies a higher increase is foreseeable in the next two years. The expansive monetary policy and incentives provided by the oil prices bear fruit considering the continuing debt relief processes within the private sector.

For the EURO zone, after a decline of 0.8% in 2014, IfW anticipates an increase in economic performance of 1.2%. The EUROFRAME Group experts expect a somewhat improved GDP of 1.5% for 2015. A worsening of the crisis in Greece or the Ukraine conflict could thwart the economic recovery for a longer period.

For the EURO zone, IfW expects an increase in economic performance of 1.2%

IfW foresees the German economy to grow slightly by 1.7% in 2015. Deutsche Bank (DB) somewhat more discreet anticipates a plus of 1.0%, while assuming that economic growth after a weak winter half year 2014/2015 will strengthen again in the rest of the year.

GDP GROWTH FORECAST (in % compared to prior year)	2015	2016
World	3.7	3.9
USA	3.2	3.5
EURO zone	1.2	1.5
Germany	1.7	1.9
France	0.7	1.1
Italy	0.3	1.0
Great Britain	2.9	2.6
Japan	0.8	1.2
China	7.0	6.7
India	6.5	6.5

Source: IfW, “Weltkonjunktur im Winter 2014”, 17 December 2014

VCI expects chemicals production to grow by 1.5% in 2015

After the chemical industry in 2014 significantly increased its domestic sales volume compared to last year, VCI (Verband der Chemischen Industrie e.V.) cautiously expects a moderate upward trend in looking ahead to 2015. For the current year, the German chemical industry association (VCI) expects a 1.5% increase in chemical production. Despite slightly lower manufacturing prices (–0.5%), industry sales could rise by 1.5% to EUR 196 billion. Thereby the chemical industry association assumes foreign demand (+1.5%) to grow stronger than domestically (+1.0%).

The prospects in the key target markets are quite positive

In Nabaltec's opinion, the prospects in the most important target markets are quite positive. The fundamental drivers, however, are still intact and ensure constant impulses. Political requirements globally result in additional stimuli for environmentally friendly flame retardants. The German and European construction industry as well as the automotive industry continue to appear rather stable respectively present slightly growing volume numbers. In 2014, the consumer electronics sector has clearly remained behind expectations; the principle market drivers and triggers have remained intact and provide for constant impulses in 2015. Particularly, this holds for so called "green electronic" of renowned manufacturers, who increasingly place value on environmentally friendly components. The cable industry benefits from temporary booms, e.g. the expansion of the electricity network, specifically through the connection of locally generated renewable energy, such as wind and solar power. The cable industry will therefore increasingly demand high-quality, halogen-free, flame-retardant solutions – Nabaltec AG's domain.

OUTLOOK ON THE COURSE OF BUSINESS

For 2015, Nabaltec sets its sight firmly on renewed growth. The start in 2015 set off positively. The increase in revenue shall primarily be achieved via growth in quantities in combination with a moderate price increase and growth in higher value-added products. Nevertheless, the economic development during the course of the year still has to be awaited.

Order back-log per 31 December 2014 amounted to EUR 22.5 million.

In the business division "Functional Fillers", the product range relating to fine hydroxide will continue to be by far the most significant product line in 2015, with good growth prospects at the same time. The growth drivers remain unchanged and intact, particularly in the areas in which the substitution of applied halogenated material is the focus. For 2015, Nabaltec also expects triggers from the product ranges relating to boehmite and CAHC. Based on the opinion of the Company and on the basis of customer reaction, the prospects remain increasingly positive.

Assuming the continued recovery of the steel industry, we foresee a continuing positive development in business division "Technical Ceramics".

EXPECTED EARNINGS, NET ASSETS AND FINANCIAL POSITION

Nabaltec expects revenue growth in the mid-single digits

Considering that the economic development will continue to stabilize, for 2015 Nabaltec expects revenue growth in the mid-single-digit percentage range. The Company for 2015 expects an operating result (EBIT) with a margin in line with prior year level. To ensure the further stabilization and improvement of earning power, a stringent cost management in all areas is in place.

Capital expenditures for 2015 are expected to again increase compared to the prior year level. Investment priority lies in the expansion of capacities for fine hydroxites in the USA as well as the further optimization of processes and infrastructure.

The financial result in 2015 shall continue to improve compared to prior year. Nabaltec will redeem payables as scheduled in the amount of approximately EUR 10 million.

NOTE WITH RESPECT TO UNCERTAINTIES IN THE OUTLOOK

Actual developments may deviate from the forecast

The statements and information with respect to future developments stated above are based on current expectations as well as certain assumptions. They therefore involve several risks and uncertainties. A large number of factors, a significant part of which is not under Nabaltec Group's control, affect future sales and earnings. As a result, actual results may deviate from the statements and forecasts made in this report.

4.2 RISKS AND OPPORTUNITIES REPORT

SALES MARKET

The international economic crisis 2008/2009 showed that a corresponding shock in demand can have far-reaching consequences, also in Nabaltec AG's target markets. In spite of a more flexible and adjustments within the cost structure and capacities, such high fluctuations in demand can implicate noticeable quantity and margin risks. Additional sales risks include the potential loss of significant key accounts, loss of market share due to technological innovation or the advancing of competitors. Due to Nabaltec's strong market position as innovation and quality leader as well as the continuous monitoring of target markets, such risks can be confined and the corresponding market mechanisms can, at the same time, be used as an opportunity within global competition.

PROCUREMENT MARKET

Supply of key media is secured through long-term contracts

Nabaltec monitors its suppliers' economic situation very closely and deliberately builds up alternatives for all products. For the procurement of raw materials, Nabaltec operates on the basis of medium and long term contracts. The supply of the most important media, electricity, gas and vapor for the production process is also secured by long term agreements. The accrediting of the energy management system in accordance with ISO 50001 supports these efforts. In addition, permanent efforts are being made to optimize production processes in order to reduce the specific energy usage. An additional risk is the more disproportional increase in logistics costs. On the one hand, Nabaltec can counter this risk by passing on logistics costs to customers, and on the other hand, by finding a balanced logistics mix. For example, we dispose of our own railway siding, which makes transport per rail very attractive.

FINANCIAL MARKET

Swaps are used as interest rate hedges

If necessary, exchange rate risks are specifically restricted by hedging instruments covering risks arising from US dollar exposure. In the case of medium term financing, interest risks are hedged by swaps or credit agreements with fixed interest rates are entered into. Nabaltec AG as well as her US subsidiary have at their disposal a detailed financial and liquidity budget which is monitored periodically by a target-actual comparison. If additional liquidity is deemed necessary, the appropriate financing measures are initiated. Interest rate fluctuations are partially covered by hedge instruments. Credit agreements of Nabaltec AG are partially subject to covenants that are, among others, oriented toward leverage coverage ratios as well as equity ratio. In the case of non-compliance, the lender is eligible to increase the interest margin or make use of his extraordinary right to terminate the contract. In the reporting period, covenants valid as at 31 December 2014 were not violated.

Factoring contributed towards financing a majority of the receivables.

PERSONNEL

Intensive training/education and management trainee programs

Particularly the fluctuation of employees in key positions gives rise to personnel risks. Nabaltec responds to these risks through various measures: intensive training/education and management trainee programs to enhance the qualification of employees, performance-based remuneration, employee substitution arrangements that govern the temporary replacement of key employees, and early advance plans for successors. Furthermore, the Company offers good career prospects and advancement possibilities. Our market position, the earned reputation in the industry, the high degree of reliability and the well-known focus in our R&D activities contribute toward making Nabaltec an attractive employer within its own market segments and region.

PRODUCTION, PROCESS AND IT

Production-specific risks are limited and manageable

Nabaltec disposes of an integrated quality management system with ISO 9001 accreditation that is put to practice companywide. Therefore, Nabaltec considers the production-specific risks clear and manageable. Regarding IT applications that are critical for the business, Nabaltec AG relies on standard programs and the redundant design of high-quality hardware. Through regular verification of the access structure, data protection is guaranteed; data security is based on appropriate, well-established procedures. Compliance with the data protection directive which is based on the most recent legal framework is guaranteed at all times within the Company and is additionally monitored by an external data protection official.

ENVIRONMENTAL PROTECTION

Environmental risks can arise from the transgression of admissible thresholds for noise and dust exposure or through the emission of hazardous substances. Nabaltec counters these risks by means of extensive environmental management based on ISO 14001, which is accredited and is periodically further developed and audited. Nabaltec's production processes are based on closed circuits, e.g. for water and lye.

TECHNOLOGICAL DEVELOPMENT

Potential technological risks could result from customers substituting Nabaltec products due to a change in technology, from the disuse of newer technology or from not recognizing technological development. As the innovation leader, Nabaltec tries to minimize these risks by engaging in continuous and intensive R&D efforts, by maintaining pronounced customer proximity and by integrating marketing and R&D structures. Nabaltec considers technological development as a source of opportunity to generate a competitive edge with product quality by occupying new markets through fast-pace product adjustments and by generating process and quality advantages together with our clients; thereby, setting the stage for economic success.

LEGAL FRAMEWORK

Changes within the legal framework, could lead to risks for Nabaltec. Currently, regulatory changes provide additional market opportunities – and this trend is not expected to reverse in the medium and long term. This trend is underlined by the sustained global enforcement of environmentally friendly products, such as Nabaltec's, whose cycle of materials does not include environmentally harmful materials.

Regulatory changes currently provide additional market opportunities

Nabaltec's intensive usage of electricity faces international competition and therefore according to current law is favored by the renewal energy surcharge. On 25 November 2014, by official notification the EU commission required the Federal Office for Economy and Export Control (BAFA) to claim funds for EUR 40 million from 450 companies for the years 2013 and 2014. Nabaltec was affected by the claims for EUR 0.1 million.

On 1 August 2014 the "EEG 2014" (Renewable Energy Law) became effective. Also in the year 2015, Nabaltec will be favored by the EEG 2014 regarding the EEG levy. However at Nabaltec, the provisions of the EEG 2014 will lead to an increase of the EEG-expenses by a low six-digit amount.

RISK MANAGEMENT SYSTEM

For Nabaltec Group, the relevance of risk management is derived from the entrepreneurial activities as well as the global activities within the corresponding international competitive and regulatory environments and the complexities of the global economy. Nabaltec Group's success considerably depends on recognizing the related risks and opportunities as well as dealing with these consciously and on bringing risks under control. Effective risk management is a core element for securing the Company long term, its economic success in international markets and for its successful, sustainable future development.

Effective risk management is decisive to secure the long-term future of the company

We unremittingly take measures to further develop the risk management within Nabaltec. The continuous further development of risk prevention instruments across all fields enables the early identification and elimination of business risks. Integral elements consist of risk management as an ongoing process, risk controlling, extensive communication and documentation as well as an internal monitoring system. All discernible internal and external risks are, as far as possible, completely captured, documented, evaluated and embedded in a risk matrix. This risk matrix represents the basis for the assessment of potential risks and for the identification of key risks.

The starting point of the actual risk management processes at Nabaltec is the identification and evaluation of various types of risks and risk profiles that are monitored and controlled by Controlling. Reports on business risks as well as continuous status reports are prepared for the managing directors and management and discussed by the management circle. An important component is also the comprehensive operational budget including targets, regularly supplemented with forecasts.

The various risk types are monitored by the controlling department

Nabaltec has implemented a strategic planning system in order to take advantage of medium and long term opportunities and to identify risks. All relevant units are involved in the strategy development process. Risks arising from competition, anti-trust, tax and environmental provisions and law are mitigated by Nabaltec in advance by engaging experts. Quality assurance measures limit product and environmental risks. Such measures include e.g. certification of our activities in accordance with international standards, constant improvements to facilities and processes, the development of new and the improvement of existing products as well as involvement in international professional committees.

Risk management also includes routinely reviewing the efficiency of applied hedging instruments and the reliability of controlling systems. There is insurance coverage for casualty and liability risks, thus limiting the financial consequences for the Company's liquidity, financial position and earnings as well as preventing situations that could jeopardize the continued existence of the Company.

OVERALL ASSESSMENT

No significant risks to Nabaltec's future development

Due to our continuous surveillance of relevant markets, as described above, as well as our constant efforts to improve our products and adapt to the needs of existing and potential customers, the Company's future development is currently not exposed to any significant risks. On the whole, the Company's risks are well-managed and their potential impact is therefore limited. Nabaltec Group's future existence is secured.

5. CORPORATE GOVERNANCE STATEMENT AND REPORT

The activities of Nabaltec AG's executive and supervisory committees are governed by the principles of responsible management. Since the Company is listed on the Open Market of the Frankfurt stock exchange with admission to the Entry Standard, the Management Board voluntarily reports on the corporate management and governance in the form of a Declaration of Corporate Governance in accordance with Section 289a Paragraph 1 of the German Commercial Code (HGB) – simultaneously also for the Supervisory Board. The declaration is published on the Company's website www.nabaltec.de under Investor Relations/Corporate Governance.

Schwandorf, 2 March 2015

Nabaltec AG
The Management Board

JOHANNES HECKMANN GERHARD WITZANY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2014

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

(in EUR '000)	Notes	01/01 – 12/31/2014	01/01 – 12/31/2013
Revenue	5.1	143,335	132,934
Change in unfinished and finished products		–691	1,172
Other own services capitalized	5.2	364	223
Total performance		**143,008**	**134,329**
Other operating income	5.3	2,557	1,332
Cost of materials	5.4	–75,130	–69,613
Gross profit		**70,435**	**66,048**
Personnel expenses	5.5	–25,352	–22,518
Depreciation and amortization	5.7	–9,696	–9,231
Other operating expenses	5.8	–22,714	–23,768
Operating result (EBIT)		**12,673**	**10,531**
Interest and similar income	5.10	164	296
Interest and similar expenses	5.11	–4,315	–6,173
Result from ordinary operations (EBT)		**8,522**	**4,654**
Income taxes	5.12	–2,451	–939
Consolidated result after taxes		**6,071**	**3,715**
thereof attributable to			
Shareholders of the parent company		5,493	2,646
Non-controlling interests		578	1,069
Consolidated result after taxes		**6,071**	**3,715**
Earnings per share (in EUR)*	7.5	**0.69**	**0.33**

**see also Note 6.8 Equity*

(in EUR '000)	Notes	01/01 – 12/31/2014	01/01 – 12/31/2013
Consolidated result after taxes		**6,071**	**3,715**
Items that may be reclassified subsequently to profit or loss			
Foreign Currency Translation (after taxes)		933	–280
Net Result from Hedge Accounting (after taxes)		–390	–303
		543	**–583**
Items that will not be reclassified to profit or loss			
Actuarial gains and losses		–4,042	–251
		–4,042	**–251**
Other result		**–3,499**	**–834**
thereof attributable to			
Shareholders of the parent company		–3,522	–972
Non-controlling interests		23	138
Comprehensive income		**2,572**	**2,881**
thereof attributable to			
Shareholders of the parent company		1,971	1,674
Non-controlling interests		601	1,207

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2014

ASSETS (in EUR '000)	Notes	12/31/2014	12/31/2013
Non-current assets		**112,499**	**112,346**
Intangible assets			
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments)	6.1	422	228
Property, plant and equipment		111,960	111,817
Land, leasehold rights, buildings and buildings on non-owned land	6.2	29,509	28,424
Technical equipment, plant and machinery	6.2	75,545	77,597
Other fixtures, fittings and equipment	6.2	2,857	3,054
Advance payments and plant and machinery under construction	6.2	4,049	2,742
Deferred tax assets	5.12	117	301
Current assets		**66,314**	**63,928**
Inventories		27,547	26,211
Raw materials and supplies	6.3	15,352	13,562
Unfinished goods	6.3	431	217
Finished products and merchandise	6.3	11,764	12,432
Trade receivables and other assets		11,536	8,039
Trade receivables	6.4	4,551	4,287
Income tax claims	6.5	26	62
Other assets	6.6	6,959	3,690
Cash and cash equivalents	6.7	27,231	29,678
TOTAL ASSETS		**178,813**	**176,274**

EQUITY & LIABILITIES (in EUR '000)

	Notes	12/31/2014	12/31/2013
Equity		**52,461**	**50,369**
Subscribed capital	6.8	8,000	8,000
Capital reserve	6.8	29,764	29,764
Earnings reserves	6.8	9,711	9,711
Profit/loss carried forward		7,813	5,647
Consolidated result after taxes		5,493	2,646
Accumulated other comprehensive result	6.8	–8,150	–4,628
Non-controlling interests	6.8	–170	–771
Non-current liabilities		**88,960**	**94,471**
Retirement benefit obligation	6.9	25,275	18,920
Other provisions	6.9	839	742
Payables to banks	6.10	61,353	70,583
Deferred tax liabilities	5.12	1,493	2,853
Other liabilities	6.10	0	1,373
Current liabilities		**37,392**	**31,434**
Income tax payables	6.10	1,377	703
Other provisions	6.9	150	156
Payables to banks	6.10	10,041	9,942
Trade payables	6.10	9,924	8,707
Other liabilities	6.10	15,900	11,926
TOTAL EQUITY & LIABILITIES		**178,813**	**176,274**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

(in EUR '000)		Notes	01/01 – 12/31/2014	01/01 – 12/31/2013
Cash flow from operating activities				
Period profit before taxes			**8,522**	**4,654**
+	Depreciation and amortization	5.7	9,696	9,231
– / +	Gain/loss from asset disposals		3	–1
–	Interest income	5.10	–164	–296
+	Interest expenses	5.11	4,315	6,173
Operating profit before working capital changes			**22,372**	**19,761**
+ / –	Increase/decrease in provisions		188	353
– / +	Increase/decrease in trade receivables and other assets not attributable to investing or financing activity		–3,533	–1,314
+ / –	Decrease/increase in inventories		–1,336	–2,613
+ / –	Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity		4,351	–2,883
Cash flow from operating activities before taxes			**22,042**	**13,304**
–	Income taxes paid		–1,141	–416
Net cash generated by operating activities			**20,901**	**12,888**

(in EUR ’000)		Notes	01/01 – 12/31/2014	01/01 – 12/31/2013
Cash flow from investing activities				
+	Cash received from disposals of property, plant and equipment		13	11
+	Cash received from investment grants	6.10	0	3,150
–	Cash paid for purchases in property, plant and equipment	6.2	–9,694	–5,667
–	Cash paid for investments in intangible assets	6.1	–287	–58
Net cash generated by investing activities			**–9,968**	**–2,564**
Cash flow from financing activities				
–	Cash paid for dividends		–480	0
–	Cash paid for redemption of corporate bonds	6.10	0	–30,000
–	Cash rendered for the redemption of profit participation rights	6.10	0	–5,000
+	Cash received from financial loans	6.10	0	54,600
–	Cash rendered for payment of financial loans	6.10	–9,967	–9,914
–	Interest paid		–3,403	–4,586
+	Interest received		31	63
Net cash generated by financing activities			**–13,819**	**5,163**
Net change in cash and cash equivalents			**–2,886**	**15,487**
Effects of exchange rate changes on the balance of cash held in foreign currencies			**439**	**–114**
Cash and cash equivalents at the beginning of the year		6.7	29,678	14,305
Cash and cash equivalents at the end of the year		6.7	**27,231**	**29,678**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

(in EUR ’000)

	Equity attributable to shareholders of Nabaltec AG		
	Subscribed Capital	Capital reserve	Earnings reserves
Balance per 01/01/2013	**8,000**	**29,764**	**9,711**
Actuarial gains and losses	–	–	–
Foreign currency translation	–	–	–
Net gains from hedge accounting	–	–	–
Other gains/losses	–	–	–
Result for the period after tax	–	–	–
Consolidated result for the period	**–**	**–**	**–**
Balance per 12/31/2013	**8,000**	**29,764**	**9,711**
Balance per 01/01/2014	**8,000**	**29,764**	**9,711**
Dividend payments	–	–	–
Actuarial gains and losses	–	–	–
Foreign currency translation	–	–	–
Net gains from hedge accounting	–	–	–
Other gains/losses	–	–	–
Result for the period after tax	–	–	–
Consolidated result for the period	**–**	**–**	**–**
Balance per 12/31/2014	**8,000**	**29,764**	**9,711**

Profit carried forward	Accumulated other comprehensive result	Total	Non-controlling interest	Consolidated equity
5,647	–3,656	49,466	–1,978	47,488
—	–251	–251	—	–251
—	–317	–317	37	–280
—	–404	–404	101	–303
—	–972	–972	138	–834
2,646	—	2,646	1,069	3,715
2,646	–972	1,674	1,207	2,881
8,293	–4,628	51,140	–771	50,369
8,293	–4,628	51,140	–771	50,369
–480	—	–480	—	–480
—	–4,042	–4,042	—	–4,042
—	967	967	–34	933
—	–447	–447	57	–390
—	–3,522	–3,522	23	–3,499
5,493	—	5,493	578	6,071
5,493	–3,522	1,971	601	2,572
13,306	–8,150	52,631	–170	52,461

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

(in EUR ’000)

	Historical Cost					
	Balance per 01/01/2014	Additions	Disposals	Transfers	Foreign Exchange Rate Differences	Balance per 12/31/2014
Intangible assets	**2,314**	**286**	**0**	**0**	**0**	**2,600**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,226	223	0	86	0	2,535
Advance payments	88	63	0	–86	0	65
Property, plant and equipment	**175,523**	**7,756**	**87**	**0**	**3,289**	**186,481**
Land, leasehold rights, buildings and buildings on non-freehold land	36,072	856	0	800	928	38,656
Technical equipment, plant and machinery	128,487	3,277	0	1,038	2,233	135,035
Other fixtures, fittings and equipment	8,222	489	87	18	99	8,741
Advance payments as well as plants and machinery under construction	2,742	3,134	0	–1,856	29	4,049
Total non-current assets	**177,837**	**8,042**	**87**	**0**	**3,289**	**189,081**

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2013 THROUGH 31 DECEMBER 2013

(in EUR ’000)

	Historical Cost					
	Balance per 01/01/2013	Additions	Disposals	Transfers	Foreign Exchange Rate Differences	Balance per 12/31/2013
Intangible assets	**2,255**	**59**	**0**	**0**	**0**	**2,314**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,208	10	0	8	0	2,226
Advance payments	47	49	0	–8	0	88
Property, plant and equipment	**170,919**	**5,716**	**27**	**0**	**–1,085**	**175,523**
Land, leasehold rights, buildings and buildings on non-freehold land	35,661	644	0	75	–308	36,072
Technical equipment, plant and machinery	125,345	1,919	0	1,966	–743	128,487
Other fixtures, fittings and equipment	7,337	935	27	11	–34	8,222
Advance payments as well as plants and machinery under construction	2,576	2,218	0	–2,052	0	2,742
Total non-current assets	**173,174**	**5,775**	**27**	**0**	**–1,085**	**177,837**

Cumulative Depreciation/Amortization					Book Value	
Balance per 01/01/2014	Additions	Disposals	Foreign Exchange Rate Differences	Balance per 12/31/2014	Balance per 12/31/2014	Balance per 12/31/2013
2,086	**92**	**0**	**0**	**2,178**	**422**	**228**
2,086	92	0	0	2,178	357	140
0	0	0	0	0	65	88
63,706	**9,604**	**70**	**1,281**	**74,521**	**111,960**	**111,817**
7,648	1,210	0	289	9,147	29,509	28,424
50,890	7,701	0	899	59,490	75,545	77,597
5,168	693	70	93	5,884	2,857	3,054
0	0	0	0	0	4,049	2,742
65,792	**9,696**	**70**	**1,281**	**76,699**	**112,382**	**112,045**

Cumulative Depreciation/Amortization					Book Value	
Balance per 01/01/2013	Additions	Disposals	Foreign Exchange Rate Differences	Balance per 12/31/2013	Stand 12/31/2013	Balance per 12/31/2012
2,023	**63**	**0**	**0**	**2,086**	**228**	**232**
2,023	63	0	0	2,086	140	185
0	0	0	0	0	88	47
54,935	**9,168**	**17**	**–380**	**63,706**	**111,817**	**115,984**
6,535	1,197	0	–84	7,648	28,424	29,126
43,719	7,437	0	–266	50,890	77,597	81,626
4,681	534	17	–30	5,168	3,054	2,656
0	0	0	0	0	2,742	2,576
56,958	**9,231**	**17**	**–380**	**65,792**	**112,045**	**116,216**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

1. GENERAL INFORMATION

Nabaltec, based in Schwandorf, Germany[1], was founded under the name Nabaltec GmbH, with its registered head office in Schwandorf (registered in the Commercial Register of the Amberg Local Court under HRB 3920) by virtue of Articles of Incorporation dated 14 December 1994. It acquired the specialty alumina division of VAW aluminium AG in 1995. The Company was converted to a stock corporation in 2006.

According to Section 2 of the Articles of Association, Nabaltec AG's business activities include the development, manufacturing and distribution of highly specialized products based on mineral raw materials, in particular on the basis of aluminum hydroxide ('ATH') and aluminum oxide.

Since 24 November 2006, the shares of Nabaltec AG are listed on the Open Market (Entry Standard) segment of the Frankfurt Stock Exchange.

The consolidated financial statements at hand were approved for publication by the Management Board and the Supervisory Board on 2 March 2015.

2. BASIC PRINCIPLES, METHODS AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles described below have been applied uniformly in all the reporting periods presented herein.

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements as at 31 December 2014 (including the prior year figures at 31 December 2013) were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable within the European Union (EU) as well as with the regulations under commercial law as set forth in Section 315a Paragraph 1 of the German Commercial Code (Handelsgesetzbuch – HGB). The IFRS issued by the International Accounting Standards Board comprise the International Accounting Standards (IAS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

These are the consolidated financial statements of Nabaltec AG. All EU-compliant standards applicable to the financial year 2014 were applied.

[1] Nabaltec AG, Alustraße 50 - 52, 92421 Schwandorf, Germany

The consolidated financial statements present a true and fair view of the net asset position, financial position and earnings of Nabaltec AG.

The financial year of Nabaltec AG comprises the period from 1 January through 31 December of every year.

The consolidated financial statements are prepared in EURO (EUR). Unless otherwise indicated, all figures have been rounded up or down to thousand EURO (EUR thousand) in accordance with commercial rounding practices. Please note that differences can result from the use of rounded amounts and percentages.

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

The consolidated statement of comprehensive income has been prepared by presenting expenses by nature.

2.2 ADOPTED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

All accounting standards and interpretations required to be applied for financial years starting 1 January 2014 were applied in the financial year 2014. These also include the following standards and interpretations that had to be adopted for the first time, in particular:

- IAS 27 (amended 2011) Separate Financial Statements: the consolidation principles previously part of IAS 27 (2008) were amended and are now part of IFRS 10 Consolidated Financial Statements. The objective of IAS 27 is to prescribe the accounting requirements for investments in subsidiaries, associated companies and joint ventures if an entity decides to prepare separate financial statements. The standard becomes effective for business years starting on or after 1 January 2014 and was endorsed by the EU in December 2012. This standard only affects separate financial statements and as a consequence has no effect on the net assets, financial or income situation of the Group.

- IAS 28 (revised 2011) Investments in Associates and Joint Ventures: within the scope of the publication of the new standard IFRS 11 in May 2011, IAS 28 Investments in Associates was renamed and amended. Joint ventures, which fall under the definition of “Joint Arrangements” within the new standard IFRS 11, have to be accounted for according to the equity method pursuant to the amended IAS 28. The underlying approach to determining the existence of significant influence by an entity as well as the regulations regarding the application of the equity method remain unchanged. The new standard is applicable to annual reporting periods beginning on or after 1 January 2014 and was endorsed by the EU in December 2012. The standard had no effect on the consolidated financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation: In December 2011, the IASB issued amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The principles formulated in IAS 32 for the offsetting remained basically unchanged, but have been supplemented by substantiating application guidelines. These illustrate in detail the meaning of the current legally enforceable right to offsetting and include exemplifying criteria under which a system generally geared for gross netting can lead to settle on a net basis. The amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and were endorsed by the EU in December 2012. The standard had no effect on the consolidated financial statements.

- Amendments to IAS 36 Disclosures to Recoverable Amounts of Non-Financial Assets. The changes to IAS 36 restrict the mandatory disclosure as to the recoverable amount. At the same time, the scope of disclosures in the notes regarding the case of an impairment respectively reversal of an impairment loss is expanded. For cash-generating units with a significant share of goodwill respectively intangible assets with an indefinite useful life currently the recoverable amount always has to be stated. The respective disclosure requirement was introduced by IFRS 13. According to the amendments to IAS 36 the recoverable amount has to be disclosed in the future, only, if in the current period an impairment took place respectively an impairment was reversed. The new frame shall be applied for annual periods beginning on or after 1 January 2014 and was endorsed by the EU in December 2013. The standard had no effect on the consolidated financial statements.

- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting: The amendments of IAS 39 provide that due to legal requirements a novation of a hedging instrument to one central counterparty under certain circumstances does not discontinue the hedge instrument. A novation covers facts whereby the original parties to a derivative agree that a clearing party replaces the original counterparty. Fundamental prerequisite is that the involvement of a central counterparty or a central contract partner is based on changes in laws and regulations. The new frame shall be applied for annual periods beginning on or after 1 January 2014 and was endorsed by the EU in December 2013. The standard had no effect on the consolidated financial statements.

- IFRS 10 Consolidated Financial Statements: In May 2011 IASB issued the new standard IFRS 10. The standard supersedes the guidelines of IAS 27 Consolidated Financial Statements and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Companies regarding the guidelines for applying the control principle and the consolidation. The Standard changes the definition of “exercising control” in a way that to determine whether a control situation exists the same requirements need to be applied for all entities. The effective date of IFRS 10 is for reporting periods beginning on or after 1 January 2014 and was endorsed by the EU in December 2012.

According to IFRS 10, control is exercised if the following three criteria are met cumulatively:

a) a company has to be able to exercise control over a participation;
b) it has to be impacted by fluctuating yields from its participation and
c) due to its power, it has to be able to influence the yield amount.

Up to now control was defined if the possibility exists to determine the financial and business policy in order to benefit from the activities of the participation. IFRS 10 includes additional application guidelines, which lay out if and at which point a company despite owning more than 50% of the voting rights still cannot exercise control, guidelines which are important for Nabaltec. This relates to the 51% participation in Nashtec LLC. The 51% participation in Nashtec LLC was acquired on 1 January 2010 and remains unchanged since then. The remaining 49% in Nashtec LLC are owned by Sherwin Alumina LLC, USA.

When applying IFRS 10 for the first time, management exercised judgment whether the Group in accordance with the new definition of control and the accompanying application guidelines as stated in IFRS 10 can still continue to exercise control over Nashtec LLC. Based on the amount of the shareholding and the additional regulations and agreements between Nabaltec AG and Sherwin Alumina LLC, the managing board concluded that since purchasing the participation in January 2010 Nabaltec is exercising control over Nashtec LLC in accordance with the provisions of IFRS 10. In accordance with the provisions of IFRS 10 Nashtec LLC has to be classified as a subsidiary since 1 January 2010. As a result there is no deviating assessment differing from IAS 27.

- IFRS 11 Joint Arrangements: In May 2011 the IASB issued the new standard IFRS 11. According to IFRS 11 two facts of the joint agreement need to be separated: joint operations and joint ventures. The previous option of the proportionate consolidation method for jointly operated companies was abolished. In the future, application of the equity method is mandatory. In case a joint operation exists, directly attributable assets, payables, income items and expenses have to be captured directly in the consolidated financial statements of the investing company. The new standard supersedes IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – In Kind Contributions by Partner Companies. The effective date of IFRS 11 is for business years starting on or after 1 January 2014 and was endorsed by the EU in December 2012. Management reviewed the classification of the Group participations in regards of joint agreements and based on the provisions of IFRS 11 concluded that no different treatment differing from IAS 31 and SIC 13 need to be applied.

- IFRS 12 Disclosure of Interests in other Entities: This Standard establishes disclosure objectives and specifies minimum disclosure that entities applying the new standards IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements have to meet. The standard is effective for business years starting on or after 1 January 2014 and was endorsed by the EU in December 2012. The standard led to significantly more detailed disclosures in the Group financial statements (see especially comments under point 2.3).

- Changes to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other Entities: In June 2012 IASB published “consolidated financial statements, joint arrangements and disclosures for participations in other companies: transitional guidance (changes in IFRS 10, IFRS 11, IFRS 12)”. Those amendments clarify the transitional guidelines in IFRS 10 and allow additional simplifications in all three standards. The changes are to be applied for business years starting on or after 1 January 2014 and were approved by the EU in April 2013. The standard had no impact on the Group consolidated financial statements.

- Changes to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: In October 2012 IASB published the statement Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) which provides exceptions to the consolidation requirements of a subsidiary under IFRS 10 Consolidated Financial Statements. The exception is applicable if the parent company meets the criteria of an "Investment Entity". Instead, these entities would account their investments in certain subsidiaries at fair value through profit and loss according to IFRS 9 Financial Investments or IAS 39 Financial Investments: Recognition and Measurement. The changes are to be applied for business years starting on or after 1 January 2014 and were endorsed by the EU in November 2013. The standard does not affect the Group's consolidated financial statements as the company does not meet the definition of an investment company.

The following non mandatory standards and interpretations were issued were not applied earlier:

- IAS 1 amendments Disclosure Initiative: In December 2014 the IASB issued amendments to IAS 1 Presentation of the Financial Statements. The amendments are supposed to present improvements in the financial reporting and cover (a) a stronger focus relating to the materiality principle (b) additional structuring of the minimum classification items in the balance sheet as well as disclosure of subtotals (c) greater flexibility when preparing the notes regarding the sequence of the disclosures and (d) revocation of the provisions regarding the requirements of IAS 1 on the identification of significant accounting and valuation methods as part of the notes. The new frame is to be applied for business years starting on or after 1 January 2016. The amendments have not been approved yet by the EU. A reliable assessment of the impact from the first time adoption can only be made once a detailed analysis has been completed which up to now has not been finalized yet.

- Amendments to IAS 16 and IAS 38 Clarification of Amortization Methods Permitted: the amendment to IAS 16 clarifies that depreciation methods for fixed assets based on sales are not proper. By amending IAS 38 the rebuttable presumption is introduced that sales revenues provide no reasonable basis for the amortization of intangible assets. This presumption can only be refuted in the following two cases:

a) if the intangible asset can be expressed as a measurement basis for sales revenues. This could for example be the case if the contractual term of a concession to mine natural resources would not depend upon a contractual period rather tied to the total sales revenues which would be generated by the mineral resources
b) if sales and the usage of the economic benefit highly correlate.

The new frame is to be applied for business years starting on or after 1 January 2016. The amendments have not been approved yet by the EU. As per the current status, first time application will not affect the Group's consolidated financial statements.

- Amendments to IAS 19 Employee Benefits: In November 2013 the IASB issued amendments to IAS 19 Defined Benefit Plans: Employees' Contribution. The amendment incorporates a right of choice regarding accounting for defined benefit plans to which employees or third parties can commit to contribute. The amendments apply retrospectively for business years starting on or after 1 July 2014. These amendments were adopted by the EU in January 2015. The first time application will not result in material changes to the Group's assets, financial position and profit situation.

- Amendments to IAS 27 Application of the Equity Method in Separate Financial Statement: These amendments again permit the equity method as an option to account for shares in subsidiaries, joint ventures and equity companies in separate financial statement of an investor either (a) at cost (b) in agreement with IFRS 9 Financial Instruments or (c) applying the equity method in accordance with IAS 28 investment in equity companies or joint ventures. The new frame needs to be applied for business years starting on or after 1 July 2016. These amendments were not adopted yet by the EU. The first time application will not result in material changes to the Group's financial statements as the option related to separate financial statements.

- IFRS 9 Financial Instruments: In November 2009, the IASB issued a revision of the classification and measurement of financial assets. IFRS 9 provides for the recognition, valuation and derecognition of hedging relationships. As part of the completion of various phases of it comprehensive project regarding financial instruments, the IASB published the final version of the standard on 24 July 2014. As a result, accounting for financial instruments is now completely governed by IFRS 9 replacing IAS 39 Financial Instruments: Recognition and Valuation of financial instruments. The newly issued version of IFRS 9 supersedes all previously issued standards. The core amendments of the final IFRS 9 can be summarized as follows:

  - Compared to predecessor standard IAS 39 Financial Instruments: Recognition and Valuation the requirement of IFRS 9 relating to the scope of application and the recognition and derecognition mainly remain unchanged.

- The provisions of IFRS 9 as compared to IAS 39 provide for a new classification model of financial assets, however.

- The future subsequent measurement of financial assets is based on three categories with different valuation measures and a different capture of changes in valuation. The classification is depending on the contractual cash flows of the instrument as well as on the business model in which the instrument is embedded. As a principle these constitute mandatory classifications. In addition occasionally, there are optional exceptions available to the companies.

- For financial liabilities the existing provisions were mainly implemented in IFRS 9. The only significant amendment relate to financial liabilities within the fair-value-option. Due to changes in the own default risk, their fair value fluctuations are to be recorded in the other result.

- IFRS 9 provides for three steps which in the future determine the amount of losses to be captured and the interest income recognition. Accordingly, upon recognition losses to be anticipated are to be recognized at the discounted value of an expected 12 months loss (step 1). In case of a significant increase in the default risk a risk provision has to be stepped up to the amount of anticipated losses for the remaining maturity (step 2). In case of an objective sign of an impairment, the recognition of the interest income is based on the net book value (book value less risk provision) (step 3).

- Together with comprehensive transition rules IFRS 9 also entails comprehensive publication regulations as far as the transition and the continuing application is concerned. Novelties in relation to IFRS 7 financial instruments: disclosure of notes mainly result from the provisions regarding declines in value.

The new standard is effective for annual periods beginning on or after 1 January 2018. The standard has not yet been endorsed by the EU. A reliable assessment of the impact from the first time adoption of IFRS 9 can only be made once a detailed analysis has been completed which up to now has not been finalized yet.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and an Associated Company or Joint Venture: The amendments address a conflict between the provisions of IAS 28 Shares in Associated Companies and Joint Ventures and IFRS 10 Consolidated Financial Statements. The clarify that the amount of income recognition in transactions with associated companies or joint ventures depends upon whether the sold assets or contributed assets qualify as a business in accordance with IFRS 3. The new standard is effective for annual periods beginning on or after 1 January 2016. These amendments were not adopted yet by the EU. According to current information, the first time application will not result in material impacts to the Group's consolidated financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Application of the Exemption Rule to Consolidation: In December 2014 the IASB issued changes to amendments of standards IFRS 10, IFRS 12 and IAS 28. The amendments clarify the application of the consolidation exemption rule if the parent company meets the definition of an investment company. Now it is stated explicitly, that the exemption of not preparing consolidated financial statements also governs the subsidiaries of an investment company which in turn is a parent company. A subsidiary which provides services related to the investment activity of the parent company (investment-related services) does not need to be consolidated if the subsidiary is an investment company itself. Also a simplification in applying the equity method is possible for companies which themselves are no investment companies but own shares in an associated company which is an investment company. Investment companies which account for all of its subsidiaries at fair market value need to disclose the required information for investment companies according to IFRS 12. The new frame needs to be applied for years starting on or after 1 January 2016. The amendments have not yet been endorsed by the EU. The first time application will not result in changes to the Group's financial statements as the company does not meet the definition of an investment company.

- Amendments to IFRS 11 Accounting for the Purchase of Shares in a Joint Arrangement: The amendments to IFRS 11 include guidelines regarding the accounting of the purchase of a stake in a joint arrangement if it is considered a business as per IFRS 3. In this case all the principles regarding the accounting of business combinations as per IFRS 3 and other IFRS as long as they do not contradict the guidelines in IFRS 11. The amendments are to be applied for the purchases of stakes in an existing joint arrangement and for the purchase of shares in a joint arrangement upon its establishment as long as the formation of the joint arrangement is not based on the establishment of the business operation. The new frame needs to be applied for years starting on or after 1 January 2016. The amendments have not yet been endorsed by the EU. According to current information, the first time application will not result in changes to the Group's financial statements.

- IFRS 14 Regulatory Deferral Accounts: IFRS 14 Regulatory Deferral Accounts permits a company which is a first-time adopter of IFRS with some limited restrictions to continue to use regulatory deferral accounts which it previously applied in its GAAP accounting policies. This applies to the first IFRS financial statements as well as in subsequent financial statements. Regulatory deferral accounts and movements in these account balances need to be presented as separate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income. The new standard needs to be applied for years starting on or after 1 January 2016. The standard has not yet been endorsed by the EU. The first time application will not result in changes to the net assets, financial position and the income situation of the company.

- IFRS 15 Revenues from Contracts with Customers: IFRS 15 provides when and which amount of revenues has to be recognized by a company applying IFRS. In addition the preparer of financial statements is required to disclose more informative and relevant facts than up to now. In principle, IFRS 15 needs to be applied to all customer contracts. The following contracts are an exception:

  - Leasing contracts according to IAS 17;

  - Financial instruments and other contractual rights and obligations which are governed by IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements or IAS 28 Shares in Associated Companies and Joint Ventures;

  - Insurance contracts within the scope of IFRS 4 Insurance Contracts; and

  - Non financial barter agreements between companies in the same business which aim to facilitate sales to customers or potential customers.

The new standard in contrast to currently existing provisions aims at a uniform, five steps based model based on principles to be applied to all contracts with customers. According to this five step model, firstly the contract with the customer needs to be evaluated (step 1). Step 2 provides to identify the independent contractual obligations of the contract. Thereafter (step 3) the transaction price needs to be determined as explicit rules regarding the treatment of variable considerations, financial components, payments to the customer and barter transactions are provided. Upon completion of the transaction price step 4 provides for the allocation of the transaction price to the single contractual obligations. Finally (step 5) the revenue can be recognized in case the contractual obligation was met by the company. Prerequisite is the transfer of the power of control over the good or the service to the customer. When stipulating a contract, IFRS 15 provides to determine whether the resulting revenues from the contract need to be recognized at a certain point in time or must be allocated over a period of time. In the first place it needs to be clarified according to certain criteria whether the power of control is transferred over a time period. If this is not the case, the revenues need to be recognized at that point in time when power of control passes to the customer. Indications are for example change in legal ownership, the transfer of the significant chances and risks or a formal acceptance. In case power of control is transferred over a period of time revenue realization is only allowed if the progress of performance can reliably be measured by input or output based methods. In addition to general principles regarding realization of revenues the standard includes detailed guidelines regarding the subjects of sales with the right of return, customer options for additional goods or services, principal-agent-relationships as well as bill and hold agreements. In addition new guidelines regarding costs to fulfill and securing a contract as well as guidelines dealing with the question when these type of costs need to be capitalized were added to the standard. Finally, the standard includes new more comprehensive rules related to disclosures of sales to be made by the IFRS preparer. Especially qualitative and quantitative disclosures to each of the following points need to be made:

- Its contracts with customers
- Material judgmental decisions and their changes which when applying the revenue realization guidelines were made
- Any assets resulting from capitalized expenses for the securing and fulfillment of a contract with a customer.

The new standard has to be applied for fiscal years starting on or after 1 January 2017. The amendments were not yet endorsed by the EU. A reliable assessment of the impact from the first time adoption of IFRS 15 can only be made once a detailed analysis has been completed which up to now has not been finalized yet.

- IFRIC 21 Levies: IFRIC includes guidelines when a debt for a levy has to be recognized which is imposed by the governments based on the law (e.g. levy for banks). The obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment. Recognition in the balance sheet is only required if the obligating event occurred. The occurring event can also occur gradually over a period of time which requires the debt to be recorded on a pro rata temporis basis. The new frame has to be applied for fiscal years starting on or after 1 July 2014. The amendments were endorsed by the EU in June 2014. The first time adoption will not have any impact on the consolidated financial statements as the company is not subject to the respective levies.

- Various: Improvements of International Financial Reporting Standards 2012, Improvements of International Financial Reporting Standards 2013, Improvements of International Financial Reporting Standards 2014. On 12 December 2013 IASB published the Annual Improvements of the International Financial Reporting Standards 2012 (annual improvements to IFRSs 2010–2012 Cycle) and the Annual Improvements of the International Financial Reporting Standards 2013 (annual improvements to IFRSs 2011–2013 Cycle) as well as on the Annual Improvements of the International Financial Reporting Standards 2014 (annual improvements to IFRSs 2012–2014 Cycle). The annual improvement process is geared toward implementing improvements in the IFRS which are less urgent but nonetheless necessary. The Annual Improvements Project 2010–2012 involved smaller amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/IAS 18, IAS 32, IAS 24. The respective amendments become effective for business years starting on or after 1 July 2014 and are to be applied prospectively, only. The amendments were endorsed by the EU in January 2015. The annual improvements 2011–2013 covers amendments to the following standards: IFRS 1, IFRS 3, IFRS 13, IAS 40 and are to be applied for business years starting on or after January 2015. The amendments were endorsed by the EU in December 2014. The annual improvement project 2012–2014 includes changes to the following standards: IFRS 4, IFRS 7, IAS 19, IAS 34 and become effective for business years starting on or after 1 July 2016. The amendments were not yet endorsed by the EU. Currently, the first time adoption of the new and amended standards will have no or no material effects on the consolidated financial statements.

The following Standards have not been applied due to lacking relevance to Nabaltec AG:

- IFRS 4 Insurance Contracts
- IFRS 6 Exploration for and Evaluation of Mineral Assets
- IAS 26 Accounting and Reporting for Retirement Benefit Plans
- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interest in Joint Ventures
- IAS 40 Investment Property
- IAS 41 Agriculture

2.3 SCOPE OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Nabaltec AG, as the parent company, and that of its subsidiary.

Subsidiaries are companies where the Group has the power to govern the financial and operating policies, usually evidenced by voting rights of more than 50%. In determining whether the Group has control, the existence and effects of potential voting rights that can currently be exercised or converted are also taken into consideration. Entities are included in the consolidated financial statements (full consolidation) from the date at which the Group effectively obtains control over them. They are deconsolidated from the effective date on which such control ends.

Nabaltec AG's management board reviewed whether Nabaltec AG has effective control over Nashtec LLC. In their assessment, they considered the majority ownership as well as the further contractual agreements with Sherwin Alumina LLC regarding the management and supervision of Nashtec LLC. The management board concluded that Nabaltec AG has sufficient influential rights to effectively guide and affect Nashtec LLC's operational activities. As a consequence, Nabaltec AG can exercise control over Nashtec LLC.

The composition of the Group is detailed in the table below:

NUMBER OF COMPANIES	2014	2013
Nabaltec AG and fully consolidated subsidiary		
Domestic	1	1
Foreign	1	1

The following entity is included in the consolidated financial statements of Nabaltec AG:

ENTITY			Voting rights and shareholdings	
Name of the subsidiary	Main Business	Domicile	12/31/2014 in %	12/31/2013 in %
Nashtec LLC	Production of alumina hydroxides	Corpus Christi, USA	51.00	51.00

All separate financial statements of entities included in the consolidated financial statements that were prepared under national laws and regulations were converted to IFRS and adapted to reflect accounting policies and valuation principles of the Group.

The balance sheet date of all the entities included in the consolidated financial statements is respectively 31 December.

Details of the subsidiary of the Group where there are significant non-controlling shareholdings are presented in the following:

(EUR '000)	12/31/2014	12/31/2013
Nashtec LLC		
Short-term assets	4,179	3,326
Long-term assets	17,177	16,157
Short-term payables	20,890	18,625
Long-term payables	815	2,432
Share of equity attributable to the shareholders of the parent company	–178	–803
Non-controlling shareholders	–170	–771

(EUR '000)	2014	2013
Revenue	13,375	13,168
Expenses	–12,195	–10,986
Profit for the year	**1,180**	**2,182**
Profit share attributable to the shareholders of the parent company	602	1,113
Profit share for non-controlling shareholders	578	1,069
Total profit for the year	**1,180**	**2,182**
Other result attributable to the shareholders of the parent company	22	144
Share of other result for non-controlling shareholders	23	138
Total other result	**45**	**282**
Total profit share attributable to the shareholders of the parent company	580	969
Share of total profits for non-controlling shareholders	555	931
Total result	**1,135**	**1,900**
Dividends paid to non-controlling shareholders	—	—
Net cash flow from operating activities	1,826	3,101
Net cash flow from investing activities	–270	–328
Net cash flow from financing activities	–1,739	–2,099
Total net cash flow	**–183**	**674**

2.4 CONSOLIDATION METHODS

The capital consolidation of the entity is performed in accordance with IAS 27 (2008) Separate and Consolidated Financial Statements according to IFRS in conjunction with IFRS 3 R Business Combinations. For this purpose, the carrying amount of the investment is set off against the revalued equity of the subsidiary at the acquisition date (revaluation method). The cost of the acquisition is equal to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus the costs allocated directly to the acquisition. As part of a business combination, the identifiable assets, liabilities and contingent liabilities associated with a business combination are measured at their fair value at the acquisition date, regardless of the extent of non-controlling interests. The excess of the acquisition cost over the Group's share of the net assets measured at fair value is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the consolidated comprehensive income, after a subsequent review.

The effects of all material intragroup transactions, including expenses and income and receivables and payables between the Group entities, are eliminated. Likewise, intercompany profits and losses from intragroup sales of assets that have not yet been resold to third parties are eliminated. Deferred taxes required by IAS 12 are recognized in respect of temporary differences arising from consolidation measures.

The profits and losses of entities acquired or sold during the course of the year are included in the consolidated comprehensive income from the date when the power to control those entities becomes effective, respectively, until the power to control ends.

Shares of consolidated equity and of consolidated profit or loss for the year attributable to non-controlling interests are presented separately from the shares attributable to the parent company. To the extent that the value of the capital accounts of non-controlling interests is negative, they are presented as a negative position in consolidated equity and earnings for the period.

2.5 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are denominated in EURO, as the functional and reporting currency of the Group.

In the separate financial statements of the consolidated entities denominated in local currencies, monetary items in foreign currency (cash and cash equivalents, receivables, liabilities) are translated using the exchange rate as of the balance sheet date. Currency translation differences are recognized through profit or loss. Non-monetary items in foreign currency are translated at the historical exchange rates.

The financial statements of the consolidated entity denominated in foreign currency are translated on the basis of the functional currency concept defined in IAS 21 The Effects of Changes in Foreign Exchange Rates by applying the modified closing rate method. As the entity generally conducts its business independently in all financial, economic and organizational respects, the functional currency is identical to the national currency of the respective entity.

Accordingly, assets and liabilities are translated at the closing rate, equity is translated at the historical exchange rate and expenses and income are translated at the average exchange rate for the year. The difference arising on currency translation is recognized directly in equity and presented in a separate item of equity titled ‘accumulated other comprehensive result’.

Currency differences arising in relation to the prior year currency translation of the Group are recognized directly in equity under the item of ‘accumulated other comprehensive result’.

The opening balances of historical acquisition and production costs and of cumulative depreciation and amortization charges on non-current assets are translated at the exchange rate of the latest balance sheet date; the depreciation and amortization charges and all other movements in the financial year are translated at the average exchange rate for the reporting period. The translation of the non-current assets of the foreign subsidiary gives rise to currency translation differences, which are presented in separate columns of the consolidated statement of changes in non-current assets.

3. USE OF ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements according to IFRS requires Management to make certain assumptions that have an impact on the stated values of the assets and liabilities and on the disclosure of contingent assets and contingent liabilities as at the balance sheet date, as well as the stated amounts of income and expenses.

The assumptions and estimates consisted mainly of the following:

- Economic useful lives of property, plant and equipment and intangible assets: The applied economic lives of non-current assets are based on Management estimates. The Group reviews the estimated economic useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. During the current financial year, however, no changes were made to the estimates pertaining to economic useful lives.

- Land and buildings: The fair value option for measurement at the date of the IFRS opening balance sheet allowed by IFRS 1.16 in conjunction with IFRS 1.18 was exercised. Land and buildings were revalued at 1 January 2007 on the basis of independent expert appraisals.

- Retirement and other post-employment benefits: Pension plans are measured on the basis of actuarial calculations. The actuarial valuation is based on assumptions regarding discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension benefit increases. As a result of the long term horizon of these plans, such estimates are subject to considerable uncertainties. As at 31 December 2014, the provision for pensions and similar benefits amounts to EUR 25,275 thousand (PY: EUR 18,920 thousand). Further details are provided in Note 6.9 Current and non-current other provisions.

- Provisions for ecological and decommissioning obligations: Such provisions are recognized if it is considered probable that ecological and decommissioning obligations will result in future outflows of economic benefits, if the costs can be reliably estimated and the measures in question are not expected to result in future inflows of economic benefits. The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations, and with uncertainties regarding the actual conditions in the different countries and operating locations. In particular, estimates of costs are based on earlier experiences in similar cases, the conclusions of expert opinions commissioned by the Group, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future results of the Group. As at 31 December 2014, the carrying amount of recognized provisions is EUR 0 thousand (PY: EUR 0 thousand).

- Measurement of other provisions: Other provisions are measured on the basis of the best possible Management estimate of the amount required to settle the current obligation at the balance sheet date. As at 31 December 2014, the carrying amount of the recognized other provisions was EUR 145 thousand (PY: EUR 134 thousand). Further details are provided in Note 6.9 Current and non-current other provisions.

- Recognition of deferred tax assets: In determining whether deferred taxes can be realized, the Management Board examines whether it is probable that all deferred tax assets can be recovered. The final recoverability of deferred tax assets depends on whether there will be sufficient taxable income available in those periods in which the temporary differences are deductible. If this is not the case, deferred tax assets cannot be used and consequently cannot be recognized in the balance sheet. The carrying amount as of 31 December 2014 (before netting with deferred tax liabilities) is EUR 6,910 thousand (PY: EUR 5,195 thousand).

- Impairment of non-financial assets: Impairment tests of other intangible assets as well as property, plant and equipment are generally based on the estimated discounted future net cash flows expected from the continued use of an asset and from its disposal at the end of its useful life. Factors such as lower revenues and the resulting lower net cash flows and changes in the discount factors applied can lead to the recognition of an impairment loss or, to the extent permitted, also to the reversal of an earlier impairment loss.

- Investments in jointly controlled entity: The Company holds a direct investment in a joint venture with a share of 51.00% (PY: 51.00%). Taking into consideration all the legal and economic factors, Nabaltec AG has the power to govern the financial and operating policies of the company so as to obtain benefits from its activities. The controlled entity is therefore fully consolidated as a subsidiary in the consolidated financial statements.

- Obligations arising from a sale-and-lease-back transaction: In financial year 2008, the Group sold and leased-back certain technical equipment and machinery in connection with a sale-and-lease-back transaction. Upon expiration of the contracts on 29 November 2013 and 31 December 2013, based on current purchase offers of the lessor, Nabaltec purchased the technical equipment and machinery. Recognition in property, plant & equipment took place on the closing date on 16 December 2013 and 2 January 2014, respectively.

Future actual results of amounts to be considered may differ from these estimates. Revisions to accounting estimates are recognized through the income statement in the period in which the estimate is revised.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 REVENUE RECOGNITION

In accordance with the criteria of IAS 18, revenues on the sale of goods are recognized if the significant risks and rewards of ownership have been completely transferred to the buyer, a price has been agreed upon or is determinable and payment is considered probable.

Revenues are presented net of discounts and other deductions.

4.2 EXPENSE RECOGNITION

The expenses are allocable to income in the period to which they relate. Hence, operating expenses are recognized when they are incurred through utilization for the service.

4.3 RESEARCH & DEVELOPMENT COSTS

Nabaltec AG invests a portion of its financial resources in research and development activities. In addition to internal development activities aimed at the customization of purchased software, these activities also comprise research and development activities to enhance existing products and processes and to develop new products and processes.

Research costs are recognized as expenses in the period in which they are incurred. An intangible asset created in the process of development for a single project is recognized as an asset only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or for sale, and the intention to complete the intangible asset and to use or sell it. Furthermore, the Group must demonstrate that the asset in question will generate future economic benefits, that resources are available to complete the asset and that the expenditures allocable to the intangible asset during the development phase can be measured reliably.

Subsequent to initial capitalization of development costs, the cost model is applied, under which the asset is carried at cost less accumulated amortization and accumulated impairments. The acquisition or production costs include the directly allocable labor costs and other direct costs as well as an appropriate share of the overhead costs. The capitalized amounts are amortized over the economic useful life of the asset, starting from the date after the asset was put into service.

The capitalized amount of development costs is subject to an annual impairment test if the asset is not yet ready for being used, or also during the year if there are indications of an impairment.

In principle, Nabaltec AG capitalizes all significant development costs incurred in connection with internally developed software in the application development phase. These costs are amortized over the expected useful life starting from the date the software is initially taken into service.

As internal development projects are often subject to governmental approval procedures and other imponderabilities, the criteria for capitalizing the costs incurred prior to approval are usually not met or such costs incurred in the brief phase between research, respectively, approval and market introduction are considered immaterial.

As at 31 December 2014 no development costs were capitalized (PY: EUR 0 thousand).

4.4 INTANGIBLE ASSETS

Purchased intangible assets are measured at cost less straight-line amortization. As a rule, intangible assets are amortized systematically over the economic useful life by applying the straight-line method.

The amortization periods are as follows:

- Data processing software — 4 to 5 years

The residual carrying amounts, economic useful lives and amortization methods are reviewed at the end of each annual period and adjusted if necessary.

The Group does not carry any intangible assets with indefinite economic useful lives.

With regard to the capitalization of development costs of internally generated assets, please refer to Note 4.3 Research & development costs.

4.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition or production cost, less scheduled depreciation based on the expected economic useful life. In addition to directly allocable costs, the production costs also include appropriate shares of overhead costs.

Property, plant and equipment are depreciated by applying the straight-line method.

The depreciation periods are as follows:

- Leasehold rights and factory and office buildings on non-freehold land — 20 to 50 years
- Technical equipment, plant and machinery — 5 to 22 years
- Other fixtures, fittings and equipment — 3 to 20 years

The residual carrying amounts, economic useful lives and amortization methods are reviewed at the end of every financial year and adjusted if necessary.

4.6 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. assets that take a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset and, therefore, are capitalized until the date the assets are ready for use or sale. Refer to Note 6.2 Property, plant and equipment.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Other borrowing costs are recognized as an expense as incurred.

4.7 GOVERNMENTAL GRANTS AND OTHER SIMILAR SUBSIDIES

Government grants are accounted for as a deduction from the acquisition or production costs of the respective asset (IAS 20.24). These deductions are released over the economic useful life of the asset in the form of reduced depreciation charges. See Note 6.10 Current and non-current liabilities.

4.8 LEASE ARRANGEMENTS – THE GROUP AS LESSEE

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. The assessment requires the evaluation of whether the performance of the contractual agreement depends on the use of a given asset or assets and whether the agreement conveys a right to use the asset.

Finance leases under which substantially all the risks and rewards incident to ownership of the leased asset are transferred to the Group are recognized as an asset and a liability at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized immediately as expenses in the income statement. If the transfer of ownership to the Group at the end of the lease term is not sufficiently certain, the capitalized leased assets are depreciated completely over the shorter of the lease term or the economic useful life of the asset. As at 31 December 2014 and 31 December 2013, there were no liabilities relating to finance leases.

Rent and lease arrangements under which no economic ownership is transferred to the Group are classified as operating leases. Expenses resulting from operating leases are accumulated on a straight-line base in consolidated statement of comprehensive income profit throughout the lease term. For information about future payments we refer to chapter 7.1 Other financial obligations.

Under sale-and-lease-back transactions that constitute an operating lease, the profit to be recognized on the sale depends on the relationship of the sales price to the fair value. If the sale price is equal to the fair value, the profit is recognized immediately. Under sale-and-lease-back transactions that constitute a finance lease, the entire profit is generally recognized as deferred income and released over the term of the lease.

4.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The value of the capitalized carrying amount of intangible assets with finite useful lives and property, plant and equipment is reviewed with reference to the future cash flows (discounted by the current market risk-adjusted rate of interest) expected to arise from the use of that asset and with reference to the fair value less costs to sell (impairment test) if particular events or market developments are indicative of a need to correct the estimated economic useful life or an impairment. Furthermore, an impairment test of intangible assets not yet ready for use is conducted annually. If the net carrying amount of an asset exceeds the recoverable amount (higher of the value in use and the fair value less costs to sell), an impairment loss is recognized. The factors considered in determining the expected future cash flows include the current and expected future profits and developments specific to the business segment as well as technological, economic and general developments. If the reason for an earlier impairment is no longer in effect, that impairment loss is reversed, to the extent permitted, up to the depreciated historical cost would have been if the impairment had not been recognized.

4.10 FINANCIAL ASSETS

According to IAS 39, financial assets are classified as financial assets valued at fair value through profit or loss, loans and receivables as held-to-maturity investments or available-for-sale financial assets.

Upon initial recognition, financial assets are measured at fair value. In the case of financial assets that are not measured at fair value through profit and loss, the recognized amount also includes transaction costs that are directly attributable to the purchase of the financial asset.

The Group determines the classification of its financial assets upon initial recognition and reviews this classification at the end of each financial year, to the extent permitted and appropriate. As at the balance sheet date, the Group did not carry any financial assets classified as ‘held-to-maturity investments’ and ‘available-for-sale financial assets’.

All arm’s length transactions of financial assets are recognized at the trade date, i.e. the date on which the sales or purchase of the asset, respectively, the liability becomes effective. An arm’s length transaction is a purchase or sale of a financial asset under the delivery terms required in general by the market regulation or market convention within a fixed period.

Financial assets measured at fair value through profit or loss

The group of financial assets measured at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as being measured at fair value through profit or loss. Such designation has not been applied within the Group in the reporting period.

Financial assets are classified as held-for-trading when they were acquired for the purpose of selling them in the short term. Derivatives are also classified as held-for-trading, with the exception of those derivatives that constitute a financial guarantee or have been designated as hedging instruments and are effective as such. Gains or losses on financial assets held for trading are recognized in profit or loss.

At the date at which the Group enters into a contract for the first time, it determines whether embedded derivatives need to be presented separately from the host contract. The initial decision is reviewed only in the event of substantial changes in the contractual terms and conditions that give rise to a significant change in the cash flows that would have otherwise resulted from the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In particular, they consist of trade receivables, other assets as well as cash and cash equivalents.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Gains and losses are recognized in the profit or loss for the period when the loans and receivables are derecognized or impaired and in connection with installment payment plans.

Derecognition of financial assets

A financial asset is derecognized when the Group loses the power of disposal over the contractual rights relating to cash flows that constitute the financial asset concerned.

If the Group transfers its contractual rights to receive cash flows from an asset and substantially all the risks and rewards incident to ownership of that asset have neither been transferred nor retained and the Group retains the power of disposal over the transferred asset, the Group continues to recognize the transferred asset to the extent to which it has a continuing involvement in the asset.

4.11 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets and groups of financial assets are subject to an impairment test at each balance sheet date. Any impairment loss is recognized in profit or loss immediately.

Trade receivables are carried at amortized cost less appropriate valuation allowances. Valuation allowances on receivables are measured with reference to the probability of default.

Other financial assets and receivables are carried at amortized cost. In case of doubt as to the recoverability of other assets, individual valuation allowances are recognized.

4.12 INVENTORIES

Inventories are measured at the lower of acquisition or production cost and net realizable value.

Upon initial recognition, raw materials and supplies are measured at acquisition cost plus incidental expenses minus purchase price reductions. For determining the cost of inventories the weighted average method is applied.

Finished and unfinished goods are measured at production cost. Production costs include the directly allocable production costs and an appropriate share of allocable fixed and variable production overheads. The overhead cost shares are determined on the basis of normal capacity utilization. Selling expenses, general administrative expenses and borrowing costs are not capitalized.

Finished goods are aggregated into measurement units for valuation purposes.

Any write-downs for inventory risks arising from increased storage lives or reduced salability are recognized as an expense when they occur, reducing the inventory value to the net realizable value at the balance sheet date.

4.13 CASH AND CASH EQUIVALENTS

The cash and cash equivalents presented in the balance sheet comprise petty cash, cash in banks and short term deposits with original maturities of less than three months. The same definition is applied for purposes of the consolidated statement of cash flows. Subsequent measurement is at amortized cost.

4.14 TAXES

Current income taxes

Tax refund claims and tax liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the tax authorities. These amounts are calculated on the basis of the tax rates and tax laws applicable at the balance sheet date.

Deferred taxes

Deferred tax assets and liabilities are recognized in accordance with IAS 12 Income Taxes in respect of all temporary differences between the tax bases and the IFRS carrying amounts and in respect of consolidation measures recognized in profit or loss by applying the balance sheet-oriented liability method. IAS 12.34 provides that deferred tax assets in respect of tax loss carry forwards can be recognized only to the extent that it is considered probable that sufficient taxable profits will be available in the future against which these tax loss carry forwards can be off set.

Deferred taxes are at tax rates expected to apply to the period in which the asset is realized or the liability settled, according to the current status of the law. Tax rate changes are applied, only, if such changes are considered as being sufficiently probable.

Deferred tax assets and deferred tax liabilities are offset on the balance sheet to the extent allowed.

4.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group employs derivative financial instruments to hedge against interest rate and currency risks arising from operations. Financial instruments are measured at fair value at the balance sheet date. Measurement gains and losses are recognized through the income statement unless the conditions for hedge accounting are met. Changes in the market value of derivative financial instruments that meet the conditions of hedge accounting are recognized either through the income statement (fair value hedge) or directly in equity (cash flow hedge). In the reporting periods, hedge accounting has been applied for cash flow hedges against interest rate and currency risks.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading financial assets, if their fair value is positive, or as held-for-trading liabilities, if their fair value is negative. Derivative financial instruments are measured at fair value. Changes in their fair value are recognized through the income statement for the period.

4.16 EQUITY

The capital contributions and other payments made by shareholders to the capital reserve are presented after deducting transaction costs directly related to the acquisition of equity and in consideration of any resulting tax effect.

4.17 OTHER PROVISIONS

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes provisions if, and only if a present obligation (legal or constructive) has arisen toward a third party as a result of a past event (the obligating event), and will lead to a future outflow of economic resources in the future, and the amount can be estimated reliably. This implies that ‘probable’ means a probability of more than 50%. Estimated provisions take into account discernible risks and uncertain obligations in the amount that will probably be required to settle those obligations without deduction of any reimbursement claims. Non-current other provisions are discounted to present value. The settlement amount also includes the rate of inflation valid at the balance sheet date.

For liabilities for anniversary due to existing employment agreements, provisions were calculated by using the same assumptions as for the calculation of retirement benefits and similar obligations. The liabilities for anniversary were calculated by using the projected unit credit method.

4.18 RETIREMENT BENEFIT OBLIGATION

Retirement benefit obligations are measured based on the projected unit credit method according to IAS 19. Calculations performed under this method take into account the pension benefits and vested rights known at the balance sheet date as well as future expected increases of pension benefits and salaries based on conservative estimates of the relevant parameters. Calculations are performed on the basis of an expert actuarial opinion, which includes biometric data.

The (net) interest portion is to be determined at the beginning of the period by multiplication of the (net) retirement benefit obligation – that is the total obligation less plan assets – with the discount rate on which the valuation of the retirement benefit obligation is based. Thus, the interest expense arising from the compounding of the obligation and the expected return on plan assets are offset and must be recorded through the profit and loss statement in the annual result. Simultaneously, the expected return on plan assets is therefore assumed in the amount of the discount rate.

Deviations of the actual return on plan assets, respectively, the discount rate on the balance sheet date, from the assumed discount rate (=assumed return on plan assets) are also directly recognized in other comprehensive income as are other actuarial valuation adjustments in terms of a new valuation component.

The discount rate used for discounting the (net) retirement obligation is determined based on first-class, fixed-interest dealt industry corporate bonds.

Service costs, recognized through the profit and loss statement, consist of, amongst others, the current as well as the total past service costs arising as a result of changes in the plan arrangements.

4.19 FINANCIAL LIABILITIES

According to IAS 39, financial liabilities are designated either as 'financial liabilities at fair value through profit or loss' or as 'other financial liabilities'.

The Group classifies the financial liabilities upon initial recognition and reviews the classification at the end of each annual period, to the extent permissible and appropriate.

Financial liabilities measured at fair value through profit or loss

Upon initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. The gains or losses resulting from fair value changes are recognized immediately in income. This category includes derivative financial instruments with negative market values (HfT). Gains or losses resulting from the subsequent measurement of financial liabilities at fair value are recognized through profit or loss.

Interest-bearing loans and bonds

Upon initial recognition, loans and bonds are measured at fair value less the transaction costs directly related to the taking up of borrowings. They are not designated as being measured at fair value through profit or loss.

In subsequent periods, the interest-bearing loans and bonds are measured at amortized cost using the effective interest method. Differences between amortized cost and the repayment amounts are recognized through profit or loss according to the effective interest method.

Financial liabilities, all of which are classified as other liabilities, are measured at the fair value of the consideration received less the transaction costs related to the taking up of borrowings upon initial recognition. In subsequent periods, financial liabilities are measured at amortized costs using the effective interest method.

A financial liability is derecognized when the underlying obligation has been settled, cancelled or has expired.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUES

Refer to segment information and the respective notes in Note 7.7 Segment information for reporting on the distribution of revenues among the product segments.

5.2 OTHER OWN SERVICES CAPITALIZED

In 2014, EUR 364 thousand (PY: EUR 223 thousand) were capitalized as other own services for various technical equipment and machinery, thereof EUR 108 thousand (PY: EUR 93 thousand) for construction period interest.

5.3 OTHER OPERATING INCOME

The following is a specification of other operating income:

(EUR '000)	2014	2013
Foreign currency translation gains	1,536	138
Payments in kind	160	152
Deliveries of process water	154	160
Reimbursements from insurances	143	98
Laboratory Services	140	118
Other	135	144
Income from reduction of bad debt allowance	100	257
Personnel services	64	73
Government grants and similar grants	49	121
Magazine and scrap sales	45	49
Routing and tracking services	13	4
Gains on disposal of property, plant and equipment	11	11
Income from reversal of provisions	7	7
Total	**2,557**	**1,332**

Government grants relate to subsidies for expenses. The conditions attached to these grants were fully met; no other uncertainties remain.

5.4 COST OF MATERIALS

Cost of materials is specified as follows:

(EUR '000)	2014	2013
Raw materials, supplies and merchandise	74,083	68,630
Cost of purchased services	1,047	983
Total	**75,130**	**69,613**

5.5 PERSONNEL EXPENSES

Personnel expenses are specified in the table below:

(EUR '000)	2014	2013
Wages and salaries	21,119	18,682
Social security	3,630	3,249
Expenses for retirement benefit obligation	424	414
Other pension expenses	179	173
Total	**25,352**	**22,518**

Expenses for retirement benefit obligation fulfill the criteria of the so-called 'Defined Benefit Plans' as specified by IAS 19.

Other pension expenses relate to contributions made by the employer for pension plans of the employees that fulfill the criteria of the so-called 'Defined Contribution Plans' as described by IAS 19.

In addition, the Company's contributions toward the statutory pension insurance in the amount of EUR 1,577 thousand (PY: EUR 1,456 thousand) are included in the balance sheet item 'Social Securities', which are withheld once a month.

5.6 EMPLOYEES

The average number of employees in the Group developed as follows:

	2014	2013
Blue-collar employees	218	212
White-collar employees	146	145
Low wage earners	9	11
Total	**373**	**368**

In additional, an average of 47 apprentices (PY: 47) were employed in the course of the financial year.

5.7 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

The depreciation, amortization and impairment charged against non-current assets are presented in the statement of changes in non-current assets.

Intangible as well as tangible assets are assessed for impairment if such indicators arise. Impairment tests were performed. The impairment amount is determined as the difference between the carrying amount and the recoverable amount for the asset's cash-generating unit (CGU). The recoverable amount of the CGUs was determined on the basis of the recoverable amount and the value in use, using the discounted cash flow method. The discounted cash flows are based on three-year forecasts, which in turn are based on financial budgets approved by Management. The cash flow forecasts, which take into account past experience, are based on Management's best estimate of the Company's future development.

As a result of the asset impairment tests conducted, Management concluded that there was no need to recognize impairment losses in the financial year 2014.

5.8 OTHER OPERATING EXPENSES

The following is a specification of other operating expenses:

(EUR '000)	2014	2013
Transportation charges	10,303	9,100
Services from third parties not attributable to the process of production	4,965	5,575
Sales commission	2,773	2,652
Other administration expenses	931	727
Minimum lease payments (rent and lease)	637	2,415
Legal and advisory fees	619	517
Insurances	595	689
Other	565	561
Travel expenses	450	477
Additional personnel costs	374	395
Foreign currency translation losses	292	300
Advertising expenses	146	300
Other taxes	50	50
Losses from sale of fixed assets	14	10
Total	**22,714**	**23,768**

5.9 RESEARCH & DEVELOPMENT COSTS

In 2014, various research and development costs of EUR 2,594 thousand (PY: EUR 2,560 thousand) were recognized as expenses.

5.10 INTEREST AND SIMILAR INCOME

Interest and similar income are presented in the table below:

(EUR '000)	2014	2013
Return on plan assets (pension plan insurance)	133	136
Interest income from interest rate swaps	0	96
Interest income from bank balances	31	64
Total	**164**	**296**

5.11 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses are presented in the table below:

(EUR '000)	2014	2013
Interest expenses paid to banks	2,603	1,895
Interest expenses arising from provisions	771	756
Interest expenses arising from interest rate swaps	641	211
Interest expenses loan Allied Alumina	173	176
Interest expenses arising from compound interest	74	832
Interest expenses arising from factoring	31	320
Losses from interest rate swaps	22	0
Interest expenses arising from corporate bonds	0	1,950
Interest expenses arising from profit participation right	0	26
Commission on bank guaranty	0	7
Total	**4,315**	**6,173**

5.12 INCOME TAXES

Income taxes are specified as follows:

(EUR '000)	2014	2013
Current income taxes:		
Current tax expenses in respect of the current year	1,822	623
Tax expenses for prior years	30	–40
Deferred taxes:		
Origination and reversal of temporary differences	–1,176	32
Of which directly through equity	1,775	324
Total	**2,451**	**939**

The current tax expenses for the financial year 2014 consist of current trade tax and corporate income tax as well as US withholding tax for 2014.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. For the calculation of deferred taxes in Germany, a tax rate of 28.08% (PY: 28.08%) is applied. It comprises the unchanged currently valid corporate income tax rate of 15%, the unchanged solidarity surcharge of 5.5% and the Group's average trade tax rate of 12.25% (PY: 12.25%). The respective domestic tax rates are applied for the foreign entity (34%, no change compared to prior year).

The effects of income tax referring to other comprehensive income as part of group equity are structured as follows:

(EUR '000)	Before tax		Deferred tax		After tax	
	2014	2013	2014	2013	2014	2013
Foreign currency translation	933	–280	0	0	933	–280
Net result from hedge accounting	–587	–529	197	226	–390	–303
Actuarial gains or losses	–5,620	–349	1,578	98	–4,042	–251
Total	**–5,274**	**–1,158**	**1,775**	**324**	**–3,499**	**–834**

The table below presents the reconciliation between the expected income tax expense in each annual period and the income tax expense actually presented in the consolidated statement of comprehensive income:

(EUR '000)	2014	2013
Tax rate	28.08%	**28.08%**
Earnings before tax (EBT)	8,522	**4,654**
Expected tax expense	2,393	**1,307**
Deviations		
1. Utilization of previously unrecognized interest carry forwards	–40	–99
2. Deviating foreign tax rate	82	66
3. Adjustment actual tax prior years	24	–40
4. Non-deductible expenses	108	139
5. Tax effects from consolidation measures	–134	–391
6. Other	18	–43
Tax expenses presented in the consolidated statement of comprehensive income	2,451	**939**

Deferred tax assets and liabilities are specified as follows:

(EUR '000)	Consolidated Balance Sheet		Consolidated Statement of Comprehensive Income	
	12/31/2014	12/31/2013	2014	2013
Deferred tax assets				
Financial assets	0	83	–83	83
Other assets	418	385	33	43
Retirement benefit obligation	3,897	2,328	1,569	113
Other provisions	142	151	–9	–81
Liabilities from profit participation	0	0	0	0
Loss carry forward	1,638	1,976	–338	–307
Other	815	272	543	179
Total deferred tax assets – gross	6,910	5,195	1,715	30
Deferred tax assets not recognized	0	0	0	0
Total deferred tax assets – net	**6,910**	**5,195**	**1,715**	**30**
Deferred tax liabilities				
Non-current assets	7,459	7,279	–180	–110
Inventories	343	356	13	–89
Other	484	112	–372	137
Total deferred tax liabilities	**8,286**	**7,747**	**–539**	**–62**
	–1,376	**–2,552**	**1,176**	**–32**

The deferred tax asset arising from the loss carry forward relates to Nashtec LLC in the amount of EUR 1,638 thousand. Nashtec LLC is not regarded as a taxable entity according to US tax law for federal tax and state tax. The proportion of the US tax loss carry forward allocable to Nabaltec AG as shareholder amounts to EUR 4,819 thousand (PY: EUR 4,742 thousand) and, generally, tax losses can be utilized retroactively for two years and carried forward for no more than 20 years on the federal level in the United States:

(EUR '000)	2014	2013
Expiration within		
1 year	0	0
2 – 5 years	0	0
6 – 10 years	0	0
11 – 20 years	4,819	4,742

Deferred tax assets and liabilities in the USA are set off against deferred tax assets from tax loss carry forwards. The tax loss carry forwards in the USA are higher than the actual realized losses due to favorable tax depreciation rules. As at 31 December 2014 German tax loss carry forwards as well as interest carry forwards in the amount of EUR 0 thousand (PY: EUR 231 thousand) were capitalized.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 INTANGIBLE ASSETS

Please refer to the statement of changes in non-current assets for more information on the changes in intangible assets.

Intangible assets consist mainly of data processing software and industrial property rights.

As in prior year, intangible assets were not assigned by way of collateral as of 31 December 2014.

There were no significant obligations for the acquisition of intangible assets.

6.2 PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment are presented in the statement of changes in non-current assets.

Assets amounting to EUR 36,886 thousand (PY: EUR 37,414 thousand) are pledged as securities for bank loans.

Mortgages amounting to EUR 5,600 thousand as of 31 December 2014 (PY: EUR 5,600 thousand) were assigned by way of collateral for bank loans.

Borrowing costs in the amount of EUR 108 thousand (PY: EUR 93 thousand) were capitalized in the annual period 2014 in connection with the long term construction of various technical equipment, buildings and fixtures. The average interest rate that was used to determine the borrowing costs eligible for recognition in the balance sheet was 4.00%.

6.3 INVENTORIES

Inventories are specified as follows:

(EUR '000)	12/31/2014	12/31/2013
Raw materials and supplies	15,352	13,562
Unfinished goods	431	217
Finished products and merchandise	11,764	12,432
Total	**27,547**	**26,211**

All inventory items were assigned by way of collateral for liabilities to banks.

Inventory write-downs in the amount of EUR 325 thousand (PY: EUR 439 thousand) were recognized as expenses.

6.4 TRADE RECEIVABLES

Trade receivables are specified in the table below:

(EUR '000)	12/31/2014	12/31/2013
Trade receivables – gross	4,684	4,520
Bad debt allowance	–133	–233
Total	**4,551**	**4,287**

At the balance sheet date, all trade receivables are non-interest-bearing and have a remaining maturity in less than one year.

Please refer to Note 7.2 Disclosures on financial instruments for more information on the development of the bad debt allowance account and the age structure of receivables.

6.5 INCOME TAX CLAIMS

Income tax claims with a carrying amount of EUR 26 thousand (PY: EUR 62 thousand) consist of tax refund claims receivable from German tax authorities, resulting from corporate income tax, solidarity surcharge and trade taxes as well as a claim, for reimbursement of the withholding tax form the US tax authorities.

6.6 OTHER ASSETS

Other assets consist of the following financial and non-financial assets:

(EUR '000)	12/31/2014	12/31/2013
Receivables from factoring	3,281	1,011
Positive fair market values of foreign exchange contracts	1,211	0
Sundry	547	529
Other financial assets	**5,039**	**1,540**

(EUR '000)	12/31/2014	12/31/2013
VAT (value added tax) receivables	1,766	2,061
Prepaid expenses	154	89
Other non-financial assets	**1,920**	**2,150**
Total	**6,959**	**3,690**

The receivables from factoring in the amount of EUR 3,281 thousand (PY: EUR 1,011 thousand) presented at 31 December 2014, consist of the purchase price retention related to factoring arrangements.

Other assets are due in less than one year.

6.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the balance sheet date are presented in the table below:

(EUR '000)	12/31/2014	12/31/2013
Cash in banks	27,228	29,677
Petty cash	3	1
Total	27,231	**29,678**

Bank balances bear interest at variable interest rates for overnight call money. The short term deposits range from one day to three months, depending on the Group's cash requirements. These deposits bear interest at the respective interest rates for short term deposits.

For purposes of the consolidated cash flow statement, there were no differences in the holdings of cash and cash equivalents as of 31 December 2014.

The cash and cash equivalents are not subject to restrictions.

6.8 EQUITY

Changes in equity of Nabaltec AG are presented in the consolidated statement of changes in equity.

Subscribed capital

At the balance sheet date, the fully paid-in registered capital (capital stock) amounted to EUR 8,000 thousand (PY: EUR 8,000 thousand). It consisted of 8,000,000 non-par bearer shares, each representing an imputed proportion of capital stock in the amount of EUR 1.00. Each share bears one voting right.

Authorized capital

By resolution of the annual shareholders' meeting of 9 June 2011, the Management Board is authorized to increase the capital stock, with the consent of the Supervisory Board, by issuing new shares against cash and/or in-kind contributions on one or more occasions until 8 June 2016, by up to EUR 4,000 thousand through the issuance of up to 4,000,000 non-par bearer shares (non-par shares), whereby the increase in the number of shares shall maintain at the same relation to the increase of the capital stock; the Management Board is also authorized, with the consent of the Supervisory Board, to decide on any exclusion of subscription rights in connection with such issues (Authorized Capital 2011/I).

Conditional capital

By resolution of the annual shareholders' meeting of 9 June 2011, the capital stock was increased conditionally by up to EUR 4,000,000 (Conditional Capital 2011/I). The conditional capital only serves the purpose of granting shares to the holders of convertible bonds and/or bonds with warrants that were issued by the Company with the authorization of the annual shareholders' meeting of 9 June 2011. According to the conditions of the corporate bonds, the Conditional Capital also serves to issue shares to holders of convertible bonds entitled with conversion obligations.

Capital reserve

At 31 December 2014, the capital reserve amounted to EUR 29,764 thousand (PY: EUR 29,764 thousand). The capital reserve basically resulted from the issuance of 2,000,000 non-par bearer shares at a price of EUR 15.50 per non-par share holding an interest of EUR 1.00 per non-par share in subscribed capital causing a premium of EUR 14.50 per non-par share or rather EUR 29,000 thousand in total.

With the consent of the Supervisory Board and until 8 June 2016, the Management Board is authorized to issue on one or more occasions convertible and/or respectively warrant bearer bonds amounting in total EUR 100,000 thousand with a term of maximum 15 years (the "convertible and/or warrant bearer bonds") and grant holders of convertible bearer bonds conversion rights of maximum 4,000,000 bearer Company shares in accordance with the terms and conditions of the warrant and, respectively, convertible bonds (bond conditions) to be specified by the Management Board and approved by the Supervisory Board.

Earnings reserves

At 31 December 2014, earnings reserves amounted to EUR 9,711 thousand (PY: EUR 9,711 thousand). The earnings reserves include the result from the first time adoption of IFRS.

For the annual period 2014 management board will propose a dividend distribution of EUR 0.12 per share.

Regarding the changes in profit/loss carry forwards, please refer to the consolidated statement of changes in equity.

Accumulated other comprehensive changes in equity

Any differences arising on currency translation, any changes in the market value of derivative financial instruments for which hedge accounting is applied, actuarial gains and losses from retirement benefit obligations as well as deferred tax effects arising in this context are recognized directly in equity and presented separately in equity within the item of accumulated other comprehensive income/expenses. As of 31 December 2014, accumulated other comprehensive expenses amounted to EUR –8,150 thousand (PY: EUR –4,628 thousand).

Non-controlling interest

As at 31 December 2014, non-controlling interests amounts to EUR –170 thousand (PY: EUR –771 thousand) in the equity of Nashtec LLC.

6.9 CURRENT AND NON-CURRENT OTHER PROVISIONS

Changes in other provisions are presented in the tables below:

FINANCIAL YEAR 2014 (EUR '000)	Opening Balance 01/01/2014	Additions	Utilization	Reversal	Closing Balance 12/31/2014
Provisions for personnel	764	193	106	7	844
Provisions related to ecological/ decommissioning obligations	0	0	0	0	0
Other provisions	134	144	133	0	145
Total	**898**	**337**	**239**	**7**	**989**

FINANCIAL YEAR 2013 (EUR '000)	Opening Balance 01/01/2013	Additions	Utilization	Reversal	Closing Balance 12/31/2013
Provisions for personnel	510	338	77	7	764
Provisions related to ecological/ decommissioning obligations	0	0	0	0	0
Other provisions	152	133	151	0	134
Total	**662**	**471**	**228**	**7**	**898**

Retirement benefit obligations

The Group has set up defined benefit pension plans. Based on these plans, pension benefits are promised to a major part of the employees for the time after retirement. These are final pay plans granted to Management and employees based on the pension scheme. The pension scheme is valid for employees, who were permanently employed by the Company prior to 1 May 1995. As a consequence, there are no further additions to this group of beneficiaries. For part of the pension plans contributions are paid for reinsurance policies. Given the scheme arrangements, the employer carries actuarial risks. The most important risks regard interest rate risks and longevity risk.

The average age of those included in the pension scheme lies in the range of 50 to 55 years. The pension obligation is calculated based on an assumed retirement age of 63 years.

The specification of pension benefit expenses recognized in the consolidated statement of comprehensive income and the amounts recognized for the respective pension plans in the consolidated balance sheet are presented in the tables below:

EXPENSES FOR PENSION BENEFITS (EUR '000)	2014	2013
Current service cost	424	414
Net interest expense	693	690
Expenses for pension benefits	**1,117**	**1,104**
Actual return on plan assets	40	62

Net interest expense comprises interest expense amounting to EUR 745 thousand (PY: EUR 738 thousand) less expected returns on plan assets amounting to EUR 52 thousand (PY: EUR 48 thousand). The interest portion of the additions to the retirement benefit obligation as well as the return on plan assets is presented under interest and similar expenses. Actuarial gains and losses are fully recognized in other comprehensive income and evolved as follows:

DEVELOPMENT OF ACTUARIAL GAINS/LOSSES (EUR '000)

Actuarial losses as at 1 January 2013	–4,554
Actuarial losses arising from changes in biometrical and financial assumptions	–705
Experience based gains	341
Gains on plan assets	14
Actuarial losses as at 31 December 2013	**–4,904**
Actuarial losses arising from changes in biometrical and financial assumptions	–5,262
Experience based losses	–345
Loss on plan assets	–13
Actuarial gains/losses as at 31 December 2014	**–10,524**

Changes in the present value of the defined benefit obligations are presented in the table below:

(EUR '000)

Defined benefit obligations at 1 January 2013	19,053
Interest expenses	738
Current service cost	414
Benefits paid	–280
Actuarial gains/losses	364
Defined benefit obligations at 31 December 2013	**20,289**
Interest expenses	745
Current service cost	424
Benefits paid	–301
Actuarial gains/losses	5,607
Defined benefit obligations at 31 December 2014	**26,764**

Of the total defined benefit obligation amounting to EUR 26,764 thousand as per 31 December 2014 (PY: EUR 20,289 thousand), an amount of EUR 8,740 thousand (PY: EUR 6,570 thousand) is covered by an actuarial reserve in the amount of EUR 1,489 thousand (PY: EUR 1,369 thousand) with a reinsurance company.

For 2015 and 2016 benefit payments are expected to amount to approximately EUR 324 thousand and EUR 330 thousand, respectively.

Changes in the fair value of plan assets are presented in the table below:

(EUR '000)	
Fair value of plan assets at 1 January 2013	1,219
Employer contributions	88
Expected return	48
Actuarial gains/losses	14
Fair value of plan assets at 31 December 2013	**1,369**
Employer contributions	80
Expected return	53
Actuarial gains/losses	–13
Fair value of plan assets at 31 December 2014	**1,489**

Plan assets recognized in the balance sheet comprise the cash surrender value of a reinsurance policy, which falls under the scope of IAS 19.7 (b) and thus has to be accounted for as a plan asset. The Group anticipates contributions to plan assets in the amount of EUR 80 thousand for the financial year 2015.

The reconciliation of the recognized retirement benefit obligation provision with the present value of the defined benefit obligation is presented below:

(EUR '000)	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Fair value of plan assets	1,489	1,369	1,219	1,106	980
Present value of the defined benefit obligation	26,764	20,289	19,053	14,794	14,033
Retirement benefit obligation provision	25,275	18,920	17,834	13,688	13,053

In the following table, the underlying assumptions used for determining retirement benefit obligation after the termination of the employment are summarized:

(in %)	2014	2013
Discount rate	2.50	3.70
Salary trend	2.75	2.75
Pension trend	2.00	2.00
Fluctuation rate	1.00	1.00

Mortality rates after retirement of pensioners aged 65 years according to Heubeck-Richttafeln 2005G (mortality tables).

Changes to the underlying assumptions affect the retirement benefit obligation provision as follows:

RETIREMENT BENEFIT OBLIGATION PROVISION (EUR '000)	+25 BP	–25 BP
Discount rate	25,525	28,091
Salary trend	27,031	26,503
Pension trend	27,675	25,896

The preceding sensitivity analysis is based on the change in one assumption assuming all other parameters remain unchanged. In reality, however, it is not unlikely that changes will occur in some assumptions at the same time.

The methods and types of assumptions for preparing the sensitivity analysis did not change compared to last year.

6.10 CURRENT AND NON-CURRENT LIABILITIES

CARRYING AMOUNTS (EUR '000)

		Carrying amount	thereof due within < 1 year	thereof due within 1 – 5 years	thereof due within > 5 years
Payables to banks	12/31/2014	71,394	10,041	44,469	16,884
	12/31/2013	80,525	9,942	53,716	16,867
Trade payables	12/31/2014	9,924	9,924	–	–
	12/31/2013	8,707	8,707	–	–
Income taxes payables	12/31/2014	1,377	1,377	–	–
	12/31/2013	703	703	–	–
Other liabilities	12/31/2014	15,900	15,900	0	–
	12/31/2013	13,299	11,926	1,373	–
Total	**12/31/2014**	**98,595**	**37,242**	**44,469**	**16,884**
	12/31/2013	**103,234**	**31,278**	**55,089**	**16,867**

Payables to banks

Payables to banks mainly comprise long-term loans borrowed at prevailing market interest rates. Their fair value equals the sum of the carrying amounts.

Nabaltec AG successfully placed promissory note bonds for EUR 50,000 thousand to secure long-term financing at improved conditions. Placement of the promissory note bonds occurred in various tranches with duration times of three, five, and seven years, both with variable and fixed interest rates. 90% of the volume was placed with a five to seven year duration range for which an interest rate hedge was entered into.

Loan agreements of Nabaltec AG are partly subject to covenants, which are partially based on leverage coverage ratios as well as on the equity ratio. In the case of non-compliance, the lender is eligible to increase the interest margin or make use of his extraordinary right to terminate the contract. In the reporting period 2014, covenants valid as at 31 December 2014, were adhered to.

Trade payables

Trade payables are due within 90 days at a maximum.

The carrying amounts of trade payables are equal to their fair values.

Income tax payables

Those comprise outstanding tax liabilities in Germany, consisting of corporate income tax, solidarity surcharge and trade tax for the current and prior financial year.

Other liabilities

Current other liabilities consist of the following financial and non-financial liabilities:

(EUR ’000)	12/31/2014	12/31/2013
Loan due to non-controlling shareholder	8,484	7,663
Negative fair value of interest rate swap	2,994	1,074
Investment grants	1,532	1,198
Other	450	390
Preparation and audit of the annual financial statements	198	149
Employer’s liability insurance association	161	116
Negative fair value of foreign exchange contracts	0	100
Other current financial liabilities	**13,819**	**10,690**

(EUR ’000)	12/31/2014	12/31/2013
Bonuses and performance-based pay	870	332
Outstanding vacation claims	658	611
Payables to tax authorities	331	214
Other consumption tax	148	7
Inventors’ remunerations	32	30
Social securities payable	26	24
Demographic contribution II	16	18
Other current non-financial liabilities	**2,081**	**1,236**
Total other current liabilities	**15,900**	**11,926**

Liabilities arising from bonuses and performance-based pay depend on the fulfillment of the underlying targets. Liabilities for outstanding vacation claims were recognized on the basis of individual employees.

Payables to tax authorities result primarily from payroll and church taxes withheld for the past financial year and not yet paid as at the balance sheet date.

Due to their short term maturity, the carrying amounts of current other liabilities were approximately equal to their fair values.

Other current financial liabilities of EUR 1,532 thousand (PY: EUR 2,571 thousand) include an investment grant already received from the government of Upper Palatinate (Oberpfalz) for planned investments in fixed assets not yet carried out as at the balance sheet date. These items consisted exclusively of other financial liabilities. The carrying amount was approximately equal to its fair value. During the business year EUR 1,618 thousand (PY: EUR 579 thousand) of the received grants were deducted from the purchase price or manufacturing costs in arriving at the carrying amount of the respective non-current assets.

7. OTHER DISCLOSURES

7.1 OTHER FINANCIAL OBLIGATIONS

Obligations under operating leases – the Group as lessee

The Group is subject to financial obligations under rental and lease agreements. At year end 31 December 2014 no more leasing contracts as part of a sale-and-lease back arrangement for various technical equipment and machinery existed. The remaining terms of all the contracts are mainly between 1 – 5 years.

In the current financial year, an amount of EUR 637 thousand (PY: EUR 2,415 thousand) was recognized as expenses under rental and operating lease agreements.

The total amount of future minimum payments under operating leases and rental agreements by maturities is specified as follows:

(EUR ’000)	12/31/2014	12/31/2013
Minimum lease payments due in < 1 year	431	575
Minimum lease payments due 1 – 5 years	560	692
Minimum lease payments due > 5 years	171	405
Total	**1,162**	**1,672**

Contingent liabilities and other commitments

At the balance sheet dates, there were no significant contingent liabilities or pending litigation for which provisions had to be recognized. At 31 December 2014, to open purchase orders for capital expenditure projects in the amount of EUR 549 thousand (PY: EUR 2,782 thousand) existed.

7.2 DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, valuation, fair values by measurement categories

The carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements are presented in the table below:

(EUR ’000)

		Carrying amount		Fair value	
	Category in accordance with IAS 39	2014	2013	2014	2013
Financial assets					
Trade receivables	LaR	4,551	4,287	4,551	4,287
Other receivables					
Other non-derivative receivables and financial assets	LaR	3,828	1,540	3,828	1,540
Positive fair values of currency derivates (with hedging)	–	1,211	0	1,211	0
Cash and cash equivalents	LaR	27,231	29,678	27,231	29,678
Financial liabilities					
Financial liabilities at amortized cost					
Payables to banks	FLaC	71,394	80,525	71,394	80,525
Trade payables	FLaC	9,924	8,707	9,924	8,707
Other financial liabilities					
Other non-derivative financial liabilities	FLaC	10,825	10,889	10,825	10,889
Negative fair value interest rate derivatives (without a hedging relationship)	HfT/FVtPL	186	164	186	164
Negative fair value interest rate derivatives (designated in an effective cash flow hedging relationship)	–	2,808	910	2,808	910
Negative fair value forward foreign exchange derivatives (with a hedging relationship)	–	0	100	0	100

The following abbreviations were used for the valuation categories according to IAS 39:

LaR	Loans and Receivables
HfT	Held for Trading
FVtPL	Fair Value through Profit and Loss
FLaC	Financial Liabilities Measured at amortized Cost

The fair values of derivative financial instruments and loans were determined by discounting the expected future cash flows to their present values using prevailing market interest rates. The fair values of other financial assets were determined using prevailing market interest rates.

The cash and cash equivalents, trade receivables and other receivables are receivables due in less than one year. Therefore, their carrying amounts are approximately equal to their fair values.

Net result by measurement categories

The following table presents income and expenses from financial instruments according to measurement categories as defined by IAS 39:

MEASUREMENT CATEGORIES IN ACCORDANCE WITH IAS 39

			From subsequent measurement			
		From interest	At Fair Value	Currency translation	Impairment/ allowance	Net result 2014
Loans and Receivables	LaR	31	–	541	100	672
Held for Trading	HfT	–74	–22	–	–	–96
Other Liabilities	FlaC	–2,881	–	703	–	–2,178
Total 2014		**–2,924**	**–22**	**1,244**	**100**	**–1,602**

MEASUREMENT CATEGORIES IN ACCORDANCE WITH IAS 39

			From subsequent measurement			
		From interest	At Fair Value	Currency translation	Impairment/ allowance	Net result 2013
Loans and Receivables	LaR	64	–	–68	257	253
Held for Trading	HfT	–76	96	–	–	20
Other Liabilities	FlaC	–5,199	–	–94	–	–5,293
Total 2013		**–5,211**	**96**	**–162**	**257**	**–5,020**

Interest income and expenses from financial instruments are presented in the consolidated statement of comprehensive income within the positions interest and similar income and, respectively, expenses. Interest income from financial assets classified as loans and receivables mainly comprise interest income from current bank accounts and short term deposits. Interest expenses from financial liabilities in the category other liabilities primarily comprise interest expenses due to banks, corporate bonds and, respectively, profit participation capital.

Total interest expense relating to corporate bonds, applying the effective interest method, amounts to EUR 0 thousand for 2014 (PY: EUR 2,769 thousand), to promissory note bonds EUR 1,423 thousand (PY: EUR 266 thousand), and relating to profit participation capital amount to EUR 0 thousand (PY: EUR 26 thousand).

Net result arising from the subsequent measurement of derivative financial instruments classified as held for trading includes interest effects. The related amounts are presented within the positions interest and similar income, respectively, expenses. Effects, however, arising from subsequent measurements of interest rate derivatives in an effective cash flow hedging relationship are recorded directly in equity. Recognition through profit or loss of an ineffective portion was not required.

Net result arising from foreign currency translation of financial assets classified as loans and receivables as well as liabilities classified as other liabilities mainly comprise trade receivables and trade payables as well as liabilities to banks denominated in foreign currency and is presented within the positions other operating income and expenses.

Net result from impairments mainly includes additions and reversals of individual bad debt allowances relating to trade receivables. The respective amounts are recorded within the positions other operating income and expenses.

Fair Value Hierarchy

Effective 1 January 2009, a hierarchy for the measurement of fair value was introduced for financial assets and liabilities valued at fair value through profit or loss. The hierarchy considers the inputs to valuation techniques. The three-level hierarchy is summarized as follows:

Level 1: On the first level of the ‘Fair Value Hierarchy’, quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial asset or liability.

Level 2: If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs. The valuation models include discounted cash flow analysis, option pricing models, reference to the current fair value of another financial instrument that is substantially the same, or also use of recent arm’s length market transactions between knowledgeable, from each other independent business partners willing to enter into a contract. The fair market value is estimated based on the results of a valuation model which incorporates to the largest extent market data and is based as little as possible on company specific data.

Level 3: Valuation methods applied on this level are based on parameters and assumptions not readily available from an active market.

Group financial instruments measured at fair value were assigned to the following hierarchy levels:

12/31/2014 (EUR ’000)	Level 1	Level 2	Level 3	Total
Assets				
Positive fair values foreign exchange contracts	0	1,211	0	1,211
Liabilities				
Negative fair values interest rate swaps	0	2,994	0	2,994
Negative fair values foreign exchange contracts	0	0	0	0

12/31/2013 (EUR ’000)	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value interest rate swaps	0	0	0	0
Liabilities				
Negative fair value interest rate swaps	0	1,074	0	1,074
Negative fair values foreign exchange contracts	0	100	0	100

In 2014, there were no reclassifications between the different levels.

The fair value amounts were taken from mark-to-market valuations of the banks involved.

Hedging relationships

Interest rate swaps are used to limit interest rate risk exposures resulting from changes in market interest levels and changes of future cash outflows from variable interest loans. In addition, to cover foreign exchange risks resulting from raw material purchases in US-$, a foreign exchange contract was stipulated. The designated effective hedging and cash flow hedging relationships are accounted for in compliance with the regulations set out by IAS 39 for hedge accounting. As a result interest rate risks and foreign currency fluctuations can be controlled and volatilities of results reduced.

At the inception of the hedge, the hedging relationship is formally designated and documented, including the Group’s risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the basic business, the nature of the risk being hedged, and a description how the Group will assess the hedging instrument’s effectiveness when compensating the risks from changes of cash flows of the underlying basic business. The hedging relationship is assessed on an ongoing basis (i.e. over the entire hedge term) and it is determined whether the hedging relationship was highly effective during the business period.

For hedging relationships accounted for under the regulations as set out in hedge accounting, IAS 39 requires, among others, that the designated hedging relationship is effective. The changes in the fair value of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value of the hedging instrument both on a prospective basis and on a retrospective basis where actual results are within a range of 80% to 125% of the mutual change of the fair value of the basic business. The effective portion of a hedge within the above presented range is recorded directly in equity whereas the ineffective portion is immediately recognized in the consolidated statement of comprehensive income.

As at 31 December 2014, the Company recognized interest rate swaps in the amount of EUR –2,808 thousand (PY: EUR –910 thousand) and foreign currency hedges of EUR 1,211 thousand (PY: EUR –100 thousand) as hedge instruments as part of a cash flow hedge. Changes in the fair value of the interest swaps and the foreign exchange hedge resulted in 2014 in EUR –1,898 thousand (PY: EUR –430 thousand) and EUR 1,311 thousand (PY: EUR –100 thousand), respectively, which were fully and directly recognized in equity. The cash payments secured by the cash flow hedges occur for interest derivatives through regular interest payments, the foreign exchange hedge results in regular payments of foreign currencies of US-$.

As per 31 December 2014, the existing profit-and-loss effective interest rate swap with a negative fair value of EUR –186 thousand (PY: EUR –164 thousand) resulted in a loss of EUR –22 thousand (PY: EUR 96 thousand).

In principle, there have been no changes to the risk positions compared to prior year in the risks described below.

Default risk

The Group is exposed to default risks primarily through its trade receivables. In order to minimize these risks, receivables are factored. Debtors' default risks are transferred by way of contractual agreements to the factor, except for a security deposit. The respective carrying amounts are therefore completely derecognized and are no longer carried as trade receivables. This does not include trade receivables which are not accepted by the factor e.g. because of exceeding a credit limit. Additionally, trade receivables are insured against default.

The amounts presented in the balance sheet are net of bad debt allowances for prospectively uncollectible receivables, which are estimated by Management on the basis of past experience and the current economic environment. Individual bad debt allowances are charged as soon as there is an indication that those receivables may be uncollectible. Such indications are based on intensive contacts maintained through the Company's credit management.

In case of counterparty default, the maximum default risk of the Group's financial assets, which comprise trade receivables, cash and cash equivalents and other assets, is equal to the carrying amounts of the corresponding instruments.

The Group is not subject to any significant concentration of default risks because they are well spread over a large number of counterparties and customers. As in prior year, the Group's assets are not subject to any restrictions on title or right of disposal.

The following table summarizes the changes in bad debt allowances on trade receivables:

(EUR '000)	2014	2013
Balance per 01/01/	233	490
Additions recognized as expenses in the income statement	0	0
Reversal	100	257
Balance per 12/31/	133	233

The age structure of trade receivables is presented in the table below:

(EUR '000)			past due, but not value-adjusted			
	Carrying amount	neither past due nor value-adjusted	< 3 months	3 – 6 months	6 – 12 months	> 12 months
12/31/2014	4,551	4,551	0	0	0	0
12/31/2013	4,287	4,287	0	0	0	0

With regard to the trade receivables which are neither value-adjusted nor past due, there were no indications at the balance sheet date that would suggest that debtors will not fulfill their payment obligations.

The amount of trade receivables neither past due nor impaired does not include any amounts of trade receivables, whose terms have been renegotiated.

No value adjustments were charged against the remaining other financial assets. At the balance sheet date, there were no past-due claims in this category.

Liquidity risk

The Group continually monitors the risk of liquidity shortfalls. For this purpose, the Group takes into account the maturities of financial assets and liabilities and the expected cash flows from operating activities, among others. The objective of the Group is to ensure the supply of sufficient financial resources as well as to maintain a maximum flexibility by utilizing current accounts and loans.

The following table presents the contractually agreed (not discounted) cash outflows of financial liabilities. All financial liabilities carried in the balance sheet for which payments have been already contractually agreed on were included. Budget data for prospective, new liabilities are not included. Amounts denominated in foreign currencies have been translated using the spot rate as of the balance sheet date. The variable interest payments arising from financial instruments were calculated using the last interest rates fixed before the balance sheet date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

CASH OUTFLOWS (not discounted) (EUR '000)

		Total	thereof < 1 year	thereof 1 – 5 years	thereof > 5 years
Payables to banks	12/31/2014	81,125	12,573	50,945	17,607
	12/31/2013	93,275	12,853	62,814	17,608
Trade payables	12/31/2014	9,924	9,924	–	–
	12/31/2013	8,707	8,707	–	–
Other financial liabilities	12/31/2014	13,819	13,819	0	–
	12/31/2013	12,063	10,690	1,373	–
Total (financial liabilities)	**12/31/2014**	**104,868**	**36,316**	**50,945**	**17,607**
	12/31/2013	**114,045**	**32,250**	**64,187**	**17,608**

Foreign currency risk

Foreign currency risk that the Group is exposed to result from its operating activities. Although Group companies mainly operate in their individual functional currency, Group companies are exposed to foreign currency risks based on planned payments in a currency other than their functional currency.

Foreign currency risks are presented by means of sensitivity analyses as required by IFRS 7. These show the effects of hypothetical changes of relevant risk parameters on profit before taxes (because of the change in the year end and subsequent valuation of financial assets and liabilities through profit and loss) and shareholders' equity as a consequence of upward revaluation and devaluation of the EURO against all other foreign currencies. Financial instruments denominated in a currency that is not the functional currency and of monetary nature are included within the scope of these analyses. According to the requirements of IFRS 7, differences resulting from the translation of financial statements into the Group's prevalent EURO currency are not taken into consideration. Effects on equity are caused by changes in the fair values of foreign currency contracts to hedge future cash disbursements.

	Rate change in %	Effect on profit before taxes EUR '000	Effect on shareholders' equity* EUR '000
2014			
USD	+10	567	1,204
USD	–10	–567	–985
2013			
USD	+10	330	2,019
USD	–10	–330	–1,652

* *disregarding the effects on profit before taxes*

Interest rate risk

Interest rate risk that the Group is exposed to results mainly from interest rate fluctuations and the related financial variable interest-bearing liabilities due to banks. The Group's interest expenses are managed through a combination of fixed interest-bearing liabilities and variable interest-bearing liabilities. For hedging purposes of the interest rate risk inherent from non-current variable interest-bearing positions, interest rate swaps are applied that switch the differences between payments subject to variable interest and payments subject to fixed interest regarding a nominal amount within agreed time intervals to the contracting party.

Interest rate risks are risks are presented by means of sensitivity analyses as required by IFRS 7. These show the effects of hypothetical changes in market interest rates on actual interest payments, interest income and expense on profit before taxes and, if appropriate, on shareholders' equity (from subsequent measurement of designated interest rate derivatives in an effective cash flow hedging relationship) as follows:

	Increase/ decrease in basis points	Effect on profit before taxes EUR '000	Effect on shareholders' equity* EUR '000
2014			
Europe	+10	–21	199
USA	+10	–18	2
Europe	–10	17	–142
USA	–10	18	–2
2013			
Europe	+10	–43	232
USA	+10	–16	5
Europe	–10	44	–239
USA	–10	16	–5

* *disregarding the effects on profit before taxes*

7.3 ADDITIONAL DISCLOSURES ON CAPITAL MANAGEMENT

Nabaltec AG conducts sound capital management enabling the Group to continue its growth path as well as ensuring solvency. In this regard, particular emphasis is given to preserving a balanced ratio of equity to debt over the long term.

The equity and debt positions of Nabaltec AG at 31 December 2014 and 2013, monitored for purposes of the Group's capital management, are presented in the table below:

	12/31/2014 EUR '000	12/31/2013 EUR '000	Change in %
Equity	**52,461**	**50,369**	**4.15**
in % of total capital	39.64	36.35	9.05
Non-current financial liabilities	61,353	70,583	–13.08
Current financial liabilities	18,525	17,605	5.22
Debt*	**79,878**	**88,188**	**–9.42**
as % of total capital	60.36	63.65	–5.17
Total capital for capital management purposes	**132,339**	**138,557**	**–4.49**

* *The Group defines debt as financial liabilities arising from payables to banks and liabilities due to non-controlling shareholders.*

In the financial year, equity increased by EUR 2,092 thousand to EUR 52,461 thousand mainly due to the profit incurred by the Group.

Borrowed capital decreased by EUR –8,310 thousand to EUR 79,878 thousand in the financial year due primarily to redeeming long-term bank debt including promissory note bonds.

In total, the capital measures conducted in 2014 increased the equity ratio (as a percentage of total capital) to 39.64% compared to prior year 36.35%. The ratio of debt to total capital, according to the definition applied for capital management purposes, fell from 63.65% as of 31 December 2013 to 60.36% as of 31 December 2014.

Within the Company's continued development, the Group optimizes its financial management, accompanied by continuous monitoring and management of its equity ratio.

The objective of this financial management is to improve the Company's solvency in regards to Nabaltec AG's business partners and optimize its capital costs.

Nabaltec AG is not subject to any capital requirements imposed by its Articles of Incorporation. Regarding covenants from loan agreements please refer to Note 6.10 Current and non-current liabilities.

7.4 RELATED PARTY TRANSACTIONS

According to IAS 24 Related Party Disclosures, related parties are composed of those companies and persons that possess the ability directly or indirectly to control the other party or to exercise significant influence or participate in the joint control over the other party.

The following persons and companies have been identified as related parties:

- Members of the Management Board (see Note 7.8 Governing bodies of the Company) and their family members;
- Members of the Supervisory Board (see Note 7.8 Governing bodies of the Company) and their family members;
- Companies that are controlled directly or indirectly by members of the Management Board or the Supervisory Board.

Members of the Management Board received short-term compensation of EUR 1,373 thousand (PY: EUR 1,019 thousand) in the financial year 2014. In addition, post-employment benefits of EUR 349 thousand (PY: EUR 305 thousand) were incurred.

Members of the Supervisory Board received short-term compensation of EUR 49 thousand (PY: EUR 49 thousand) in the financial year 2014.

At 31 December 2014 and 2013, receivables due from and payables due to related parties were as follows:

(EUR '000)	Receivables		Payables	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Entities controlled by members of the Supervisory Board	0	0	0	0
Entities controlled by members of the Management Board	17	17	3	0

At 31 December 2014, provisions for doubtful receivables, respectively, expenses for bad debt for uncollectible receivables or bad debt due from related parties amounted to EUR 8 thousand (PY: EUR 8 thousand).

In 2014 and 2013, the following expenses and income with related parties were recognized in addition to compensation granted to the members of the Management Board:

(EUR '000)	Income		Expenses	
	2014	2013	2014	2013
Entities controlled by members of the Supervisory Board	0	0	2	5
Entities controlled by members of the Management Board	66	74	247	14

Transactions with entities controlled by members of the Management Board comprise services related to human resources management as well as other services (income amounting to EUR 66 thousand; PY: EUR 74 thousand), plant design (expenses amounting to EUR 240 thousand; PY: EUR 10 thousand) and other services (expenses amounting to EUR 7 thousand; PY: EUR 4 thousand). Expenses incurred for members of the Supervisory Board result from research and development activities performed by one member regarding subaspects of ceramic process engineering.

7.5 EARNINGS PER SHARE

The number of shares outstanding showed the following changes during the financial year:

	2014	2013
Common shares outstanding at 01/01/	8,000,000	8,000,000
There were no transactions in the financial year.		
Common shares outstanding at 12/31/	8,000,000	8,000,000
Undiluted weighted average number of common shares outstanding	**8,000,000**	**8,000,000**

For calculating the undiluted earnings per share, the profit or loss attributable to the holders of the Company's common shares are divided by the weighted average number of common shares outstanding during the financial year.

In accordance with IAS 33 Earnings per Share, the effects from potential common shares are also taken into account for determining the diluted earnings per share. No dilutive effects apply for Nabaltec AG. Thereby, the undiluted earnings per share are equal to the diluted earnings per share for 2014 and 2013.

Based on the above, earnings per share are presented in the table below:

	2014	2013
Consolidated earnings after tax – Shareholders of Nabaltec AG (EUR '000)	5,493	2,646
Undiluted weighted average number of common shares outstanding	8,000,000	8,000,000
Earnings per share (EUR)	0.69	0.33

For additional information, we refer to Note 6.8 Equity.

7.6 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows indicates the sources and uses of funds. In accordance with IAS 7 Statement of Cash Flows, the cash flows from operating activities, investing and financing activities are presented separately.

The net funds from financing activities presented in the consolidated statement of cash flows comprise the item of cash and cash equivalents presented in Note 6.7.

Deviations between additions shown in the consolidated statement of changes in non-current assets and cash disbursements for investments in technical equipment, plant and machinery result from unsettled invoices and the offsetting of received investment grants with the additions shown in the consolidated statement of changes in non-current assets.

Interest paid, respectively, received and income taxes are directly presented in the consolidated statement of cash flows.

7.7 SEGMENT INFORMATION

Operating business segments represent the primary format for the Group's segment reporting. Risks and the internal organizational and reporting structures of the Group are determined mainly by the distinctions between the products produced.

Business segments

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

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

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

The column "Other" includes assets and liabilities that cannot be attributed to the individual segments.

Transfer prices applied between business segments are generally determined on the basis of the prevailing market terms that would be charged in an arm's-length transaction. The segment income, expenses and result include transfers between the business divisions, which are eliminated as part of the consolidation process. In the financial years 2014 and 2013, no intersegment transactions between the business divisions were incurred.

FINANCIAL YEAR ENDED 31 DECEMBER 2014 (EUR '000)

	Functional Fillers	Technical Ceramics	Other	Nabaltec Group
Revenues				
Third party revenues	98,850	44,485	–	143,335
Segment result				
EBITDA	17,442	4,927	–	22,369
EBIT	10,504	2,169	–	12,673
Assets and liabilities				
Segment assets	108,252	43,187	27,374	178,813
Segment liabilities	12,366	5,964	108,022	126,352
Other segment information				
Capital expenditures				
– Property, plant and equipment	5,105	2,651	–	7,756
– Intangible assets	172	114	–	286
Depreciation and amortization				
– Property, plant and equipment	6,882	2,722	–	9,604
– Intangible assets	56	36	–	92

FINANCIAL YEAR ENDED 31 DECEMBER 2013 (EUR '000)

	Functional Fillers	Technical Ceramics	Other	Nabaltec Group
Revenues				
Third party revenues	90,596	42,338	–	132,934
Segment result				
EBITDA	13,401	6,361	–	19,762
EBIT	6,746	3,785	–	10,531
Assets and liabilities				
Segment assets	103,269	42,964	30,041	176,274
Segment liabilities	10,092	5,149	110,664	125,905
Other segment information				
Capital expenditures				
– Property, plant and equipment	2,317	3,399	–	5,716
– Intangible assets	35	24	–	59
Depreciation and amortization				
– Property, plant and equipment	6,618	2,550	–	9,168
– Intangible assets	37	26	–	63

Information by regions

The geographical regions are defined as Germany, Rest of Europe, USA and Rest of World (RoW).

FINANCIAL YEAR ENDED 31 DECEMBER 2014 (EUR '000)

	Germany	Rest of Europe	USA	RoW	Total
Revenues					
Third party revenues	40,744	68,541	18,016	16,034	143,335
Other segment information					
Segment assets	158,224	–	20,589	–	178,813
Capital expenditures					
– Property, plant and equipment	7,534	–	222	–	7,756
– Intangible assets	286	–	–	–	286

FINANCIAL YEAR ENDED 31 DECEMBER 2013 (EUR '000)

	Germany	Rest of Europe	USA	RoW	Total
Revenues					
Third party revenues	40,915	63,606	14,431	13,982	132,934
Other segment information					
Segment assets	157,326	–	18,948	–	176,274
Capital expenditures					
– Property, plant and equipment	5,478	–	238	–	5,716
– Intangible assets	59	–	–	–	59

In 2014, one customer accounted for more than 10% of total revenues. Revenue from this customer amounts to EUR 16,977 thousand and is included in the 'Functional Fillers' segment. Similarly, in 2013, one customer accounted for more than 10% of total revenues (EUR 15,298 thousand).

The non-current assets of the Group are located in Germany and the United States. Non-current assets are defined as assets that are used for operating activities and are expected to remain within the Company for longer than 12 months. The location of the respective assets determined the allocation.

7.8 GOVERNING BODIES OF THE COMPANY

Management Board

- Mr. Johannes Heckmann (Engineering)
- Mr. Gerhard Witzany (Business Administration)

Supervisory Board

- Mr. Dr. Leopold von Heimendahl (Chairman)
- Mr. Dr. Dieter J. Braun (Vice Chairman)
- Mr. Prof. Dr.-Ing. Jürgen G. Heinrich

7.9 VOLUNTARY DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of Nabaltec AG have voluntarily issued and made available to shareholders the Declaration on the German Corporate Governance Code in compliance with Section 161 of the German Stock Corporation Act required from listed entities. The declaration is published on the Company's website www.nabaltec.de under “Investor Relations/Corporate Governance”.

7.10 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to the balance sheet date.

7.11 AUDITOR'S FEES AND SERVICES PURSUANT TO SECTION 314 OF THE GERMAN COMMERCIAL CODE

The fee for the audit of the 2014 financial statements amounts to EUR 87 thousand (including the fee for the audit of the Company's consolidated financial statements 2014). For other assurance services, the auditor received a fee of EUR 15 thousand, for tax advisory services EUR 51 thousand and for other services EUR 5 thousand.

Schwandorf, 2 March 2015

Nabaltec AG
The Management Board

JOHANNES HECKMANN   GERHARD WITZANY

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Nabaltec AG, Schwandorf, – comprising the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity, the consolidated statement of changes in non-current assets and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Paragraph 1 HGB ("German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Nabaltec AG, Schwandorf, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Nuremberg, 6 March 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Poneleit)
German Public Auditor

(Thiermann)
German Public Auditor

ANNUAL FINANCIAL STATEMENTS NABALTEC AG

(GERMAN COMMERCIAL CODE, SHORT VERSION)

ANNUAL FINANCIAL STATEMENTS NABALTEC AG (GERMAN COMMERCIAL CODE, SHORT VERSION)

BALANCE SHEET

AS OF 31 DECEMBER 2014

ASSETS (in EUR '000)	12/31/2014	12/31/2013
A. Non-current Assets		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets	308	111
2. Advance payments	65	88
	373	**199**
II. Property, Plant and Equipment		
1. Land, leasehold rights and buildings, including buildings on non-freehold land	15,641	14,885
2. Technical equipment and machinery	51,606	55,060
3. Other fixtures, fittings and equipment	2,599	2,763
4. Advance payments as well as plant and machinery under construction	4,049	2,516
	73,895	**75,224**
III. Financial Assets		
1. Shares in affiliated companies	163	163
2. Loans to affiliated companies	8,521	7,800
	8,684	**7,963**
	82,952	**83,386**
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	13,217	11,668
2. Finished goods and purchased products	11,345	12,069
	24,562	**23,737**
II. Accounts Receivable and other Assets		
1. Trade receivables	4,551	4,287
2. Other assets	5,621	3,663
	10,172	**7,950**
III. Cash and cash equivalents	**25,469**	**27,990**
	60,203	**59,677**
C. Prepaid Expenses	**94**	**41**
TOTAL ASSETS	**143,249**	**143,104**

EQUITY & LIABILITIES (in EUR '000)	12/31/2014	12/31/2013
A. Shareholders' Equity		
I. Subscribed capital	8,000	8,000
II. Capital reserve	30,824	30,824
III. Accumulated profits	4,775	1,068
	43,599	**39,892**
B. Non-current Assets Investments Grants	**6**	**10**
C. Provisions		
1. Retirement benefit obligation and similar provisions	14,482	12,211
2. Accrued taxes	1,377	699
3. Other provisions and accrued liabilities	4,422	2,973
	20,281	**15,883**
D. Accounts Payable		
1. Payables to banks	68,939	76,746
2. Trade payables	7,490	6,985
3. Payables to affiliated companies	595	385
4. Other payables – thereof relating to taxes: EUR 331 thousand (PY: EUR 218 thousand) – thereof relating to social securities: EUR 26 thousand (PY: EUR 24 thousand)	2,339	3,203
	79,363	**87,319**
TOTAL EQUITY & LIABILITIES	**143,249**	**143,104**

INCOME STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY 2014 THROUGH 31 DECEMBER 2014

(in EUR '000)	01/01 – 12/31/2014		01/01 – 12/31/2013	
1. Revenue		143,335		132,934
2. Change in finished goods		–867		1,352
3. Other capitalized own services		364		223
Total performance		**142,832**		**134,509**
4. Other operating income – thereof exchange rate differences: EUR 1,536 thousand (PY: EUR 138 thousand)		3,068		1,349
		145,900		**135,858**
5. Cost of materials:				
a) Cost of raw and supplies and purchased goods	78,679		74,775	
b) Cost of purchased services	1,047	79,726	983	75,758
Gross Profit		**66,174**		**60,100**
6. Personnel expenses:				
a) Wages and salaries	20,869		18,483	
b) Social security and other pension costs – thereof for pension costs: EUR 1,847 thousand (PY: EUR 623 thousand)	5,433		3,840	
7. Amortization/Depreciation of intangible assets and property, plant and equipment	8,961		8,610	
8. Other operating expenses – thereof exchange rate differences: EUR 292 thousand (PY: EUR 300 thousand)	20,960	56,223	22,687	53,620
		9,951		**6,480**
9. Income from securities and loans (financial assets) – thereof from affiliated companies: EUR 182 thousand (PY: EUR 183 thousand)	182		183	
10. Interest and similar income	30		160	
11. Amortization of financial assets and securities in current assets – thereof from affiliated companies: EUR 0 (PY: EUR 296 thousand)	0		296	
12. Interest and similar expenses – thereof for compounding interest: EUR 715 thousand (PY: EUR 655 thousand) – thereof for profit participation rights capital: EUR 0 thousand (PY: EUR 26 thousand)	3,808		4,756	
Financial result		**–3,596**		**–4,709**
13. Result from ordinary operating activities		**6,355**		**1,771**
14. Exceptional expenditures	267		267	
15. Exceptional result		267		267
		6,088		**1,504**
16. Income taxes	1,851		583	
17. Other taxes	50	1,901	50	633
18. Net result for the year		**4,187**		**871**
19. Profit carried forward		588		197
20. Accumulated profit		**4,775**		**1,068**

APPROPRIATION OF DISTRIBUTABLE PROFIT

The management board proposes that the distributable profit of the 2014 financial year, amounting to EUR 4,774,474.41, will be used as follows:

An amount of EUR 960,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.12 per share on the 8,000,000 non par value shares entitled to dividend payments for the 2014 financial year. The remainder in the amount of EUR 3,814,474.41 will be carried forward.

Schwandorf, April 2015

The Management Board

JOHANNES HECKMANN GERHARD WITZANY

FINANCIAL CALENDAR 2015

Interim Report 1/2015	26 May 2015
Annual General Meeting	30 June 2015
Interim Report 2/2015	25 August 2015
Interim Report 3/2015	24 November 2015

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Statements relating to the future
This annual report contains statements relating to the future which are based on the Management Board's current estimations and prognosis as well as on information currently available. These statements relating to the future are not to be understood as guarantees of the predicted future developments and results. The future developments and results are rather dependent on a number of risks and uncertainties and are based on assumptions which possibly may prove to be false. We do not accept any obligation to update these statements relating to the future.

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

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