



INTERIM REPORT 2/2017



*OUR KNOW-HOW
FOR YOUR SAFETY*

Nabaltec

NABALTEC GROUP

KEY FIGURES

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

in EUR million	06/30/2017 (IFRS)	06/30/2016 (IFRS)	Change
Revenues			
Total revenues	88.7	84.0	5.6%
Thereof			
Functional Fillers	59.7	58.4	2.2%
Technical Ceramics	28.9	25.6	12.9%
Foreign share (%)	73.5	73.4	
Employees* (number of persons)	461	442	4.3%
Earnings			
EBITDA	15.4	13.8	11.6%
EBIT	9.7	8.5	14.1%
Consolidated result after taxes	6.1	4.3**	41.9%
Earnings per share (EUR)	0.76	0.53**	43.4%
Financial position			
Cash flow from operating activities	14.4	16.8	-14.3%
Cash flow from investing activities	-12.3	-9.9	24.2%
Assets, equity and liabilities			
	06/30/2017	12/31/2016	
Total assets	199.0	202.7	-1.8%
Equity	61.5	57.8	6.4%
Non-current assets	129.2	127.0	1.7%
Current assets	69.7	75.7	-7.9%

* on the reporting date, including trainees

** after non-controlling interests

NABALTEC AG

A LEADER 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 product segments "Functional Fillers" and "Technical Ceramics."

CONTENTS

INTERIM REPORT 2/2017

TO OUR SHAREHOLDERS

- 06 Management Board of Nabaltec AG
- 08 Foreword of the CEO
- 10 Nabaltec share

CONSOLIDATED INTERIM MANAGEMENT REPORT

- 12 Course of business
- 14 Employees
- 14 Subsequent events
- 14 Outlook
- 15 Report on opportunities and risks

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

- 16 Statement of comprehensive income
- 18 Balance sheet
- 20 Cash flow statement
- 22 Statement of changes in shareholders' equity
- 24 Segment reporting
- 25 Notes

FURTHER INFORMATION

- 30 Financial calendar 2017
- 30 Contact and imprint

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 characteristics guarantees that Nabaltec's specialty chemical products will have outstanding prospects for growth and has given the company many years of steadily growing 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 as well as vehicles and in engineering ceramics

NABALTEC

IN OVERVIEW



FUNCTIONAL FILLERS

In our product segment “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 109.1 MILLION

Revenues 2016

EUR 17.3 MILLION

EBITDA 2016

EUR 9.6 MILLION

EBIT 2016



TECHNICAL CERAMICS

In our product segment “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.

EUR 50.1 MILLION

Revenues 2016

EUR 5.6 MILLION

EBITDA 2016

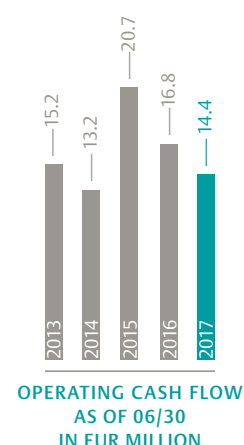
EUR 2.6 MILLION

EBIT 2016

NABALTEC AG

Q2 2017

As a fast-growing company, Nabaltec AG was able to continue its very strong performance in the previous year in the second quarter 2017 as well. In particular, the company has posted revenue growth over a period of many years, which illustrates the growing global demand for Nabaltec products.



FACTS AND FIGURES

INNOVATION

Nabaltec AG is regularly awarded national and international prizes and distinctions for innovation. In 2016, the company was named one of the 100 most innovative German mid-sized companies for the ninth time.

9x

DISTINCTION FOR
EXEMPLARY INNOVATION
MANAGEMENT



EMPLOYEES

Nabaltec AG is regularly recognized as one of the 100 best employers among German mid-sized companies in the "TOP JOB" competition, which compares companies from all over the country and in a wide variety of sectors.

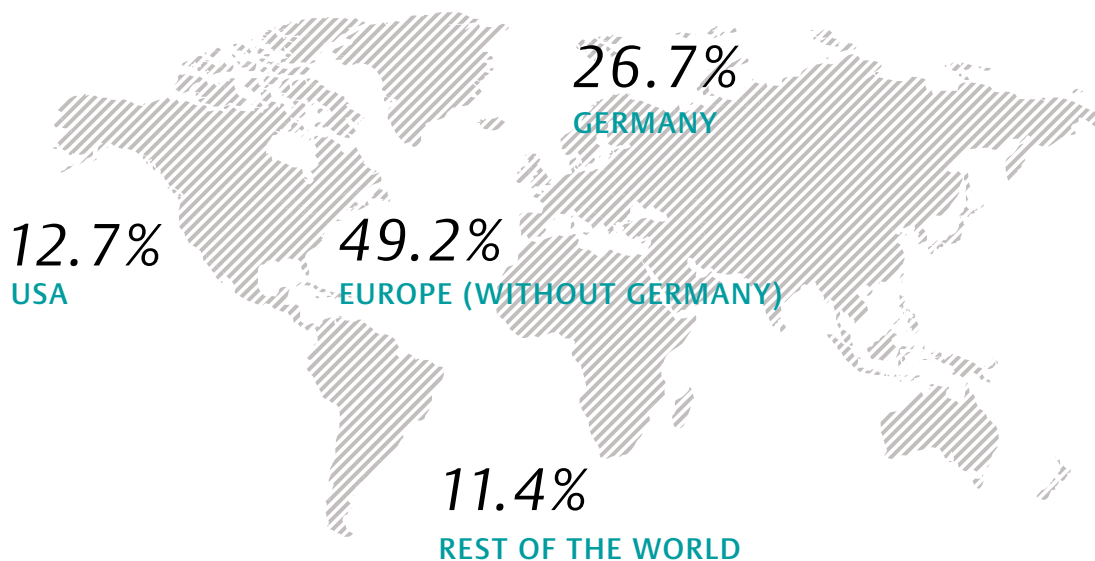
Nabaltec's trainees count among the best of their peers on a regular basis.

11.5%
TRAINEE RATIO (2016)



GLOBAL REVENUE SHARES (2016)

With production sites in Germany and the US and a network of international agencies, Nabaltec maintains a global presence.



MANAGEMENT BOARD

OF NABALTEC AG

JOHANNES HECKMANN (CEO)

- Appointed CEO on 1 January 2017
- Management Board member responsible for production as well as research and development since the initial public offering in 2006
- Served in the management of Nabaltec AG since 1995
- Worked as project manager at Schindler Aufzüge AG in Lucerne, Switzerland, before switching to AKW Amberger Kaolinwerke GmbH
- Studied engineering management at the Rosenheim University of Applied Sciences

GÜNTHER SPITZER (CFO)

- CFO since 1 January 2017, responsible for finance/controlling and administration/human resources
- Head of the controlling department since 1998, also served as Director Finance/Controlling at Nabaltec AG since 2009
- Began at VAW aluminium AG in 1985 as a commercial employee
- Trained as an industrial clerk, with in-service study in business administration

DR. MICHAEL KLIMES (COO)

- COO since 1 January 2017, responsible for research and development, production and sales
- Headed the business division "Functional Fillers" since 2007
- Directed the Fillers profit center since 2003
- Flame retardants sales manager at Nabaltec GmbH as of 1995
- 1992: began working at VAW aluminium AG, specialty alumina division, responsible for sales of APYRAL® in Central Europe
- Studied chemistry at Darmstadt University of Technology, followed by diploma thesis and doctorate at the German Plastics Institute in Darmstadt



*from left to right:
Dr. Michael Klimes, Johannes Heckmann, Günther Spitzer*

FOREWORD

OF THE CEO

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

In the past three months, we were able once again to continue our long-term trend of strong growth and earnings seamlessly. Revenues in the second quarter reached a record high of EUR 45.1 million, with a growth of 5.4% from the same period of last year. Revenues in the first six months of 2017 amounted to a total of EUR 88.7 million, also a record high, for a gain of 5.6%.

We should not forget that we were able to post these revenues and this revenue growth despite the fact that our US subsidiary Nashtec has not yet resumed production. We were able to largely offset the impact of the production stoppage, which has been in effect since August 2016. At the same time, we have been able to clarify Nashtec's future and create facts on the ground: we now own all shares in the former joint venture, an investment plan has been adopted and the construction work is already well-advanced. We believe we are on a good way to being able to resume deliveries from the US in the first quarter of 2018 and with a significantly higher capacity, which will be raised as planned from the former number of 22,000 tons a year to 30,000 tons a year.

This will free up capacity in Schwandorf as of 2018, which we intend to use in order to participate more strongly in the growth of the European market for eco-friendly flame retardants. At the moment, we are unable to fully exploit the potential offered to us, as we have reached the limits of our capacity. Raising our capacity utilization ratio to nearly the highest possible level has produced strong margins, despite somewhat higher freight costs due to the need to supply our customers in the US and Asia from Germany, and despite the current US dollar exchange rate, which has diminished margins slightly. Accordingly, we have specified our EBIT margin forecast for 2017 as a whole, raising it from our previous expectation, which lay in the high single digits, to around 10%. This is based on a slight adjustment in expectations with regard to revenue growth, which have been raised from the low single digits to the mid-single digits.

On the whole, we believe that the market drivers are intact and that demand is functional in both of our product segments. After the sales figures in the “Functional Fillers” segment are growing steadily, due in particular to growing demand in Europe, in the past two quarters we were able to record disproportionate growth in the “Technical Ceramics” segment as well. The adoption of stricter fire safety regulations in the EU, together with the introduction of uniform standards within the European cable industry, should be stressed as the strongest market driver for functional fillers in both the near and medium terms. In the technical ceramics segment, we are benefiting from the improvement in the steel industry and the refractory industry, which supplies products to the steel industry. But we are also seeing strong performance in sectors which are indirect consumers of our products, such as the ballistics and glass industries.

All of this makes us highly optimistic about our company’s near and more distant future. We invite you to join us on this path.

Schwandorf, August 2017

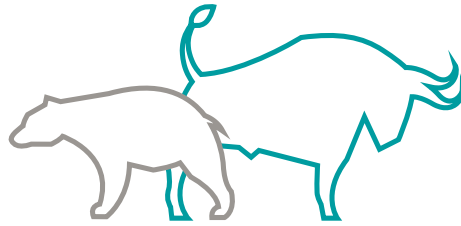
Yours,



JOHANNES HECKMANN
CEO

NABALTEC SHARE

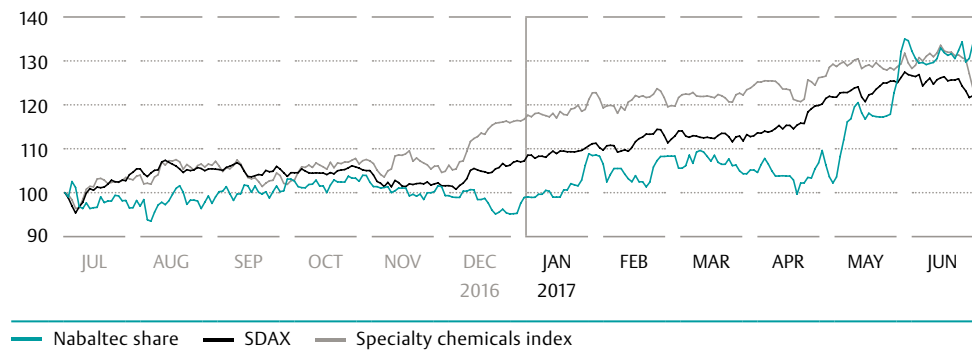
SECOND QUARTER OF 2017



ISIN/WKN: DE000A0KPPR7/A0K PPR

Nabaltec share has been listed in the Frankfurt Stock Exchange since 24 November 2006. As of March 2017, Nabaltec share is traded in the Scale market segment of the Frankfurt Stock Exchange.

PERFORMANCE OF THE NABALTEC SHARE (XETRA, INDEXED)



Nabaltec share price increases by 35.5% in the first half of the year

Nabaltec's share price performed extraordinarily well in the second quarter of 2017 and closed at EUR 19.50, up 28.1% from last quarter's closing price. The share was up by 29.3% within one year. Nabaltec share was up 35.5% in the first half of 2017. Compared to the relevant indices, the price of Nabaltec share increased disproportionately. The SDAX was up by 13.9% in the same period while the specialty chemicals index was up 6.1%.

KEY DATA FOR THE NABALTEC SHARE (XETRA)

	First 6 months of 2017	Year 2016
Number of shares	8,000,000	8,000,000
Market capitalization (cutoff date, in EUR million)	156.00	115.12
Average price (in EUR)	16.13	14.23
High (in EUR)	19.65	15.60
Low (in EUR)	14.39	12.85
Closing price (cutoff date, in EUR)	19.50	14.39
Average daily turnover (in shares)	3,973	1,923
Earnings per share (in EUR)	0.76	0.67*

* after non-controlling interests

In June, the share price exceeded the 19 Euro mark for the first time since 2007, climbing to a high of EUR 19.65 on 2 June 2017. In the remainder of June 2017, the share price fluctuated between EUR 18.80 and EUR 19.60.

High at a price of EUR 19.65

The average daily trading turnover of Nabaltec share on XETRA was 3,973 shares in the first six months of 2017.

Earnings per share (EPS) after non-controlling interests amounted to EUR 0.76 in the first six months of 2017. By comparison, EPS in the first half of 2016 amounted to EUR 0.53.

Earnings per share of EUR 0.76

Analyst recommendations for Nabaltec share continue to be positive. In its analysis of 4 July 2017, Hauck & Aufhäuser once again confirmed its “buy” recommendation, raising its price target to EUR 30.00. Baader Bank, in its study of 8 June 2017, also once again rated Nabaltec share a “buy,” raising its price target from EUR 18.00 to EUR 23.00.

Analysts give “buy” recommendations with price targets of EUR 30.00 and EUR 23.00

As of 30 June 2017, 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.

NABALTEC AG

CONSOLIDATED INTERIM MANAGEMENT REPORT

AS OF 30 JUNE 2017

COURSE OF BUSINESS

Consolidated revenues reach a record high of EUR 45.1 million

Nabaltec AG's strong performance continued in the second quarter of 2017. Revenues were once again up from last quarter, climbing to a record high. Nabaltec's consolidated revenues were EUR 45.1 million in the second quarter of 2017, up 5.4% from the same quarter of last year, when revenues were EUR 42.8 million.

Revenues in the first six months of 2017 amounted to EUR 88.7 million, up 5.6% from the first half of 2016 (EUR 84.0 million).

Revenues in the "Functional Fillers" product segment were up slightly, from EUR 30.3 million to EUR 30.7 million, up 1.3% from the second quarter of 2016. The "Technical Ceramics" product segment posted strong growth, as it did in the first quarter of 2017 as well, with revenues up 15.2% to EUR 14.4 million (same quarter of last year: EUR 12.5 million). This growth was attributable in particular to the strong performance of ceramic bodies.

In the first half of 2017, revenues in the "Functional Fillers" product segment climbed to EUR 59.7 million, up 2.2% from the same period of last year (EUR 58.4 million). Meanwhile, revenues in the "Technical Ceramics" product segment were up 12.9% over the first half of 2016 (EUR 25.6 million), to EUR 28.9 million.

Export ratio of 73.5%

Nabaltec posted growth in the key regions of Europe, Asia and the US in the first half of the year. The export ratio was up slightly, from 73.4% in the same period of last year to 73.5% in the first six months of 2017.

Nabaltec's total performance increased to EUR 86.0 million in the reporting period, up from EUR 84.4 million in the same period of last year (up 1.9%). This improvement was attributable to strong revenue growth, with a simultaneous decrease in inventories of finished products.

Improvement in cost of materials ratio due to price increases in the fine hydroxides product segment

The cost of materials ratio (cost of materials as a percentage of total performance) in the first six months of 2017 was noticeably better than in the same period of last year, falling from 51.0% to 47.4%. Price increases in the fine hydroxides product segment in particular had a positive impact in this area. The gross profit margin (gross profit as a percentage of total performance) was 54.3% in the reporting period, compared to 49.9% in the first half of 2016.

The personnel expense ratio (personnel expenses as a percentage of total performance) increased from 17.3% to 18.3%, while the number of employees increased from 442 to 461.

Other operating expenses increased from EUR 13.7 million in the same period of last year to EUR 15.5 million in the first six months of 2017, largely due to an increase in freight costs and sales commissions, losses due to changes in the EUR/USD exchange rate and an increase in outside facility cleaning services. Accordingly, the ratio of other operating expenses to total performance increased to 18.0%, up from 16.2% last year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 15.4 million in the first half of 2017, up 11.6% from the value of EUR 13.8 million in the same period of last year. EBITDA margin (EBITDA as a percentage of total performance) increased in the first half over the first half of last year, from 16.4% to 17.9%.

Consolidated EBIT amounted to EUR 9.7 million in the first six months of the year, compared to EUR 8.5 million in the same period of last year, for a gain of 14.1%. EBIT margin (EBIT as a percentage of total performance) was 11.3% in the first half of 2017, compared to 10.1% in the same period of last year.

*EBIT of EUR 9.7 million
(up 14.1%); EBIT margin
improves to 11.3%*

Financial result improved to EUR –1.3 million in the first six months of 2017, compared to EUR –1.6 million in the first half of 2016.

Earnings before taxes amounted to EUR 8.3 million in the first six months of 2017, up 20.3% from last year's figure of EUR 6.9 million. After adjusting for taxes, consolidated earnings came to EUR 6.1 million in the first half of 2017. This corresponds to earnings per share of EUR 0.76 in the first half of 2017. By way of comparison, earnings per share came to EUR 0.53 in the same period of last year.

Cash flow from operating activity was EUR 14.4 million in the first half of 2017, compared to EUR 16.8 million in the first six months of 2016. The improvement in earnings for the period was offset in particular by a reduction in working capital changes relative to the first half of 2016.

Spending on investments increased relative to the same quarter of last year, from EUR 9.9 million to EUR 12.3 million.

Cash flow from financing activity amounted to EUR –8.1 million, compared to EUR –7.1 million in the same period of last year. Aside from repayment of the loan which had been provided to Nashtec by the minority shareholder and which was repaid over the course of Nabaltec's acquisition of all shares in Nashtec, a dividend payout in the amount of EUR 1.2 million was performed in the second quarter of 2017.

Nabaltec Group's cash and cash equivalents amounted to EUR 29.7 million as of 30 June 2017.

Total assets decreased from EUR 202.7 million on 31 December 2016 to EUR 199.0 million. As of the reporting date, 30 June 2017, non-current assets were up slightly, by 1.7%, and current assets were down by 7.9%. Inventories and liquid funds were down, while trade receivables increased.

*Equity ratio up
to 30.9%*

On the liabilities side of the balance sheet, the equity ratio increased from 28.5% on 31 December 2016 to 30.9% on 30 June 2017. Non-current liabilities amounted to EUR 111.7 million on 30 June 2017, nearly on the level of the value as of the end of 2016. Current liabilities were down 23.1% on 31 December 2016, to EUR 25.7 million. This was due above all to a decrease in other accounts payable, particularly due to repayment of the loan from Nashtec's minority shareholder.

EMPLOYEES

*Trainee ratio at
a high level, 9.1%*

As of the reporting date, 30 June 2017, Nabaltec Group had 461 employees (including trainees). On the same date of last year, this number was 442 employees. The trainee ratio was 9.1%, which is above average for Nabaltec.

SUBSEQUENT EVENTS

Events of particular importance for assessment of Nabaltec Group's liquidity, financial and earnings position occurring after the reporting date, 30 June 2017, can be found in the Subsequent events in the Consolidated Notes.

OUTLOOK

Nabaltec foresees intact sales markets and stable demand for its products in 2017 too, unless there is a fundamental change in the market environment. The company has taken a leading international position within its markets. Based on the further development of its market position and the reputation it has built up over many years, Nabaltec sees good future prospects for its key products.

*Nabaltec expects revenue
growth in the mid-single
digits in 2017*

Nabaltec expects to continue growing at a moderate pace in 2017 and anticipates revenue growth in the mid-single digits, representing a slight adjustment to the existing forecast (low single digits). Revenue growth is to come primarily from price effects in the "Functional Fillers" segment, as well as increased volume in the "Technical Ceramics" segment.

As was the case in the first half, Nabaltec's US subsidiary Nashtec LLC is not currently expected to contribute to production in the remaining quarters of 2017 due to its need to retool for a stand-alone solution. Production is expected to resume in the first quarter of 2018. In connection with Nabaltec's acquisition of the minority shares in Nashtec LLC and the repayment of loans from the former shareholder, Sherwin Alumina Company LLC, a restructuring provision in the amount of EUR 3.2 million was formed in the first quarter due to the need to reorganize Nashtec LLC's production and supply relations. As a result, Nashtec LLC is not expected to weigh down the Group's earnings any further in 2017. EUR 0.8 million of this provision was utilized in the second quarter. Because it expects continued strong revenue performance with stable margins, and in view of expected developments with regard to its subsidiary Nashtec, Nabaltec has specified an expected EBIT margin of around 10% for 2017 as a whole, a slight increase over the previous forecast, which corresponds an EBIT margin in the high single digits.

Orders on hand amounted to EUR 54.3 million on 30 June 2017, up 74.6% from the value on 30 June 2016.

Otherwise, the statements made in the forecast report of the 2016 consolidated management report retain their validity.

REPORT ON OPPORTUNITIES AND RISKS

No significant changes were evident in the first half of 2017 to the risk situation presented in the 2016 consolidated management report.

Schwandorf, 4 August 2017

The Management Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
in TEUR	01/01/ – 06/30/2017	04/01/ – 06/30/2017	01/01/ – 06/30/2016	04/01/ – 06/30/2016
Revenues	88,675	45,078	83,993	42,805
Change in inventories of finished goods and work in progress	-2,944	-1,983	79	110
Own work capitalized	232	101	324	219
Total performance	85,963	43,196	84,396	43,134
Other operating income	1,616	1,138	706	403
Cost of materials	-40,849	-20,088	-43,037	-21,828
Gross earnings	46,730	24,246	42,065	21,709
Personnel expenses	-15,739	-7,970	-14,562	-7,462
Depreciation	-5,798	-2,959	-5,266	-2,633
Other operating expenses	-15,542	-7,660	-13,689	-6,598
Operating profit (EBIT)	9,651	5,657	8,548	5,016
Interest and similar income	53	20	123	59
Interest and similar expenses	-1,379	-695	-1,752	-869
Net income from ordinary activities (EBT)	8,325	4,982	6,919	4,206
Taxes on income	-2,269	-1,152	-2,066	-1,334
Net after-tax earnings	6,056	3,830	4,853	2,872
Thereof:				
Shareholders of the parent company	6,056	3,830	4,273	2,483
Non-controlling interests	0	0	580	389
Net after-tax earnings	6,056	3,830	4,853	2,872
Earnings per share (in EUR)	0.76	0.48	0.53	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01/01/ – 06/30/2017	04/01/ – 06/30/2017	01/01/ – 06/30/2016	04/01/ – 06/30/2016
Net after-tax earnings	6,056	3,830	4,853	2,872
Items which may be reclassified to profit and loss				
Currency translation (after taxes)	-1,717	-1,640	-255	266
Net income from hedge accounting (after taxes)	810	609	-1,068	-167
Total	-907	-1,031	-1,323	99
Items which will not be reclassified to profit and loss				
Actuarial gains and losses	0	0	130	130
Total	0	0	130	130
Other comprehensive income	-907	-1,031	-1,193	229
Thereof:				
Shareholders of the parent company	-907	-1,031	-1,187	207
Non-controlling interests	0	0	-6	22
Total comprehensive income	5,149	2,799	3,660	3,101
Thereof:				
Shareholders of the parent company	5,149	2,799	3,086	2,690
Non-controlling interests	0	0	574	411

CONSOLIDATED BALANCE SHEET

FOR 30 JUNE 2017

ASSETS

in TEUR	06/30/2017	12/31/2016
Non-current assets	129,246	127,013
Intangible assets		
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments)	444	506
Property, plant and equipment	127,522	125,303
Land, leasehold rights and buildings, including buildings on unowned land	37,527	33,288
Technical equipment and machinery	79,889	74,429
Other fixtures, fittings and equipment	3,208	3,090
Advance payments and assets under construction	6,898	14,496
Financial assets	78	78
Shares in affiliated companies	78	78
Deferred tax assets	1,202	1,126
Current assets	69,705	75,685
Inventories	26,335	30,882
Raw materials and supplies	16,269	17,864
Work in process	29	32
Finished goods and merchandise	10,037	12,986
Other assets and accounts receivable	13,699	8,620
Trade receivables	6,774	3,091
Other assets	6,925	5,529
Cash and cash equivalents	29,671	36,183
TOTAL ASSETS	198,951	202,698

LIABILITIES		
in TEUR	06/30/2017	12/31/2016
Shareholders' equity	61,525	57,765
Subscribed capital	8,000	8,000
Capital reserve	29,764	29,764
Earnings reserve	10,088	9,711
Profit carry-forward	22,162	17,855
After-tax earnings	6,056	5,344
Other changes in equity with no effect on profit and loss	-14,545	-13,471
Non-controlling interests	0	562
Non-current liabilities	111,728	111,520
Pension reserves	38,450	38,076
Other provisions	1,109	1,088
Accounts payable to banks	71,363	71,345
Deferred tax liabilities	806	1,011
Current liabilities	25,698	33,413
Accounts payable from income taxes	2,402	1,112
Other provisions	2,552	162
Accounts payable to banks	472	1,224
Trade payables	12,891	14,526
Other accounts payable	7,381	16,389
TOTAL LIABILITIES	198,951	202,698

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	01/01/ – 06/30/2017	01/01/ – 06/30/2016
Cash flow from operating activity		
Earnings before taxes	8,325	6,919
+ Depreciation of fixed assets	5,798	5,266
-/+ Income/loss from the disposal of assets	3	6
- Interest income	-53	-123
+ Interest expenses	1,379	1,752
Net operating income before changes in working capital	15,452	13,820
+/- Increase/decrease in provisions	2,460	274
-/+ Increase/decrease in trade receivables and other assets not attributable to investment or financing activity	-5,080	-845
+/- Increase/decrease in inventories	4,547	1,574
+/- Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-1,341	4,038
Cash flow from operating activity before taxes	16,038	18,861
- Income taxes paid	-1,592	-2,022
Net cash flow from operating activity	14,446	16,839

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	01/01/ – 06/30/2017	01/01/ – 06/30/2016
Cash flow from investing activities		
+ Payments received from the disposal of property, plant and equipment	202	13
– Payments made for investments in property, plant and equipment	-11,940	-9,725
– Payments made for investments in intangible assets	-13	-103
– Cash paid for the acquisition of consolidated companies	-552	0
– Payments made for investments in financial assets	0	-78
Net cash flow from investment activity	-12,303	-9,893
Cash flow from financing activity		
– Dividends	-1,200	-1,200
– Payments made for the repayment of borrowings	0	-4,660
– Cash repayments of amounts borrowed	-5,969	0
– Interest paid	-995	-1,262
+ Interest received	29	20
Net cash flow from financing activity	-8,135	-7,102
Net change in cash and cash equivalents	-5,992	-156
Change in funds due to changes in exchange rates	-520	-63
Funds at start of period	36,183	42,272
Funds at end of period	29,671	42,053

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in TEUR	Shareholders' equity attributable to shareholders of Nabaltec AG		
	Subscribed capital	Capital reserve	Earnings reserve
Balance per 01/01/2016	8,000	29,764	9,711
Dividend payments	—	—	—
Actuarial gains and losses	—	—	—
Currency translation	—	—	—
Net income from hedge accounting	—	—	—
Other comprehensive income	—	—	—
Net income after taxes	—	—	—
Net income	—	—	—
Balance per 06/30/2016	8,000	29,764	9,711
Actuarial gains and losses	—	—	—
Currency translation	—	—	—
Net income from hedge accounting	—	—	—
Other comprehensive income	—	—	—
Net income after taxes	—	—	—
Net income	—	—	—
Balance per 12/31/2016	8,000	29,764	9,711
Acquisition of minority interests	—	—	377
Dividend payments	—	—	—
Actuarial gains and losses	—	—	—
Currency translation	—	—	—
Net income from hedge accounting	—	—	—
Other comprehensive income	—	—	—
Net income after taxes	—	—	—
Net income	—	—	—
Balance per 06/30/2017	8,000	29,764	10,088

Profit carry-forward	Other changes in equity with no effect on profit and loss	Total	Non-controlling interests	Consolidated shareholders' equity
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
—	-4,350	-4,350	0	-4,350
—	653	653	29	682
—	439	439	1	440
—	-3,258	-3,258	30	-3,228
1,071	—	1,071	-640	431
1,071	-3,258	-2,187	-610	-2,797
23,199	-13,471	57,203	562	57,765
163	-167	373	-562	-189
-1,200	—	-1,200	—	-1,200
—	0	0	—	0
—	-1,717	-1,717	—	-1,717
—	810	810	—	810
—	-907	-907	0	-907
6,056	—	6,056	—	6,056
6,056	-907	5,149	0	5,149
28,218	-14,545	61,525	0	61,525

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

The product segment “Technical Ceramics” 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 2017 – 30 JUNE 2017

in TEUR	Funktional Fillers		Technical Ceramics		Nabaltec group	
	01/01/– 06/30/17	04/01/– 06/30/17	01/01/– 06/30/17	04/01/– 06/30/17	01/01/– 06/30/17	04/01/– 06/30/17
Revenues						
Third party revenue	59,731	30,684	28,944	14,394	88,675	45,078
Segment result						
EBITDA	11,507	6,579	3,942	2,037	15,449	8,616
EBIT	7,288	4,400	2,363	1,257	9,651	5,657

PERIOD FROM 1 JANUARY 2016 – 30 JUNE 2016

in TEUR	Funktional 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

NABALTEC AG

ABRIDGED CONSOLIDATED NOTES

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

1. GENERAL INFORMATION

Nabaltec AG, with registered office in Schwandorf, Germany¹, was formed by Company Agreement of 14 December 1994 with the corporate name Nabaltec GmbH and registered office in Schwandorf (entered into the Commercial Register of the Local Court of Amberg under Commercial Register No. B 3920). It acquired the specialty oxides business of VAW aluminum AG in 1995 and was transformed into a joint-stock company in 2006.

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

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

2. BASIS OF PREPARATION

The consolidated financial statements of Nabaltec AG as of 30 June 2017 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 2017 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 2016.

The interim financial statements encompass the period from 1 January 2017 to 30 June 2017.

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 2017 did not change compared to the consolidated financial statements as at 31 December 2016 or the second quarter of financial year 2016. The consolidated financial statements encompass the financial statements of Nabaltec AG, Schwandorf, as parent company, and its subsidiary Nashtec LLC, Texas, USA.

On 17 March 2017, Nabaltec AG concluded an agreement under which it acquired the remaining 49% of shares in the joint venture Nashtec LLC, which had been held by the parent company of Sherwin Alumina Company LLC, Allied Alumina LLC.

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 2016.

In addition to the Standards and Interpretations used on 31 December 2016, the following Standards and Interpretations were used for the first time, and had no impact on the interim financial statements:

- Amendments to IAS 7 “Disclosure Initiative”
- Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”
- Annual improvements to International Financial Reporting Standards 2014 – 2016

The IASB did not publish any other Standards prior to the publication of these interim 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 2017 were the result of investments, primarily in land and buildings and in technical equipment and machinery to expand capacity and for further process optimization.

As part of its acquisition of the shares in Nashtec LLC, Nabaltec also acquired an adjoining property from Corpus Christi Alumina LLC, including a production building and technical equipment.

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. In the first quarter of 2017, Nabaltec AG acquired minority shares comprising 49% of the shares in Nashtec LLC for EUR 551,687.

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.

OTHER ACCOUNTS PAYABLE

In connection with acquisition of the remaining shares in Nashtec LLC, loans from the former shareholder, Sherwin Alumina Company LLC, in the amount of EUR 5,968,614 were repaid.

OTHER PROVISIONS

A restructuring provision in the amount of EUR 3,219 thousand was formed in connection with the acquisition of minority shares in Nashtec LLC and the repayment of loans from the former shareholder, Sherwin Alumina Company LLC, due to the reorganization of Nashtec LLC's production and supply relations.

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 change compared to the consolidated financial statements as at 31 December 2016 as followed:

The composition of Nabaltec AG's Management Board changed on 1 January 2017. Mr. Gerhard Witzany resigned from the Nabaltec AG Management Board on 31 December 2016 by reason of old age. A third member was added and the two new Management Board members were appointed by the Supervisory Board to five-year terms on 1 January 2017. Alongside the Management Board Chairman and CEO, Johannes Heckmann, Günther Spitzer will be responsible for finance/controlling and commercial services/human resources, CFO, and Dr. Michael Klimes, as COO, will be responsible for production and sales, as well as development and application engineering.

No transactions with related persons and enterprises took place in the first six months of 2017. Such transactions are conducted at standard market prices and conditions.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events were registered after the balance sheet date.

Schwandorf, 4 August 2017

The Management Board

FINANCIAL CALENDAR

	2017
Baader Investment Conference	18 September
Interim Report 3/2017	28 November

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Statements relating to the future

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

Rounding

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

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