



INTERIM REPORT

2/2016



**OUR
KNOW-HOW
FOR YOUR
SAFETY**

NABALTEC GROUP

KEY FIGURES

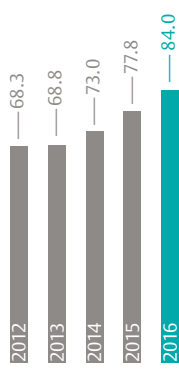
FOR THE PERIOD FROM 1 JANUARY 2016 THROUGH 30 JUNE 2016

in EUR million	06/30/2016 (IFRS)	06/30/2015 (IFRS)	Change
Revenues			
Total revenues	84.0	77.8	8.0%
thereof			
Functional Fillers	58.4	53.7	8.8%
Technical Ceramics	25.6	24.1	6.3%
Foreign share (%)	73.4	72.7	—
Employees* (number of persons)	442	427	3.5%
Earnings			
EBITDA	13.8	14.0	-1.4%
EBIT	8.5	9.0	-5.6%
Consolidated result after taxes**	4.3	4.3	0.0%
Earnings per share (EUR)**	0.53	0.54	-1.9%
Financial position			
Cash flow from operating activities	16.8	20.7	-18.8%
Cash flow from investing activities	-9.9	-5.4	83.3%
Assets, equity and liabilities			
	06/30/2016	12/31/2015	
Total assets	204.4	201.9	1.2%
Equity	60.6	58.1	4.3%
Non-current assets	120.6	117.1	2.9%
Current assets	83.8	84.8	-1.2%

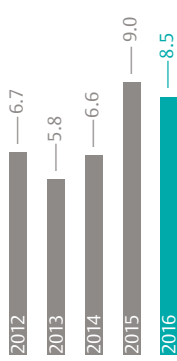
* on the reporting date, including trainees

** after non-controlling interests

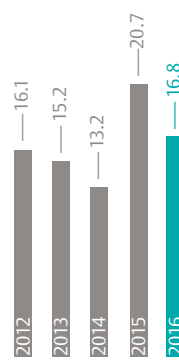
NABALTEC AG



REVENUES
AS OF 06/30
IN EUR MILLION



EBIT
AS OF 06/30
IN EUR MILLION



CASH FLOW
FROM OPERATING ACTIVITIES
AS OF 06/30
IN EUR MILLION

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INTERIM REPORT 2/2016



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SUSTAINABLE PRACTICES

A RELIABLE MANUFACTURER AND SUPPLIER OF SPECIALTY CHEMICALS



Nabaltec products have an extremely diverse range of applications and are the preferred choice whenever utmost quality, safety, eco-friendliness and durability are required. The combination of these important characteristics guarantees that Nabaltec's specialty chemical products will have outstanding prospects for growth and has given the company many years of steady growing and financial success.

Beyond economic aspects, however, Nabaltec AG also attaches particular importance to its ecological and social responsibility. Aside from certification of a conventional quality management system in accordance with ISO 9001, the company has also, over the years, introduced a certified environmental management system (ISO 14001) as well as an occupational health and safety management system (BS OHSAS 18001) and an energy management system (ISO 50001). In addition, sustainable employee development is important to Nabaltec AG in order to be prepared for future personnel challenges and in order to position itself as an attractive employer.



CONTACT IR

InvestorRelations@nabaltec.de
www.nabaltec.de



NABALTEC AG
ON THE INTERNET
www.nabaltec.de

OUR APPLICATIONS



FLAME RETARDANTS/FLAME RETARDANT FILLERS

Eco-friendly aluminum hydroxide is used as a flame retardant in power and communication cables, and in electric enclosures



ADDITIVES

Used as process additives and as a raw material in color pigments



ENVIRONMENTAL TECHNOLOGY

Aluminum oxide and hydroxide are used e.g. to eliminate fumes, for alternative energy storage or as a raw material in catalyzers



CERAMIC RAW MATERIALS

Aluminum oxide, polishing aluminas and synthetic sintered mullites are used above all in the refractory and polishing industries, in the automotive sector and in glass and ceramics production



CERAMIC BODIES

Our ready-to-press ceramic bodies are used particularly to prevent abrasion, to protect people and vehicles as well as in engineering ceramics

NABALTEC AG

LEADING IN 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 business divisions “Functional Fillers” and “Technical Ceramics”.



OUR BUSINESS DIVISIONS



FUNCTIONAL FILLERS

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.

EUR **102.3** MILLION

Revenues 2015

EUR **17.8** MILLION

EBITDA 2015

EUR **10.5** MILLION

EBIT 2015



TECHNICAL 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' need.

EUR **49.1** MILLION

Revenues 2015

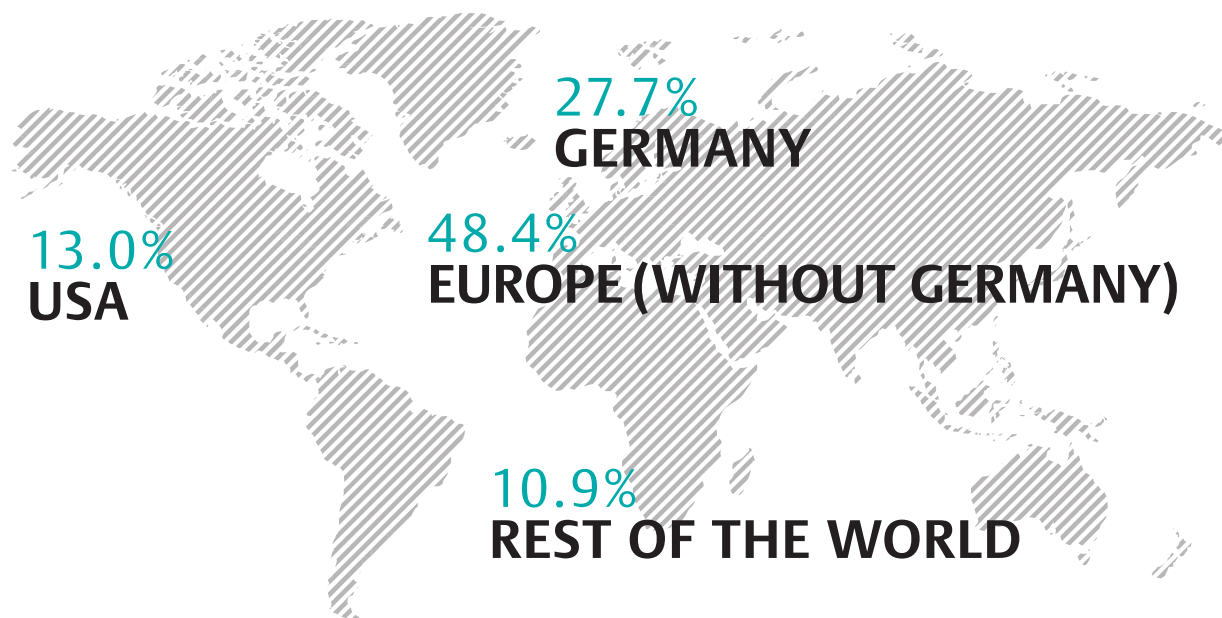
EUR **6.9** MILLION

EBITDA 2015

EUR **4.1** MILLION

EBIT 2015

GLOBAL REVENUE SHARES (2015)



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

Nabaltec AG's goal is to continue to strengthen its market position by increasing capacity, further optimizing processes and quality, targeted extensions of its product range as well as a strategic focus on growth markets. With its specialty products, the company strives for quality leadership and a market position among the top three suppliers in its target markets.

NABALTEC RECEIVES FOUR AWARDS IN 2015



- LACP PLATIN AWARD
- ITS EIGHTH "TOP 100" AWARD
- ITS FOURTH "TOP JOB" AWARD
- ITS FIRST "BAVARIA'S BEST 50" AWARD

Nabaltec AG's 2014 Annual Report is among the best worldwide, receiving the Platin Award in the "Chemicals" category of the "2014 Vision Award – Annual Report Competition," held by the League of American Communications Professionals (LACP). The LACP Vision Award is the world's largest competition for international financial reporting, in which the reports submitted by the contestants are evaluated by an independent jury in various categories.

In addition, Nabaltec was one of only four companies who won prizes at both the "Top 100" competition and the "Top Job" competition

on 26 June 2015 at the Deutscher Mittelstands-Summit in Essen, a conference for small and mid-sized companies. These awards recognize the fact that Nabaltec is not only one of the most innovative mid-sized German companies, but one of the best employers as well.

Nabaltec was also one of the 50 fastest-growing mid-sized companies in all of Bavaria. For that achievement, the company received the "BAVARIA'S BEST 50" award in July 2015 from the Bavarian Ministry of Economic Affairs and Media, Energy and Technology.

NABALTEC AG

MANAGEMENT BOARD FOREWORD



Gerhard Witzany

Johannes Heckmann

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

*Growth trend of
Nabaltec continues*

We have once again had a quarter whose numbers speak for themselves: our growth trend has continued, with revenues up 9.7% over the year before, to EUR 42.8 million, EBIT of EUR 5.0 million, up from the year before as well as last quarter, and earnings per share of EUR 0.31.

This concludes a strong first half of the year, with revenues up from EUR 77.8 million to EUR 84.0 million and an EBIT margin of 10.1% relative to total performance. After-tax earnings in the first half of the year came to EUR 4.3 million, for earnings per share of EUR 0.53. The operating cash flow of EUR 16.8 million in the first half of the year also underscores our company's solid position.

However, uncertainty remains with regard to the future of our position in the US given the developments surrounding a supplier of our US subsidiary, Sherwin Alumina LLC. In a notice dated 1 August 2016, Sherwin Alumina announced its intention to discontinue production, causing Nashtec LLC to lose its current supplier of raw materials as well as its access to shared infrastructure. For this reason, Nashtec will be temporarily halting production commencing from September. Our goal is for Nashtec to continue operations in the future based on a stand-alone solution. To this end, we are engaged in discussions with the joint venture partner and are preparing to implement an investment package which has already been planned. In the meantime, customers which had been supplied through Nashtec until now will be supplied by Nabaltec AG from its Schwandorf site using the capacity which has been added in recent months. As a result, our customers will not experience any interruptions in supply. Nevertheless, we remain cautious and will continue to refrain from issuing a specific forecast of Group data for 2016.

In the long-term the continued operation of Nashtec is to be implemented based on a stand-alone solution

In addition to all of the precautions which we have taken to prepare for eventualities in the US, our current performance is based on a large number of constants. Growth in the demand for our functional fillers has been very robust, and we are seeing clear momentum in many regions of the world. The construction industry and many other markets, such as wind power and tunnel construction, are showing strong performance internationally and generating demand in the cable & wire industry, which in turn is having a direct positive impact on our business. For the most part, we are operating in markets that are showing no signs of slumping. In fact, the very long-term drivers which we have centered our strategy around for years are increasingly strengthening and shaping our markets, such as the ongoing replacement of brominated flame retardants with eco-friendly alternatives.

The very long-term drivers in which Nabaltec is strategically positioned are increasingly strengthening and shaping the markets

To dial back the euphoria about our recent performance, we could note that growth in our other business division, "Technical Ceramics", has brought down the margin somewhat. In our highest-volume segment within the business division "Technical Ceramics", aluminum oxides, sales growth in the first half of 2016 was higher for standard oxides than for our high-quality specialty oxides. However, our strategic objective continues to be to shift our product mix towards the high-quality segments, which offer more attractive margins. Given the innovative nature of our company, for which we have just received an award, we see suitable potential in those segments in order to operate successfully on a global scale and generate added value for our customers.

Schwandorf, August 2016

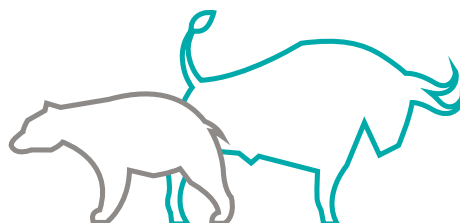
Sincerely yours,


JOHANNES HECKMANN
Member of the Board


GERHARD WITZANY
Member of the Board

NABALTEC SHARE

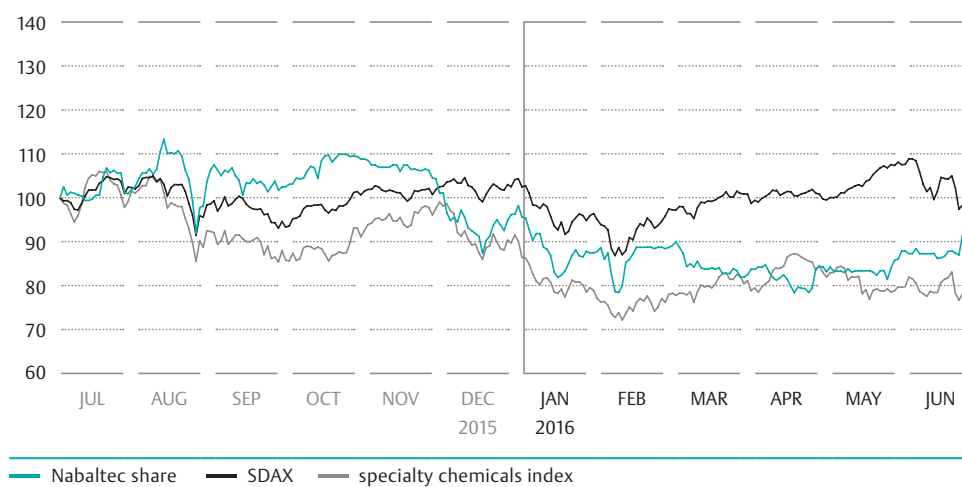
SECOND QUARTER OF 2016



ISIN/WKN: DE000A0KPPR7/A0K PPR

Since 24 November 2006 Nabaltec share has been listed in the Entry Standard segment of the Frankfurt Stock Exchange.

PERFORMANCE OF NABALTEC SHARE (XETRA, INDEXED)



With a price of EUR 15.08 the share was up 12.4% from the closing price for the preceding quarter

The performance of Nabaltec share in the second quarter of 2016 was much stronger than last quarter, with a closing price of EUR 15.08 on 30 June 2016, up 12.4% from the closing price for the preceding quarter. Nabaltec share outperformed the relevant comparison indices by a significant margin: the specialty chemicals index was down 2.0% in the period from April to June 2016, while the SDAX was down 0.3% over the same period. Nabaltec share recorded a low of EUR 12.85 for the second quarter on 27 April 2016 and a high of EUR 15.21 on 29 June 2016.

KEY DATA FOR NABALTEC SHARE (XETRA)

	First 6 months of 2016	Year 2015
Number of shares	8,000,000	8,000,000
Market capitalization (cutoff date, in EUR million)	120.64	128.16
Average price (in EUR)	13.97	15.59
High (in EUR)	15.60	18.43
Low (in EUR)	12.85	12.04
Closing price (cutoff date, in EUR)	15.08	16.02
Average daily turnover (in shares)	2,302	4,013
Earnings per share* (in EUR)	0.53	0.84

* after non-controlling interests

The average daily trading turnover of Nabaltec share on XETRA was 2,302 shares in the first six months of 2016.

Earnings per share (EPS) after non-controlling interests amounted to EUR 0.53 in the first six months of 2016. By comparison, EPS in the first half of 2015 amounted to EUR 0.54.

*Earnings per share
amounted to
EUR 0.53*

Analyst recommendations for Nabaltec share continue to be positive. In its analysis of 3 August 2016, Hauck & Aufhäuser once again confirmed its “buy” recommendation with a price target of EUR 19.00. Baader Bank, in its study of 3 August 2016, also once again rated Nabaltec share a “buy,” with a price target of EUR 15.90.

As of 30 June 2016, the majority of Nabaltec’s 8,000,000 shares were still held by the Heckmann and Witzany families, with the Heckmann family holding 31.16% of the company’s capital stock and the Witzany family holding 29.87%. The remaining 38.97% of shares are in free float.

*Stable shareholder
structure*

NABALTEC AG

CONSOLIDATED INTERIM MANAGEMENT REPORT

AS OF 30 JUNE 2016

COURSE OF BUSINESS

In the second quarter of 2016, Nabaltec AG was able to exceed the strong revenues it posted in the same quarter of last year, as well as the record-high revenues which it reported last quarter. Earnings were also up from last quarter and the year before.

Consolidated revenues in the second quarter at EUR 42.8 million (+ 9.7%) Nabaltec's consolidated revenues reached a value of EUR 42.8 million in the second quarter of 2016, up 9.7% from the same quarter of last year and the value of EUR 39.0 million and up 3.9% from the first quarter of 2016 and the value of EUR 41.2 million.

Total revenues for the first half of the year are EUR 84.0 million (+ 8.0%) Total revenues over the first six months of 2016 amounted to EUR 84.0 million, up 8.0% from the value posted in the first half of 2015, EUR 77.8 million, and up 14.1% from the second half of 2015.

Revenues in the business division „Functional Fillers“ increased from EUR 26.8 million in the same quarter of last year to EUR 30.3 million in the second quarter of 2016, for a strong 13.1% gain over the second quarter of 2015. This growth was once again based on the very strong performance of the fine precipitated hydroxides product segment (eco-friendly flame retardant fillers, e.g. for the cable & wire industry). Revenues in the business division “Technical Ceramics” were up 2.5%, to EUR 12.5 million (same quarter of last year: EUR 12.2 million).

Revenues in the business division “Functional Fillers” amounted to EUR 58.4 million in the first half of 2016, up 8.8% from the same period of last year (EUR 53.7 million). Revenues in the business division “Technical Ceramics” were up 6.2% over the first half of 2015 (EUR 24.1 million), to EUR 25.6 million.

Above average growth in the regions of Asia and Europe (without Germany) Nabaltec posted especially strong growth in the regions of Asia and Europe (without Germany). The export ratio in the first six months of 2016 increased accordingly, from 72.7% in the same period of last year to 73.4%.

Nabaltec's total performance in the reporting period increased by 7.9% over the same period of last year, from EUR 78.2 million to EUR 84.4 million. This increase is attributable above all to strong revenue growth with a simultaneous slight increase in inventories of finished products.

The cost of materials ratio (cost of materials as a percentage of total performance) was 51.0% in the first six months of 2016, down slightly from last year's value of 51.8%. Gross profit margin (gross profit as a percentage of total performance) decreased from 50.9% in the first half of last year to 49.9% in the reporting period. This decrease is largely attributable to high other operating income in the same period of last year, due above all to positive currency translation effects.

The personnel expense ratio (personnel expenses as a percentage of total performance) decreased slightly in the first half of 2016, from 17.6% to 17.3%, while the number of employees increased from 427 to 442.

Other operating expenses increased from EUR 11.9 million in the same period of last year to EUR 13.7 million in the first six months of 2016, due primarily to increased freight costs and commercial agent commissions as a result of the growth in sales and revenues. Repair and consulting costs also increased, as did exchange rate losses. As a result, the ratio of other operating expenses as a percentage of total performance was up from the year before, from 15.2% to 16.2%.

Results in the first half of 2016 were not affected by extraordinary factors or one-time effects.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 13.8 million in the first half of 2016, down 1.4% from the value of EUR 14.0 million in the same period of last year. This was due to the relatively weak earnings in the first quarter of 2016. EBITDA margin (EBITDA as a percentage of total performance) decreased accordingly, from 17.9% in the first six months of 2015 to 16.4% in the reporting period.

Consolidated EBIT amounted to EUR 8.5 million in the first six months of the year, compared to EUR 9.0 million in the same period of last year. EBIT margin (EBIT as a percentage of total performance) was 10.1% in the first half of 2016, down from 11.5% in the same period of last year.

*EBIT margin of
10.1% in the first half
of 2016*

Net financial income improved to EUR –1.6 million in the first six months of 2016, compared to EUR –2.1 million in the first half of 2015.

Earnings before taxes amounted to EUR 6.9 million in the first six months of 2016, nearly as high as the figure posted the year before, EUR 7.0 million. After adjusting for taxes and non-controlling interests, consolidated earnings for the first half of 2016 were nearly unchanged from the same period of last year, at EUR 4.3 million. This corresponds to earnings per share of EUR 0.53 in the first half of the year, compared to EUR 0.54 in the same period of last year.

Cash flow from operating activities decreased from EUR 20.7 million in the same period of last year to EUR 16.8 million in the first half of 2016. This item was affected by the fact that the decrease in inventories was smaller than the same period of last year, while income tax payments were higher.

Spending on investments increased relative to the same period of last year, from EUR 5.4 million to EUR 9.9 million. This increase was due above all to measures to improve infrastructure and optimize processes.

*Investments to improve
infrastructure and
optimize processes*

Cash flow from financing activities amounted to EUR –7.1 million, compared to EUR 13.9 million in the same period of last year. This development was caused above all by effects arising

from partial repayment of the 2013 loan against borrower's note, in the amount of EUR 43.5 million, as well as the receipt of a new loan against borrower's note in the amount of EUR 70.0 million, which took effect in the second quarter of 2015 and ceased to have an effect in the first half of 2016. Amortization payments were in line with long-term estimates.

Nabaltec Group's cash and cash equivalents amounted to EUR 42.1 million as of 30 June 2016.

Nabaltec Group's balance sheet showed a 1.2% increase in total assets from 31 December 2015, to EUR 204.4 million. As of the reporting date, 30 June 2016, non-current assets were up by 3.0% and current assets decreased by 1.2%.

Equity ratio up to 29.6% On the liabilities side of the balance sheet, the equity ratio increased from 28.8% on 31 December 2015 to 29.6% on 30 June 2016.

EMPLOYEES

Solid trainee ratio at 9.5% As of the reporting date, 30 June 2016, Nabaltec Group had 442 employees (including trainees). On the same date of last year, this number was 427 employees. The trainee ratio was 9.5%, about as high as last year's ratio of 9.4%.

SUBSEQUENT EVENTS

Nabaltec's US subsidiary, Nashtec LLC obtains key raw materials, particularly the aluminum hydroxide needed for the production of APYRAL®, from Sherwin Alumina LLC, a wholly-owned subsidiary of Allied Alumina LLC. On 11 January 2016, Sherwin Alumina filed for bankruptcy with the US federal bankruptcy court in Corpus Christi, Texas under Chapter 11 of the US Bankruptcy Code ("Chapter 11 procedure").

Sherwin Alumina, which supplies raw materials to the Nashtec joint venture, announced in a press release on 1 August 2016 that it plans to discontinue production. Production is to be discontinued through the end of August 2016.

Preparation of a stand-alone solution to ensure Nashtec's production in the long-term As a result, Nashtec will lose its current supplier of raw materials as well as its ability to use infrastructure together with Sherwin Alumina. For this reason, Nashtec will have to temporarily halt production commencing from September. The Management Board of Nabaltec is working intensely on developing a stand-alone solution in order to ensure Nashtec's ability to continue production in the long term. This requires, however, the agreement of the joint venture partner as well as the implementation of an investment package which is already planned.

Customers which have been supplied through Nashtec until now will continue to be supplied by Nabaltec from its Schwandorf site, using the capacity which has been added in recent months, so that there will be no interruption in supply.

OUTLOOK

Nabaltec plans to post moderate growth once again in 2016. The increase in revenues will be achieved primarily through volume growth, with an increase in high value-added products.

Nabaltec plans to post moderate growth in 2016

Due to the fact that Sherwin Alumina is undergoing a Chapter 11 procedure, Nabaltec has thus far refrained from issuing a quantitative revenue and earnings forecast for 2016. At present, the company is not expecting significant revenue losses. However, the temporary production stoppage at Nashtec may give rise to factors which will weigh down earnings. The precise amount of these potential losses cannot be stated at this time.

Orders on hand amounted to EUR 31.1 million on 30 June 2016, up 20.1% from the value on 31 December 2015.

Otherwise, the statements made in the forecast report of the 2015 consolidated management report retain their validity.

REPORT ON OPPORTUNITIES AND RISKS

Due to the expected increase in deliveries from Germany to countries using the US dollar in the second half of 2016, the relevance of possible fluctuations in the Euro/US dollar exchange rate will increase.

Otherwise, no significant changes were evident in the first half of 2016 to the risk situation presented in the 2015 consolidated management report.

Schwandorf, 3 August 2016

The Management Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2016 THROUGH 30 JUNE 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
in EUR '000	01/01/ – 06/30/2016	04/01/ – 06/30/2016	01/01/ – 06/30/2015	04/01/ – 06/30/2015
Revenues	83,993	42,805	77,758	39,000
Change in unfinished and finished products	79	110	274	800
Other own services capitalized	324	219	209	115
Total performance	84,396	43,134	78,241	39,915
Other operating income	706	403	2,001	467
Cost of materials	-43,037	-21,828	-40,485	-20,917
Gross profit	42,065	21,709	39,757	19,465
Personnel expenses	-14,562	-7,462	-13,828	-6,830
Depreciation and amortization	-5,266	-2,633	-5,002	-2,509
Other operating expenses	-13,689	-6,598	-11,898	-5,925
Operating result (EBIT)	8,548	5,016	9,029	4,201
Interest and similar income	123	59	120	66
Interest and similar expenses	-1,752	-869	-2,177	-984
Result from ordinary operations (EBT)	6,919	4,206	6,972	3,283
Income taxes	-2,066	-1,334	-2,232	-824
Consolidated result after taxes	4,853	2,872	4,740	2,459
thereof attributable to				
Shareholders of the parent company	4,273	2,483	4,312	2,239
Non-controlling interests	580	389	428	220
Consolidated result after taxes	4,853	2,872	4,740	2,459
Earnings per share (in EUR)	0.53	0.31	0.54	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
in EUR '000	01/01/ – 06/30/2016	04/01/ – 06/30/2016	01/01/ – 06/30/2015	04/01/ – 06/30/2015
Consolidated result after taxes	4,853	2,872	4,740	2,459
Items that may be reclassified subsequently to profit or loss				
Foreign Currency Translation (after taxes)	-255	266	749	-416
Net result from Hedge Accounting (after taxes)	-1,068	-167	820	438
	-1,323	99	1,569	22
Items that will not be reclassified to profit or loss				
Actuarial gains and losses	130	130	0	0
	130	130	0	0
Other result	-1,193	229	1,569	22
thereof attributable to				
Shareholders of the parent company	-1,187	207	1,560	14
Non-controlling interests	-6	22	9	8
Comprehensive income	3,660	3,101	6,309	2,481
thereof attributable to				
Shareholders of the parent company	3,086	2,690	5,872	2,253
Non-controlling interests	574	411	437	228

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2016

ASSETS		
in EUR '000	06/30/2016	12/31/2015
Non-current assets	120,553	117,108
Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments)	537	507
Property, plant and equipment	119,938	116,601
Land, leasehold rights and buildings on non-owned land	33,360	29,316
Technical equipment, plant and machinery	72,730	74,985
Other fixtures, fittings and equipment	2,993	2,884
Advance payments and plant and machinery under construction	10,855	9,416
Financial assets	78	0
Shares in affiliated companies	78	0
Current assets	83,835	84,784
Inventories	29,207	30,781
Raw materials and supplies	15,187	16,778
Unfinished goods	331	226
Finished products and merchandise	13,689	13,777
Trade receivables and other assets	12,575	11,731
Trade receivables	6,935	5,203
Other assets	5,640	6,528
Cash and cash equivalents	42,053	42,272
TOTAL ASSETS	204,388	201,892

EQUITY & LIABILITIES

in EUR '000	06/30/2016	12/31/2015
Equity	60,562	58,102
Subscribed capital	8,000	8,000
Capital reserve	29,764	29,764
Earnings reserves	9,711	9,711
Profit/loss carried forward	17,855	12,346
Consolidated result after taxes	4,273	6,709
Accumulated other comprehensive result	-10,213	-9,026
Non-controlling interests	1,172	598
Non-current liabilities	101,801	101,621
Retirement benefit obligation	28,411	27,951
Other provisions	915	887
Payables to banks	71,331	71,314
Deferred tax liabilities	1,144	1,469
Current liabilities	42,025	42,169
Income tax payables	1,324	1,565
Other provisions	162	154
Payables to banks	7,611	12,234
Trade payables	14,186	12,278
Other liabilities	18,742	15,938
TOTAL EQUITY & LIABILITIES	204,388	201,892

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2016 THROUGH 30 JUNE 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	01/01/ - 06/30/2016	01/01/ - 06/30/2015
Cash flow from operating activities		
Period profit before taxes	6,919	6,972
+ Depreciation and amortization	5,266	5,002
-/+ Gain/loss from asset disposals	6	8
- Interest income	-123	-120
+ Interest expenses	1,752	2,177
Operating profit before working capital changes	13,820	14,039
+/- Increase/decrease in provisions	274	140
-/+ Increase/decrease in trade receivables and other assets not attributable to investing or financing activity	-845	-1,173
+/- Decrease/increase in inventories	1,574	4,653
+/- Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity	4,038	3,430
Cash flow from operating activities before taxes	18,861	21,089
- Income taxes paid	-2,022	-347
Net cash generated by operating activities	16,839	20,742

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	01/01/ – 06/30/2016	01/01/ – 06/30/2015
Cash flow from investing activities		
+ Cash received from disposals of property, plant and equipment	13	2
– Cash paid for purchases in property, plant and equipment	–9,725	–5,333
– Cash paid for investments in intangible assets	–103	–71
– Cash paid for investments in financial assets	–78	0
Net cash generated by investing activities	–9,893	–5,402
Cash flow from financing activities		
– Dividends	–1,200	–960
+ Cash received from financial loans	0	69,800
– Cash rendered for payment of financial loans	–4,660	–53,540
– Interest paid	–1,262	–1,452
+ Interest received	20	14
Net cash generated by financing activities	–7,102	13,862
Net change in cash and cash equivalents	–156	29,202
Effects of exchange rate changes on the balance of cash held in foreign currencies	–63	249
Cash and cash equivalents at the beginning of the period	42,272	27,231
Cash and cash equivalents at the end of the period	42,053	56,682

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2016 THROUGH 30 JUNE 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000	Equity attributable to shareholders of Nabaltec AG		
	Subscribed capital	Capital reserve	Earnings reserves
Balance per 01/01/2015	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 06/30/2015	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 12/31/2015	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 06/30/2016	8,000	29,764	9,711

Profit carried forward	Accumulated other comprehensive result	Total	Non-controlling interests	Consolidated equity
13,306	-8,150	52,631	-170	52,461
-960	—	-960	—	-960
—	0	0	0	0
—	761	761	-12	749
—	799	799	21	820
—	1,560	1,560	9	1,569
4,312	—	4,312	428	4,740
4,312	1,560	5,872	437	6,309
16,658	-6,590	57,543	267	57,810
—	-1,354	-1,354	0	-1,354
—	293	293	10	303
—	-1,375	-1,375	16	-1,359
—	-2,436	-2,436	26	-2,410
2,397	—	2,397	305	2,702
2,397	-2,436	-39	331	292
19,055	-9,026	57,504	598	58,102
-1,200	—	-1,200	—	-1,200
—	130	130	0	130
—	-242	-242	-13	-255
—	-1,075	-1,075	7	-1,068
—	-1,187	-1,187	-6	-1,193
4,273	—	4,273	580	4,853
4,273	-1,187	3,086	574	3,660
22,128	-10,213	59,390	1,172	60,562

NABALTEC AG

SEGMENT REPORTING

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

BUSINESS SEGMENTS

Nabaltec is divided into two 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 wire & cable 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.

PERIOD FROM 1 JANUARY 2016 – 30 JUNE 2016

in EUR '000	Functional Fillers		Technical Ceramics		Nabaltec Group	
	01/01– 06/30/16	04/01– 06/30/16	01/01– 06/30/16	04/01– 06/30/16	01/01– 06/30/16	04/01– 06/30/16
Revenues						
Third party revenue	58,352	30,279	25,641	12,526	83,993	42,805
Segment result						
EBITDA	11,121	6,464	2,693	1,185	13,814	7,649
EBIT	7,322	4,576	1,226	440	8,548	5,016

PERIOD FROM 1 JANUARY 2015 – 30 JUNE 2015

in EUR '000	Functional Fillers		Technical Ceramics		Nabaltec Group	
	01/01– 06/30/16	04/01– 06/30/16	01/01– 06/30/16	04/01– 06/30/16	01/01– 06/30/16	04/01– 06/30/16
Revenues						
Third party revenue	53,676	26,802	24,082	12,198	77,758	39,000
Segment result						
EBITDA	10,141	4,653	3,890	2,057	14,031	6,710
EBIT	6,504	2,825	2,525	1,376	9,029	4,201

NABALTEC AG

ABRIDGED CONSOLIDATED NOTES

FOR THE PERIOD FROM 1 JANUARY 2016 THROUGH 30 JUNE 2016

1. GENERAL INFORMATION

Nabaltec AG, based in Schwandorf, Germany¹, 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, particular on the basis of aluminum hydroxide and aluminum oxide.

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

2. BASIS OF PREPARATION

The consolidated financial statements of Nabaltec AG as of 30 June 2016 were prepared with due regard to all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the Standing Interpretations Committee (SIC) recognized by the European Union and applicable to the financial year.

The interim financial statements of Nabaltec AG for the period from 1 January to 30 June 2016 were prepared in conformance with IAS 34, "Interim Financial Reporting", as a shorter financial report. The shorter financial statements do not contain all information prescribed for the financial statements of the financial year and should be read in conjunction with the consolidated financial statements as at 31 December 2015.

The interim financial statements encompass the period from 1 January 2016 to 30 June 2016.

¹ Nabaltec AG, Alustraße 50–52, 92421 Schwandorf, Germany

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

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

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

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

SCOPE OF CONSOLIDATION

The consolidated group of Nabaltec AG as at 30 June 2016 did not change compared to the consolidated financial statements as at 31 December 2015 or the second quarter of financial year 2015. The consolidated financial statements encompass the financial statements of Nabaltec AG, Schwandorf, as parent company, and its subsidiary Nashtec LLC, Texas (USA).

On 8 March 2016, Nabaltec AG formed a wholly-owned subsidiary based in Tokyo, Japan. Nabaltec Asia Pacific K.K. will engage in marketing and sales activities for Nabaltec AG's entire product line in Asia, and will be working closely with regional sales partners.

Nabaltec Asia Pacific K.K. will not be included in the consolidated financial statements of Nabaltec AG, but will instead be recognized at the cost of the shares, since it does not have a material impact on the financial, earnings and liquidity position.

NEW ACCOUNTING PROVISIONS

All accounting and valuation methods used in the preparation of the abridged financial statements correspond to the methods applied in the most recent consolidated financial statements as at 31 December 2015.

In addition to the Standards and Interpretations used on 31 December 2015, the following Standards and Interpretations were used for the first time, and had no impact on the interim financial statements:

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations
- Annual improvements to International Financial Reporting Standards 2010-2012
- Annual improvements to International Financial Reporting Standards 2012-2014

The IASB did publish the following changes in Standards prior to the publication of these interim financial statements:

- **Amendments to IAS 7 Disclosure Initiative: Statement of Cash Flows:** The amendments relate to specifications for additional disclosures in the notes to the financial statements which are meant to enable users of the financial statements to better assess changes in liabilities arising from financing activities. The new version is applicable for annual periods beginning on or after 1 January 2017. The amendments have not yet been adopted by the EU. First-time application is not presently expected to have a material impact on the consolidated financial statements.
- **Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses:** The amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value. They clarify that such unrealized losses give rise to deductible temporary differences. The new version is applicable for annual periods beginning on or after 1 January 2017. The amendments have not yet been adopted by the EU. First-time application is not presently expected to have a material impact on the consolidated financial statements.
- **Amendments to IFRS 2 Classification and measurement of share-based payment transactions:** The amendments include clarifications with regard to accounting for cash-settled share-based payment transactions, the classification of share-based payments with taxes withheld and accounting for modifications of share-based payments from cash-settled to equity-settled. The new version is to be applied in financial periods beginning on or after 1 January 2017. The amendments have yet to be endorsed by the EU. First-time application is not presently expected to have a material impact on the consolidated financial statements.
- **Clarification of IFRS 15 Revenue from contracts with customers:** The amendments relate to clarifications with regard to identification of performance obligations, principal versus agent considerations and licenses. In addition, they allow two other practical expedients upon transition. The new version is to be applied in financial periods beginning on or after 1 January 2018. The amendments have yet to be endorsed by the EU. First-time application is not presently expected to have a material impact on the consolidated financial statements.

3. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

REVENUES

We refer to the segment reports with respect to the revenue by product area. Information on revenue performance may be found in the management report.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

PROPERTY, PLANT AND EQUIPMENT

The additions to property, plant and equipment in the first six months of 2016 were the result of investments, primarily in land and buildings and in technical equipment and machinery to expand capacity and for further process optimization.

FINANCIAL ASSETS

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

SHAREHOLDERS' EQUITY

The change in the shareholders' equity of Nabaltec AG is presented in the consolidated statement of changes in equity. The item "minority shares" represents shares in the shareholders' equity of Nashtec LLC, Texas (USA).

CURRENT AND NON-CURRENT LIABILITIES

Liabilities to banks

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

5. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Contingent liabilities and legal liability relations

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

Related party transactions

The group of related persons and enterprises did not change compared to the consolidated financial statements as at 31 December 2015.

No transactions with related persons and enterprises took place in the first six months of 2016. Such transactions are conducted at standard market prices and conditions.

Significant events after the balance sheet date

Nashtec LLC obtains key raw materials, particularly the aluminum hydroxide needed for the production of APYRAL®, from Sherwin Alumina LLC, a wholly-owned subsidiary of Allied Alumina LLC. On 11 January 2016, Sherwin Alumina LLC filed for bankruptcy with the US federal bankruptcy court in Corpus Christi, Texas under Chapter 11 of the US Bankruptcy Code (“Chapter 11 procedure”).

Sherwin Alumina Company LLC, which supplies raw materials to the Nashtec LLC joint venture, announced in a press release on 1 August 2016 that it plans to discontinue production. Production is to be discontinued through the end of August 2016.

As a result, Nashtec LLC will lose its current supplier of raw materials as well as its ability to use infrastructure together with Sherwin Alumina LLC. For this reason, Nashtec will have to temporarily halt production in September. The Management Board of Nabaltec AG is hard at work developing a stand-alone solution in order to ensure Nashtec’s ability to continue production in the long term. But this requires the agreement of the joint venture partner as well as implementation of an investment package which is already planned.

Customers which have been supplied through Nashtec until now will continue to be supplied by Nabaltec AG from its Schwandorf site, using the capacity which has been added in recent months, so that there will be no interruption in supply. As a result, significant revenue losses for the Group are not to be expected. However, the temporary production stoppage at Nashtec may give rise to factors which will weigh down earnings. The precise amount of these potential losses cannot be stated at this time.

The existence of Nabaltec AG is not jeopardized by this situation. Because of the situation described above, a reliable forecast of Nabaltec Group’s revenues and earnings for 2016 still cannot be made.

Schwandorf, 3 August 2016

The Management Board

FINANCIAL CALENDAR

Interim Report 3/2016

2016**29 November**

CONTACT**Heidi Wiendl-Schneller**

Nabaltec AG
Alustraße 50 – 52
92421 Schwandorf
Germany

Phone: +49 9431 53-202
Fax: +49 9431 53-260
E-mail: InvestorRelations@nabaltec.de

Frank Ostermair

Better Orange IR & HV AG
Haidelweg 48
81241 Munich
Germany

Phone: +49 89 8896906-14
Fax: +49 89 8896906-66
E-mail: info@better-orange.de

IMPRINT**Publisher**

Nabaltec AG
Alustraße 50 – 52
92421 Schwandorf
Germany

Phone: +49 9431 53-202
Fax: +49 9431 53-260
E-mail: info@nabaltec.de
Internet: www.nabaltec.de

Text

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Better Orange, Munich

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Statements relating to the future

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

Rounding

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

Nabaltec AG | Alustraße 50-52 | 92421 Schwandorf | Germany
Phone: +49 9431 53-0 | Fax: +49 9431 53-260 | E-mail: info@nabaltec.de | www.nabaltec.de

