ANNUAL REPORT

2015

OUR KNOW-HOW FOR YOUR SAFETY

Nabaltec

NABALTEC GROUP
KEY FIGURES

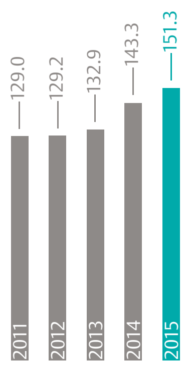
FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

in EUR million	2015 (IFRS)	2014 (IFRS)	Change
Revenues			
Total revenues	151.3	143.3	5.6%
thereof			
Functional Fillers	102.3	98.9	3.4%
Technical Ceramics	49.1	44.5	10.3%
Foreign share (%)	72.3	71.6	–
Earnings			
EBITDA	24.7	22.4	10.3%
EBIT	14.5	12.7	14.2%
Consolidated result after taxes*	6.7	5.5	21.8%
Earnings per share (EUR)*	0.84	0.69	21.7%
Financial position			
Cash flow from operating activities	20.1	20.9	–3.8%
Cash flow from investing activities	–13.1	–10.0	31.0%
Assets, equity and liabilities			
Total assets	201.9	178.8	12.9%
Equity	58.1	52.5	10.7%
Non-current assets	117.1	112.5	4.1%
Current assets	84.8	66.3	27.9%
Employees** (number of persons)	444	424	4.7%

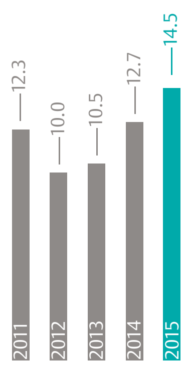
* *after non-controlling interests*
** *on the reporting date, including trainees*

NABALTEC AG

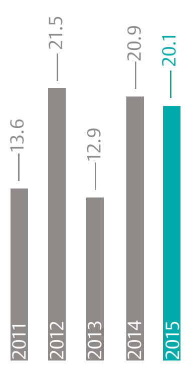
Nabaltec AG has displayed strong growth for many years. In Financial Year 2015 as well, the company was able to continue its very strong performance in the year before, with improvements in key financial performance indicators.



REVENUES
IN EUR MILLION



EBIT
IN EUR MILLION



CASH FLOW FROM
OPERATING ACTIVITIES
IN EUR MILLION

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.

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

SUSTAINABLE PRACTICES

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CONTACT IR
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www.nabaltec.de

NABALTEC AG
ON THE INTERNET
www.nabaltec.de

CONTENTS

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

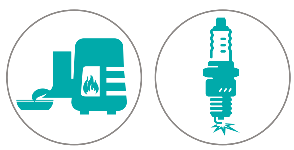
FUNCTIONAL FILLERS

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

EUR 17.8 MILLION
EBITDA

EUR 10.5 MILLION
EBIT



TECHNICAL CERAMICS

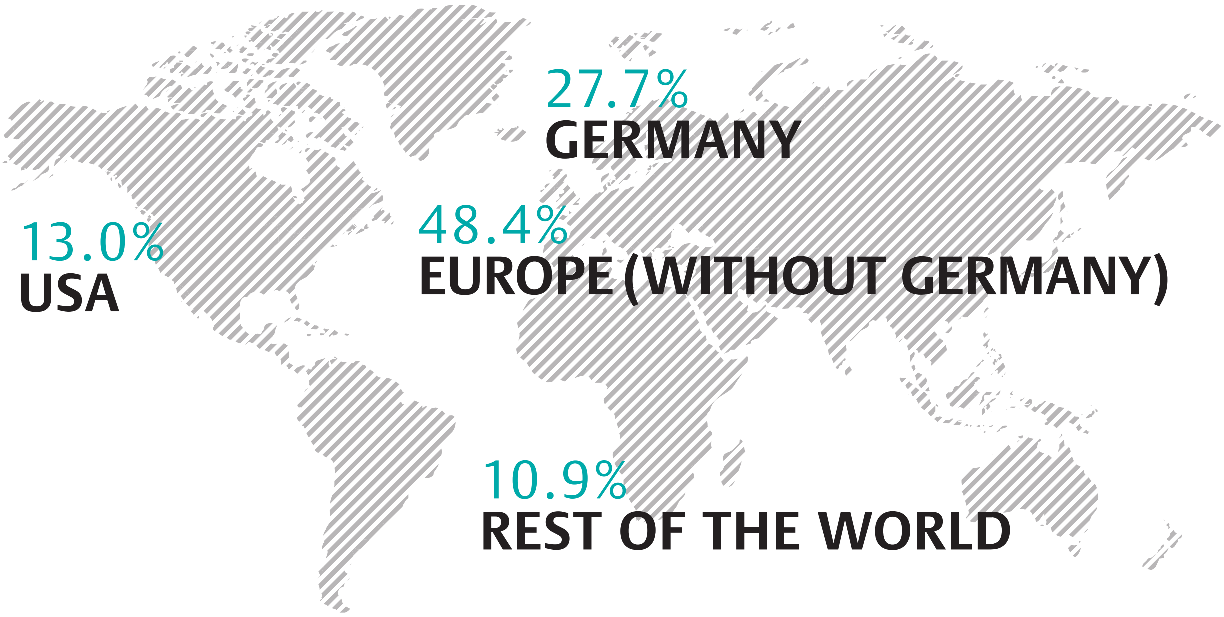
In our business division “Technical Ceramics,” we develop innovative materials for a wide variety of industries based on all-natural ingredients and occupy a leading position in the global market for ceramic raw materials and bodies. We are constantly investing in optimizing our production facilities, 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

EUR 6.9 MILLION
EBITDA

EUR 4.1 MILLION
EBIT

GLOBAL REVENUE SHARES



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,

Strong and steady growth

When we look back on the year 2015, we see a year of strong and steady growth. We say strong growth because we exceeded our results from last year in every quarter and revenues for the year 2015 were up 5.6% from the year before. We say steady because revenue growth has been in line with our own forecasts for years, and we have done this on our own power, with no acquisitions and without unpredictable volatility.

At the same time, we were able to post an operating result (EBIT) of EUR 14.5 million and earnings per share of EUR 0.84 in 2015, results which were up 14.2% and 21.7% respectively from last year's record highs. These figures underscore the fact that we were once again able to meet our forecasts in 2015 and that we have been able to successfully maintain a good balance between current earnings and investments in our future. On this basis, we intend to propose a dividend payout for Financial Year 2015 of EUR 0.15 per share to our shareholders at the 2016 Annual Meeting, as well as continuation of our present dividend policy, which seeks to balance between distributions and retention of profits.

Exploiting additional potential in international markets with quality, reliability and customized solutions

Top quality, utmost reliability and customized solutions: these were the reasons for our success in 2015, and we will be exploiting additional opportunities and potential in international markets on this basis in 2016 as well. Although the economic outlook in Asia has worsened somewhat in some cases, the indicators for this region continue to point to growth. With the formation of a new subsidiary in the first quarter of 2016, Nabaltec Asia Pacific K.K., we have made it possible to work even closer with our customers in this region and to address their requirements even more precisely. We also see additional opportunities in the new and innovative applications for our products in the business division "Functional Fillers," such as lithium ion batteries. In the business division "Technical Ceramics," we were able to observe an increased dynamic of growth during 2015, as expected, and we plan to keep up this pace in 2016. Above all, we expect additional potential through our high value-added products. Our investments in 2015 were channeled in this direction, as we continue to expand our high-margin segments and create additional capacity.

Despite these positive signs, however, the outlook for 2016 is not entirely free of concerns. At the start of 2016, Nashtec's aluminum hydroxide supplier, Sherwin Alumina LLC, filed for bankruptcy under Chapter 11 of the US Bankruptcy Code. While the supplier intends to continue to operate normally during the bankruptcy, disruptions in the operations of Nashtec LLC cannot be ruled out. The challenge for us is to prepare for other possible developments using a variety of scenarios. We will take all necessary steps in order to continue Nashtec's operations with as little disruption as possible, preserve the value of our investments and, above all, to continue to win over our customers in the US in lasting fashion by demonstrating our strengths.

In summary: Nabaltec plans to post moderate growth once again in 2016. The start in the year 2016 was positive. However, a reliable forecast for Financial Year 2016 is not possible at this time given the unforeseeable developments in connection with the Chapter 11 bankruptcy of Sherwin Alumina LLC.

Member of the Board Gerhard Witzany intends to resign from the Management Board at the end of the year 2016 due to age reasons

A significant change in personnel will take place at the end of the year, as Gerhard Witzany intends to resign from the Management Board at the end of the year 2016 due to age reasons. As a major shareholder, the Witzany family will continue to have close ties with the company. As already announced, the Supervisory Board intends to extend the term of Management Board Member Johannes Heckmann by five years and appoint him Chairman of the Management Board (CEO) as of 1 January 2017. To succeed Gerhard Witzany, the Supervisory Board intends to appoint two longstanding employees to the Management Board who currently hold positions in the upper management: Günther Spitzer, currently Director Controlling/Finance, will serve as CFO, and Dr. Michael Klimes, presently Director Division Functional Fillers, will serve as COO. We can assure you, dear shareholders and business partners, that with this new Management Board formation, we will continue to devote all of our efforts to ensuring the continued development of Nabaltec AG in the future.

Schwandorf, March 2016

Sincerely yours,

JOHANNES HECKMANN
Member of the Board

GERHARD WITZANY
Member of the Board

NABALTEC AG
REPORT OF THE SUPERVISORY BOARD



Dr. Dieter J. Braun

Dr. Leopold von Heimendahl
(Chairman of the Supervisory Board)

Prof. Dr.-Ing. Jürgen G. Heinrich

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec AG has increased revenues noticeably

Nabaltec AG has yet another successful year behind it. Revenues have increased noticeably, and the company has met its own forecasts for both revenues and earnings. In general, Nabaltec AG operated in a stable market environment in 2015, as market drivers remained intact and the company was able to strengthen its market position. Moreover, we see further potential in our target markets. We are particularly focused on closely observing developments in the market and being prepared to act at any time. In light of this situation, the Supervisory Board will continue to work intensively to supervise and advise the Management Board in Financial Year 2016.

The Supervisory Board duly performed its assigned tasks in Financial Year 2015 in accordance with the law, the Articles of Association and the Rules of Procedure and was routinely informed by the Management Board in detail as to the performance and position of the company. It advised the Management Board in accordance with the underlying information and exercised utmost care in monitoring and supervising the Management Board. The Supervisory Board was involved at an early stage in all decisions of fundamental importance for the company, and was kept directly and fully informed by the Management Board.

All transactions requiring approval were decided positively

Major events, as well as questions relating to strategy, planning, business development, the risk position, risk management and compliance, were considered by the Supervisory Board both on its own and in conjunction with the Management Board. The Supervisory Board voted on the reports and draft resolutions submitted by the Management Board after careful deliberation and review. All transactions requiring approval in Financial Year 2015 were decided positively.

The Supervisory Board of Nabaltec AG expounded on the objectives for composition of the Supervisory Board in 2015, and this addition was published in the Corporate Governance Report.

In the Supervisory Board's estimation, a sufficient number of its members should be considered independent. However, the Supervisory Board reserves the right to approve consulting and employment agreements between individual members of the body and the company if the Management Board and Supervisory Board concur that the conclusion of such an agreement is in the company's interest in that particular case.

In accordance with the German Corporate Governance Code, the Supervisory Board has reviewed the efficiency of its activities and has reached a positive conclusion. The focuses of its review were above all on procedures and the timely and adequate provision of information.

FINANCIAL YEAR 2015

The Supervisory Board once again opted not to form committees in the past financial year. The Supervisory Board of Nabaltec AG consists of three members, and is therefore of suitable size for all matters to be considered and decided by the full Supervisory Board. No conflicts of interest for individual Supervisory Board members arose in the course of deliberations, in draft resolutions or through exercise of the Board's supervisory mandate in the 2015 reporting year.

The Supervisory Board met in four regular sessions

The Supervisory Board met in four regular sessions: on 16 April 2015, on 30 June 2015 following the Annual General Meeting, on 1 October 2015 and on 15 December 2015. No further sessions were held in 2016 until the Supervisory Board meeting in April, in which the Board votes on adoption of the financial statements. All members were present at all meetings in 2015. The members of the Supervisory Board also deliberated in writing and by telephone, and in four cases draft resolutions were approved in writing. Among the Board's decisions were draft resolutions with regard to the issuance of a new loan against borrower's note, partial redemption of the 2013 loan against borrower's note and the supply of raw material.

FOCUS OF DELIBERATIONS

Even outside the Supervisory Board meetings, the Supervisory Board was routinely notified of important events of essential importance for assessing the position, performance and management of the company. The company's current situation, the development of the business position, important transactions and key decisions by the Management Board were also the subject of discussions between the Management Board and the Supervisory Board and were addressed in written reports as well. In particular, the Supervisory Board was notified of market trends, the risk and competitive situation, the development of sales, revenues and earnings and the degree to which projections were met in monthly and quarterly reports. To this end, the Chairman of the Supervisory Board maintained a close and routine exchange of information and thoughts with the Management Board.

Following issues were the subject of particularly intensive consideration by the full Supervisory Board in Financial Year 2015:

- the 2014 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- corporate governance, particularly the goals for composition of the Supervisory Board;
- the composition of the Management Board as of 2016/2017;
- the formation of a subsidiary in Japan;
- planning for 2016 and mid-term planning through 2018;
- investment and financing planning for 2016 – 2018;
- IT security activities;
- development of Nashtec LLC.

The goals and realization status of innovative projects, the effectiveness of the risk management system, the accounting process in Nabaltec AG and Nabaltec Group, as well as the monitoring of the internal controlling system were also focuses of the Supervisory Board's work in Financial Year 2015.

The joint 2015 Declaration of Conformity has been made available for shareholders on the company's website

On 6 March 2015, the joint 2015 Declaration of Conformity with the German Corporate Governance Code was issued by the Supervisory Board and Management Board and has been permanently made available for shareholders on the company's website, www.nabaltec.de. The amendments to the German Corporate Governance Code as of 5 May 2015 were the subject of intensive discussion in both bodies. 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.

2015 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, each for 31 December 2015, and has issued an unqualified auditor's opinion.

The Supervisory Board engaged the auditor in accordance with the resolution of the Annual General Meeting of 30 June 2015. The auditor's independence declaration was obtained by the Supervisory Board in advance pursuant to Section 7.2.1 of the German Corporate Governance Code. No circumstances were evident which established doubts as to the auditor's independence. Moreover, the auditor was obligated to immediately notify the Supervisory Board of circumstances which could establish a bias on its part and to report any services it performed in addition to the audit. The focus of the audit for Financial Year 2015 was set on "inventory capitalization" and "financial management."

The Supervisory Board approved the annual financial statements for Nabaltec AG and Nabaltec Group for 31 December 2015

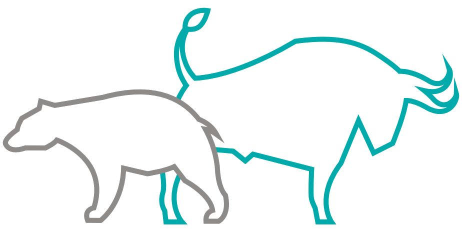
All documents relating to the financial statements, as well as the auditor's audit reports, were made available to the Supervisory Board in a timely manner for independent review. These documents and the auditor's report were the subject of intensive consideration at the session of 14 April 2016. The auditor was present at this meeting, reported on the key findings of the audit and was available for further questions. Based on its independent review of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report, the Supervisory Board has raised no objections and adopts the findings of the auditor Deloitte & Touche GmbH. The Supervisory Board therefore approved the annual financial statements prepared by the Management Board for Nabaltec AG and Nabaltec Group for 31 December 2015. The annual financial statements for Nabaltec AG are therefore adopted.

The Supervisory Board would like to thank the Management Board and all the employees for their consistently strong, trusting and constructive collaboration, for the work they performed and for their special commitment last year, and looks forward with confidence to the company's development in the future.

Schwandorf, 14 April 2016

DR. LEOPOLD VON HEIMENDAHL
Chairman of the Supervisory Board

NABALTEC SHARE
THE STOCK MARKET 2015



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

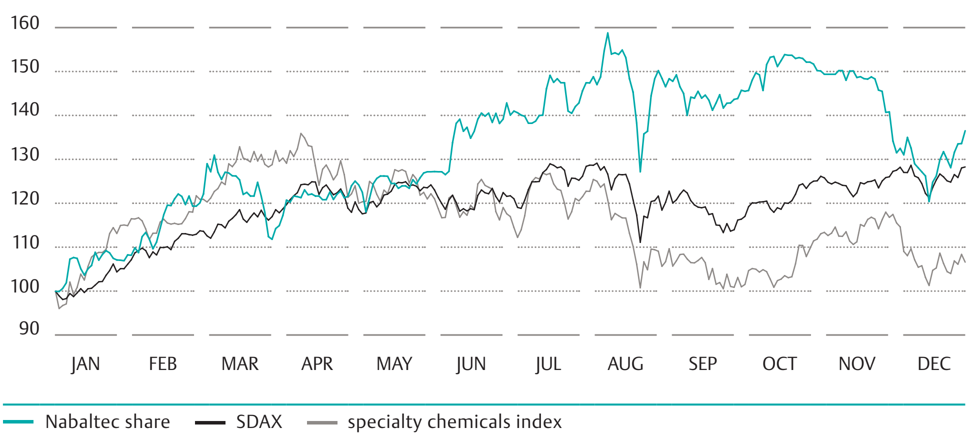
Nabaltec share up 31.7% at the end of 2015 over their 2014 closing price

NABALTEC SHARE ON THE CAPITAL MARKET

Nabaltec share was trading at EUR 16.02 at the end of Financial Year 2015, up 31.7% from the 2014 closing price of EUR 12.16. After beginning the year at EUR 12.04 at the start of January, a price which marked its low for the year, the share price rose significantly in the ensuing months, climbing to EUR 18.43 in mid-August, its high for the reporting year. The price of Nabaltec share remained stable through the end of November, largely staying at a range between EUR 17.00 and EUR 18.00, before dropping off slightly at the end of the year. The average price for the year was once again significantly higher than the year before: the 2015 average price was EUR 15.59, up 48.6% from last year's average of EUR 10.94.

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 2015 up 26.6% and up 5.8% respectively.

PERFORMANCE OF NABALTEC SHARE 2015 (XETRA, INDEXED)



Nabaltec AG's market capitalization was EUR 128.16 million at the end of 2015, compared to EUR 97.28 million as of 31 December 2014.

KEY DATA FOR NABALTEC SHARE (XETRA)

	2015	2014
Number of shares	8,000,000	8,000,000
Market capitalization (cutoff date, in EUR million)	128.16	97.28
Average price (in EUR)	15.59	10.94
High (in EUR)	18.43	12.56
Low (in EUR)	12.04	8.80
Closing price (cutoff date, in EUR)	16.02	12.16
Average daily turnover (in shares)	4,013	5,467
Earnings per share* (in EUR)	0.84	0.69

* *after non-controlling interests*

TRADING VOLUME

Liquidity of shares supported by two designated sponsors

Nabaltec share's average XETRA daily trading volume was 4,013 shares in 2015, lower than last year's daily trading volume of 5,467 shares. A total of about 1.0 million shares were traded on XETRA in the reporting year, representing around one third 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.

EARNINGS PER SHARE

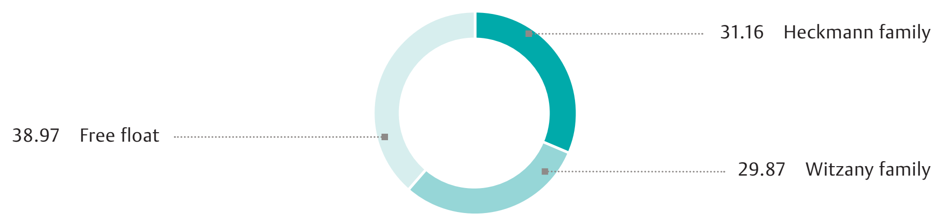
Earnings per share at EUR 0.84 in 2015

Earnings per share (EPS) were EUR 0.84 in 2015 (after non-controlling interests), compared to EUR 0.69 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 2015.

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 31.16% 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 issue "buy" recommendations in 2015

Hauck & Aufhäuser has been following Nabaltec share with research reports consistently since 2011, and published twelve studies and updates last year. Hauck & Aufhäuser issued a "buy" recommendation in each of its analyses, and confirmed a price target of EUR 20.00 in its last study of the year, on 18 December 2015.

Baader Bank Aktiengesellschaft has been reporting on Nabaltec routinely since 2013 and published seven studies on the share in the reporting year. A "buy" recommendation was issued in six analyses, and the final analysis of the year, on 25 November 2015, issued a "hold" recommendation with a price target of EUR 17.50.

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

CAPITAL MARKET COMMUNICATIONS

Nabaltec AG continued its intensive investor relations activities in Financial Year 2015. It took part in several investor and analyst conferences, and was represented at road shows in Germany, as well as at various investor conferences, such as DVFA Spring Conference, held in May 2015 in Frankfurt am Main.

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.

The LACP Award recognizes Nabaltec AG's outstanding capital market communications

Nabaltec AG's 2014 Annual Report received the Platin Award in the "Chemicals" category of the international "2014 Vision Award – Annual Report Competition" of the League of American Communications Professionals (LACP). This renowned award in international financial reporting recognizes Nabaltec AG's outstanding capital market communication. Nabaltec's Annual Report placed 41st worldwide out of more than 1,000 applicants from 25 countries.

On the company's website, www.nabaltec.de, investors can find all the information they need about Nabaltec share (in the Investor Relations section) 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

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IN FOCUS
THE NABALTEC PHILOSOPHY

86%
value our reliability

82%
value our technical expertise

80%
would recommend us

RESULTS OF OUR 2014 CUSTOMER SURVEY

OUR UNDERSTANDING
OF PARTNERSHIP AND CUSTOMER ORIENTATION

WE OPERATE SUCCESSFULLY IN MARKETS LIKE ITALY, THE UNITED KINGDOM AND JAPAN

ORIGINATING IN GERMANY FOR CUSTOMERS ALL OVER THE WORLD

A key element of our corporate strategy is quality leadership, which we strive for worldwide. We work closely with our customers at all times in order to achieve this goal, and understanding regional differences along cultural and regulatory lines is as important as communicating and interacting with customers. We rely on a very broad range of abilities in order to meet our own standards and, above all, those of our customers. Appearing at professional events all over the world, such as trade fairs and conferences, and maintaining a dense network of commercial agents with our distribution partners are self-evident aspects of our strategy.

Nabaltec AG's presentation at the international leading trade fair of the ceramics industry, "ceramitec 2015"

CERAMITEC 2015: **PERSONAL CONTACT WITH CUSTOMERS IS INDISPENSABLE**

Engaging in intensive exchanges with our customers is essential for Nabaltec AG's operations. Trade fair appearances, such as at the ceramitec leading trade fair, are indispensable for us. The high volume of visitors to our stand at ceramitec 2015 demonstrated once again how highly our customers value their close working relationship with us and their intensive discussions with our employees and agents. In numerous discussions with customers and other trade fair attendees, we were once again able to introduce new product developments and receive enormously important feedback about our day-to-day performance.

A GLOBAL SALES NETWORK IS THE BASIS FOR SUCCESS

The creation of a dense global network of commercial agents, a global presence at trade fairs and the maintenance of our own sales team are self-evident measures for us. However, our stated goal goes even further: we want to be certain that all of our customers receive adequate service. Aside from information about the effectiveness of our products and helping customers choose the product that is right for them, this includes technical consultations about our product portfolio and individual new developments. We want to provide our customers with products which are optimal for them and ensure that they in turn will be able to offer competitive products at all times.

For these reasons, we hold sales meetings at our headquarters in Schwandorf, which take place in both business divisions on an alternating basis. These meetings allow us to receive information from our trading houses in compressed form, announce new developments and conduct product training. In addition to our own trade fair stands, we also participate in those of our commercial agents in order to strengthen their presence as well as our own.

We do this in accordance with our corporate philosophy. We also solicit the opinions of our customers and commercial agents at regular intervals in the form of surveys. This feedback, whether positive or negative, plays a vital role for us in driving constant improvements.

ITALY
MARKET FOR SPECIALTY CHEMICALS

JOINTLY SUCCESSFULLY
OVERCOMING THE MARKET'S CHALLENGES

The trading house Pagliara Prodotti Chimici S.p.A. is a family business with EUR 60 million in revenues (2015). If Dr. Giuseppe Pagliara had mentioned these as his expectations when the company was formed in 1979, they would have said he was dreaming. Today, his son Paolo can proudly publish these figures and look back with his father on a long and successful collaboration with Nabaltec AG, during which various business units have been added to the Pagliara firm.

However, when one looks back on their collaboration with our firm, which has begun in 1981 with our APYRAL® products and was extended to our NABALOX® products in 1983, it becomes evident that Pagliara and Nabaltec have had a successful and trusting working together from the beginning.

After so many years working together, we can look back on a shared past which has been characterized

RELATIONSHIP DATES BACK TO 1981

Pagliara and Nabaltec have had a successful and trusting relationship from the beginning

by highs and lows. While demand for our products in the Italian market was very strong in the first years, we then had to endure a period of commoditization. In the best tradition, however, our two companies overcame this challenge in outstanding form, as demonstrated by our impressive results. How did we accomplish this? The secret, as always, is our mutual trust and our practice of treating each other like partners. Together, we were able to counter the commoditization trend by focusing on fine precipitated ATH products, through products with optimized viscosity: our very successful ceramic bodies and our polishing aluminum oxides.

INNOVATIVE EXCHANGE OF IDEAS

In the future as well, Pagliara and Nabaltec will have to handle changes resulting from ongoing technological evolution. But Nabaltec AG looks forward to meeting this challenge and to adapting its product portfolio to accord with the latest market expertise and customer requirements. This is a conviction which is shared by Pagliara, based on an intensive exchange of ideas between Nabaltec, as the developer and manufacturer, and our offices throughout the world, of course and especially in Italy.

The employees of Pagliara Prodotti Chimici S.p.A. already view our sales meetings as a highly anticipated recurring social event, a platform to introduce new employees and new products as well as for an intensive exchange among the more than 60 offices worldwide, each with its own expertise, needs and views. Above all, day-to-day contact with the employees in our Schwandorf office has demonstrated the new outstanding quality of our collaboration.

DR. PAOLO PAGLIARA,
PAGLIARA PRODOTTI CHIMICI S.p.A.

"Since the beginning of our trusting partnership, we have cooperated successfully throughout the challenges in the market and changes in Schwandorf.

We consider ourselves one of Nabaltec's oldest 'employees'."

UNITED KINGDOM
MARKET FOR SPECIALTY CHEMICALS

A SUCCESS STORY
FOR MORE THAN FORTY YEARS

Since its formation by Wilfrid Smith in the year 1927, Wilfrid Smith Limited has been one of the leading independent trading houses in the United Kingdom. The firm's product line has been expanded more and more over the decades. Today, it offers a broad range of products, supplied into many market sectors, from hygiene products and pharmaceutical substances to adhesives, coatings and ink, as well as textiles and paper.

Nabaltec AG has maintained a close relationship with the company since the 1970s, back when it was still part of Vereinigte Aluminiumwerke (VAW), and this relationship became even stronger when the Nabwerk site was transferred to the Heckmann and Witzany families. At first, Wilfrid Smith Limited only distributed the products of Nabaltec AG's business division "Functional Fillers," but the relationship was expanded a few years later to include the products

OPERATING IN THE UNITED KINGDOM FOR MORE THAN 40 YEARS

Wilfrid Smith Limited ensures high-quality customer responsiveness and service for Nabaltec products

of the business division “Technical Ceramics.” Today, Wilfrid Smith Limited is a guarantor for customer service and customer care of our entire product line in the United Kingdom.

CLOSE CONTACT WITH IN-HOUSE AND FIELD SERVICE EMPLOYEES IN SCHWANDORF

The person who has held primary responsibility for sales in the UK for more than 20 years is Sales Director Ian Mason, who played a decisive role building and shaping the present distribution structure. Another key component of this success, and one which Ian Mason especially values, is the close and trusting co-operation with our sales team in Schwandorf, whether working out of the office or in the field. This relationship, involving open and constructive discussions with our field service members and employees with regard to developments and applications, is of enormous importance. This intensive communication is supplemented by routine sales meetings and surveys.

EFFICIENT COOPERATION

The lively exchange of information, visits back and forth as well as joint visits to customers have resulted in repeatedly product adaptations and the development of new products in order to meet the requirements of our customers. One successful example is our APYRAL® 40 CD, featuring a higher specific surface area, as well as our GRANALOX® NM 9930 MS. Both are products which have been developed in intensive cooperation with our sales representative and our customers, and which are highly popular today.

IAN MASON,
WILFRID SMITH LIMITED

“Forty years of success and tomorrow we start anew: with the outstanding technical and commercial services we get from Nabaltec, I’m certain that our excellent longstanding relationship will go from strength to strength in the coming years.”

SINCE 2016
NABALTEC ASIA PACIFIC K.K.

Targeted expansion of operations in Asia with a wholly-owned subsidiary based in Tokyo, Japan

FUMIHIKO ASAMI,
NABALTEC ASIA PACIFIC K.K.

"After many years of sales work for leading international companies, I know the importance of intercultural skills for relationships between European and Asian companies. With our subsidiary in Japan, we plan to strengthen existing business relationships and gain new customers in Asia."

JAPAN

EXPANDING OPERATIONS IN ASIA WITH A NEW SUBSIDIARY

With the formation in the first quarter of 2016 of Nabaltec Asia Pacific K.K., a wholly-owned subsidiary of Nabaltec AG based in Tokyo, Japan, Nabaltec will be expanding its operations in Asia in a more deliberate fashion in the future and further strengthening its relationships with local customers.

Having operated in Asia for almost two decades and having worked successfully with a Japanese company for years, as well as opening an office of its own in Shanghai, China in 2013, the formation of a Japanese subsidiary was the next logical step for Nabaltec AG to continue growing its business in the Asian market.

CLOSE WORK WITH REGIONAL SALES PARTNERS

The new subsidiary will engage in marketing and sales activities for Nabaltec AG's entire product portfolio, and will be working closely with regional sales partners. As a result of this move, Nabaltec AG's Japanese customers will have a direct contact person on-site and will be able to rely on their accustomed customer service over the long term.

Understanding the unique features of other markets and cultures is of vital importance for Nabaltec in its international business relationships. In Fumihiko Asami, Nabaltec has gained an experienced employee with intercultural skills, and one who knows the Asian market and its cultural specificity.

CONSOLIDATED MANAGEMENT REPORT
FOR THE FINANCIAL YEAR 2015

NABALTEC AG
CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2015

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, e.g. flame retardants used 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.

Nabaltec has fine precipitated aluminum hydroxide 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.

The market for reactive aluminum oxide is developing over-proportionally well

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 aluminum 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.

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 aluminium 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 holds a 51% interest in Nashtec LLC (USA). Its partner, Allied Alumina LLC, holds a 49% interest. Nashtec LLC sources key raw materials, particularly the aluminum hydroxide required 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 under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 process") at the United States Federal Bankruptcy Court in Corpus Christi, Texas, USA. However, that had no effect on the qualification of Nashtec LLC as a subsidiary of Nabaltec AG.

Nabaltec AG did not have any other participations or subsidiaries as at 31 December 2015.

In the first quarter of 2016, Nabaltec established a wholly-owned subsidiary, Nabaltec Asia Pacific K.K., based in Tokyo, Japan, which will market and distribute Nabaltec AG's entire portfolio of products.

Nabaltec AG divides its operations into two business divisions

Reflecting the characteristics of the target and buyers' markets, Nabaltec AG's operations are divided into two business 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.

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 marketing activities.

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 forward encouraged particularly through 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 the 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 continuously optimized

Through our constant exchange with our customers, the company's product and process development activities are 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 been collaborating with various research institutions already since 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 include 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 over 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 much 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 company-wide 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 economic 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 in relation 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 a limited time 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 widow's 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

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 AND DEVELOPMENT

R&D activities play a central role for the company

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. The most important element within the research and development strategy is the close collaboration and our joint development efforts with customers. In all our business divisions, the focus is clearly on delivering customers optimum products and supporting them so that they achieve a competitive advantage. As a leading supplier of highly specialized products, Nabaltec considers research and development to be one of its central 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.

Optimizing production processes for energy and resource efficiency

To ensure continued success in a global market, the optimization of production processes is also a focus of research and development activities. Here, energy and resource efficiency are the key drivers.

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, the Fraunhofer Institute for Structural Durability, Synthetics Department, in Darmstadt, the Saechsische Textilforschungsinstitut e.V., the Fraunhofer Institute for Ceramic Technologies and Systems in Dresden, the Forschungsinstitut für anorganische Werkstoffe – Glas/Keramik – GmbH in Höhr-Grenzhausen, the Fraunhofer Institute for Silicate Research in Wuerzburg, the Deutsche Institut für Feuerfest und Keramik GmbH in Höhr-Grenzhausen as well as the Study Group Fire Resistant in Höhr-Grenzhausen. Additionally, Nabaltec emphasizes innovation by participating in various projects of the AiF (Consortium of Industrial Research Associations) and the BMWi (Federal Ministry of Economics and Technology) in both of our business divisions.

International prizes and awards for innovativeness

Nabaltec's strong commitment to research and development is expressed in receiving various national and international awards and distinctions for innovation strength. For example, Nabaltec AG has already belonged eight 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 and 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 complement and expand the boundaries of our own product range within our target markets.

Our central focal points will be the further development of qualities as well as the identification and acquisition of new fields of operation.

During fiscal year 2015, the following topics played a central role in the research and development activities of 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 2015, 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.

Thanks to the close connection of our strategic partner Sumitomo Chemical with OEMs in Japan, an aluminum hydroxide specially developed to meet the needs of the Asian tire industry was successfully tested, and the first small batches have been produced.

Development and marketing of new materials for alternative energy storage and electric mobility

Our new raw materials for alternative energy storage as well as electro mobility were consistently developed and further commercialized in 2015. There is currently a focus on the development of large scale industrial processes to allow for the extension of activities in the area of catalysis and the adsorbents industry.

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

A focus of development activities in the NABALOX® product segment in 2014 was the consistent development of abrasives already established in the market. Further special attention was placed on developing new softly calcined aluminum hydroxides used primarily 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. As a result of numerous suggestions and ideas from our customers and development partners, development work continued in 2015, resulting in additional customer-specific products.

Reactive aluminum oxides are used mainly in the refractory industry

The application of reactive aluminum oxides by Nabaltec lies mainly in the refractory industry, where the products already today significantly contribute toward the production of higher performance monolithic and formed products. As a result of constant development, we were able to introduce a further new quality to the market to supplement the portfolio.

In the scope of development work, a new product family was developed in 2014. As a result of market feedback and our aim to continuously work on new products, and optimize and adapt existing products, the product portfolio of this product line was successfully expanded in 2015.

In the area of the NABACAST® patented product group, further products have been developed and presented to customers. The customer feedback received to date shows that we have also made the correct decisions in this area. Ongoing development work to identify new potential applications continued.

We were able to offer our customers a further product in the area of Al_2O_3-rich refractory products in the shape of our NABALOX® K 85 synthetic refractory granules. We have also identified a number of applications for NABALOX® K 85 beyond its traditional areas of use. Initial customer tests have already confirmed or exceeded our expectations.

In very close cooperation with our customers, specific developments were again carried out in the area of the GRANALOX® product range. As a result of that intensive cooperation, a variety of product variants adapted to customer requirements were developed and successfully delivered.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

Global production was up 3.1% in 2015

In 2013, a moderate increase in world production of 2.9% was realized, while an increase of 3.4% was recorded in 2014. That rate of growth was lower than originally expected. According to the Kiel Institute for the World Economy (IfW), in 2015 the world economy grew at a decreased rate of 3.1%. The feared economic collapse did not materialize. After world production picked up in the second half of 2014, the rate of growth slowed to 0.7% respectively in the first three quarters of 2015. The economic climate in the USA remained relatively stable; total GDP for 2015 increased by 2.5%, up from 2.2% in the prior year. In China the 6.8% increase in GDP was lower than the prior year's level of 7.4%, while India's GDP remained at the prior year's level of 7.2% (2014: 7.2%). The EURO zone economy again experienced moderate growth in the third quarter, thereby achieving positive growth for the tenth consecutive quarter. Growth in GDP in 2015 for the EURO zone increased by 1.5%, faster than projected a year ago, and a noticeable increase compared to the prior year (2014: –0.8%).

German economy characterized by solid and steady growth in 2015

In 2015, the economic situation in Germany was characterized by solid and continuous growth. According to the initial calculations of the Federal Bureau of Statistics, the German economy's price adjusted GDP was 1.7% higher than in the prior year. GDP grew at a similar rate in the prior year (1.6%), while in 2013 the rate of growth was just 0.3%. A longer-term view shows that economic growth in 2015 was again above the ten-year average of 1.3%. The usage side of the GDP showed consumption to be the most important growth motor of the economy in 2015, but capital expenditures also grew. Exports and imports grew by 5.4% and 5.7% respectively, compared to the prior year, so the resulting export business rendered a comparatively low contribution to GDP growth in 2015.

2.1.2 INDUSTRY DEVELOPMENT

The year 2015 was a difficult one for the German chemical industry. While production increased slightly (+1.0%), sales stagnated due to the further decrease in manufacturers' prices (–2.5%). The total sales of the German chemical and pharmaceutical industry remained at the prior year's level, amounting to EUR 190.8 billion (source: German chemical industry association VCI – Verband der Chemischen Industrie e.V.).

The domestic sales of the German chemical industry fell by 1.5% compared to the prior year, to EUR 74.6 billion, as a result of decreasing prices. Compared to the prior year, exports grew by 1.0% to EUR 116.2 billion. While exports to west European countries (EU 15) decreased by 1.5%, the decreasing value of the euro relative to the dollar had a positive effect on exports: Sales to NAFTA-countries ("North American free trade Agreement") could be expanded strongly (+13.0%). The pharmaceutical business, in particular, had a positive impact in this area. Sales also increased in Asia (+5.0%) and Latin America (+3.5%). Domestic capital expenditures for property, plant & equipment in the chemical industry amounted to EUR 7.2 billion (+1.0%), which hardly exceeded the level in the prior year, and the number of jobs only increased slightly, by 0.5% compared to 2014.

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 has had a particularly positive effect on the fine precipitated aluminum hydroxide business line. In every quarter in 2015, Nabaltec could set forth the already very positive development of the prior year. According to Nabaltec AG, the long-term prospects for boehmite, with its numerous applications, remain good.

In the special aluminum oxide and reactive aluminum oxide segments, the refractory market is influenced by the demand within the steel industry, which faced difficult overall conditions in 2015. 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 2015

In the fiscal year 2015, Nabaltec AG could tie into the already good development of the prior 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, 2015 revenues increased by 5.6% to EUR 151.3 million (2014: EUR 143.3 million), while operating profit (EBIT) increased by 14.2% to EUR 14.5 million (2014: EUR 12.7 million). Earnings per share increased by 21.7% to EUR 0.84 (2014: EUR 0.69). Equity grew by 10.7% to EUR 58.1 million (2014: EUR 52.5 million).

The communicated revenue and earnings forecasts were met.

According to Management, Nabaltec AG's market position was further improved in 2015. The respective numbers of leading positions amongst the top 3 in the relevant target markets were either confirmed or improved.

2.3 OVERVIEW OF THE COURSE OF BUSINESS AT NABALTEC AG

2.3.1 RESULTS FROM OPERATIONS

Nabaltec Group realized sales revenues of EUR 151.3 million in 2015, and therefore exceeded the prior year's level by a strong plus of 5.6% (2014: EUR 143.3 million). EUR/USD exchange rate effects supported the development of revenues in 2015. Turnover volume across all business areas increased slightly, by 2.5%. The export share increased to 72.3%, up from 71.6% in 2014.

All four quarters equally contributed to the good sales development

All four quarters equally contributed to the good sales development. The first quarter of 2015 with sales of EUR 38.8 million exceeded prior year's very strong first quarter. Second quarter sales increased compared to the prior year and the preceding quarter, to EUR 39.0 million. In the second half of the year, the third quarter's EUR 37.6 million and fourth quarter's EUR 35.9 million again significantly exceeded the 2014 numbers.

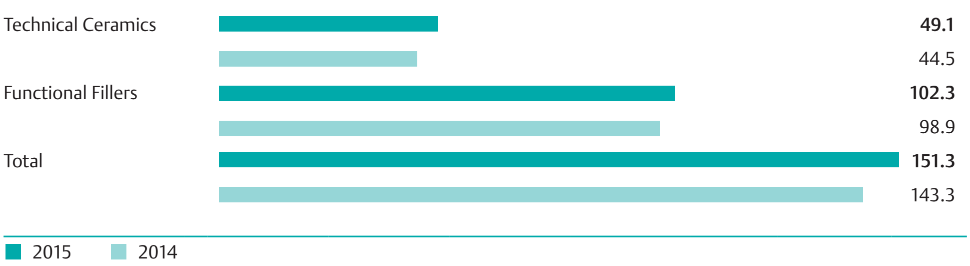
Throughout the year, orders amounted to EUR 155.0 million in total. As a result and compared to last year, a plus of 2.5% was gained. Nabaltec ended the financial year 2015 with an order backlog of EUR 25.9 million.

The division "Functional Fillers" increased its revenues in 2015 from EUR 98.9 million to EUR 102.3 million, an increase of 3.4% compared to prior year. This development primarily resulted from increased concentration on value adding product areas.

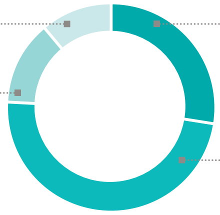
The US subsidiary, Nashtec, could further brace its market position. However, the bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code filed by Sherwin Alumina LLC could have a negative effect on the company (see report on subsequent events).

In 2015, the business division "Technical Ceramics" achieved revenues of EUR 49.1 million, compared to EUR 44.5 million in prior year, an increase of 10.3%. That increase was primarily due to increased sales volume and a shift towards high-margin product areas in the product mix.

REVENUE BY BUSINESS DIVISION IN 2015 (IN EUR MILLION)



REVENUE BY REGION 2015 (IN %)



Total performance was up 7.2% in 2015

Nabaltec Group's total performance increased in 2015 by 7.2% from EUR 143.0 million to EUR 153.3 million. This is mainly due to sales increases in combination with an increase in the level of finished goods and work in progress of EUR 1.5 million. Capitalized internally generated assets amounted to EUR 0.5 million.

Other operating income of EUR 2.8 million primarily consists of exchange rate gains and other income from goods and services delivered to third parties. Compared to prior year, other operating income increased slightly by EUR 0.2 million, mainly due to higher translation gains from EUR/USD.

OPERATIONAL EXPENSE RATIOS COMPARED TO TOTAL PERFORMANCE (IN %)

	2015	2014
Cost of materials	52.4	52.5
Personnel expenses	17.5	17.8
Other operating expenses	15.9	15.9

Gross profit up from year before, to EUR 5.4 million

Compared to prior year, the cost-of-materials-ratio (compared to total performance) of 52.4% remained almost unchanged (2014: 52.5%). In 2015, the gross profit margin (compared to total performance) increased slightly, from 49.2% to 49.4%. In absolute terms, gross profit exceeded the prior year with EUR 75.8 million by EUR 5.4 million in the reporting period and EUR 70.4 million in 2014.

In 2015, the personnel-expenses-ratio (compared to total performance) of 17.5% decreased from the prior year level of 17.8%. Included are the effects of a tariff increase and an increase in the number of employees from 424 per 31 December 2014 to 444 as per 31 December 2015.

Other operating expenses increased from EUR 22.7 million to EUR 24.3 million. The expense-ratio (compared to total performance) remained at the prior year's level of 15.9%. The significant cost ratios remained largely the same as in the prior year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 10.3% from EUR 22.4 million to EUR 24.7 million. This is mainly due to the increased total performance and by the business division "Technical Ceramics" contributing with its significant expansion of value adding products.

Taking into account the scheduled depreciation/amortization in the financial year 2015 in the amount of EUR 10.2 million, the operating result (EBIT) amounts to EUR 14.5 million, compared to EUR 12.7 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 "Technical Ceramics".

EBIT (IN EUR MILLION)

EBT up to EUR 10.9 million in 2015

Earnings before tax (EBT) in the reporting year amounted to EUR 10.9 million (2014: EUR 8.5 million).This includes the financial result 2015 of EUR –3.7 million, consisting of EUR 3.9 million interest expenses and EUR 0.3 million interest income. Last year's financial result was EUR –4.2 million. The improvement in the business year is mainly due to the lower interest expense due to partial repayment of the promissory note bonds from 2013, the issue of new promissory note bonds with improved conditions in the second quarter of 2015 and the redemption of existing bank loans.

Tax expense of EUR 3.4 million was incurred in the 2015 business year (2014: EUR 2.5 million) including deferred taxes of EUR 0.9 million (2014: EUR 0.6 million).

Group earnings after non-controlling interests amounted to EUR 6.7 million (2014: EUR 5.5 million). Earnings per share increased from EUR 0.69 in 2014 to EUR 0.84 in the reporting period.

Segment report: Developments within the business divisions

FUNCTIONAL FILLERS (IN EUR MILLION)

	2015	2014
Revenue	102.3	98.9
EBITDA	17.8	17.4
EBIT	10.5	10.5
Investments	9.3	5.3

The underlying market drivers for Nabaltec products were fully intact in 2015

In 2015, revenue increased by 3.4% in the business division "Functional Fillers". In 2015, the underlying market drivers for Nabaltec products continued to be fully intact and offer very good future 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)

Based on EBITDA, the business division "Functional Fillers" improved slightly by 2.3% in the reporting period from EUR 17.4 million to EUR 17.8 million.

Business division "Functional Fillers" was the focus of investments in 2015

Approximately 72% of total investments of Nabaltec Group went into the Functional Fillers business division. They mainly related to process optimization and replacement investments. As a result the division was the investment focus in the Nabaltec Group in 2015.

TECHNICAL CERAMICS (IN EUR MILLION)

	2015	2014
Revenue	49.1	44.5
EBITDA	6.9	4.9
EBIT	4.1	2.2
Investments	3.7	2.8

Revenues in the business division "Technical Ceramics" were up 10.3%

In the reporting period, revenue increased by 10.3% from EUR 44.5 million to EUR 49.1 million in the business division "Technical Ceramics". That development was primarily due to increased sales volume and shifts in the product mix towards high-margin areas.

REVENUES BUSINESS DIVISION "TECHNICAL CERAMICS" PER QUARTER (IN EUR MILLION)

EBITDA in the business division "Technical Ceramics" increased compared to the prior year by 40.8%, from EUR 4.9 million to EUR 6.9 million, due to the optimization of the product mix.

EBITDA in the business division " Technical Ceramics " increased by 40.8%

Approximately 28% 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 fund raising. 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 9.4 million (2014: EUR 8.5 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).

Financing needs for Nabaltec's growth as well as for making its investments is primarily secured through 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 and EUR 1.0 million were disbursed in 2013 and 2015 respectively.

Nabaltec has a balanced debt financing structure

2.3.2.1 CAPITAL STRUCTURE

Shareholders' equity in the Group increased significantly in 2015, from EUR 52.5 million to EUR 58.1 million as of 31 December 2015. The increase is primarily attributable to income development in 2015. The equity ratio decreased slightly, from 29.3% to 28.8% due to the increase in total assets. This capital base can continue to be considered as sound compared to the industry.

Equity ratio at 28.8%

Long-term liabilities increased in the reporting period, from EUR 89.0 million to EUR 101.6 million. This includes the promissory note bonds of EUR 71.3 million. Long-term payables to banks increased by EUR 9.9 million as a result of the issue of new promissory note bonds. The retirement benefit obligation increased by EUR 2.7 million to EUR 28.0 million in 2015.

In the reporting period, short-term payables increased from EUR 37.4 million to EUR 42.2 million. That increase primarily related to payables to banks and increased trade payables.

STRUCTURE OF EQUITY & LIABILITIES (IN %)

Other off-balance sheet financing instruments

Nabaltec to a minor degree has entered into 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 13.0 million in 2015

In the reporting period, the Nabaltec Group invested a total amount of EUR 13.0 million compared to prior year's EUR 8.0 million (respectively net of offsetting the portion of the investment grant). The majority of investments related to technical equipment and machinery for the enlarging of capacities, process optimization and replacement investments.

2.3.2.3 CASH FLOW

Net cash generated by operating activities at Nabaltec Group decreased slightly compared to prior year by 3.8% to EUR 20.1 million (2014: EUR 20.9 million). A minor increase in trade payables and other liabilities of EUR 0.9 million compares to higher stock levels of EUR 3.2 million.

Net cash used in investing activities amounted to EUR –13.1 million in the reporting period (net of EUR 1.0 million new investment subsidies received) as compared to prior year: EUR –10.0 million.

Interest expenses down in the reporting year

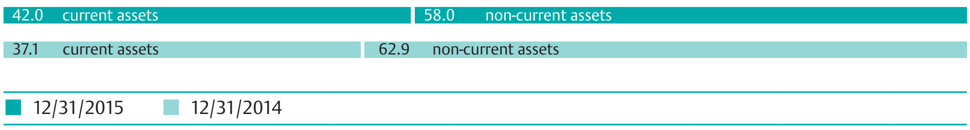
Net cash used in financing activities amounted to EUR 7.6 million in 2015 (2014: EUR –13.8 million). This was due to partial repayment of the promissory note bonds from 2013 in the amount of EUR 43.5 million as well as the issue of new promissory note bonds in the amount of EUR 70.0 million in the second quarter of 2015. In addition to the early repayment of a bank loan in the amount of EUR 5.0 million, scheduled repayment was conducted in accordance with the long-term plan. A dividend distribution of EUR 0.96 million was made in the reporting year. Paid interest could be reduced from EUR 3.4 million to EUR 2.9 million in the reporting period.

At 31 December 2015, Nabaltec Group's financial funds which are the sum of total cash and cash equivalents amounted to EUR 42.3 million compared to EUR 27.2 million in prior year.

2.3.2.4 NET ASSETS

Nabaltec Group's total assets increased as at 31 December 2015 from EUR 178.8 million to EUR 201.9 million.

STRUCTURE OF ASSETS (IN %)



As part of assets, additions to property, plant and equipment of EUR 12.8 million compared to depreciation of EUR 10.0 million. In total, fixed assets increased to EUR 116.6 million (2014: EUR 112.0 million). The sum of the non-current assets amounted to EUR 117.1 million in 2015, amounting to 58.0% of the balance sheet total as per 31 December 2015; current assets amounted to 42.0%.

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 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 %)

	2015	2014
Return on equity	12.7	11.6
Return on Capital Employed (ROCE)	10.4	9.6

Return on equity, consisting of the ratio of Group profit to equity, amounted to 12.7% in the reporting period and was therefore significantly above the prior year value of 11.6%. Reason for this is the increase in the annual result.

Return on equity 12.7% in reporting year due to strong earnings

Return on Capital Employed (ROCE) compares EBIT to capital employed (non-current assets + working capital). In the reporting period, this figure amounted to 10.4% after 9.6% in prior year.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

Employees

2015 training ratio of 10.8% well above industry average

At the end of 2015, Nabaltec Group employed in total 444 employees (31 December 2014: 424). Thereof 442 were employed in Germany (31 December 2014: 422). This figure includes 48 apprentices (31 December 2014: 50). Nabaltec sets a high value on sound professional training. Therefore, also in 2015, the rate of apprentices of 10.8% traditionally represented a remarkably large portion of the workforce. This rate again exceeded the industry average significantly in 2015. 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 fourth time in 2015, 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

Over the last few years, Nabaltec was able to again strengthen its own market standing. Imperative arguments in collaboration with customers are proven delivery reliability and quality consistency. Nabaltec has demonstrated that we are 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 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 & EPSA, Nabaltec is also involved with the Research Foundation Plastics e.V. In the USA, Nabaltec is involved in the pinfa North America. Through these engagements, very early larger trends in the main sales markets "ceramics" and "flame retardants" become accessible to Nabaltec 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 optimal 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, Nabaltec 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 2015, monitoring audits of the existing management systems based on ISO 9001 and ISO 14001 were performed in the Schwandorf and Kelheim locations. On the site in Corpus Christi, a monitoring audit on the quality management system (ISO 9001) was also successfully conducted. Within the context of a reoccurring audit, recertification was conducted for the occupational and health management system in accordance with BS OHSAS 18001.

In order to be able to effectively meet the requirements of a continuously changing energy market, Nabaltec already introduced a certified energy management system in the year 2010. In 2015 a monitoring audit of ISO 50001 took place at the locations in Schwandorf and Kelheim.

Nabaltec introduced a certified energy management system in 2010

Environmental Protection

Nabaltec requires its own products to significantly contribute toward environmental protection and toward 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 research and development, 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 her own sites. The production expansion related to products requiring large amounts of washing water and the increased quality demands led to a higher water usage. Reducing water usage even further is a future target.

Conservation of natural resources is a central concern for Nabaltec

As in prior years, special emphasis was placed on optimizing energy processes in production, as a means of cutting costs. Also in 2015, many projects were performed in this area. Through joint efforts with external partners, Nabaltec developed techniques requiring much less process energy, leading to a substantial reduction in CO_2 emissions. Participation continues in the task force energy management of “Bayern Innovativ GmbH”. 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.

In general, we endeavor to develop production processes with a closed-circuit for all production facilities. Regarding the handling of chemicals, e.g. sodium hydroxide solution, which is required for the production of fine hydroxide, Nabaltec consequently seeks 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 bonds in 2013 and 2015. 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

The following events that have a significant impact on Nabaltec Group's net assets, financial position or earnings capacity occurred subsequent to the balance sheet date 31 December 2015.

Nabaltec AG holds a 51% interest in Nashtec LLC (USA)

Nabaltec AG holds a 51% interest in Nashtec LLC (USA). Its partner, Allied Alumina LLC, holds a 49% interest. Nashtec LLC sources key raw materials, particularly the aluminum hydroxide required 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 under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 process") at the United States Federal Bankruptcy Court in Corpus Christi, Texas, USA. Sherwin Alumina LLC continues to conduct business as usual, so that Nashtec has not yet been impacted with regard to production and deliveries to customers.

The further development of the situation at Sherwin Alumina LLC, especially the results of the Chapter 11 process, cannot be estimated reliably at this point in time. Nabaltec AG is reviewing and developing courses of action for potential scenarios with the support of legal and business consultants in order to minimize any negative effects on Nashtec LLC and Nabaltec AG. In particular, Nabaltec AG is developing alternatives in order to be able to continue delivering to customers in the event of production disruptions at Nashtec LLC due to a lack of raw materials. From today's standpoint, Nashtec LLC's business operations could be impacted. It cannot be excluded that Sherwin Alumina LLC's Chapter 11 process will have a negative effect on revenues and net profit of Nashtec, and also Nabaltec AG, starting in the 2016 financial year. Nabaltec AG's continued existence is not threatened by this situation.

Nabaltec established a wholly-owned subsidiary based in Japan in the first quarter of 2016

In the first quarter of 2016, Nabaltec established a wholly-owned subsidiary, Nabaltec Asia Pacific K.K., based in Tokyo, Japan, which will market and distribute Nabaltec AG's entire portfolio of products in Asia and will closely cooperate with the regional distribution partners.

4. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

4.1 OUTLOOK

OVERALL STATEMENT ON THE PROSPECTIVE DEVELOPMENT

Nabaltec expects intact sales markets and stable demand in 2016

For its own products, Nabaltec also foresees intact sales markets in 2016, as well as stable demand, if the market 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 2015 and the reputation built up over a longer period, Nabaltec sees good future prospects for its own key products.

ECONOMIC AND INDUSTRY DEVELOPMENT

The global economy expanded slowly in 2015. According to the Kiel Institute for the World Economy (IfW), the economy will recover gradually in the next two years, but show little momentum at first. The IfW expects the global GDP to grow by 3.4% in 2016. Growth in Asia is expected to be over-proportional at 6.3%, while a plus of 2.8% is expected in the USA. As per the IfW, economic growth should strengthen gradually in the advanced economies in the next two years. An overall continuation of expansive monetary policy and incentives provided by the oil prices should continue to support the economy in the upcoming year and bear fruit considering the continuing debt relief processes within the private sector. Growth in emerging markets will continue to be subdued for the time being by low prices for raw materials and structural problems.

For the EURO zone, IfW expects an increase in economic performance of 1.7% in 2016

For the EURO zone, after BIP growth of 1.5% in 2015, IfW anticipates an increase in economic performance of 1.7%. The EUROFRAME Group experts expect a somewhat better GDP development of 1.8% for 2016. This is based on the continuation of highly stimulating monetary policy, a weak euro, the lack of fiscal restrictions on budget consolidation and the still low oil price. According to EUROFRAME, the mere moderate increase in the growth rate despite these factors is primarily due to the global economy's lack of momentum.

IfW foresees the German economy to grow slightly by 2.2% in 2016. Deutsche Bank (DB) is somewhat more cautious and anticipates a plus of 1.9%, while assuming that exports will no longer contribute to growth based on the ongoing weaker world trade, lack of economic momentum in important emerging markets and less significant euro depreciation.

GDP GROWTH FORECAST COMPARED TO PRIOR YEAR (IN %)

	2016	2017
World	3.4	3.8
USA	2.8	3.0
EURO zone	1.7	2.0
Germany	2.2	2.3
France	1.2	1.4
Italy	1.4	1.7
Great Britain	2.3	2.3
Japan	1.0	0.5
China	6.5	6.3
India	7.2	7.5

Source: IfW, "Weltkonjunktur im Winter 2015", 11 December 2015

Based on the economic stabilization in Europe, the robust upward trend in the US and the ongoing demand in Asia, VCI (Verband der Chemischen Industrie e.V.) also expects a 1.5% increase in chemical production in Germany for 2016. In view of a consistent price level, total sales are also expected to rise by 1.5% to EUR 193.6 billion, which should be driven primarily by international business.

Outlook in key target markets largely positive

In Nabaltec's opinion, the prospects in the most important target markets are quite positive. Political requirements globally result in additional stimuli for environmentally friendly flame retardants. The German construction industry as well as the automotive industry continue to appear stable. Also in 2015, the Consumer electronics sector clearly remained behind expectations. 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

Nabaltec intends to continue growing at a moderate pace in 2016

For 2016, Nabaltec intends to remain on its moderate growth course. The start in 2016 set off positively. The increase in revenue shall primarily be achieved via growth in quantities and growth in higher value-added products. From today's standpoint, it cannot be excluded that the business operations of our US subsidiary, Nashtec LLC, will be impacted by raw materials supplier Sherwin Alumina LLC's bankruptcy process according to Chapter 11 of the US Federal Bankruptcy Code.

Order back-log per 31 December 2015 amounted to EUR 25.9 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 2016, 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 2016, Nabaltec also expects triggers from the product ranges relating to mullite and ceramic masses.

EXPECTED EARNINGS, NET ASSETS AND FINANCIAL POSITION

Based on the unforeseeable development of the situation at Sherwin Alumina LLC with regard to its Chapter 11 process, a reliable forecast of the earnings, net assets and financial position of Nabaltec Group for the 2016 financial year is not possible at this time.

Capital expenditures for 2016 are expected to increase compared to the prior year level. Investment priority lies in the expansion of infrastructure and the optimization of processes.

The financial result in 2016 shall continue to improve compared to prior year. Nabaltec will redeem payables as scheduled in the amount of approximately EUR 12 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

The supply of the most important energy sources is secured by long term agreements

Nabaltec monitors its suppliers' economic situation very closely and deliberately builds up alternatives for all products. For the procurement of raw materials, Nabaltec AG operates on the basis of medium and long term contracts. The supply of the most important energy sources such as electricity, gas and vapor for the production process is 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 AG can counter this risk by passing on logistics costs to customers, and on the other hand, by finding a balanced logistics mix. For example, Nabaltec AG has own railway siding, which makes transport per rail very attractive.

The arrangement in the US is a special situation: Nashtec LLC is directly connected to the supply of raw materials through Sherwin Alumina LLC. On 11 January 2016, Sherwin Alumina LLC filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 process") at the United States Federal Bankruptcy Court in Corpus Christi, Texas, USA. Sherwin Alumina LLC continues to conduct business as usual during the bankruptcy process. According to the current assessment, Nashtec LLC will be supplied with aluminum hydroxide pursuant to the existing supply contract until Sherwin Alumina LLC's business operations are sold within the context of the bankruptcy process. Any further forecasts are not possible from today's standpoint.

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 its 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 2015 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 research and development activities contribute toward making Nabaltec an attractive employer within its own market segments and region.

PRODUCTION, PROCESS AND IT AREA

Production-specific risks are limited and manageable

Nabaltec disposes of an integrated quality management system with ISO 9001 accreditation that is put to practice company-wide. 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 research and development efforts, by maintaining pronounced customer proximity and by integrating marketing and research and development 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 creating process and quality advantages together with our clients; thereby, setting the stage for economic success.

LEGAL FRAMEWORK

Regulatory changes currently provide additional market opportunities

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.

Nabaltec with its intensive usage of electricity faces international competition and will be favored with regard to the EEG levy in 2016 as well. 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

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

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 as well as 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.

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 various types of risk are monitored by the controlling department

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.

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

Risks well-managed within the Group

Due to our continuous surveillance of relevant markets, as described above, as well as the 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, except the risks described above associated with Nashtec based on the Chapter 11 process of raw materials supplier Sherwin Alumina LLC. 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, 1 March 2016

Nabaltec AG
The Management Board

JOHANNES HECKMANN GERHARD WITZANY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2015

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

EARNINGS PER SHARE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Refer to Note	1/1/ – 12/31/2015	1/1/ – 12/31/2014
Revenues	5.1	151,346	143,335
Change in unfinished and finished products		1,496	–691
Other own services capitalized	5.2	450	364
Total performance		**153,292**	**143,008**
Other operating income	5.3	2,800	2,557
Cost of materials	5.4	–80,271	–75,130
Gross profit		**75,821**	**70,435**
Personnel expenses	5.5	–26,791	–25,352
Depreciation and amortization	5.7	–10,170	–9,696
Other operating expenses	5.8	–24,339	–22,714
Operating result (EBIT)		**14,521**	**12,673**
Interest and similar income	5.10	253	164
Interest and similar expenses	5.11	–3,924	–4,315
Result from ordinary operations (EBT)		**10,850**	**8,522**
Income taxes	5.12	–3,408	–2,451
Consolidated result after taxes		**7,442**	**6,071**
thereof attributable to			
Shareholders of the parent company		6,709	5,493
Non-controlling interests		733	578
Consolidated result after taxes		**7,442**	**6,071**
Earnings per share (in EUR)*	7.5	**0.84**	**0.69**

**see also Note 6.8 Equity*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Refer to Note	1/1/ – 12/31/2015	1/1/ – 12/31/2014
Consolidated result after taxes		**7,442**	**6,071**
Items that may be reclassified subsequently to profit or loss			
Foreign Currency Translation (after taxes)		1,054	933
Net Result from Hedge Accounting (after taxes)		–541	–390
		513	**543**
Items that will not be reclassified to profit or loss			
Actuarial gains and losses		–1,354	–4,042
		–1,354	**–4,042**
Other result		**–841**	**–3,499**
thereof attributable to			
Shareholders of the parent company		–876	–3,522
Non-controlling interests		35	23
Comprehensive income		**6,601**	**2,572**
thereof attributable to			
Shareholders of the parent company		5,833	1,971
Non-controlling interests		768	601

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2015

ASSETS

in EUR '000	Refer to Note	12/31/2015	12/31/2014
Non-current assets		**117,108**	**112,499**
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	507	422
Property, plant and equipment		116,601	111,960
Land, leasehold rights, buildings and buildings on non-owned land	6.2	29,316	29,509
Technical equipment, plant and machinery	6.2	74,985	75,545
Other fixtures, fittings and equipment	6.2	2,884	2,857
Advance payments and plant and machinery under construction	6.2	9,416	4,049
Deferred tax assets	5.12	0	117
Current assets		**84,784**	**66,314**
Inventories		30,781	27,547
Raw materials and supplies	6.3	16,778	15,352
Unfinished goods	6.3	226	431
Finished products and merchandise	6.3	13,777	11,764
Trade receivables and other assets		11,731	11,536
Trade receivables	6.4	5,203	4,551
Income tax claims	6.5	0	26
Other assets	6.6	6,528	6,959
Cash and cash equivalents	6.7	42,272	27,231
TOTAL ASSETS		**201,892**	**178,813**

EQUITY & LIABILITIES

in EUR '000	Refer to Note	12/31/2015	12/31/2014
Equity		**58,102**	**52,461**
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		12,346	7,813
Consolidated result after taxes		6,709	5,493
Accumulated other comprehensive result	6.8	–9,026	–8,150
Non-controlling interests	6.8	598	–170
Non-current liabilities		**101,621**	**88,960**
Retirement benefit obligation	6.9	27,951	25,275
Other provisions	6.9	887	839
Payables to banks	6.10	71,314	61,353
Deferred tax liabilities	5.12	1,469	1,493
Current liabilities		**42,169**	**37,392**
Income tax payables	6.10	1,565	1,377
Other provisions	6.9	154	150
Payables to banks	6.10	12,234	10,041
Trade payables	6.10	12,278	9,924
Other liabilities	6.10	15,938	15,900
TOTAL EQUITY & LIABILITIES		**201,892**	**178,813**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000		Refer to Note	1/1/ – 12/31/2015	1/1/ – 12/31/2014
Cash flow from operating activities				
Period profit before taxes			**10,850**	**8,522**
+	Depreciation and amortization	5.7	10,170	9,696
– / +	Gain/loss from asset disposals		81	3
–	Interest income	5.10	–253	–164
+	Interest expenses	5.11	3,924	4,315
Operating profit before working capital changes			**24,772**	**22,372**
+ / –	Increase/decrease in provisions		279	188
– / +	Increase/decrease in trade receivables and other assets not attributable to investing or financing activity		–221	–3,533
+ / –	Decrease/increase in inventories		–3,234	–1,336
+ / –	Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity		852	4,351
Cash flow from operating activities before taxes			**22,448**	**22,042**
–	Income taxes paid		–2,332	–1,141
Net cash generated by operating activities			**20,116**	**20,901**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000		Refer to Note	1/1/ – 12/31/2015	1/1/ – 12/31/2014
Cash flow from investing activities				
+	Cash received from disposals of property, plant and equipment		3	13
+	Cash received from investment grants	6.10	1,000	0
–	Cash paid for purchases in property, plant and equipment	6.2	–13,854	–9,694
–	Cash paid for investments in intangible assets	6.1	–211	–287
Net cash generated by investing activities			**–13,062**	**–9,968**
Cash flow from financing activities				
–	Cash paid for dividends		–960	–480
+	Cash received from financial loans	6.10	69,800	0
–	Cash rendered for payment of financial loans	6.10	–58,373	–9,967
–	Interest paid		–2,901	–3,403
+	Interest received		47	31
Net cash generated by financing activities			**7,613**	**–13,819**
Net change in cash and cash equivalents			**14,667**	**–2,886**
Effects of exchange rate changes on the balance of cash held in foreign currencies			**374**	**439**
Cash and cash equivalents at the beginning of the year		6.7	27,231	29,678
Cash and cash equivalents at the end of the year		6.7	**42,272**	**27,231**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Nabaltec AG		
in EUR '000	Subscribed capital	Capital reserve	Earnings reserves
Balance per 1/1/2014	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
Balance per 1/1/2015	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 12/31/2015	8,000	29,764	9,711

Profit carried forward	Accumulated other comprehensive result	Total	Non-controlling interest	Consolidated equity
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**
13,306	**–8,150**	**52,631**	**–170**	**52,461**
–960	—	–960	—	–960
—	–1,354	–1,354	—	–1,354
—	1,055	1,055	–1	1,054
—	–577	–577	36	–541
—	–876	–876	35	–841
6,709	—	6,709	733	7,442
6,709	**–876**	**5,833**	**768**	**6,601**
19,055	**–9,026**	**57,504**	**598**	**58,102**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

	Historical cost					
in EUR ’000	Balance per 1/1/2015	Additions	Disposals	Transfers	Foreign exchange rate differences	Balance per 12/31/2015
Intangible assets	**2,600**	**211**	**36**	**0**	**—**	**2,775**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,535	86	36	65	—	2,650
Advance payments	65	125	0	–65	—	125
Property, plant and equipment	**186,481**	**12,826**	**463**	**0**	**3,281**	**202,125**
Land, leasehold rights, buildings and buildings on non-freehold land	38,656	535	127	16	935	40,015
Technical equipment, plant and machinery	135,035	4,302	209	1,855	2,248	143,231
Other fixtures, fittings and equipment	8,741	751	127	0	98	9,463
Advance payments as well as plants and machinery under construction	4,049	7,238	0	–1,871	0	9,416
Total non-current assets	**189,081**	**13,037**	**499**	**0**	**3,281**	**204,900**

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

	Historical cost					
in EUR ’000	Balance per 1/1/2014	Additions	Disposals	Transfers	Foreign exchange rate differences	Balance per 12/31/2014
Intangible assets	**2,314**	**286**	**—**	**0**	**—**	**2,600**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,226	223	—	86	—	2,535
Advance payments	88	63	—	–86	—	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	—	800	928	38,656
Technical equipment, plant and machinery	128,487	3,277	—	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	—	–1,856	29	4,049
Total non-current assets	**177,837**	**8,042**	**87**	**0**	**3,289**	**189,081**

Cumulative Depreciation/Amortization					Book Value	
Balance per 1/1/2015	Additions	Disposals	Foreign exchange rate differences	Balance per 12/31/2015	Balance per 12/31/2015	Balance per 12/31/2014
2,178	125	35	—	2,268	507	422
2,178	125	35	—	2,268	382	357
0	0	0	—	0	125	65
74,521	10,045	380	1,338	85,524	116,601	111,960
9,147	1,304	55	303	10,699	29,316	29,509
59,490	8,013	199	941	68,245	74,986	75,545
5,884	728	126	94	6,580	2,883	2,857
0	0	0	0	0	9,416	4,049
76,699	10,170	415	1,338	87,792	117,108	112,382

Cumulative Depreciation/Amortization					Book Value	
Balance per 1/1/2014	Additions	Disposals	Foreign exchange rate differences	Balance per 12/31/2014	Balance per 12/31/2014	Balance per 12/31/2013
2,086	92	—	—	2,178	422	228
2,086	92	—	—	2,178	357	140
—	—	—	—	—	65	88
63,706	9,604	70	1,281	74,521	111,960	111,817
7,648	1,210	—	289	9,147	29,509	28,424
50,890	7,701	—	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

NABALTEC AG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

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 have been 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 1 March 2016.

2. BASIC PRINCIPLES, METHODS AND SIGNIFICANT ACCOUNTING PRINCIPLES

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 2015 (including the prior year figures at 31 December 2014) 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).

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

These are the consolidated financial statements of Nabaltec AG. All EU-compliant standards applicable to the financial year 2015 were applied.

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 2015 were applied in the financial year 2015. These also include the following standards and interpretations that had to be adopted for the first time, in particular:

- IFRIC 21 Levies: IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by governments in accordance with laws and/or regulations (e.g. levy for banks). In this context, the obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. Recognition in the balance sheet is only required if the obligating event occurred. The obligating 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 version is effective for fiscal years starting on or after 17 June 2014. The amendments were endorsed by the EU on 13 June 2014. First time adoption will not have any impact on the consolidated financial statements as the company is not currently subject to respective levies.

- Various: Improvements of International Financial Reporting Standards 2013: On 12 December, 2013, IASB published the Annual Improvements of the International Financial Reporting Standards 2013 (annual improvements to IFRSs 2011–2013 Cycle). The annual improvement process is geared toward implementing improvements in the IFRS which are less urgent but nonetheless necessary. The Annual Improvements Project 2011–2013 involved amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40, and is to be applied for fiscal years starting on or after 1 January 2015. The amendments were endorsed by the EU on 18 December 2014. The first time adoption of the new and amended standards will have no or no material effects on the consolidated financial statements.

The following published, but not mandatory standards and interpretations were not applied earlier:

- Amendments to IAS 1 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 were endorsed by the EU on 18 December 2015. 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 were approved by the EU on 2 December 2015. 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 February 2015. 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 Statements: 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 January 2016. These amendments were adopted on 18 December 2015 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: IFRS 9 provides for the recognition, valuation and derecognition of hedging relationships. As part of the completion of various phases of its 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. They 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 IASB decided on 17 December 2015 to postpone the first time application of this amended standard for an indefinite period of time. 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 IFRSs 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 were endorsed on 24 November 2015 by the EU. According to current information, the first time application will not result in changes to the Group's financial statements.

- IFRS 15 Revenue 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-step 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 2018. 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.

- IFRS 16 Leases: The new leasing standard involves comprehensive changes, in particular with regard to accounting by lessees. The most significant change is that in the future leases will no longer be considered rental relationships and thus pending transactions, but must be recognized in the balance sheet. The previous differentiation between operating and financing leases for the lessee is thus omitted. In the future, the lessees will account for all leases in general as a right-of-use asset and a lease liability. The asset is depreciated according to the provisions for non-financial assets over the contractual term and the liability is recognized according to the provisions on financial instruments. The new standard is applicable to fiscal years starting on or after 1 January 2019. Early application of the standard is possible if IFRS 15 Revenue from Contracts with Customers is also applied. The standard has not yet been adopted by the EU. A reliable assessment of the impact from the first time adoption of IFRS 16 can only be made once a detailed analysis has been completed which up to now has not been finalized yet.

- Various Improvements of International Financial Reporting Standards 2012, 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) as well as on 25 September 2014 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 24. The respective amendments become effective for business years starting on or after 1 February 2015. The amendments to IFRS 2 and IFRS 3 are to be applied to transactions that are concluded on or after 1 July 2014. The amendments were adopted in January 2015 by the EU. 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 January 2016. The amendments were endorsed on 15 December 2015 by the EU. Currently, the company assumes that 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 Allied Alumina LLC regarding the management and supervision of Nashtec LLC. The management board concluded, taking into consideration the Chapter 11 proceedings at Sherwin Alumina LLC, 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

	2015	2014
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:

SUBSIDIARIES

			Voting rights and shareholdings	
Name of the subsidiary	Main Businesses	Domicile	12/31/2015 in %	12/31/2014 in %
Nashtec LLC	Production of aluminum hydroxide	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:

NASHTEC LLC

in EUR '000	12/31/2015	12/31/2014
Nashtec LLC		
Short-term assets	5,104	4,179
Long-term assets	19,006	17,177
Short-term payables	22,890	20,890
Long-term payables	0	815
Share of equity attributable to the shareholders of the parent company	622	–178
Non-controlling shareholders	598	–170

NASHTEC LLC

in EUR '000	2015	2014
Revenues	15,398	13,375
Expenses	–13,902	–12,195
Profit for the year	**1,496**	**1,180**
Profit share attributable to the shareholders of the parent company	763	602
Profit share for non-controlling shareholders	733	578
Total profit for the year	**1,496**	**1,180**
Other result attributable to the shareholders of the parent company	38	22
Share of other result for non-controlling shareholders	35	23
Total other result	**73**	**45**
Total profit share attributable to the shareholders of the parent company	725	580
Share of total profits for non-controlling shareholders	698	555
Total result	**1,423**	**1,135**
Dividends paid to non-controlling shareholders	**—**	**—**
Net cash flow from operating activities	2,664	1,826
Net cash flow from investing activities	–1,468	–270
Net cash flow from financing activities	–1,265	–1,739
Total net cash flow	**–69**	**–183**

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 2015, the provision for pensions and similar benefits amounts to EUR 27,951 thousand (PY: EUR 25,275 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 2015, 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 2015, the carrying amount of the recognized other provisions was EUR 154 thousand (PY: EUR 145 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 2015 (before netting with deferred tax liabilities) is EUR 7,382 thousand (PY: EUR 6,910 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.

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 AND 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 2015 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 and 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 LEASING 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 2015 and 31 December 2014, 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 offset.

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 2015, EUR 450 thousand (PY: EUR 364 thousand) were capitalized as other own services for various technical equipment and machinery, thereof EUR 172 thousand (PY: EUR 108 thousand) for construction period interest.

5.3 OTHER OPERATING INCOME
The following is a specification of other operating income:

OTHER OPERATING INCOME

in EUR '000	2015	2014
Foreign currency translation gains	1,628	1,536
Reimbursements from insurances	251	143
Laboratory services	198	140
Payments in kind	174	160
Other	170	135
Deliveries of process water	156	154
Government grants and similar grants	80	49
Magazine and scrap sales	64	45
Personnel services	63	64
Routing and tracking services	11	13
Income from reduction of bad debt allowance	0	100
Gains on disposal of property, plant and equipment	3	11
Income from reversal of provisions	2	7
Total	**2,800**	**2,557**

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:

COST OF MATERIALS

in EUR '000	2015	2014
Raw materials, supplies and merchandise	79,401	74,083
Cost of purchased services	870	1,047
Total	**80,271**	**75,130**

5.5 PERSONNEL EXPENSES

Personnel expenses are specified in the table below:

PERSONNEL EXPENSES

in EUR '000	2015	2014
Wages and salaries	22,114	21,119
Social security	3,913	3,630
Expenses for retirement benefit obligation	579	424
Other pension expenses	185	179
Total	**26,791**	**25,352**

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 1,654 thousand (PY: EUR 1,577 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:

EMPLOYEES

	2015	2014
Blue-collar employees	226	218
White-collar employees	157	146
Low wage earners	5	9
Total	**388**	**373**

In addition, an average of 46 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 2015.

5.8 OTHER OPERATING EXPENSES

The following is a specification of other operating expenses:

OTHER OPERATING EXPENSES

in EUR '000	2015	2014
Transportation charges	10,578	10,303
Services from third parties not attributable to the process of production	5,523	4,965
Sales commission	2,976	2,773
Legal and advisory fees	872	619
Other administration expenses	833	931
Insurances	689	595
Minimum lease payments (rent and lease)	539	637
Travel expenses	524	450
Other	475	565
Additional personnel costs	423	374
Foreign currency translation losses	415	292
Advertising expenses	328	146
Losses from sale of fixed assets	84	14
Other taxes	51	50
Bad debt allowances	29	0
Total	**24,339**	**22,714**

5.9 RESEARCH AND DEVELOPMENT COSTS

In 2015, various research and development costs of EUR 2,706 thousand (PY: EUR 2,594 thousand) were recognized as expenses.

5.10 INTEREST AND SIMILAR INCOME

Interest and similar income are presented in the table below:

INTEREST AND SIMILAR INCOME

in EUR '000	2015	2014
Return on plan assets (pension plan insurance)	119	133
Interest income from interest rate swaps	88	0
Interest income from bank balances	46	31
Total	**253**	**164**

5.11 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses are presented in the table below:

INTEREST AND SIMILAR EXPENSES

in EUR '000	2015	2014
Interest expenses paid to banks	1,944	2,603
Interest expense arising from interest rate swaps	768	641
Interest expense arising from provisions	685	771
Interest expense arising from compound interest	316	74
Interest expense loan Sherwin Alumina	211	173
Interest expense arising from factoring	0	31
Losses from interest rate swaps	0	22
Total	**3,924**	**4,315**

5.12 INCOME TAXES

Income taxes are specified as follows:

INCOME TAXES

in EUR '000	2015	2014
Current income taxes:		
Current tax expenses in respect of the current year	2,557	1,822
Tax expenses for prior years	–11	30
Deferred taxes:		
Origination and reversal of temporary differences	93	–1,176
Of which directly through equity	769	1,775
Total	**3,408**	**2,451**

The current tax expenses for the financial year 2015 consist of current trade tax and corporate income tax as well as US withholding tax for 2015.

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:

	BEFORE TAX		DEFERRED TAX		AFTER TAX	
in EUR '000	2015	2014	2015	2014	2015	2014
Foreign currency translation	1,054	933	0	0	1,054	933
Net result from hedge accounting	–781	–587	240	197	–541	–390
Actuarial gains or losses	–1,883	–5,620	529	1,578	–1,354	–4,042
Total	**–1,610**	**–5,274**	**769**	**1,775**	**–841**	**–3,499**

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:

RECONCILIATION

	2015	2014
Tax rate	28.08%	28.08%
in EUR '000		
Earnings before tax (EBT)	**10,850**	**8,522**
Expected tax expense	**3,047**	**2,393**
Deviations		
1. Utilization of previously unrecognized interest carry forwards	–9	–40
2. Deviating foreign tax rate	45	82
3. Adjustment actual tax prior years	–11	24
4. Non-deductible expenses	145	108
5. Tax effects from consolidation measures	152	–134
6. Other	39	18
Tax expenses presented in the consolidated statement of comprehensive income	**3,408**	**2,451**

Deferred tax assets and liabilities are specified as follows:

	CONSOLIDATED BALANCE SHEET		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
in EUR '000	12/31/2015	12/31/2014	2015	2014
Deferred tax assets				
Financial assets	0	0	0	–83
Other assets	454	418	36	33
Retirement benefit obligation	4,441	3,897	544	1,569
Other provisions	139	142	–3	–9
Loss carry forward	1,657	1,638	19	–338
Other	691	815	–124	543
Total deferred tax assets – gross	7,382	6,910	472	1,715
Deferred tax assets not recognized	0	0	0	0
Total deferred tax assets – net	**7,382**	**6,910**	**472**	**1,715**
Deferred tax liabilities				
Non-current assets	7,867	7,459	–408	–180
Inventories	423	343	–80	13
Other	561	484	–77	–372
Total deferred tax liabilities	**8,851**	**8,286**	**–565**	**–539**
	–1,469	**–1,376**	**–93**	**1,176**

The deferred tax asset arising from the loss carry forward relates to Nashtec LLC in the amount of EUR 1,657 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 4,873 thousand (PY: EUR 4,819 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:

in EUR '000	2015	2014
Expiration within		
1 year	0	0
2 – 5 years	0	0
6 – 10 years	0	0
11 – 20 years	4,873	4,819

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 2015 German tax loss carry forwards as well as interest carry forwards in the amount of EUR 0 thousand (PY: EUR 0 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 2015.

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 36,958 thousand (PY: EUR 36,886 thousand) are pledged as securities for bank loans.

Mortgages amounting to EUR 5,600 thousand as of 31 December 2015 (PY: EUR 5,600 thousand) were assigned by way of collateral for bank loans.

Borrowing costs in the amount of EUR 172 thousand (PY: EUR 108 thousand) were capitalized in the annual period 2015 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:

INVENTORIES

in EUR '000	12/31/2015	12/31/2014
Raw materials and supplies	16,778	15,352
Unfinished goods	226	431
Finished products and merchandise	13,777	11,764
Total	**30,781**	**27,547**

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

Inventory write-downs in the amount of EUR 249 thousand (PY: EUR 325 thousand) were recognized as expenses.

6.4 TRADE RECEIVABLES

Trade receivables are specified in the table below:

TRADE RECEIVABLES

in EUR '000	12/31/2015	12/31/2014
Trade receivables – gross	5,365	4,684
Bad debt allowance	–162	–133
Total	**5,203**	**4,551**

At the balance sheet date, all trade receivables are non-interest-bearing and have a remaining maturity of 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 0 thousand (PY: EUR 26 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 from the US tax authorities.

6.6 OTHER ASSETS

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

OTHER ASSETS

in EUR '000	12/31/2015	12/31/2014
Receivables from factoring	2,873	3,281
Positive fair market values of foreign exchange contracts	0	1,211
Sundry	594	547
Other financial assets	**3,467**	**5,039**

OTHER NON-FINANCIAL ASSETS

in EUR '000	12/31/2015	12/31/2014
VAT (value added tax) receivables	2,911	1,766
Prepaid expenses	150	154
Other non-financial assets	**3,061**	**1,920**
Total	**6,528**	**6,959**

The receivables from factoring in the amount of EUR 2,873 thousand (PY: EUR 3,281 thousand), presented at 31 December 2015, 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:

CASH AND CASH EQUIVALENTS

in EUR '000	12/31/2015	12/31/2014
Cash in banks	42,269	27,228
Petty cash	3	3
Total	**42,272**	**27,231**

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 2015.

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 2015, 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 2015, 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 2015, the Management Board will propose a dividend distribution of EUR 0.15 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 2015, accumulated other comprehensive expenses amounted to EUR –9,026 thousand (PY: EUR–8,150 thousand).

Non-controlling interest

As at 31 December 2015, non-controlling interests amounts to EUR 598 thousand (PY: EUR –170 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 2015

in EUR '000	Opening balance 1/1/2015	Additions	Utilization	Reversal	Closing balance 12/31/2015
Provisions for personnel	844	128	83	2	887
Provisions related to ecological/ decommissioning obligations	0	0	0	0	0
Other provisions	145	153	144	0	154
Total	**989**	**281**	**227**	**2**	**1,041**

FINANCIAL YEAR 2014

in EUR ’000	Opening balance 1/1/2014	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**

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

in EUR ’000	2015	2014
Current service cost	579	424
Net interest expense	627	693
Expenses for pension benefits	**1,206**	**1,117**
Actual return on plan assets	47	40

Net interest expense comprises interest expense amounting to EUR 665 thousand (PY: EUR 745 thousand) less expected returns on plan assets amounting to EUR 38 thousand (PY: EUR 52 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

in EUR '000	
Actuarial losses as at 1 January 2014	–4,904
Actuarial losses arising from changes in biometrical and financial assumptions	–5,262
Experience based losses	–345
Losses on plan assets	–13
Actuarial losses as at 31 December 2014	**–10,524**
Actuarial losses arising from changes in biometrical and financial assumptions	–543
Experience based losses	–1,349
Gains on plan assets	9
Actuarial gains/losses as at 31 December 2015	**–12,407**

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

DEFINED BENEFIT OBLIGATION

in EUR '000	
Defined benefit obligations at 1 January 2014	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**
Interest expenses	665
Current service cost	579
Benefits paid	–333
Actuarial gains/losses	1,892
Defined benefit obligations at 31 December 2015	**29,567**

Of the total defined benefit obligations amounting to EUR 29,567 thousand as per 31 December 2015 (PY: EUR 26,764 thousand), an amount of EUR 10,669 thousand (PY: EUR 8,740 thousand) is covered by an actuarial reserve in the amount of EUR 1,616 thousand (PY: EUR 1,489 thousand) with a reinsurance company.

For 2016 and 2017 benefit payments are expected to amount to approximately EUR 353 thousand and EUR 695 thousand, respectively.

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

FAIR VALUE OF PLAN ASSETS

in EUR '000	
Fair value of plan assets at 1 January 2014	1,369
Employer contributions	80
Expected return	53
Actuarial gains/losses	–13
Fair value of plan assets at 31 December 2014	**1,489**
Employer contributions	80
Expected return	39
Actuarial gains/losses	8
Fair value of plan assets at 31 December 2015	**1,616**

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 73 thousand for the financial year 2016.

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

in EUR '000	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
Fair value of plan assets	1,616	1,489	1,369	1,219	1,106
Present value of the defined benefit obligation	29,567	26,764	20,289	19,053	14,794
Retirement benefit obligation provision	27,951	25,275	18,920	17,834	13,688

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

in %	2015	2014
Discount rate	2.40	2.50
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 2005 G (mortality tables).

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

RETIREMENT BENEFIT OBLIGATION PROVISION

in EUR '000	+ 25 BP	– 25 BP
Discount rate	28,237	30,989
Salary trend	29,838	29,302
Pension trend	30,566	28,615

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

in EUR '000		Carrying amount	thereof due within < 1 year	thereof due within 1 – 5 years	thereof due within > 5 years
Payables to banks	12/31/2015	83,548	12,234	32,416	38,898
	12/31/2014	71,394	10,041	44,469	16,884
Trade payables	12/31/2015	12,278	12,278	–	–
	12/31/2014	9,924	9,924	–	–
Income tax payables	12/31/2015	1,565	1,565	–	–
	12/31/2014	1,377	1,377	–	–
Other liabilities	12/31/2015	15,938	15,938	–	–
	12/31/2014	15,900	15,900	–	–
Total	**12/31/2015**	**113,329**	**42,015**	**32,416**	**38,898**
	12/31/2014	**98,595**	**37,242**	**44,469**	**16,884**

Payables to banks

Payables to banks include long-term promissory note bonds borrowed at prevailing market interest rates. Their fair value equals the sum of the carrying amounts.

A bank loan of EUR 5,000 thousand was repaid early on 31 March 2015.

Nabaltec AG successfully issued promissory note bonds for EUR 70,000 thousand in April 2015 to secure long-term financing at improved conditions. The issue of the promissory note bonds occurred in various tranches with duration times of five and seven years with variable interest rates for which an interest rate hedge was entered into.

The issue of the promissory note bonds enables Nabaltec AG to finance upcoming projects, expand its scope for action with higher liquidity, optimize financing structure as well as improve financial results. In this context, Nabaltec AG prematurely terminated part of the promissory note that was issued in October 2013 in the amount of EUR 50,000 thousand as at 23 April 2015. The part of the loan terminated amounted to EUR 43,500 thousand and was subject to variable interest rates with duration times of five and seven years.

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 2015, covenants valid as at 31 December 2015, 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:

OTHER LIABILITIES

in EUR '000	12/31/2015	12/31/2014
Loan due to non-controlling shareholder	9,414	8,484
Negative fair value of interest rate swap	2,476	2,994
Investment grants	853	1,532
Other	641	450
Employer's liability insurance association	207	161
Preparation and audit of the annual financial statements	182	198
Other current financial liabilities	**13,773**	**13,819**

in EUR '000	12/31/2015	12/31/2014
Bonuses and performance-based pay	941	870
Outstanding vacation claims	711	658
Payables to tax authorities	258	331
Other consumption tax	160	148
Inventors' remunerations	33	32
Social securities payable	47	26
Demographic contribution II	15	16
Other current non-financial liabilities	**2,165**	**2,081**
Total other current liabilities	**15,938**	**15,900**

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 853 thousand (PY: EUR 1,532 thousand) for investments not yet carried out include an investment grant of EUR 4,150 thousand already received from the government of Upper Palatinate (Oberpfalz) for completed and planned investments in fixed assets. These items consisted exclusively of other financial liabilities. The carrying amount was approximately equal to its fair value. During the business year EUR 1,679 thousand (PY: EUR 1,618 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 2015 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 539 thousand (PY: EUR 637 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:

in EUR ’000	12/31/2015	12/31/2014
Minimum lease payments due in < 1 year	471	431
Minimum lease payments due 1 – 5 years	462	560
Minimum lease payments due > 5 years	113	171
Total	**1,046**	**1,162**

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 2015, purchase orders for capital expenditure projects in the amount of EUR 5,971 thousand (PY: EUR 549 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:

		CARRYING AMOUNT		FAIR VALUE	
in EUR '000	Category in accordance with IAS 39	2015	2014	2015	2014
Financial assets					
Trade receivables	LaR	5,203	4,551	5,203	4,551
Other receivables and assets					
Other non-derivative receivables and financial assets	LaR	3,467	3,828	3,467	3,828
Positive fair values of currency derivatives (with a hedging relationship)	–	0	1,211	0	1,211
Cash and cash equivalents	LaR	42,272	27,231	42,272	27,231
Financial liabilities					
Financial liabilities at amortized cost					
Payables to banks	FLaC	83,548	71,394	83,548	71,394
Trade payables	FLaC	12,278	9,924	12,278	9,924
Other financial liabilities					
Other non-derivative financial liabilities	FLaC	11,297	10,825	11,297	10,825
Negative fair value interest rate derivatives (without a hedging relationship)	HfT/FVtPL	98	186	98	186
Negative fair value interest rate derivatives (designated in an effective cash flow hedging relationship)	–	2,378	2,808	2,378	2,808
Negative fair value forward foreign exchange derivatives (with a hedging relationship)	–	0	0	0	0

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

ABBREVIATIONS

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			
in EUR '000		From interest	At Fair Value	Currency translation	Impairment/ allowance	Net result 2015
Loans and Receivables	LaR	46	–	407	–29	424
Held for Trading	HfT	–97	88	–	–	–9
Other Liabilities	FLaC	–2,471	–	806	–	–1,665
Total 2015		**–2,522**	**88**	**1,213**	**–29**	**–1,250**

MEASUREMENT CATEGORIES IN ACCORDANCE WITH IAS 39

			From subsequent measurement			
in EUR '000		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**

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.

Total interest expense relating to the promissory note bonds, applying the effective interest method, amounts to EUR 1,615 thousand (PY: EUR 1,423 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:

12/31/2015

in EUR '000	Level 1	Level 2	Level 3	Total
Assets				
Positive fair values foreign exchange derivatives	0	0	0	0
Liabilities				
Negative fair values interest rate swaps	0	2,476	0	2,476
Negative fair values foreign exchange derivatives	0	0	0	0

12/31/2014

in EUR '000	Level 1	Level 2	Level 3	Total
Assets				
Positive fair values foreign exchange derivatives	0	1,211	0	1,211
Liabilities				
Negative fair values interest rate swaps	0	2,994	0	2,994
Negative fair values foreign exchange derivatives	0	0	0	0

In 2015, 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 in 2013. 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 2015, the company recognized interest rate swaps in the amount of EUR –2,378 thousand (PY: EUR –2,808 thousand) and foreign currency hedges of EUR 0 thousand (PY: EUR 1,211 thousand) as hedge instruments as part of a cash flow hedge. The recognition of the fair value of interest swaps and foreign exchange hedge resulted in changes of EUR 430 thousand (PY: EUR –1,898 thousand) and EUR –1,211 thousand (PY: EUR 1,311 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-$.

With regard to the profit-and-loss effective interest rate swap to be recognized as at the balance sheet date, a negative fair value of EUR –98 thousand (PY: EUR –186 thousand) was recognized, resulting in gains of EUR 88 thousand (PY: EUR –22 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:

in EUR '000	2015	2014
Balance per 1/1/	133	233
Additions recognized as expenses in the income statement	29	0
Reversal	0	100
Balance per 12/31/	162	133

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

in EUR '000	Carrying amount	neither past due nor value-adjusted	past due, but not value adjusted			
			< 3 months	3 – 6 months	6 – 12 months	> 12 months
12/31/2015	5,203	5,203	0	0	0	0
12/31/2014	4,551	4,551	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

in EUR '000		Total	thereof < 1 year	thereof 1 – 5 years	thereof > 5 years
Payables to banks	12/31/2015	94,136	14,344	39,419	40,373
	12/31/2014	81,125	12,573	50,945	17,607
Trade payables	12/31/2015	12,278	12,278	–	–
	12/31/2014	9,924	9,924	–	–
Other financial liabilities	12/31/2015	13,773	13,773	–	–
	12/31/2014	13,819	13,819	–	–
Total (financial liabilities)	**12/31/2015**	**120,187**	**40,395**	**39,419**	**40,373**
	12/31/2014	**104,868**	**36,316**	**50,945**	**17,607**

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. In deviation from prior years, there were no effects on equity caused by changes in the fair values of foreign currency derivatives to hedge future cash disbursements as at the balance sheet date.

	Rate change in %	Effect on profit before taxes in EUR '000	Effect on shareholders' equity* in EUR '000
2015			
USD	+10	497	0
USD	–10	–497	0
2014			
USD	+10	567	1,204
USD	–10	–567	–985

* *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 that 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 in EUR '000	Effect on shareholders' equity* in EUR '000
2015			
Europe	+10	–16	353
USA	+10	–20	1
Europe	–10	16	–271
USA	–10	20	–1
2014			
Europe	+10	–21	199
USA	+10	–18	2
Europe	–10	17	–142
USA	–10	18	–2

* *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 2015 and 2014, monitored for purposes of the Group's capital management, are presented in the table below:

	12/31/2015 in EUR '000	12/31/2014 in EUR '000	Change in %
Equity	**58,102**	**52,461**	**10.75**
in % of total capital	38.46	39.64	–2.98
Non-current financial liabilities	71,314	61,353	16.24
Current financial liabilities	21,648	18,525	16.86
Debt*	**92,962**	**79,878**	**16.38**
as % of total capital	61.54	60.36	1.96
Total capital for capital management purposes	**151,064**	**132,339**	**14.15**

* *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 5,641 thousand to EUR 58,102 thousand mainly due to the profit incurred by the Group.

Borrowed capital increased by EUR 13,084 thousand to EUR 92,962 thousand in the financial year due primarily to taking out long-term promissory note bonds.

In total, the capital measures conducted in 2015 decreased the equity ratio (as a percentage of total capital) to 38.46% compared to prior year 39.64%. The ratio of debt to total capital, according to the definition applied for capital management purposes, rose from 60.36% as of 31 December 2014 to 61.54% as of 31 December 2015.

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 1,547 thousand (PY: EUR 1,373 thousand) in the financial year 2015. In addition, provisions were established for anniversaries of EUR 2 thousand (PY: EUR 4 thousand). In addition, post-employment benefits of EUR 379 thousand (PY: EUR 349 thousand) were incurred.

Members of the Supervisory Board received short-term compensation of EUR 49 thousand (PY: EUR 49 thousand) in the financial year 2015.

At 31 December 2015 and 2014, receivables due from and payables due to related parties were as follows:

	RECEIVABLES		PAYABLES	
in EUR '000	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Entities controlled by members of the Supervisory Board	0	0	0	0
Entities controlled by members of the Management Board	18	17	0	3

At 31 December 2015, allowances for doubtful receivables due from related parties amounted to EUR 8 thousand (PY: EUR 8 thousand).

In 2015 and 2014, the business transactions with related parties were recognized in addition to the compensation granted to the members of the Management Board and the Supervisory Board:

	DELIVERIES AND SERVICES RENDERED AS WELL AS OTHER INCOME		DELIVERIES AND SERVICES RECEIVED AS WELL AS OTHER EXPENSES	
in EUR '000	2015	2014	2015	2014
Entities controlled by members of the Supervisory Board	0	0	20	2
Entities controlled by members of the Management Board	63	66	49	247

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 63 thousand; PY: EUR 66 thousand), plant design (services amounting to EUR 33 thousand; PY: EUR 240 thousand) and other services (expenses amounting to EUR 16 thousand; PY: EUR 7 thousand). Transactions with entities controlled by members of the Supervisory Board or parties related to the Supervisory Board are related to a license fee (EUR 20 thousand), which is amortized as an intangible asset over the duration of the license agreement.

7.5 EARNINGS PER SHARE

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

NUMBER OF SHARES

	2015	2014
Common shares outstanding at 1/1/	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 2015 and 2014.

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

EARNINGS PER SHARE

	2015	2014
Consolidated earnings after tax – Shareholders of Nabaltec AG (EUR '000)	6,709	5,493
Undiluted weighted average number of common shares outstanding	8,000,000	8,000,000
Earnings per share (EUR)	0.84	0.69

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 2015 and 2014, no inter-segment transactions between the business divisions were incurred.

FINANCIAL YEAR ENDED 31 DECEMBER 2015

in EUR '000	Functional Fillers	Technical Ceramics	Other	Nabaltec Group
Revenues				
Third party revenues	102,275	49,071	–	151,346
Segment result				
EBITDA	17,832	6,859	–	24,691
EBIT	10,463	4,058	–	14,521
Assets and liabilities				
Segment assets	113,726	45,894	42,272	201,892
Segment liabilities	13,388	6,455	123,947	143,790
Other segment information				
Capital expenditures				
– Property, plant and equipment	9,159	3,667	–	12,826
– Intangible assets	133	78	–	211
Depreciation and amortization				
– Property, plant and equipment	7,292	2,753	–	10,045
– Intangible assets	77	48	–	125

FINANCIAL YEAR ENDED 31 DECEMBER 2014

in 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

Information by regions

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

FINANCIAL YEAR ENDED 31 DECEMBER 2015

in EUR '000	Germany	Rest of Europe	USA	RoW	Total
Revenues					
Third party revenues	41,888	73,204	19,708	16,546	151,346
Other segment information					
Segment assets	178,264	–	23,628	–	201,892
Capital expenditures					
– Property, plant and equipment	11,192	–	1,634	–	12,826
– Intangible assets	211	–	–	–	211

FINANCIAL YEAR ENDED 31 DECEMBER 2014

in 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

In 2015, one customer accounted for more than 10% of total revenues. Revenue from this customer amounts to EUR 16,229 thousand and is included in the “Functional Fillers” segment. Similarly, already in 2014, one customer accounted for more than 10% of total revenues (EUR 16,977 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

Nabaltec AG holds 51% of the shares in Nashtec LLC (USA); Allied Alumina LLC is also a shareholder with a 49% holding. Nashtec LLC procures the essential raw materials, in particular the aluminum hydroxide required 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 a petition with the US federal bankruptcy court in Corpus Christi, Texas to open bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code (Chapter 11 proceedings). Sherwin Alumina LLC continues to conduct business as usual, so that Nashtec has not yet been impacted with regard to production and deliveries to customers.

The further development of the situation at Sherwin Alumina LLC, especially the results of the Chapter 11 proceedings, cannot be estimated reliably at this point in time. Nabaltec AG is reviewing and developing courses of action for potential scenarios with the support of legal and business consultants in order to minimize any negative effects on Nashtec LLC and Nabaltec AG. In particular, Nabaltec AG is developing alternatives in order to be able to continue delivering to customers in the event of production disruptions at Nashtec LLC due to a lack of raw materials. From today's standpoint, Nashtec LLC's business operations could be impacted. It cannot be excluded that Sherwin Alumina LLC's Chapter 11 proceedings will have a negative effect on revenues and net profit of Nashtec, and also Nabaltec AG, starting in the 2016 financial year. Nabaltec AG's continued existence is not threatened by this situation.

Nabaltec AG founded a wholly-owned subsidiary with its registered office in Tokyo, Japan in the first quarter of 2016. It is intended that Nabaltec Asia Pacific K.K. will operate in the area of marketing and sales for the complete product range of Nabaltec AG in Asia and will cooperate closely with the regional distribution partners.

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

The fee for the audit of the 2015 financial statements amounts to EUR 87 thousand (including the fee for the audit of the company's consolidated financial statements 2015). For other assurance services, the auditor received a fee of EUR 12 thousand, for tax advisory services EUR 41 thousand and for other services EUR 5 thousand.

Schwandorf, 1 March 2016

Nabaltec AG
The Management Board

JOHANNES HECKMANN

GERHARD WITZANY

NABALTEC AG
INDEPENDENT AUDITORS' 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 2015 to 31 December 2015. 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 Section 315a (1) German Commercial Code (HGB) 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 Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). 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 sample 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 Section 315a (1) German Commercial Code (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, 21 March 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Poneleit)
German Public Auditor

(Thiermann)
German Public Auditor

ANNUAL FINANCIAL STATEMENTS NABALTEC AG

FOR THE FINANCIAL YEAR 2015

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

EUR 12.8 MILLION
2015

EUR 8.4 MILLION
Previous Year

OUR INVESTMENTS

BALANCE SHEET

AS OF 31 DECEMBER 2015

ASSETS

in EUR '000	12/31/2015	12/31/2014
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	324	308
2. Advance payments	125	65
	449	**373**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-freehold land	15,458	15,641
2. Technical equipment and machinery	50,012	51,606
3. Other fixtures, fittings and equipment	2,665	2,599
4. Advance payments as well as plant and machinery under construction	8,080	4,049
	76,215	**73,895**
III. Financial assets		
1. Shares in affiliated companies	163	163
2. Loans to affiliated companies	9,382	8,521
	9,545	**8,684**
	86,209	**82,952**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	14,018	13,217
2. Finished goods and purchased products	12,413	11,345
	26,431	**24,562**
II. Accounts receivable and other assets		
1. Trade receivables	5,202	4,551
2. Other assets	6,378	5,621
	11,580	**10,172**
III. Cash and cash equivalents	**40,369**	**25,469**
	78,380	**60,203**
C. Prepaid expenses	**81**	**94**
TOTAL ASSETS	**164,670**	**143,249**

EQUITY & LIABILITIES

in EUR '000	12/31/2015	12/31/2014
A. Shareholders' equity		
I. Subscribed capital	8,000	8,000
II. Capital reserve	30,824	30,824
III. Accumulated profits	6,654	4,775
	45,478	**43,599**
B. Non-current assets investments grants	**5**	**6**
C. Provisions		
1. Retirement benefit obligation and similar provisions	18,535	14,482
2. Accrued taxes	1,565	1,377
3. Other provisions and accrued liabilities	4,415	4,422
	24,515	**20,281**
D. Accounts payable		
1. Payables to banks	82,830	68,939
2. Trade payables	9,772	7,490
3. Payables to affiliated companies	291	595
4. Other payables – thereof relating to taxes: EUR 259 thousand (PY: EUR 331 thousand) – thereof relating to social securities: EUR 26 thousand (PY: EUR 26 thousand)	1,779	2,339
	94,672	**79,363**
TOTAL EQUITY & LIABILITIES	**164,670**	**143,249**

INCOME STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

in EUR '000	01/01/ – 12/31/2015		01/01/ – 12/31/2014	
1. Revenues		151,346		143,335
2. Change in finished goods		869		–867
3. Other capitalized own services		450		364
Total performance		**152,665**		**142,832**
4. Other operating income – thereof exchange rate differences: EUR 1,628 thousand (PY: EUR 1,536 thousand)		2,815		3,068
		155,480		**145,900**
5. Cost of materials:				
a) Cost of raw materials and supplies and purchased goods	84,814		78,679	
b) Cost of purchased services	870	85,684	1,047	79,726
Gross profit		**69,796**		**66,174**
6. Personnel expenses:				
a) Wages and salaries	21,930		20,869	
b) Social security and other pension costs – thereof for pension costs: EUR 3,640 thousand (PY: EUR 1,847 thousand)	7,509		5,433	
7. Amortization/Depreciation of intangible assets and property, plant and equipment	9,271		8,961	
8. Other operating expenses – thereof exchange rate differences: EUR 415 thousand (PY: EUR 292 thousand)	22,429	61,139	20,960	56,223
		8,657		**9,951**
9. Income from securities and loans (financial assets) – thereof from affiliated companies: EUR 242 thousand (PY: EUR 182 thousand)	242		182	
10. Interest and similar income	135		30	
11. Interest and similar expenses – thereof for compounding interest: EUR 740 thousand (PY: EUR 715 thousand)	3,330		3,808	
Financial result		**–2,953**		**–3,596**
12. Result from ordinary operating activities		**5,704**		**6,355**
13. Exceptional expenditures	267		267	
14. Exceptional result		267		267
		5,437		**6,088**
15. Income taxes	2,547		1,851	
16. Other taxes	51	2,598	50	1,901
17. Net result for the year		**2,839**		**4,187**
18. Profit carried forward		3,815		588
19. Accumulated profit		**6,654**		**4,775**

APPROPRIATION OF DISTRIBUTABLE PROFIT

The management board proposes that the distributable profit of the 2015 financial year, amounting to EUR 6,653,903.55, will be used as follows:

An amount of EUR 1,200,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.15 per share on the 8,000,000 non par value shares entitled to dividend payments for the 2015 financial year. The remainder in the amount of EUR 5,453,903.55 will be carried forward.

Schwandorf, April 2016

The Management Board

JOHANNES HECKMANN

GERHARD WITZANY

FINANCIAL CALENDAR

	2016
Interim Report 1/2016	31 May
Annual General Meeting	30 June
Interim Report 2/2016	30 August
Interim Report 3/2016	29 November

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Text
Nabaltec, Schwandorf
Better Orange, Munich

Concept and realization
CAT Consultants, Hamburg

Photos
Herbert Bürger, Andre Forner, freepik, Gerhard Götz, Stefan Hanke, Oliver Heinl, Clemens Mayer, Nabaltec AG, Nabaltec Asia Pacific K.K., Pagliara Prodotti Chimici S.p.A., shutterstock, Strandperle, Studio SX Heuser, Wilfrid Smith Limited

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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