ANNUAL REPORT 2017

OUR KNOW-HOW FOR YOUR SAFETY

Nabaltec

NABALTEC GROUP

KEY FIGURES

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

in EUR million	2017 (IFRS)	2016 (IFRS)	Change
Revenues			
Total revenues	168.6	159.2	5.9%
thereof			
Functional Fillers	112.2	109.1	2.8%
Specialty Alumina	56.4	50.1	12.6%
Foreign share (%)	73.2	73.3	–
Earnings			
EBITDA	30.0	22.9	31.0%
EBIT	18.3	12.2	50.0%
Consolidated result after taxes	11.5	5.3 [2]	117.0%
Earnings per share (EUR)	1.39 [1]	0.67 [3]	107.5%
Financial position			
Cash flow from operating activities	25.9	26.1	–0.8%
Cash flow from investing activities	–23.9	–17.0	40.6%
Assets, equity and liabilities			
Total assets	221.4	202.7	9.2%
Equity	84.6	57.8	46.4%
Non-current assets	132.9	127.0	4.6%
Current assets	88.5	75.7	16.9%
Employees [4] (number of persons)	476	460	3.5%

[1] *based on the weighted average number of common shares outstanding during the period*
[2] *after non-controlling interests*
[3] *after non-controlling interests, based on 8.0 million shares*
[4] *on the reporting date, including trainees*

NABALTEC AG

A LEADER IN SPECIALTY CHEMICALS

Nabaltec AG, with registered office in Schwandorf, a chemicals business which has received multiple awards for innovativeness, manufactures, develops and distributes highly specialized products based on aluminum hydroxide and aluminum oxide on an industrial scale through its product segments “Functional Fillers” and “Specialty Alumina.”

SUSTAINABLE PRACTICES

A RELIABLE MANUFACTURER AND SUPPLIER OF SPECIALTY CHEMICALS

Nabaltec products have an extremely diverse range of applications and are the preferred choice whenever utmost quality, safety, eco-friendliness and durability are required.

The combination of these characteristics guarantees that Nabaltec's specialty chemical products will have outstanding prospects for growth and has given the company many years of steadily growing financial success.

Beyond economic aspects, however, Nabaltec AG also attaches particular importance to its ecological and social responsibility. Aside from certification of a conventional quality management system in accordance with ISO 9001, the company has also, over the years, introduced a certified environmental management system (ISO 14001) as well as an occupational health and safety management system (BS OHSAS 18001) and an energy management system (ISO 50001).

In addition, sustainable employee development is important to Nabaltec AG in order to be prepared for future personnel challenges and in order to position itself as an attractive employer. With a double-digit trainee ratio, Nabaltec is committed to promoting young talent, values work/life balance and strengthens the health and fitness of its employees through a company health management program.

OUR PRODUCT- AND MARKET SEGMENTS

PRODUCT SEGMENT "FUNCTIONAL FILLERS"

Market segment:
- Wire & Cable
- Resins & Dispersions
- Rubber & Elastomers
- Others

PRODUCT SEGMENT "SPECIALTY ALUMINA"

Market segment:
- Refractory
- Technical Ceramics
- Polishing
- Others

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NABALTEC AG ON THE INTERNET

www.nabaltec.de

CONTENTS

NABALTEC
IN OVERVIEW

FUNCTIONAL FILLERS

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

EUR 112.2 MILLION

Revenues

EUR 21.5 MILLION

EBITDA

EUR 13.1 MILLION

EBIT

SPECIALTY ALUMINA

In our product segment "Specialty Alumina," 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 tailormade qualities which meet our customers' needs.

EUR 56.4 MILLION

Revenues

EUR 8.5 MILLION

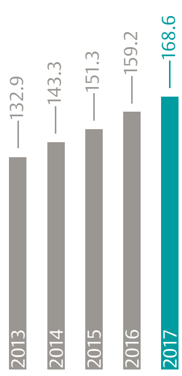
EBITDA

EUR 5.2 MILLION

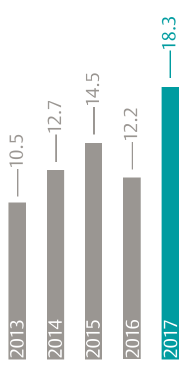
EBIT

NABALTEC AG

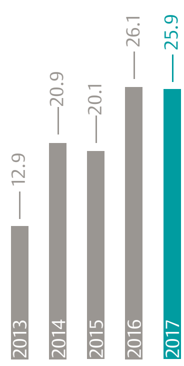
As a fast-growing company, Nabaltec AG was able to continue its very strong performance in the previous year in Financial Year 2017 as well. In particular, the company has posted revenue growth over a period of many years, which illustrates the growing global demand for Nabaltec products.



REVENUES
IN EUR MILLION



EBIT
IN EUR MILLION



OPERATING
CASH FLOW
IN EUR MILLION

FACTS AND FIGURES

INNOVATIONS

Nabaltec AG is regularly awarded national and international prizes and distinctions for innovation. In 2017, the company was named one of the 100 most innovative German mid-sized companies for the tenth time.

10x
DISTINCTION FOR EXEMPLARY INNOVATION MANAGEMENT

EMPLOYEES

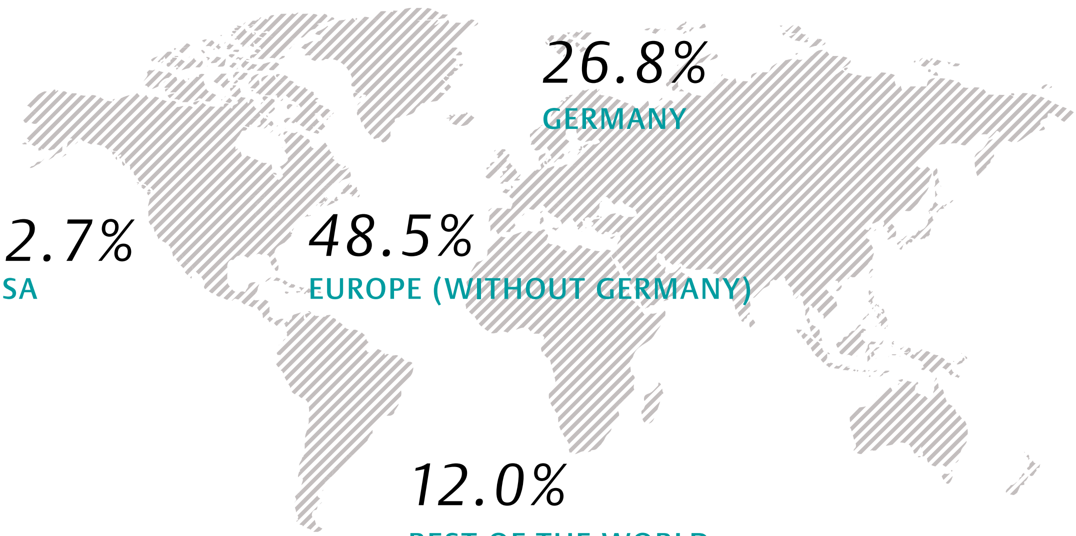
Nabaltec AG is regularly recognized as one of the 100 best employers among German mid-sized companies in the “TOP JOB” competition, which compares companies from all over the country and in a wide variety of sectors.

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

11.3%
TRAINEE RATIO

GLOBAL REVENUE SHARES

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



FOREWORD
OF THE CEO

Ladies and Gentlemen,
Dear Shareholders and Business Partners,

2017 was a year of unique challenges, a year in which we were severely tested at all levels and in which we were able to demonstrate what we are capable of. Our goal was to continue the track record of growth we had compiled over the past seven years without interruption despite the loss of revenue from our US subsidiary Nashtec, which contributed around EUR 13 million in revenues in 2016. We set out to dispel the uncertainty concerning the future of our US joint venture and rapidly establish Nashtec as a stand-alone solution. At the same time, we sought to further strengthen our earning power, to continually develop our product mix in a strategic manner and to improve our financial position by executing a capital increase.

Looking back today, we can say that we were able to overcome all of our challenges and meet all of our forecasts. We were able to increase revenues from EUR 159.2 million to EUR 168.6 million, for a gain of 5.9%. At the same time, our earnings power continued to improve, with an EBIT margin of 10.8%. Our Group acquired all shares in our US subsidiary Nashtec in March 2017, and we have been able to make decisive progress towards the stand-alone solution we envision, in terms of both technical and construction work. Our goal is to resume production in the US in the second quarter of 2018.

With the resumption of US production and the addition of new capacity, we hope to profit to a greater degree from growth and potential in the flame-retardant fillers market. Our volume growth was inhibited somewhat in 2017 due to the fact that the Schwandorf site was operating at the limits of its capacity, but we were nevertheless able to secure price adjustments, which allowed us to generate revenue growth. Our key growth driver in 2017 was the “Specialty Alumina” product segment, where we were able to combine significant volume growth with a stable price trend and a high-margin product mix.

Although it began with a great deal of uncertainty, 2017 was a very successful year for us. 2018 will be a year of transition, and we have once again set the goal to combine this challenging first six months period with posting a successful revenue and earnings performance. The additional capacity in the US which will become available in the second half of the year will help us generate revenue growth. Production is expected to resume in the second quarter of 2018, but this will be followed by a start-up phase, so that Nashtec will not reach full capacity until 2019. Due to the start-up phase, we expect the net impact on 2018 earnings to be negative.

Nevertheless, we maintain the goal and ambition of posting revenue growth in the mid-single digits and an EBIT margin in the high single digits in 2018 as well, assuming stable economic performance.

Günther Spitzer, Johannes Heckmann (CEO), Dr. Michael Klimes

In 2017, the whole Nabaltec team was tested to a unique degree at all levels, and made to show what they are made of. At times, the challenges have obliged us to redefine the limits of what we can accomplish. It is with this confidence in our own strength and abilities that we enter 2018, motivated at all times by the ambition of providing our customers and the market with the highest quality and the best solutions.

I would like to warmly thank our customers and partners for their trust, as well as our shareholders, whose strong trust in us was demonstrated once again in the successful capital increase. I would like to particularly thank all of our employees and the management team for what they accomplished in 2017. Work of this quality should not be taken for granted, and this makes me very optimistic about our further performance in 2018.

Schwandorf, March 2018

Yours,

JOHANNES HECKMANN
CEO

REPORT OF THE SUPERVISORY BOARD

NABALTEC AG

Prof. Dr.-Ing. Jürgen G. Heinrich, Gerhard Witzany (Chairman of the Supervisory Board), Dr. Dieter J. Braun

Ladies and Gentlemen,
Dear Shareholders,

Nabaltec has a solid competitive position

Nabaltec AG can look back on the most successful year in its history. The results have once again demonstrated that the company has a solid competitive position in the global market and that it has the strength to respond quickly and successfully to developments in the market and to changes in conditions. For example, the stand-alone solution sought by the company for the secure positioning of Nashtec LLC in Financial Year 2017 was brought underway with the acquisition of all shares in the US subsidiary. The Supervisory Board will be watching closely as the US production site goes back online, as well as the entire future strategy, to ensure that potential in target markets is exhausted in the coming year as well. We will work intensively to advise and supervise the Management Board with this in mind.

The Supervisory Board was kept fully informed by the Management Board

The Supervisory Board duly performed its assigned tasks in Financial Year 2017 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. The Supervisory Board 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 fully and directly informed by the Management Board.

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 2017 were decided positively.

The Supervisory Board of Nabaltec AG last expounded on the objectives for composition of the Supervisory Board in February 2018, developing a profile of skills and expertise for the entire Supervisory Board in accordance with the new recommendation made in Section 5.4.1 of the German Corporate Governance Code. Information in this regard is published in the Corporate Governance Report.

In the Supervisory Board's estimation, all three of its current 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 2017

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 or voting by the Supervisory Board, or in the Board's exercise of its supervisory mandate in the 2017 reporting year.

The Supervisory Board had five meetings

Four regular ordinary meetings of the Supervisory Board were held in the reporting year, on 6 April 2017, on 27 June 2017, following the Annual General Meeting, on 26 September 2017 and on 13 December 2017. The Supervisory Board also meet for an extraordinary meeting on 25 August 2017, in which it resolved to authorize the Management Board to consider the option of conducting a capital increase by up to 10% of the capital stock. All members were present at all meetings in 2017. No additional meetings took place in 2018 prior to the Supervisory Board meeting on 9 April, in which the Board votes on adoption of the financial statements. The members of the Supervisory Board also deliberated in writing and by telephone. In four cases, resolutions were approved in writing, and in one case the Supervisory Board adopted a resolution by telephone. Among the Board's decisions were resolutions with regard to approval of the capital increase, partially utilizing authorized capital 2016/1, by up to EUR 800,000 in exchange for cash contributions by issuing new shares, as well as concerning other terms of the capital increase, such as definition of the placement price.

FOCUS OF DELIBERATIONS

The following issues were the subject of particularly intensive consideration by the full Supervisory Board in Financial Year 2017:

- the 2016 annual financial statements and consolidated financial statements including the proposal for the appropriation of distributable profit;
- the composition of the Supervisory Board and the election of the Chairman of the Supervisory Board, Mr. Gerhard Witzany;
- corporate governance, particularly the amendments to the Code on 7 February 2017;
- the capital increase by up 10% of the capital stock, excluding shareholder subscription rights;
- stand-alone operation of Nashtec LLC;
- planning for 2018 and mid-term planning through 2020;
- investment and financing planning for 2018-2020.

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 2017.

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.

The joint 2017 Declaration of Conformity was made permanently available to the shareholders on the company's website

On 3 March 2017, the joint 2017 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 recommendations of the German Corporate Governance Code as of 7 February 2017 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.

2017 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Deloitte 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 2017, 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 27 June 2017. 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 would have 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 2017 was set on accounting questions arising in connection with realization of the stand-alone solution for Nashtec LLC and with its further development.

The annual and consolidated financial statements for 31 December 2017 have been reviewed and approved by the Supervisory Board

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 9 April 2018. 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 GmbH. The Supervisory Board therefore approved the annual financial statements prepared by the Management Board for Nabaltec AG and Nabaltec Group for 31 December 2017. The annual financial statements of Nabaltec AG for 2017 are therefore adopted.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

Gerhard Witzany was elected to the Supervisory Board by the shareholders on 27 June 2017 and chosen as Chairman at the next meeting of the Supervisory Board

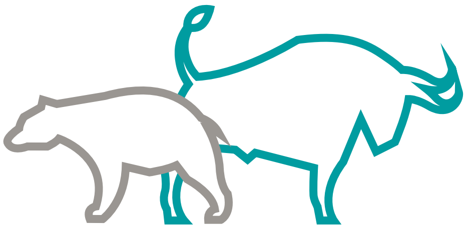
Dr. Leopold von Heimendahl, the Chairman of the Supervisory Board, resigned from the Board at the end of the General Meeting on 27 June 2017. In his place, Mr. Gerhard Witzany was elected to the Supervisory Board, and was selected as Chairman at the following meeting of the Supervisory Board. We would like to thank Dr. Leopold von Heimendahl for his great dedication and for the constructive assistance which he has rendered the company over the years.

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, 9 April 2018

GERHARD WITZANY
Chairman of the Supervisory Board

NABALTEC SHARE
THE STOCK MARKET 2017



ISIN/WKN: DE000A0KPPR7/A0K PPR
Nabaltec share has been listed in the Frankfurt Stock Exchange since 24 November 2006. As of March 2017, Nabaltec share is traded in the Scale market segment of the Frankfurt Stock Exchange.

NABALTEC SHARE ON THE CAPITAL MARKET

Nabaltec AG's share price was up steadily in 2017

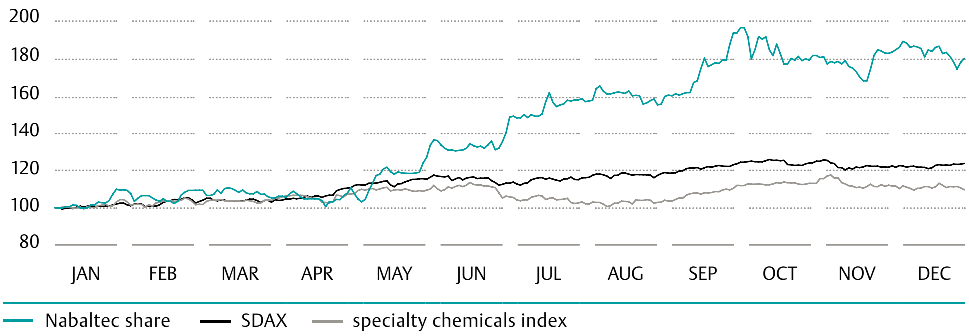
The performance of Nabaltec share was very strong in 2017, with steady price gains. It finished the year at EUR 25.94, up 80.3% from the year before. Its average price for the year was EUR 20.40, up from EUR 14.23 in the year before.

The share's performance was modest at first due to the uncertainty which prevailed at the start of the year with regard to the future of the US subsidiary Nashtec. On 18 March 2017, Nabaltec AG announced that it was acquiring all shares in Nashtec, and performance was noticeably stronger since then, with a gain of 35.5% through mid-year.

On 14 September 2017, 800,000 shares were placed with institutional investors in the course of a capital increase. The placement price was EUR 23.00 per share, so that the gross proceeds earned by the company amounted to EUR 18.4 million. Shareholder subscription rights were excluded. Nabaltec AG's capital stock was raised to EUR 8.8 million through this measure. Following this capital increase, which was successfully placed in a very short amount of time, the share price increased significantly once again through October, reaching its high for the year, EUR 28.31, on 2 October 2017. In the remainder of the fourth quarter of 2017, the price of Nabaltec share remained at a high level, in a range between EUR 28.31 and EUR 24.20, and finishing the year at EUR 25.94.

With this performance, Nabaltec share significantly outperformed its relevant indices. The SDAX was up 24.9% on the year, while the specialty chemicals index gained 10.5%.

PERFORMANCE OF NABALTEC SHARE 2017 (XETRA, INDEXED)



Nabaltec AG's market capitalization was EUR 228.23 million at the end of 2017, compared to EUR 115.12 million as of 31 December 2016.

KEY DATA FOR NABALTEC SHARE (XETRA)

	2017	2016
Number of shares	8,234,521[1]	8,000,000
Market capitalization (cutoff date, in EUR million)	228.27[2]	115.12
Average price (in EUR)	20.40	14.23
High (in EUR)	28.31	15.60
Low (in EUR)	14.39	12.85
Closing price (cutoff date, in EUR)	25.94	14.39
Average daily turnover (in shares)	4,949	1,923
Earnings per share (in EUR)	1.39[1]	0.67[3]

[1] *based on the weighted average number of common shares outstanding during the period*
[2] *based on 8.8 million shares*
[3] *after non-controlling interests, based on 8.0 million shares*

TRADING VOLUME

Nabaltec share's average XETRA daily trading volume was 4,949 shares in 2017, well above last year's daily trading volume of 1,923 shares. A total of about 1.2 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.

Liquidity in the shares is reinforced by two designated sponsors

EARNINGS PER SHARE

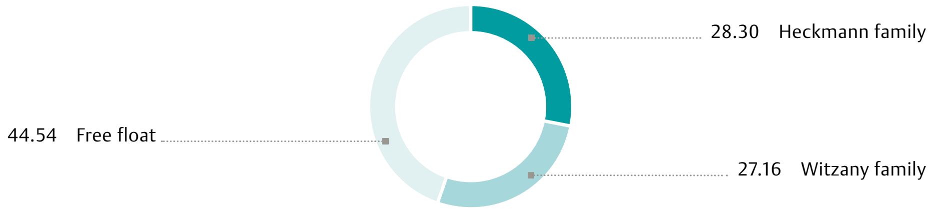
Earnings per share (EPS) came to EUR 1.39 in 2017 (based on the weighted average number of common shares outstanding during the period), compared to EUR 0.67 the year before (after non-controlling interests, based on 8.0 million shares).

Earnings per share of EUR 1.39 in 2017

SHAREHOLDER STRUCTURE

The majority of Nabaltec's 8,800,000 shares continue to be held by the Heckmann and Witzany families. As of the cutoff date, the Heckmann family held 28.30% of the company's capital stock and the Witzany family held 27.16%. The residual shares are in free float.

SHAREHOLDER STRUCTURE (IN %)



ANALYSTS' RECOMMENDATIONS

All analyses from Hauck & Aufhäuser in 2017 with a "buy" recommendation

Hauck & Aufhäuser has been following Nabaltec share with research reports consistently since 2011, and published seven studies and updates on Nabaltec share last year. Hauck & Aufhäuser issued a "buy" recommendation in each of its analyses, and set a price target of EUR 36.00 in its last study of the year 2017, on 1 December.

Baader Bank Aktiengesellschaft has been reporting on Nabaltec routinely since 2013 and published twelve studies on the share in the reporting year. In its most recent study, of 28 November 2017, Baader Bank rated Nabaltec a "hold" with a price target of EUR 25.00.

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

CAPITAL MARKET COMMUNICATIONS

Nabaltec AG's reporting has continually exceeded the specified minimum standards since its IPO

Since its IPO in the Frankfurt Stock Exchange in 2006, the company has kept its investors constantly informed, exceeding the prescribed minimum standards. Examples include quarterly reporting in accordance with IFRS in German and in English, a voluntary commitment to observe a four-month period for publication of its annual report and coverage through routine analyst reports. In addition, Nabaltec AG voluntarily complies with the specifications of the German Corporate Governance Code.

Nabaltec AG continued its intensive investor relations activities in Financial Year 2017. It took part in several investor and analyst conferences, and was represented at roadshows in Germany and elsewhere in Europe, as well as at various investor conferences, such as the DVFA Spring Conference, held in May 2017 in Frankfurt am Main, and the Baader Investment Conference in Munich in September 2017.

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.

On the company's website, www.nabaltec.de (in the Investor Relations section), investors can find all the information they need about Nabaltec share 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 (Open Market), over the counter in Berlin, Düsseldorf, Munich, Stuttgart
Sector	Industrial
Industry group	Products & Services
Index membership (31 December 2017)	Scale All Share, Scale All Share (price index), Value-Stars-Deutschland-Index, DAXsector All Industrial, DAXsubsector All Industrial Products & Services

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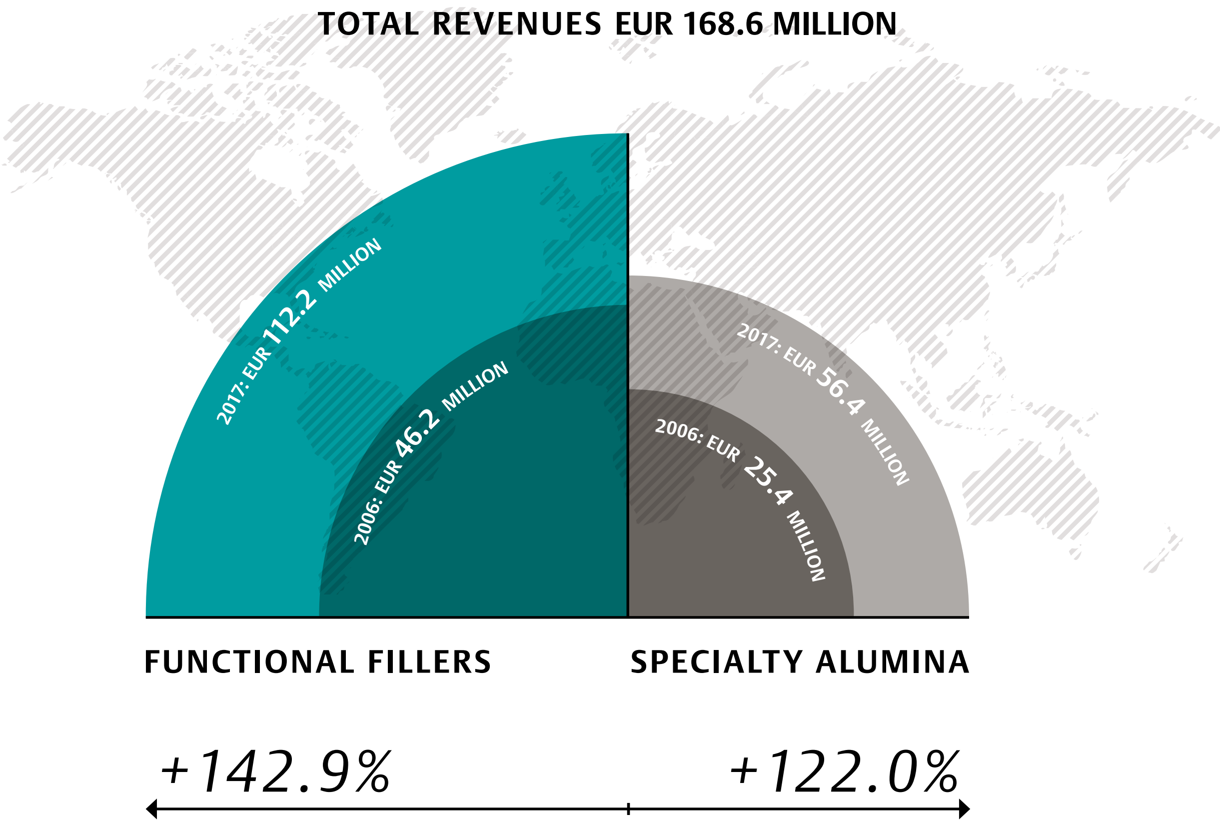
NABALTEC IN FIGURES
2006–2017

Founded in Schwandorf in 1994 as Nabaltec GmbH, Nabaltec AG has been listed on the Frankfurt Stock Exchange since 2006. The company's successful and sustained growth is demonstrated by its very strong share performance since the initial public offering, and by many other indicators as well.

GLOBAL REVENUES BY PRODUCT SEGMENTS



Nabaltec develops, manufactures and distributes highly specialized products based on aluminum hydroxide and aluminum oxide on an industrial scale through its two product segments: “Functional Fillers” and “Specialty Alumina.” Nabaltec is one of the leading suppliers in the world in both segments, supplying a wide variety of industries with highly specialized products.

SHARE PERFORMANCE

15.5 EUR — *25.9* EUR

INVESTMENTS

Investments have been made particularly in order to expand capacity for fine precipitated aluminum hydroxide, build a new production plant for ceramic bodies and additives, adapt infrastructure to the increased capacity and optimize processes and energy efficiency.

EUR *193.5* MILLION

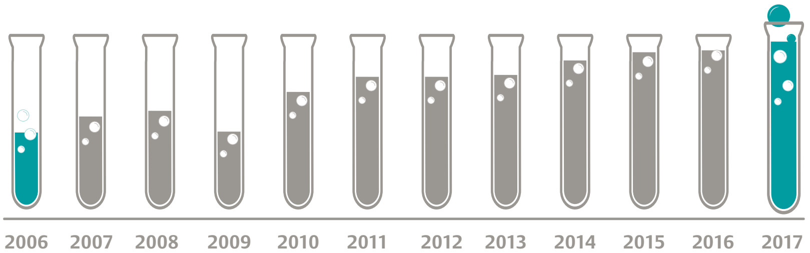
has been invested in Nabaltec's development since 2006.

***13.3* PERCENT**

is the ratio of investments to revenues from 2006 to 2017.

REVENUES

EUR *71.6* MILLION — EUR *168.6* MILLION



EBIT

EUR *4.0* MILLION

EUR *18.3* MILLION

EMPLOYEES

In order to be prepared for developments in the market in the coming years and to meet all challenges while continuing to satisfy customer requirements in optimal fashion, employees with exemplary commitment and extraordinary dedication are indispensable and represent the most valuable asset for a company like Nabaltec. For this reason, we have offered training positions in a variety of professions for many years, and we promote the professional and personal development of our employees through a sustained employee development program.

EMPLOYEE DEVELOPMENT AND TRAINING

283
2006
+64.3%
465
2017

AVERAGE TRAINEE RATIO 11.4%

Nabaltec's trainee ratio has been above average for many years, and its graduates regularly count among the year's best. More than 200 trainees have successfully completed their professional training with Nabaltec since the company was founded in 1994. This includes 36 graduates who were judged best in their class by the Chamber of Commerce and Industry, three who were judged best in the State and two who rated among the best in the nation in the job profiles chemical laboratory assistant, chemical technician and industrial and IT clerks.

TOP JOB

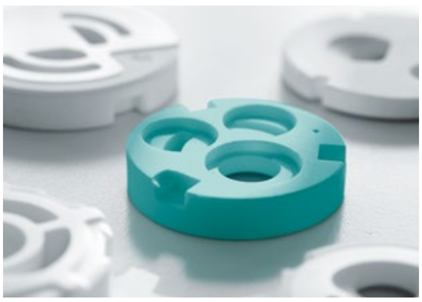
The "Top Job" quality seal is awarded to mid-sized companies for exemplary work in human resources. Nabaltec has received this distinction four times in recent years.

ATTRACTIVE EMPLOYER

In order to position itself as an attractive employer, Nabaltec places great value on individualized and sustained human resources work. This is reflected e.g. in the numerous benefits Nabaltec provides for its employees:

- OUTSTANDING TRAINING
- A WIDE RANGE OF ADVANCED EDUCATION OPPORTUNITIES
- WORK/LIFE BALANCE
- ATTRACTIVE COLLECTIVE BARGAINING BENEFITS
- STRONG SOCIAL BENEFITS
- HEALTH MANAGEMENT

CONSOLIDATED MANAGEMENT REPORT 2017



NABALTEC AG
CONSOLIDATED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2017

1. DESCRIPTION OF THE BUSINESS ENTERPRISE

1.1 THE GROUP'S BUSINESS MODEL

BUSINESS OPERATIONS

Environmentally 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 and aluminum oxide. The Company belongs to the world's leading suppliers of functional fillers and specialty alumina. The production capacity entails approximately 260,000 tons per annum (t.p.a.) with an export share of over 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. as white pigments in paint or as an all-natural barrier layer in foil;
- ceramic raw materials applied in the refractory industry, in technical ceramics and abrasives industry;
- highly specialized ceramic bodies 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. 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 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 eco-friendly flame-retardant fillers in the "Functional Fillers" product segment. 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. This permits Nabaltec to produce cost-efficiently in customer proximity and, therefore, to serve the most significant markets directly. Production at the Corpus Christi site in the US was temporarily halted at the end of August

2016 due to the fact that its raw materials supplier at the time, Sherwin Alumina, was compelled to discontinue operations because of a Chapter 11 bankruptcy procedure. Its customers have been supplied from Germany ever since. On 17 March 2017, Nabaltec AG concluded an agreement under which it acquired the remaining 49% of shares in the joint venture Nashtec. Following extensive investments in the course of retooling to a stand-alone solution, Nashtec's production is expected to resume in the second quarter of 2018.

In the "Specialty Alumina" product segment as well, Nabaltec products have excellent growth potential thanks to a wide range of applications and relevant target markets. 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.

Market for reactive aluminum oxide performing very well

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

CORPORATE STRUCTURE

Nabaltec, based in Schwandorf, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminium AG. In September 2006, the Company was transformed into a stock corporation and has been listed in the Open Market division of the Frankfurt stock exchange since November 2006 and has consistently been traded in high-quality segments of the exchange, including the Scale segment as of March 2017.

Nabaltec AG holds a 100% interest in Nashtec LLC (USA). In the past, Nashtec LLC purchased 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 procedure") with the United States Federal Bankruptcy Court in Corpus Christi, Texas, USA. Sherwin Alumina has discontinued operations because of the Chapter 11 procedure and Nabaltec AG's US subsidiary Nashtec was forced to halt production at the end of August 2016. Since then, customers which had previously been supplied by Nashtec have been receiving their products from Germany. Nabaltec AG's goal is to continue to operate Nashtec based on a stand-alone solution. However, that has no effect on the qualification of Nashtec LLC as a subsidiary of Nabaltec AG.

In 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 Asia Pacific K.K. is not included in Nabaltec AG's consolidated financial statements but is instead recognized at the cost of the shares, since it is not material for Nabaltec AG's financial, earnings and liquidity position.

Nabaltec AG did not have any other participations or subsidiaries as of 31 December 2017.

Reflecting the characteristics of the target and buyers' markets, Nabaltec AG's operations are divided as of 2017 into product segments (formerly business divisions), each in turn comprised of market segments.

Starting in 2017, Nabaltec AG organizes its operations in two product segments

PRODUCT SEGMENTS

Functional Fillers:
- Wire & Cable
- Resins & Dispersions
- Rubber & Elastomers
- Others

Specialty Alumina:
- Refractory
- Technical Ceramics
- Polishing
- Others

1.2 OBJECTIVES AND STRATEGIES

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

1. QUALITY LEADERSHIP AND A MARKET POSITION AMONG THE TOP THREE SUPPLIERS IN EACH TARGET MARKET

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

Fire safety concerns within the plastics and cable & wire industry will continue growing in the years to come, which is supported by recent market research results by among others Roskill and Freedonia. Halogenated flame retardants will increasingly 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 aluminum hydroxide. Today, Nabaltec is already one of the world's leading suppliers in this area.

Stricter quality requirements in the refractory industry have resulted in very strong growth in reactive aluminum oxides. Markets for technical ceramics and the abrasives industry also continue showing solid growth. Nabaltec responds to this growth by expanding its marketing activities.

Nabaltec has for many years been a leading independent supplier of its own ready-to-press ceramic bodies for highly specialized applications, due to amongst others the state-of-the-art production facility in Schwandorf.

2. STRATEGIC ALIGNMENT TOWARDS GROWTH MARKETS

Environmentally friendly and non-hazardous products and processing solutions are globally advancing forward. This trend is supported in part by voluntary industry initiatives, as well as by the requirements of laws and standards. 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 continually 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 results in processing advantages for the customer, such as a simpler and faster fabrication. Therefore, Nabaltec continuously invests in internal research and development departments, the analysis center, its own testing facility and a pilot plant. Nabaltec has also been collaborating with various research institutions for years, as well as taking part in research consortia.

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 reduce energy consumption, operate with virtually no waste water and minimize emissions.

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 materials for alternative energy storage and electric mobility;
- through focused development of existing products with a view towards improving performance, which is generally designed to meet specific customer requirements. The GRANALOX® product family is an example of this;
- through further development of existing products for entirely new applications, such as thermally conductive plastics.

With its own pilot plant, Nabaltec is optimally equipped to transition newly developed products from its laboratories and testing centers into sample production of up to several hundred tons. As a result, the pilot plant can serve as the basis for industrial product launches in addition to its role in process development.

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

Nabaltec has 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 are to remain profitable, since production processes in the specialty chemicals sector cannot be varied without inherent delays. Therefore, Nabaltec has established a fast-acting and highly differentiated controlling system, so that it 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 FINANCING BASE

In order to take full advantage of market potential relating to both product segments, further investments are necessary. This investment activity is at the same time a high market entry barrier for potential new suppliers. In order to ensure that the required investment capital will be available, Nabaltec relies on a financing base consisting of shareholders' equity and loans against borrower's notes.

1.3 CONTROLLING

Target agreement process defines responsibilities

Nabaltec AG has implemented a companywide incentive scheme, assigning responsibilities and defining specific objectives for even for the smallest units of the Company. Comprehensive earnings, cost and performance forecasts facilitate analysis for achievement of the company's objectives. Comparisons of estimates against results are available online, indicating a need for action at an early stage and promoting the process of agreement on targets. Comparisons of estimates against results are conducted on a monthly basis for all cost centers and cost units.

Since 1998, "Navision" ERP software has been used in all commercial departments. All cost accounting at Nabaltec, including earnings statements, have been presented based on the "macs" controlling software since 2003. Revenues, contribution margins, EBIT, ROCE, ROI, amortization terms and cash flow are the key control parameters which are used as a basis for business decisions.

1.4 BASICS OF THE REMUNERATION SYSTEM FOR CORPORATE OFFICERS

The remuneration of the Management and Supervisory Board members is explained in greater detail in the Consolidated Notes.

THE MANAGEMENT BOARD

The Management Board agreements were revised on 19 June 2016 by resolution of the Supervisory Board. The remuneration of Management Board members includes fixed and variable components; the latter are based on annual business performance on a recurring basis and are capped relative to the member's fixed annual salary. This remuneration covers all activities of the individual Management Board members for the company and its subsidiaries and holdings.

Variable remuneration system for the Management Board

The assessment basis for variable compensation is calculated as follows: The Management Board Chairman receives a profit share equal to 4%, and each other member receives 2%, of the amount by which pre-tax consolidated net income in accordance with IFRS, adjusted for non-controlling interests and subtracting losses carried forward from the year before, exceeds EUR 4.2 million. Variable compensation is capped at 100% of the fixed annual salary.

As a part of the fixed compensation component, the company provides Management Board members with ancillary benefits in addition to the fixed salary, such as use of a company car, accident insurance, health and long-term care insurance subsidies which conform to the statutory rules for employees and continued payment of wages for a limited time in case of illness and death. The Management Board Chairman also receives a pension upon retirement amounting to up to 67%, and all other Management Board members receive up to 50%, of their last fixed gross annual salary, and surviving spouses are entitled to up to 75% of the pension as a widow's pension for the Management Board Chairman, and up to 60% for all other Management Board members.

Management Board members are covered by a D&O insurance policy with an insured sum of EUR 20.0 million, with a deductible amounting to 10% of the claim, as required by law, up to one and half times the amount of their fixed annual compensation.

THE SUPERVISORY BOARD

Remuneration of Supervisory Board members was last revised by resolution of the shareholders at the general meeting of 27 June 2017. Remuneration is comprised of a fixed salary in the amount of EUR 10,000.00 a year and a fee of EUR 1,500.00 per meeting of the Supervisory Board, with the Chairman of the Supervisory Board receiving one and a half times the sums mentioned above. If the term of a Supervisory Board member begins or ends over the course of a financial year, the member is entitled to fixed remuneration for that year on a prorated basis.

In the interest of the company, the members of the Supervisory Board are covered by a D&O insurance policy, which has been taken out by the company, with an insured sum of up to EUR 20.0 million, and with no deductible for the insured Supervisory Board members. Insurance premiums are paid by the company.

1.5 RESEARCH AND DEVELOPMENT

R&D activities play a key role in the company

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. A key element of the research and development strategy is close collaboration and joint development efforts with customers. In all our product areas, the focus is on providing customers with an optimal product and helping them 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. Research and development expenses accounted for 1.7% of revenues in 2017.

Close collaboration with customers is a common thread for all functional areas and processes. Application-oriented sales allows us to identify specific customer requirements at an early stage and incorporate them immediately into development work for application engineering, process development and production. This is true both for the optimization of established products and for the development of new products.

Optimizing production processes to improve energy and resource efficiency

In order to ensure continued success in the global market, the optimization of production processes is also a high priority for R&D work. Efficient use of energy and resources are the key drivers in this regard.

In some cases, our in-house expertise which has been built up over the years is supplemented in meaningful fashion through joint projects with universities, public and private institutions and research and technology companies. Research partners currently include RWTH Aachen University (Institute for Textile Technology), the Freiberg University of Technology, the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT) in Oberhausen, the Fraunhofer Institute for Structural Durability, Plastics Division, in Darmstadt, the Fraunhofer Institute for Ceramic Technologies and Systems in Dresden, the German Institute for Refractories and Ceramics (Deutsche Institut für Feuerfest und Keramik GmbH) in Höhr-Grenzhausen as well as Forschungsgemeinschaft Feuerfest, a refractory products research association, in Höhr-Grenzhausen, and the Federal Institute for Materials Research and Testing in Berlin.

Nabaltec is currently taking part in two projects with public funding: a consortium funded by the EU Commission as part of its “Horizon 2020” framework program and another funded by the Bavarian Ministry of Economic Affairs and Media, Energy and Technology. Nabaltec’s innovative activities are also supported by its participation in numerous committees of the German Federation of Industrial Research Associations (AiF).

International awards and distinctions for innovation

An expression of Nabaltec’s strong commitment to research and development is its receipt of various national and international awards and distinctions for innovativeness. For example, Nabaltec AG has been recognized as one of the 100 most innovative mid-sized German companies ten times and has received awards for innovativeness in multiple areas.

Aside from searching for ideas for new products, processes and applications, the present focus of Nabaltec’s research and development activities is above all on improving and refining existing products and processes. The rules are defined by customer and market requirements, which are constantly changing. These requirements must be met at all times, while at the same time supplementing and extending our product range in target markets.

Our focus in this regard is on constantly improving quality and on identifying and exploiting new applications.

The following subjects were at the center of R&D activities for the “Functional Fillers” product segment in the 2017 reporting year:

Mineral-based flame retardants continue to ensure growth

Mineral-based flame retardants continue to ensure growth for Nabaltec’s innovative and eco-friendly products. The year 2017 was shaped by the final introduction of the CPR (the Construction Products Regulation) on 1 July 2017. In particular, the strong attention paid in these EU-wide rules to the issues of flue gas development, flue gas corrosiveness and reducing the spread of fire has boosted growth even more. This includes relatively new applications, such as the insulation of optical fibers, as well as the increased use of mineral-based flame retardants in existing applications. The steady exploitation of these new applications and assisting Nabaltec’s customers in adapting existing technologies to the challenges of the CPR were of central significance in the reporting year. These activities included the development of new synergists for flame retardants.

Further development and marketing of new materials for alternative energy storage and electric vehicles

Efforts to optimize and market new raw materials for alternative energy storage and electric vehicles continued steadily in 2017 in all product segments. It was in this regard as well that Nabaltec AG began to relocate its pilot plant from Kelheim to Schwandorf, as well as developing application engineering labs and testing facilities at the site. This concentration of product, process and application development activities at a single location has the potential to shorten development times so that the lessons which are learned through these activities can be more quickly applied towards large-scale production and the marketing of new products.

The “Specialty Alumina” product segment was focused on the following developments in the reporting year:

A focus of development activities in the NABALOX® product range in 2017 was on steady improvements to abrasives which are already established in the market. State-of-the-art internal application engineering processes have been developed into to accelerate customer approval processes in this regard. These analytical processes are also a key basis for extension of the product range in the direction of high-value abrasives, an effort which will be further intensified in the coming years.

Reactive aluminum oxides are used primarily in the refractory industry

Nabaltec's reactive aluminum oxides are currently used primarily in the refractory industry, where the products already today significantly contribute toward the production of higher performance monolithic and shaped products. This product range is also characterized by intensive collaboration with customers, resulting in constant efforts to develop new products and improve existing ones.

The latest generation of the patented NABACAST® product family has encountered positive customer response, with its faster setting properties and high final strength. It has already begun to receive industrial approval from key customers. Nabaltec's strong technical expertise, which has been demonstrated in particular through contributions to industry conferences, serves as the basis for close cooperation with end customers within the context of broad-based product launches.

Through collaboration with individual customers, specific developments have once again been made in connection with the GRANALOX® product family. In order to enable customers to automate their production flows, a feature which is increasingly in demand, another focus of development was on improving the processing properties of GRANALOX®. A further milestone is the development of a GRANALOX® type which enables final components with high sintered densities, hardness and break resistance. Nabaltec has worked intensively to advance both of these development priorities since they underscore Nabaltec's unique selling proposition as a highly valued system partner in engineering ceramic.

2. FINANCIAL REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

2.1.1 MACROECONOMIC SITUATION

Global economy grows by 3.7% in 2017

Global economic growth accelerated noticeably in 2017 according to data from the International Monetary Fund (IMF), as the global economy expanded at a rate of 3.7%. According to data from the Kiel Institute for the World Economy (IfW), the expansion in global production in the summer of 2017, amounting to somewhat more than 2.0%, was the highest it has been in any half-year since 2010. Economic activity is growing in nearly every major economy and global trade increased significantly last year. This is due in particular to a strong expansion in Asian trade, the primary impulse for which is provided by China.

US gross domestic product (GDP) grew by 0.8% in both the second and third quarters of 2017, due primarily to an increase in investments. On the whole, US GDP grew by 2.3% in 2017.

In the Euro zone as well, the economic upturn has continued. Driven by a powerful expansion, European GDP growth reached 2.4% in 2017, a new high, up from 1.8% in 2016. In regional terms, the economic expansion in the Euro zone was broad-based, as many different Euro zone countries reported growth in 2017.

German economy once again characterized by solid and steady growth in 2017

Above all, the German economy once again grew at a faster pace in 2017 and continues to be characterized by solid and steady growth. The inflation-adjusted gross domestic product in 2017 was up 2.2% from the year before on average, according to preliminary estimates from the Federal Statistical Office. The "World Economic Outlook," issued in January by the International Monetary Fund, estimates German GDP growth at 2.5%.

The key growth driver for the German economy continues to be domestic consumption, as well as investments in the construction sector.

2.1.2 INDUSTRY DEVELOPMENT

2017 was an outstanding year for the chemical industry. Production was up 2.5% and industry revenues were up 5.5%, to about EUR 195 billion. Due to the strength of the industrial sector in Europe, which increased over the course of the year, production increased significantly and utilization remained high. Employment in the industry in 2017 was at a high not seen in this form for 13 years, with 451,500 employees. Foreign business benefited from demand in China as well as from the economic recovery in the US.

Long-term trend of growing demand remains intact

The long-term trend of increasing demand for non-halogenated, flame-retardant fillers, and particularly aluminum hydroxide, remains intact. Independent forecasts expect worldwide demand to grow at a rate of 4.4% per year through 2023 (ATH-based; Source: Freedonia). Market growth is stimulated above all by the growing public awareness as to the need for fire safety as well as the ongoing replacement of potentially hazardous flame retardants with eco-friendly, halogen-free aluminum hydroxide. This trend has had a particularly positive effect on the fine precipitated aluminum hydroxide product range. Nabaltec's 2017 results improved upon its very strong performance in the previous year in all four quarters. The long-term prospects for boehmite, with its diverse array of applications, also remain strong in the estimation of Nabaltec AG.

In the "Specialty Alumina" product segment, the refractory market is shaped by demand in the steel industry, which on the whole was much stronger in 2017 than in the year before. Nabaltec was able to realize significant gains, especially with manufacturers of refractory products in Europe, and particularly from reactive aluminum oxides. In the technical ceramics segment, sales of ceramic bodies were up significantly from 2016. The trend towards higher-quality refractory products and more wear-resistant ceramics creates the expectation of solid market growth in the coming years; in the estimation of market experts, growth in the refractory products and technical ceramics markets will be in the order of 4% per year through 2021 (source: Roskill).

2.2 COURSE OF BUSINESS

In 2017, Nabaltec was able to continue its very strong performance in the year before

Nabaltec AG was able to continue its successful performance from prior years, with revenues in each quarter up from the year before. This growth was posted despite the fact that last year's revenues include the revenues of the US subsidiary Nashtec, which were lost for the year 2017. Consolidated revenues amounted to a total of EUR 168.6 million, up 5.9% from the year before (2016: EUR 159.2 million). Both product segments contributed to the revenue growth in 2017. Revenues in the "Functional Fillers" product segment came to EUR 112.2 million for the year, up 2.8% from the year before (EUR 109.1 million), despite the temporary loss of the revenues contributed by the US subsidiary. Revenues in the "Specialty Alumina" product segment increased at a faster pace, climbing 12.6% to EU 56.4 million (2016: EUR 50.1 million).

Operating profit (EBIT) was up 50.0%, to EUR 18.3 million (2016: EUR 12.2 million). Earnings per share came to EUR 1.39 (based on an average of 8.2 million shares), up from EUR 0.67 (based on 8.0 million shares).

The Group's forecasts, which were raised slightly in August 2017, were met or exceeded somewhat for both revenues and earnings.

2.3 OVERVIEW OF THE COURSE OF BUSINESS

2.3.1 EARNINGS POSITION

Nabaltec Group reported EUR 168.6 million in revenues in Financial Year 2017, for a strong 5.9% gain over the year before (2016: EUR 159.2 million). Key sales driver in the reporting period were the price increase in the fine hydroxide product range and a strong increase in sales volume in the "Specialty Alumina" product segment (by 10.7%). The export ratio was 73.2%, down from 73.3% in 2016.

All four quarters alike contributed to the strong revenue growth

All four quarters contributed equally to the strong revenue growth. Revenues in the first quarter of 2017 were EUR 43.6 million, even higher the very strong result posted in the same quarter of the year before. Second-quarter revenues were EUR 45.1 million, up from the year before as well as from the previous quarter. Revenues in the second half of the year were also up from 2016, with EUR 41.8 million in the third quarter and EUR 38.1 million in the fourth quarter.

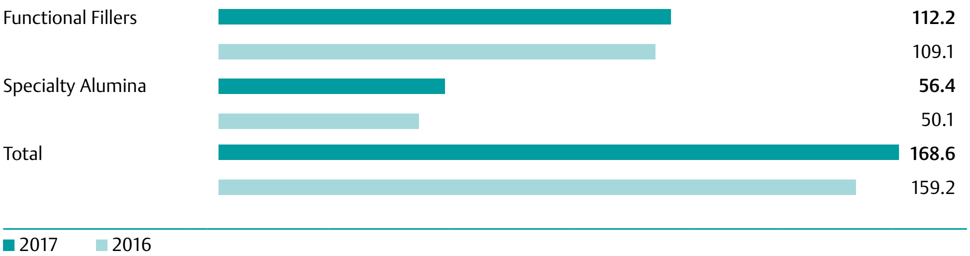
Incoming orders amounted to EUR 188.1 million over the year as a whole, up 10.3% from the year before. Nabaltec ended 2017 with orders on hand of EUR 56.6 million, compared to EUR 37.1 million in the previous year. This change can be ascribed in particular to extended delivery times for key product areas due to high demand and capacity utilization.

The “Functional Fillers” product segment posted EUR 112.2 million in revenues in Financial Year 2017, up 2.8% from the year before, when revenues were EUR 109.1 million. This growth is primarily due to an increase in prices. The effect of the temporary loss of fine hydroxide production in the US was cancelled out entirely in terms of revenues. The relatively new boehmite product range posted strong 70.4% revenue growth, although volume is still low in absolute terms.

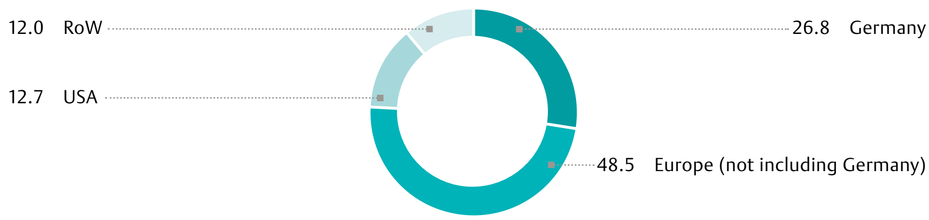
12.6% revenue growth in the “Specialty Alumina” product segment

The “Specialty Alumina” product segment posted strong performance in 2017, with high demand in all product areas, and posted revenues of EUR 56.4 million after earning EUR 50.1 million in revenues the year before, for a gain of 12.6%.

REVENUES BY PRODUCT SEGMENT (IN EUR MILLION)



REVENUES BY REGION (IN %)



Total performance up 6.6% in 2017

Nabaltec Group's total performance was up 6.6% in 2017, from EUR 159.6 million to EUR 170.1 million. This growth is primarily attributable to strong revenue growth. Inventories of finished and unfinished goods increased by EUR 1.0 million on the year.

Other operating income, amounting to EUR 4.5 million, is attributable in part to exchange rate gains and other income from services and deliveries to third parties and in part to other income in the amount of EUR 2.7 million which was earned in 2017 in connection with repayment of the loans to Nashtec LLC from its former shareholder, Sherwin Alumina LLC.

OPERATING EXPENSE RATIOS AS A PERCENTAGE OF TOTAL PERFORMANCE (IN %)

	2017	2016
Cost of materials	49.2	50.7
Personnel expenses	18.4	19.9
Other operating expenses	17.4	16.4

Gross earnings up from the year before, to EUR 10.1 million

The cost of materials ratio (cost of materials as a percentage of total performance) decreased to 49.2% (2016: 50.7%). The gross earnings ratio (gross earnings as a percentage of total performance) increased in 2017, from 50.6% to 53.4%. In absolute terms, gross earnings amounted to EUR 90.9 million, up EUR 10.1 million from last year's value of EUR 80.8 million.

The personnel expense ratio (personnel expenses as a percentage of total performance) decreased from 19.9% last year to 18.4% in 2017. The number of Group employees increased from 460 on 31 December 2016 to 476 on 31 December 2017.

Other operating expenses increased from EUR 26.2 million to EUR 29.6 million, due primarily to higher freight costs, higher sales commissions and losses due to changes in the EUR/USD exchange rate. The ratio of other operating expenses to total performance was up from 16.4% last year to 17.4%. The ratios for the key expense categories were largely even with the year before.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 31.0%, from EUR 22.9 million to EUR 30.0 million.

Adjusting for EUR 11.7 million in depreciation and amortization in 2017, Nabaltec's operating profit (EBIT) came to EUR 18.3 million, compared to EUR 12.2 million in the year before.

EBIT (IN EUR MILLION)

EBT of EUR 15.7 million in 2017

Earnings before taxes (EBT) amounted to EUR 15.7 million in the reporting year (2016: EUR 9.2 million). This includes net interest income of EUR –2.6 million in 2017, with EUR 2.7 million in interest expenses and EUR 0.1 million in interest income. In the previous year, net interest income was EUR –3.1 million.

Tax expenses came to EUR 4.3 million in 2017 (2016: EUR 3.9 million) and include EUR –0.2 million in deferred taxes (2016: EUR 0.6 million).

Consolidated earnings after adjusting for non-controlling interests came to EUR 11.5 million last year, compared to EUR 5.3 million the year before. Earnings per share increased from EUR 0.67 in 2016 (based on 8.0 million shares) to EUR 1.39 in the reporting year (based on an average of 8.2 million shares).

Segment report: developments in the product segments

FUNCTIONAL FILLERS (IN EUR MILLION)

	2017	2016
Revenues	112.2	109.1
EBITDA	21.5	17.3
EBIT	13.1	9.6
Investments	16.4	13.7

The fundamental market drivers for Nabaltec products were fully intact in 2017

Revenues in the “Functional Fillers” product segment were up 2.8% in 2017. The fundamental market drivers for Nabaltec products remained intact in 2017 and offer excellent prospects for the future. Non-halogenated flame-retardant fillers remain on the rise worldwide due to their eco-friendly nature and are increasingly displacing the halogenated alternatives which were formerly in use.

REVENUES IN THE “FUNCTIONAL FILLERS” PRODUCT SEGMENT BY QUARTER (IN EUR MILLION)

EBITDA increased by 24.3% in the reporting year, from EUR 17.3 million to EUR 21.5 million.

The “Functional Fillers” product segment was the focus of investments in 2017

The “Functional Fillers” product segment was the focus of investments within Nabaltec Group in 2017, accounting for around 78% of total investments, which were made primarily for technical and structural implementation of the stand-alone solution at Nashtec, optimizing production processes, improving infrastructure and replacement investments.

SPECIALTY ALUMINA (IN EUR MILLION)

	2017	2016
Revenues	56.4	50.1
EBITDA	8.5	5.6
EBIT	5.2	2.6
Investments	4.7	5.3

Revenues in the “Specialty Alumina” product segment increased by 12.6% in the reporting year, from EUR 50.1 million to EUR 56.4 million. This change was due above all to a significant increase in sales volume in all product areas.

REVENUES OF THE “SPECIALTY ALUMINA” PRODUCT SEGMENT BY QUARTER (IN EUR MILLION)

EBITDA in the “Specialty Alumina” product segment was up by 51.8% from the year before, from EUR 5.6 million to EUR 8.5 million.

Around 22% of total investments went into the “Specialty Alumina” product segment, primarily into expanding capacity for high value-added products and optimizing production processes.

2.3.2 LIQUIDITY POSITION

Financial management is assigned to the Management Board directly and primarily includes managing the capital structure, managing liquidity, interest rate and currency hedging and obtaining funds. The subsidiary Nashtec is integrated into the Group’s liquidity management system.

Fluctuations in exchange rates neutralized in most cases

The impact of fluctuations in the USD/EUR exchange rate has been largely neutralized by Nabaltec’s production in the US, through the subsidiary Nashtec. Nabaltec uses exchange rate hedging instruments in connection with the change in the USD/EUR structure since the 3rd quarter of 2016, as well as additional exchange rate risks, when such a course is indicated due to the volatility of the markets or the scope of the foreign exchange transactions.

Liquid funds in the amount of EUR 22.6 million were made available to the subsidiary through the reporting date (2016: EUR 9.7 million). The interest rates and contractual terms conform to the standards for mid-sized companies. Nabaltec also uses various interest rate hedging instruments with a mid- to long-term interest rate lock period (e.g. interest rate swaps) on a case-by-case basis in connection with variable-interest outside financing.

Funding to finance growth and investments will be secured by means of loans against borrower’s notes, the capital increase which has been executed and operating cash flow.

2.3.2.1 CAPITAL STRUCTURE

Nabaltec AG’s capital stock increased from EUR 8.0 million to EUR 8.8 million due to the capital increase executed in September 2017, and the capital reserve increased from EUR 29.8 million to EUR 47.0 million. Consolidated shareholders’ equity increased to EUR 84.6 million on 31 December 2017, up from EUR 57.8 million on 31 December 2016. The equity ratio improved from 28.5% on 31 December 2016 to 38.2% on 31 December 2017 in light of the capital increase and earnings growth. This represents a very strong ratio by the standards of the industry.

Equity ratio of 38.2%

Non-current liabilities decreased from EUR 111.5 million on 31 December 2016 to EUR 109.3 million on 31 December 2017. Current liabilities fell from EUR 33.4 million to EUR 27.5 million in the reporting year. This was due above all to the decrease in other accounts payable, particularly as a result of repayment of the loan from Nashtec's minority shareholder.

LIABILITIES STRUCTURE (IN %)

Other off-balance sheet financing instruments

Nabaltec has, to a minor extent, concluded lease agreements with terms of up to five years. Nabaltec also make uses of factoring on a continuous basis for trade receivables, in part as a way of minimizing default risks. Nabaltec Group does not use any other instruments which can be categorized as financial engineering.

2.3.2.2 INVESTMENTS

Nabaltec had EUR 21.1 million in investments in 2017

Nabaltec Group made EUR 21.1 million in investments last year, compared to EUR 19.0 million the year before (including investment grants offsetting part of the total). Investments were made primarily for implementation of the stand-alone solution at Nashtec, for infrastructure projects and technical equipment and machinery for capacity expansion, process optimization and replacement investments.

2.3.2.3 CASH FLOW

Nabaltec Group's operating cash flow was EUR 25.9 million, nearly as high as in the year before (EUR 26.1 million). The increase in inflows thanks to strong earnings growth and the increase in trade payables was offset by increases in inventories and an increase in trade receivables.

Spending on investments increased from EUR 17.0 million in the year before to EUR 23.9 million. This increase was attributable in part to the retooling work at Nashtec and the associated spending on investments in property, plant and equipment.

Interest paid decreased in the reporting year

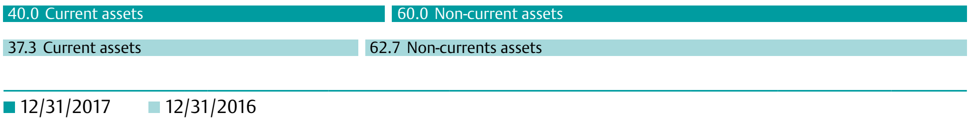
Net cash flow from financing activity was positive in 2017, EUR 8.8 million, compared to EUR –15.4 million in the year before. This figure includes cash flows in connection with the cash capital increase executed in September 2017, in which 800,000 new shares were successfully placed with institutional investors at a price of EUR 23.00 per share, with shareholder preemption rights excluded. The issue proceeds amounted to EUR 18.4 million, and the cost of the measure was EUR 0.5 million. In the comparison year, 2016, cash flow from financing activity was largely determined by amortization payments, which conformed to long-term estimates. A sum in the amount of EUR 6.0 million went towards repayment of the loan from Nashtec's minority shareholder in 2017. A dividend payout in the amount of EUR 1.2 million took place in the year just closed. Interest paid decreased from EUR 2.5 million to EUR 2.1 million in the reporting year.

Nabaltec Group's total funds, consisting of the sum of cash and cash equivalents, amounted to EUR 45.9 million on 31 December 2017, compared to EUR 36.2 million on the reporting date of the year before.

2.3.2.4 FINANCIAL POSITION

Total assets increased to EUR 221.4 million, up from EUR 202.7 million on 31 December 2016.

ASSET STRUCTURE (IN %)



As part of assets, property, plant and equipment increased to EUR 131.7 million, up from EUR 125.3 million the year before. Total non-current assets amounted to EUR 132.9 million in 2017, accounting for 60.0% of total assets as of 31 December 2017, while current assets amounted to 40.0% of total assets.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 FINANCIAL PERFORMANCE INDICATORS

The success of Nabaltec AG's operations is based on a long-term growth strategy. The Group is managed in such a way as to ensure profitable and capital-efficient growth. Therefore, significant importance is ascribed to revenue growth and EBIT margin as performance indicators. Accordingly, the focus is on continually monitoring and optimizing these two major financial performance indicators. These major financial performance indicators represent the basis for operational decisions and for forecasting as well.

In addition Nabaltec AG uses the following financial performance indicators for long-term management purposes. This internal controlling and management system enables management to pursue value-based management of the Group.

Key ratios used by Nabaltec AG:

RETURN ON SALES AND CAPITAL (IN %)

	2017	2016
Return on equity	13.5	9.2
Return on Capital Employed (ROCE)	12.3	8.5

Return on equity, consisting of the ratio of Group profit to equity, amounted to 13.5% in the reporting year, up from 9.2% in the year before. This decrease is attributable to the earnings trend.

Return on Capital Employed (ROCE) is the ratio of EBIT to capital employed (non-current assets + working capital). In the reporting period, this figure amounted to 12.3%, up from 8.5% in the prior year.

2.4.2 NON-FINANCIAL PERFORMANCE INDICATORS

Employees

Trainee ratio of 11.3% in 2017, well above the industry average

At the end of 2017, Nabaltec Group had a total of 476 employees (31 December 2016: 460). Of this number, 470 were employed in Germany (31 December 2016: 455). This figure also includes 54 trainees (31 December 2016: 53). Nabaltec sets a high value on good training. In 2017 as well, the trainee rate represented a remarkably large share of the workforce, 11.3%. This rate again exceeded the industry average significantly in 2017. Nabaltec's trainees are regularly among the best of their class. Training positions are currently available for industrial clerks, IT clerks, chemical laboratory technicians, chemists, electrical mechanics specialists and industrial mechanics specialists, as well as for chemicals production workers.

Nabaltec regularly counts among the 100 best employers for German mid-sized companies

Nabaltec AG is regularly among the 100 best employers among German mid-sized companies, according to the "TOP JOB" nationwide multi-sector survey. Distinctions like these, which Nabaltec received for the fourth time in 2015, indicate how seriously the company takes its responsibility towards its employees. A central concern for Nabaltec is to offer its employees prospects and opportunities for advancement within the company in order to promote identification with the company by these means as well and to encourage hard work and commitment. A family-friendly company which has been recognized multiple times, Nabaltec AG supports its employees in all life situations, offering individual arrangements to improve work/life balance. The company also offers numerous programs designed to maintain and improve employee health within the context of health management.

Customer Relations

Over the last few years, Nabaltec has been able to once again strengthen and develop its market standing. Important arguments in collaboration with customers include Nabaltec's proven reliability as a supplier and consistent quality. Nabaltec has demonstrated that it is a very reliable partner for long-term relationships built on trust. These attributes pose an important competitive advantage in the current market environment.

Nabaltec also distinguishes itself as a competent and capable supplier through its consistent development of consulting expertise by investing personnel and resources in R&D.

Nabaltec participates in various European associations in order to ensure full access to key markets and technologies. In addition to the two professional associations within Cefic, the European Chemical Industry Council, Pinfa, (the Phosphorus, Inorganic & Nitrogen Flame Retardants Association) and EPSA (European Producers of Specialty Alumina), Nabaltec is also involved in Forschungsgemeinschaft Kunststoffe e. V., a plastics research association, the German Ceramic Society (DKG) and Verband der Deutschen Feuerfest-Industrie e.V., the German Refractory Industry Association.

In the US, Nabaltec is involved in pinfa North America and is a member of the American Ceramic Society (ACerS). Through these activities, Nabaltec is able to identify major trends in its primary markets, “flame retardants” and “ceramics,” at a very early stage and on a global scale, allowing Nabaltec to respond early on.

Nabaltec products are deliberately developed to meet customer needs

A basic prerequisite for Nabaltec’s market success is products which are specifically developed and optimized to meet customers’ requirements, and which are supplied in the needed quantities over long periods of time in stable to consistently optimal quality. Nabaltec’s products help make our customers’ products safer, eco-friendlier, more robust and more competitive while at the same time optimizing their production processes. For this reason, joint development projects and business relationships result in long-term supply contracts and lasting relationships. Particularly for new products, Nabaltec often undergoes long and intensive approval procedures with its customers. In most cases, the successful conclusion of these procedures results in long-term supply agreements based on reliable conditions and quantities.

Management Systems

In order to promote safety-consciousness among all of our employees and to simplify implementation of statutory and trade association requirements, Nabaltec decided as far back as 2007 to introduce a health and workplace safety management system in accordance with BS OHSAS 18001 (British Standard Occupational Health and Safety Assessment Series) in addition to its existing quality and environmental management systems in accordance with ISO 9001 and ISO 14001. In 2017, surveillance audits of the existing management systems based on ISO 9001, ISO 14001 and BS OHSAS 18001 were performed in the Schwandorf location. At the Corpus Christi site, a surveillance audit of the quality management system in accordance with ISO 9001 was also successfully conducted.

Nabaltec introduced a certified energy management system in 2010

In order to be able to effectively meet the requirements of a continuously changing energy market, Nabaltec introduced a certified energy management system as early as 2010. In 2017, Nabaltec AG’s energy efficiency measures at the Schwandorf and Kelheim sites were successfully audited in the course of a surveillance audit in accordance with ISO 50001.

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. They are used in diesel particulate filters and catalyzers and play an important role in reducing particulate matter and soot. Other product families are used in plastics, where they are replacing bromine, a halogenated component in flame retardants. This makes products safer and easier to recycle, and it is no longer necessary to manufacture the environmentally critical chemical element bromine for this purpose. In this respect, it is of central importance that research and development, production as well as up- and downstream logistics to be as environmentally friendly as possible. The conservation of natural resources is a central concern for Nabaltec and a prerequisite for social acceptance of the company. Nabaltec AG actively accepts responsibility for the environment: a commitment that extends well beyond its own sites.

Conservation of natural resources is a major concern for Nabaltec

As in prior years, special emphasis was placed on optimizing energy processes in production as a means of cutting costs. In 2017 as well, many projects were executed in this area. Together with external partners, Nabaltec has developed techniques requiring much less process energy, leading to a substantial reduction in CO_2 emissions. A very substantial percentage of

Nabaltec's energy requirements are met through renewable energy in collaboration with the Schwandorf special-purpose association for waste recycling.

In general, Nabaltec endeavors to develop production processes with a closed loop for all production facilities. Regarding the handling of chemicals, such as lye, which are used for the production of fine hydroxide, Nabaltec consistently seeks to keep them from being released into the environment and instead to ensure that they are reused in a closed-loop production cycle. In addition, new technologies are used in order to substantially reduce the need for washing water due to increased production and higher quality requirements.

The logistics of waste management is currently being reorganized: collecting individual categories of waste in compactors will significantly reduce shipments. This will in turn reduce traffic volume to and from Nabaltec AG and emissions of carbon dioxide, nitrous gases and particulate matter in the immediate vicinity of the company. With regard to maintaining air purity, the focus is on future requirements.

Capital Market

Nabaltec's access to the capital market is intact

Since its initial public offering in 2006, Nabaltec has had intact access to the capital market. This is proven by the bond offering in 2010, the loans against borrower's note in 2013 and 2015 and the capital increase in 2017. This access to the capital market, maintained by transparent and reliable communications at all times, secures Nabaltec a balanced and largely independent means of financing, which is also perceived positively in the sales markets.

3. REPORT ON SUBSEQUENT EVENTS

Events of particular importance for the assessment of Nabaltec Group's financial, earnings and liquidity position which took place after the reporting date, 31 December 2017, are presented in the supplemental report in the Consolidated Notes.

4. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

4.1 OUTLOOK

OVERALL STATEMENT ON THE PROSPECTIVE DEVELOPMENT

In 2018 Nabaltec expects intact markets and stable demand

Nabaltec also foresees intact sales markets and stable demand for its products in 2018, if the market environment does not change fundamentally. The company has taken a leading international position within its markets. Based on the further development of its market position in 2017 and the reputation it has built up over many years, Nabaltec sees good future prospects for its key products.

ECONOMIC AND SECTOR CONDITIONS

IfW and IMF expect the global economy to grow by 3.9% in 2018

In its economic outlook, the Kiel Institute for the World Economy (IfW) expects global economy to continue to expand in the next two years. Based on global economic performance in 2017, IfW has raised its growth forecast slightly, to 3.9% in 2018 and 3.6% in 2019.

The International Monetary Fund (IMF) takes a similar view and expects the global economy to grow by 3.9% in both 2018 and 2019. The IMF expects gross domestic product (GDP) in the advanced economies to grow by 2.3% in 2018 an 2.2% in 2019. This forecast reflects the expectation that favorable global financial conditions and positive sentiment will help maintain the recent acceleration in demand, and particularly in investments. This effect is expected to have a noticeable impact on economies with a large export sector. It is also expected that tax reform in the US and the associated tax incentives will temporarily boost growth in the US, and a positive impact on demand in the US's preferred trading partners is also expected in this period.

Expansion in the Euro zone will be somewhat slower in the next two years according to IfW's forecasts, with growth rates of 2.3% and 2.0%. While strong inflation indicates a rise in core inflation, structural factors which inhibit inflation, such as noticeable unemployment in some countries, will presumably remain in effect.

Forecast of 2.5% growth for the German economy

IfW expects the German economy to grow at a rate of 2.5% in 2018. Financing conditions in particular, which remain strong, will continue to have a positive impact on the general economy.

GDP GROWTH FORECAST OVER PRIOR YEAR (IN %)

	2018	2019
World	3.9	3.6
USA	2.5	1.9
Euro zone	2.3	2.0
Germany	2.6	2.3
France	2.0	1.8
Italy	1.5	1.3
United Kingdom	1.4	0.9
Japan	1.5	1.3
China	6.4	6.1
India	7.3	7.0

Source: Kiel Institute for the World Economy (IfW), "Weltkonjunktur im Winter 2017," 13 December 2017

The chemicals industry association VCI (Verband der Chemischen Industrie e.V.) expects further growth in the industry in the coming year, with 3% revenue growth. This would bring the industry total over the EUR 200 billion threshold for the first time. The growth rates for foreign and domestic business are projected to be about equally high.

Outlook in key target markets largely positive

The outlook in key target markets is largely positive, in Nabaltec's view, as regulatory requirements continue to stimulate growth in eco-friendly flame retardants. The German construction sector and the automotive industry remain stable. Positive conditions in the construction sector especially generated positive growth in the electrical industry, and this trend is expected to continue in 2018. The cable industry is benefiting from special conditions such as the expansion of power grids due to the connection of decentralized installations for the generation of renewable energy, such as wind and solar power. As a result, the cable industry will have higher demand in the future for high-quality non-halogenated flame-retardant formulas. The global trend towards higher-quality refractory products will continue to accelerate at a strong rate, reinforced above all by developments in China with regard to more efficient production plants. Demand for higher-performance components in mechanical and plant engineering will significantly accelerate demand for specialty alumina, particularly for reactive alumina and ceramic bodies, the core competencies of Nabaltec AG.

OUTLOOK ON THE COURSE OF BUSINESS

Nabaltec intends to remain a moderate growth track in 2018

Nabaltec intends to remain on a moderate growth course in 2018. The year 2018 is off to a good start. Revenue growth is to be achieved through increases in both volume and prices. The US subsidiary Nashtec LLC is expected to resume production in the second quarter of 2018 after transitioning to a stand-alone solution and will likely contribute to production for the 2018 Financial Year. Nevertheless, 2018 will remain a year of transition, including a start-up phase and the restructuring of logistical and product flows in the US.

Orders on hand amounted to EUR 56.6 million as of 31 December 2017.

In 2018, fine hydroxides will continue to be the most important product range by far within the “Functional Fillers” product segment. Nabaltec also expects further growth in the “Specialty Alumina” product segment in 2018.

EXPECTED EARNINGS, NET ASSETS AND FINANCIAL POSITION

Expected revenue growth in 2018 in the mid-single digits

Assuming stable economic performance, Nabaltec expects revenue growth in the mid-single digits in 2018. The company expects an EBIT margin in the high single digits in 2018. The start-up phase for the US subsidiary Nashtec will weigh down earnings in 2018, which will be a year of transition.

Nabaltec expects investments in 2018 to be even with the year before. Investments are planned primarily in completing the alterations at Nashtec and in process optimization and infrastructure in Schwandorf.

Net financial income in 2018 is expected to remain largely stable relative to the year before.

NOTE WITH RESPECT TO UNCERTAINTIES IN THE OUTLOOK

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

RISK MANAGEMENT SYSTEM

For Nabaltec Group, the relevance of risk management is derived from its business activities and its worldwide operations, involving an international competitive and regulatory environment, as well as the general complexity of the global economy. Nabaltec Group's success depends to a considerable extent on identifying associated risks and opportunities as well as dealing with them consciously and bringing risks under control. Effective risk management is a core element for securing the company long term, for its economic success in international markets and for its successful, sustainable future development.

Effective risk management is decisive to secure the company's prospects in the long term

Nabaltec is constantly working to develop the risk management within the company. The continuous optimization of risk prevention tools in all areas enables the early identification and elimination of business risks. Integral elements include risk management as an ongoing process, risk controlling, extensive communication and documentation processes, as well as an internal monitoring system. All discernible internal and external risks are identified, documented, assessed and included in a risk matrix as efficiently as possible. This risk matrix represents the basic framework for the assessment of potential risks and for the identification of key risks.

Nabaltec is constantly improving the company's risk management system

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 managed by the controlling department. Reports on business risks as well as continuous status reports are prepared for the Management Board and discussed at the management level. 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 laws and regulations 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 participation 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.

SALES MARKET

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

PROCUREMENT MARKET

Supply of key energy sources secured through long-term contracts

Nabaltec monitors its suppliers' economic situation very closely and deliberately builds up alternatives for all products. Nabaltec AG uses mid- and long-term supply agreements for its supply of raw materials. Supply of the energy sources which are most important for the production process, such as electricity, gas and steam, is secured by long- term agreements. The certification of the energy management system in accordance with ISO 50001 supports these efforts. In addition, efforts are constantly being made to optimize production processes in order to reduce specific energy usage. An additional risk is an excessive increase in logistics costs. Nabaltec AG can counter this risk by passing on logistics costs to customers and by finding a balanced logistical mix. For example, Nabaltec AG has its own railway siding, which makes transport by rail very attractive.

The acquisition of all shares in Nashtec LLC and its resulting integration into Nabaltec AG in March 2017 will change the situation in the US in that Nashtec will no longer have to rely on a single supplier for its raw materials. Its former raw materials supplier, Sherwin Alumina LLC, filed for bankruptcy on 11 January 2016 under Chapter 11 of the United States Bankruptcy Code at the United States Federal Bankruptcy Court in Corpus Christi, Texas. Sherwin Alumina LLC discontinued operations in the third quarter of 2016, as part of the bankruptcy proceedings. As a result, Nashtec LLC was also compelled to temporarily halt operations. Since then, Nabaltec AG has been supplying its US customers from its plant in Schwandorf, Germany. Nashtec is expected to gradually take over the supply chain starting in the second quarter of 2018.

FINANCIAL MARKET

Swaps are used to hedge against changes in interest rates

When necessary, foreign exchange risks are strategically minimized using hedging instruments covering risks arising from US dollar exposure. In case of medium term financing, interest risks are hedged using swaps or loan agreements are concluded with fixed interest rates. Nabaltec AG and its US subsidiary a detailed financial and liquidity forecast which is subjected to routine comparisons of estimates against results. If additional liquidity is deemed necessary, the appropriate financing measures are initiated. The risk of changes in interest rates is countered in part through hedging. Nabaltec AG's loan agreements are partially subject to covenants which are tied e.g. to leverage coverage ratios as well as the equity ratio. If the covenants are not observed, the lender has the option to increase the interest margin or exercise its right of extraordinary termination. Covenants valid as of 31 December 2017 were not breached in the reporting year.

Factoring is used to a substantial extent for the financing of accounts receivable.

PERSONNEL

Intensive continuing education and management training programs

Particularly the fluctuation of employees in key positions gives rise to personnel risks. Nabaltec minimizes these risks through 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. The company also offers good career opportunities and advancement possibilities. Nabaltec's market position, the reputation it has earned in the industry, its high reliability and its familiar strong focus on research and development make Nabaltec an attractive employer within its market segments and region.

PRODUCTION, PROCESSES AND IT

Nabaltec has an integrated quality management system with ISO 9001 accreditation that is implemented companywide. Therefore, Nabaltec considers production-specific risks clear and manageable. For IT applications that are critical for the business, Nabaltec AG relies on standard programs and the redundantly designed high-quality hardware. Through regular verification of the access structure, data protection is guaranteed; data security is therefore based on generally established procedures. Compliance with data protection policies based on the legal requirements is ensured at all times within the company and is additionally monitored by an external data protection officer.

Product-specific risks are clear and manageable

ENVIRONMENTAL PROTECTION

Environmental risks can arise from exceeding admissible thresholds for noise and dust pollution 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 uses closed-loop production processes, e.g. for water and lye.

TECHNOLOGICAL DEVELOPMENT

Potential technological risks could result from customers replacing Nabaltec products due to a change in technology, from the failure to use new technologies and from not recognizing technological developments. As an innovation leader, Nabaltec tries to minimize these risks by engaging in continuous and intensive research and development efforts and by maintaining pronounced customer proximity. In fact, technological developments offer numerous opportunities for Nabaltec to generate a competitive edge in product quality, by occupying new markets through fast-pace product adjustments and by creating process, processing and quality advantages together with our customers so as to set the stage for economic success.

LEGAL FRAMEWORK

Changes within the legal framework could lead to risks for Nabaltec. Currently, regulatory changes are creating additional market opportunities – and this trend is not expected to reverse in the medium and long term. Eco-friendly products such as Nabaltec's are being pushed forward on a global scale in an effort to eliminate materials which are harmful to the environment from the cycle.

Statutory conditions at the moment are creating additional market opportunities

As an intensive electricity user in international competition, Nabaltec will benefit from the renewable energy surcharge in 2018 as well. On the other hand, the provisions of the "2017 Renewable Energy Act" will, as of 2019, lead to an increase in renewable energy expenses in the mid-six figures.

OVERALL ASSESSMENT

Group risks are well-managed

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

Schwandorf, 2 March 2018

Nabaltec AG
The Management Board

JOHANNES HECKMANN　　GÜNTHER SPITZER　　DR. MICHAEL KLIMES

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/ – 12/31/2017	1/1/ – 12/31/2016
Revenues	5.1	168,601	159,215
Change in inventories of finished goods and work in progress		998	–361
Own work capitalized	5.2	507	716
Total performance		**170,106**	**159,570**
Other operating income	5.3	4,537	2,171
Cost of materials	5.4	–83,738	–80,947
Gross earnings		**90,905**	**80,794**
Personnel expenses	5.5	–31,297	–31,679
Depreciation	5.7	–11,711	–10,679
Other operating expenses	5.8	–29,580	–26,206
Operating profit (EBIT)		**18,317**	**12,230**
Interest and similar income	5.10	111	263
Interest and similar expenses	5.11	–2,693	–3,331
Net income from ordinary activities (EBT)		**15,735**	**9,162**
Taxes on income	5.12	–4,285	–3,878
Net after-tax earnings		**11,450**	**5,284**
Thereof:			
Shareholders of the parent company		11,450	5,344
Non-controlling interests		0	–60
Net after-tax earnings		**11,450**	**5,284**
Earnings per share (in EUR)*	7.5	**1.39**	**0.67**

**also see 6.8*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	See Notes	1/1/ – 12/31/2017	1/1/ – 12/31/2016
Net after-tax earnings		**11,450**	**5,284**
Items which may be reclassified to profit and loss			
Currency translation (after taxes)		–3,075	428
Net income from hedge accounting (after taxes)		731	–629
Total		**–2,344**	**–201**
Items which will not be reclassified to profit and loss			
Actuarial gains and losses (after taxes)		1,379	–4,220
Total		**1,379**	**–4,220**
Other comprehensive income		**–965**	**–4,421**
Thereof:			
Shareholders of the parent company		–965	–4,445
Non-controlling interests		0	24
Total comprehensive income		**10,485**	**863**
Thereof:			
Shareholders of the parent company		10,485	899
Non-controlling interests		0	–36

CONSOLIDATED BALANCE SHEET

FOR 31 DECEMBER 2017

ASSETS

in TEUR	See Notes	12/31/2017	12/31/2016
Non-current assets		**132,892**	**127,013**
Intangible assets			
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments)	6.1	462	506
Property, plant and equipment		131,677	125,303
Land, leasehold rights and buildings, including buildings on unowned land	6.2	37,834	33,288
Technical equipment and machinery	6.2	76,125	74,429
Other fixtures, fittings and equipment	6.2	3,455	3,090
Advance payments and assets under construction	6.2	14,263	14,496
Financial assets		78	78
Shares in affiliated companies	6.3	78	78
Deferred tax assets	5.12	675	1,126
Current assets		**88,485**	**75,685**
Inventories		33,003	30,882
Raw materials and supplies	6.4	19,025	17,864
Work in process	6.4	28	32
Finished goods and merchandise	6.4	13,950	12,986
Other assets and accounts receivable		9,565	8,620
Trade receivables	6.5	4,089	3,091
Other assets	6.6	5,476	5,529
Cash and cash equivalents	6.7	45,917	36,183
TOTAL ASSETS		**221,377**	**202,698**

LIABILITIES

in TEUR	See Notes	12/31/2017	12/31/2016
Shareholders' equity		**84,563**	**57,765**
Subscribed capital	6.8	8,800	8,000
Capital reserve	6.8	47,029	29,764
Earnings reserve	6.8	9,721	9,711
Profit carry-forward		21,999	17,855
After-tax earnings		11,450	5,344
Other changes in equity with no effect on profit and loss	6.8	–14,436	–13,471
Non-controlling interests	6.8	0	562
Non-current liabilities		**109,288**	**111,520**
Pension reserves	6.9	36,804	38,076
Other provisions	6.9	1,056	1,088
Accounts payable to banks	6.10	70,381	71,345
Deferred tax liabilities	5.12	1,047	1,011
Current liabilities		**27,526**	**33,413**
Accounts payable from income taxes	6.10	1,995	1,112
Other provisions	6.9	173	162
Accounts payable to banks	6.10	1,423	1,224
Trade payables	6.10	15,639	14,526
Other accounts payable	6.10	8,296	16,389
TOTAL LIABILITIES		**221,377**	**202,698**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

CONSOLIDATED CASH FLOW STATEMENT

	in TEUR	See Notes	1/1/ – 12/31/2017	1/1/ – 12/31/2016
	Cash flow from operating activity			
	Earnings before taxes		**15,735**	**9,162**
+	Depreciation of fixed assets	5.7	11,711	10,679
–/+	Other income/expenses with no effect on cash flow		–2,656	0
–/+	Income/loss from the disposal of assets		474	14
–	Interest income	5.10	–111	–263
+	Interest expenses	5.11	2,693	3,331
	Net operating income before changes in working capital		**27,846**	**22,923**
+/–	Increase/decrease in provisions		107	3,583
–/+	Increase/decrease in trade receivables and other assets not attributable to investment of financing activity		–945	3,111
+/–	Increase/decrease in inventories		–2,121	–101
+/–	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity		4,668	313
	Cash flow from operating activity before taxes		**29,555**	**29,829**
–	Income taxes paid		–3,644	–3,698
	Net cash flow from operating activity		**25,911**	**26,131**

CONSOLIDATED CASH FLOW STATEMENT

in TEUR		See Notes	1/1/ – 12/31/2017	1/1/ – 12/31/2016
Cash flow from investment activity				
+	Payments received from the disposal of property, plant and equipment		217	14
–	Payments made for investments in property, plant and equipment	6.2	–23,501	–16,786
–	Payments made for investments in intangible assets	6.1	–111	–154
–	Payments made for the acquisition of consolidated companies		–552	0
–	Payments made for investments in financial assets		0	–78
Net cash flow from investment activity			**–23,947**	**–17,004**
Cash flow from financing activity				
–	Payments made for dividends		–1,200	–1,200
+	Payments received from capital contributions	6.10	17,928	0
–	Payments made for the amortization of loans	6.10	0	–11,754
–	Payments made for the repayment of borrowings		–5,969	0
–	Interest paid		–2,050	–2,505
+	Interest received		49	53
Net cash flow from financing activity			**8,758**	**–15,406**
Net change in cash and cash equivalents			**10,722**	**–6,279**
Change in funds due to changes in exchange rates			**–988**	**190**
Funds at start of period		6.7	36,183	42,272
Funds at end of period		6.7	**45,917**	**36,183**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to shareholders of Nabaltec AG		
in TEUR	Subscribed capital	Capital reserve	Earnings reserve
1 January 2016	8,000	29,764	9,711
Dividend payments	–	–	–
Actuarial gains and losses	–	–	–
Currency translation	–	–	–
Net income from hedge accounting	–	–	–
Other comprehensive income	–	–	–
Net income after taxes	–	–	–
Net income	–	–	–
31 December 2016	8,000	29,764	9,711
1 January 2017	8,000	29,764	9,711
Assumption of minority capital	–	–	10
Dividend payments	–	–	–
Issuance of new shares	800	17,265	–
Actuarial gains and losses	–	–	–
Currency translation	–	–	–
Net income from hedge accounting	–	–	–
Other comprehensive income	–	–	–
Net income after taxes	–	–	–
Net income	–	–	–
31 December 2017	8,800	47,029	9,721

CONSOLIDATED FINANCIAL STATEMENTS

Profit carry-forward	Other changes in equity with no effect on profit and loss	Total	Non-controlling interests	Consolidated shareholders' equity
19,055	–9,026	57,504	598	58,102
–1,200	–	–1,200	–	–1,200
–	–4,220	–4,220	–	–4,220
–	411	411	17	428
–	–636	–636	7	–629
–	–4,445	–4,445	24	–4,421
5,344	–	5,344	–60	5,284
5,344	–4,445	899	–36	863
23,199	–13,471	57,203	562	57,765
23,199	–13,471	57,203	562	57,765
–	–	10	–562	–552
–1,200	–	–1,200	–	–1,200
–	–	18,065	–	18,065
–	1,379	1,379	–	1,379
–	–3,075	–3,075	–	–3,075
–	731	731	–	731
–	–965	–965	0	–965
11,450	–	11,450	–	11,450
11,450	–965	10,485	0	10,485
33,449	–14,436	84,563	0	84,563

STATEMENT OF CONSOLIDATED FIXED ASSETS

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

	Cost of acquisition/production					
in TEUR	1/1/2017	Additions	Disposals	Reclassification	Currency differences	12/31/2017
Intangible assets	**2,926**	**146**	**48**	**0**	**0**	**3,024**
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	2,891	68	13	0	0	2,946
Advance payments	35	78	35	0	0	78
Property, plant and equipment	**221,217**	**20,936**	**1,530**	**0**	**–4,331**	**236,292**
Land, leasehold rights and buildings, including buildings on unowned land	45,593	3,089	0	3,715	–1,106	51,291
Technical equipment and machinery	150,922	5,794	792	6,826	–2,696	160,054
Other fixtures, fittings and equipment	10,206	1,140	738	192	–116	10,684
Advance payments and assets under construction	14,496	10,913	0	–10,733	–413	14,263
Financial assets	**78**	**0**	**0**	**0**	**0**	**78**
Shares in affiliated companies	78	0	0	0	0	78
Total fixed assets	**224,221**	**21,082**	**1,578**	**0**	**–4,331**	**239,394**

FOR THE FINANCIAL YEAR 1 JANUARY 2016 TO 31 DECEMBER 2016

	Cost of acquisition/production					
in TEUR	1/1/2016	Additions	Disposals	Reclassification	Currency differences	12/31/2016
Intangible assets	**2,775**	**153**	**2**	**0**	**0**	**2,926**
Concessions, proprietary rights and similar rights and assets, as well as licenses to such rights and assets	2,650	172	2	71	0	2,891
Advance payments	125	–19	0	–71	0	35
Property, plant and equipment	**202,125**	**18,731**	**678**	**0**	**1,039**	**221,217**
Land, leasehold rights and building, including buildings on unowned land	40,015	4,059	0	1,235	284	45,593
Technical equipment and machinery	143,231	2,778	406	4,636	683	150,922
Other fixtures, fittings and equipment	9,463	827	272	158	30	10,206
Advance payments and assets under construction	9,416	11,067	0	–6,029	42	14,496
Financial assets	**0**	**78**	**0**	**0**	**0**	**78**
Shares in affiliated companies	0	78	0	0	0	78
Total fixed assets	**204,900**	**18,962**	**680**	**0**	**1,039**	**224,221**

Depreciation					Book Value	
1/1/2017	Additions	Disposals	Currency differences	12/31/2017	12/31/2017	12/31/2016
2,420	**149**	**7**	**0**	**2,562**	**462**	**506**
2,420	149	7	0	2,562	384	471
0	0	0	0	0	78	35
95,914	**11,562**	**845**	**–2,016**	**104,615**	**131,677**	**125,303**
12,305	1,616	0	–464	13,457	37,834	33,288
76,493	9,206	335	–1,435	83,929	76,125	74,429
7,116	740	510	–117	7,229	3,455	3,090
0	0	0	0	0	14,263	14,496
0	**0**	**0**	**0**	**0**	**78**	**78**
0	0	0	0	0	78	78
98,334	**11,711**	**852**	**–2,016**	**107,177**	**132,217**	**125,887**

Depreciation					Book Value	
1/1/2016	Additions	Disposals	Currency differences	12/31/2016	12/31/2016	12/31/2015
2,268	**154**	**2**	**0**	**2,420**	**506**	**507**
2,268	154	2	0	2,420	471	382
0	0	0	0	0	35	125
85,524	**10,525**	**650**	**515**	**95,914**	**125,303**	**116,601**
10,699	1,487	0	119	12,305	33,288	29,316
68,245	8,283	402	367	76,493	74,429	74,986
6,580	755	248	29	7,116	3,090	2,883
0	0	0	0	0	14,496	9,416
0	**0**	**0**	**0**	**0**	**78**	**0**
0	0	0	0	0	78	0
87,792	**10,679**	**652**	**515**	**98,334**	**125,887**	**117,108**

NABALTEC AG
CONSOLIDATED NOTES

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

1. GENERAL

Nabaltec AG, with registered office in Schwandorf, Germany[1], was formed by Company Agreement of 14 December 1994 with the corporate name Nabaltec GmbH and registered office in Schwandorf (entered into the Commercial Register of the Local Court of Amberg under Commercial Register No. B 3920). It acquired the specialty alumina business of VAW aluminium AG in 1995 and was transformed into a joint-stock company in 2006.

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

The shares of Nabaltec AG have been listed in the open market division of the Frankfurt Stock Exchange since 24 November 2006. They have been listed in the new “Scale” segment since 1 March 2017.

The present consolidated financial statements were approved by the Management Board on 2 March 2018.

2. ACCOUNTING POLICIES

The recognition and measurement methods presented below are consistently applied in all of the reporting periods presented here.

2.1 PRINCIPLES OF ACCOUNTING

The consolidated financial statements for 31 December 2017 (including disclosures for the year before as of 31 December 2016) were prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU, as well as the provisions of the German Commercial Code which are to be observed additionally in accordance with § 315e (1) of the German Commercial Code. The IFRS include the International Financial Reporting Standards and International Accounting Standards (IAS) published by the International Accounting Standards Board, as well as the interpretations by 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 valid standards conforming to EU rules were applied for Financial Year 2017.

The consolidated financial statements convey a true and fair view of the financial, earnings and liquidity position of Nabaltec AG.

Nabaltec AG's financial year runs from 1 January to 31 December of each year.

The consolidated financial statements are presented in Euros (EUR). Unless otherwise indicated, all values are rounded up or down to the nearest thousand Euros (TEUR) using commercial rounding. It should be noted that differences may arise when using rounded numbers and percentages.

Disclosures distinguish between current and non-current assets and liabilities, which in some cases are detailed in the Notes according to their time to maturity.

The consolidated statement of comprehensive income is prepared in accordance with the total cost method.

2.2 ACCOUNTING STANDARDS APPLIED

All accounting standards whose application is mandatory for annual periods beginning on 1 January 2017 were applied for Financial Year 2017. This particularly includes the following standards and interpretations, which were to be applied for the first time:

- Amendments to IAS 7, "Disclosure initiative": The amendment improves reporting concerning changes in the entity's liabilities. The entity discloses changes in financial liabilities for which cash flows are classified in the statement of cash flows as cash flow from financing activities. Associated financial assets are also included in the disclosures (e.g. assets arising from hedging transactions). Disclosures are to include changes from cash flows, changes arising from the acquisition or sale of businesses, changes due to changes in exchange rates, changes in fair value and other changes. Application of the new and revised standard has no material impact on the consolidated financial statements.

- Amendments to IAS 12, "Recognition of deferred tax assets for unrealized losses": The amendments illustrate the rules for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments to the newly revised standard have no material impact on the consolidated financial statements.

- Various: Improvements to the International Financial Reporting Standards (2014-2016); IFRS 12: In IFRS 12, it was clarified that the disclosures in accordance with IFRS 12 generally apply also to investments in subsidiaries, joint ventures and associated companies which are classified as "held for sale" in terms of IFRS 5; an exception to this rule are disclosures in accordance with IFRS 12.B10-B16 (Financial information). This clarification will have no impact on the consolidated financial statements.

The following standards and interpretations, which have been published but are not yet mandatory, have not been applied early:

- Amendments to IAS 40, "Transfers of investment property": The amendment of IAS 40 serves to clarify in which cases classification of a property as an "investment property" begins or ends, if the property is still under construction or development. Because of the formerly exhaustive list of examples in IAS 40.57, the classification of uncompleted properties was previously unclear. The list is now expressly identified as non-exhaustive, so that uncompleted properties can also be included. Subject to adoption into EU law, the amendment is first applicable in annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group does not currently expect any impact on the consolidated financial statements.

- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions": The amendments relate to accounting for performance conditions in relation to the measurement of cash-settled share-based payments, the classification of share-based payment transactions with net settlement features for withholding taxes and accounting for changes in classification of share-based payment transactions from "cash-settled" to "equity-settled." Subject to adoption into EU law, the amendments are applicable to payments which are made or modified in annual periods beginning on or after 1 January 2018. Earlier application is permitted. As matters stand, first-time application will have no impact on the consolidated financial statements.

- IFRS 9, "Financial instruments": IFRS 9 ("Financial instruments") contains rules for recognition, measurement and derecognition, as well as rules for hedge accounting. The IASB published the final version of the Standard on 24 July 2014, in the course of completing the various phases of its major project on financial instruments. Accordingly, the accounting rules for financial instruments previously established by IAS 39, "Financial instruments: recognition and measurement," have now been completely replaced by the accounting rules in IFRS 9. The newly published version of IFRS 9 replaces all previous versions. The main changes in the final version of IFRS 9 can be summarized as follows:

  - The rules in IFRS 9 with regard to scope of application, recognition and derecognition are largely unchanged from the previous standard (IAS 39: "Financial instruments: recognition and measurement").
  - However, the rules in IFRS 9 do provide for a new classification model for financial assets, unlike IAS 39.
  - In the future, subsequent measurement of financial assets will be performed based on three categories, with different standards of measurement and different procedures for recognizing changes in value. The classification is made based on the contractual cash flows arising from the instrument, as well as the business model under which the instrument is held. Depending on these conditions, financial assets are measured at amortized cost using the effective interest method (AC), at fair value with changes recognized in other comprehensive income (FVTOCI), or at fair value with changes recognized through profit and loss (FVTPL). These categories are generally mandatory. However, companies do have options available in isolated cases.
  - The existing rules for financial liabilities have largely been adopted by IFRS 9. The only major change relates to financial liabilities with the fair value option, for which changes in fair value due to changes in the entity's default risk are to be recognized in other comprehensive income.

- The new impairment model in IFRS 9 includes three levels, which determine the amount of losses and interest revenue which are to be recognized in the future. Under this model, expected losses upon initial recognition are recognized in the amount of the present value of expected losses over a 12-month period (Level 1). If there is a significant increase in the credit risk, the loss allowance is to be increased up to the amount of expected losses over the entire remaining term (Level 2). If there is objective evidence of impairment, interest revenue is recognized based on the net carrying amount (the carrying amount minus the loss allowance; Level 3).
- The revised accounting rules for general hedging transactions include three types of hedge accounting, which are also available in IAS 39. However, the rules in IFRS 9 offer more options for hedge accounting and allow entities to better reflect their activities in the field of risk management in their financial statements. Major changes include the extended scope of eligible hedging instruments and hedged items and new rules for the classification of effective hedges, including elimination of the previous 80-125% corridor.
- Aside from extensive transitional rules, IFRS 9 also involves extensive disclosure rules for both transition and routine application. Changes relative to IFRS 7 ("Financial instruments: disclosures") arise above all from the impairment rules.

The new standard is applicable to annual periods beginning on or after 1 January 2018. The standard was adopted by the EU on 22 November 2016.

Nabaltec AG's financial assets consist primarily of trade receivables and other financial assets in connection with a factoring arrangement which is used by Nabaltec as a means of managing receivables. The recognized financial assets meet the criteria of the "hold" business model and are therefore to be measured at amortized cost.

Financial liabilities are comprised primarily of trade payables and a loan against borrower's note. Financial liabilities are also recognized at amortized cost. The rules of the new impairment model in IFRS 9 are not expected to have a major impact due to the fact that a substantial percentage of accounts receivable are sold to the factor (so that the accounts receivable retained by Nabaltec AG are correspondingly low), and due to the short maturities of Nabaltec's financial assets.

The derivative financial instruments in use as of the reporting date consist only of interest rate swaps entered into in connection with the loan against borrower's note. These swaps serve to hedge the interest rate risk in connection with the loan against borrower's note, which includes variable-interest tranches. It is expected that all existing hedge accounting relationships will meet the requirements for hedge accounting in accordance with IFRS 9.

The introduction of IFRS 9 will involve changes which will require additional disclosures in the Notes in the future.

- Amendments to IFRS 9, "Prepayment features with negative compensation": The amendments relate to a limited adjustment in the relevant criteria for the classification of financial assets. In certain cases, financial assets containing a prepayment feature with negative compensation may be recognized at amortized cost or at fair value through other comprehensive income rather than at fair value through profit and loss. Subject to adoption into EU law, the amendments are first to be applied on 1 January 2019. As things stand, first-time application will have no impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture": The amendments address a conflict between the rules of IAS 28 ("Investments in associates and joint ventures") and IFRS 10 ("Consolidated financial statements"). They clarify that, in the event of transactions with an associate or joint venture, the degree to which income is recognized depends on whether the assets which are sold or contributed represent a business in accordance with IFRS 3. The IASB resolved on 17 December 2015 to postpone the first-time application of this amended standard indefinitely. The amendments have yet to be adopted by the EU. As of now, the Group's transactions with associates or joint ventures do not involve a business in terms of IFRS 3, but only individual assets. As things stand, first-time application of the amendments to IFRS 10 and IAS 28 will have no impact on the consolidated financial statements.

- IFRS 15, "Revenue from contracts with customers": IFRS 15 defines rules specifying when and in what amount an entity has to recognize revenue, as well as requiring reporters to provide users of their financial statements with more informative and more relevant disclosures than was the case before. IFRS 15 is generally applicable to all contracts with customers, with the exception of the following contracts:

  - leases falling within the scope of IAS 17, "Leases";
  - financial instruments and other contractual rights or duties falling with the scope of IFRS 9 ("Financial instruments"), IFRS 10 ("Consolidated financial statements"), IFRS 11 ("Joint arrangements"), IAS 27 ("Separate financial statements") or IAS 28 ("Investments in associates and joint ventures");
  - insurance contracts falling within the scope of IFRS 4, "Insurance contracts"; and
  - non-monetary exchanges between entities in the same line of business aiming to facilitate sales to customers or potential customers.

Unlike the rules currently in effect, the new standard provides for a single principle-based five-step model which is to be applied to all contracts with customers. The first step in the five-step model is to identify the contract with the customer (Step 1). Step 2 is to identify the independent performance obligations in the contract. The next step (Step 3) is to determine the transaction price, for which the Standard defines explicit rules for the treatment of variable consideration, financing components, payments to customers and exchanges. Once the transaction price is determined, Step 4 is to allocate the transaction price to the individual performance obligations in the contract based on the stand-alone selling prices of the individual performance obligations. Finally (Step 5), revenue is recognized insofar as the performance obligation is satisfied by the entity. This is contingent upon the transfer of control over the object or service to the customer. When entering into a contract, IFRS 15 requires the entity to ascertain whether the revenues arising from the contract are to be recognized over time or at a specific point in time. To do so, it is first necessary to clarify based on certain criteria whether control over the performance obligation is transferred over time. If that is not the case, the revenue is to be recognized at the point in time at which control passes to the customer. Indications that this is the case include e.g. the transfer of legal title, transfer of significant risks and rewards associated with the asset, the existence of present right to payment, the transfer of physical possession of the asset and formal acceptance. However, if control is transferred over time, revenue may only be recognized over time insofar as progress towards satisfying the performance obligation can be reliably determined using input- or output-based methods. In addition to general principles for recognition of revenues, the standard also contains detailed implementation guidance for subjects such as sales with a right of return, customer options for additional goods or services, principal versus agent considerations and bill-and-hold arrangements. The standard also includes new guidance concerning the cost of fulfilling and obtaining a contract, as well as the question of when such costs are to be capitalized. Costs which fail to meet the specified criteria are to be recognized as expenses when they accrue. Finally, the standard contains new and more extensive rules with regard to necessary disclosures in the financial statements with regard to revenues. In particular, qualitative and quantitative disclosures are required for each of the following:

- contracts with customers;
- significant judgments and changes in judgments made in applying the revenue rules to those contracts; and
- any assets arising from capitalized costs for obtaining and fulfilling a contract with a customer.

The new standard is to be applied in annual periods beginning on or after 1 January 2018. The standard was adopted by the EU on 22 September 2016.

In a detailed analysis of the potential impact of IFRS 15 on the revenues of Nabaltec AG, the following conclusions were reached.

No significant changes were identified with respect to Steps 1 and 2 of IFRS 15. Nabaltec's main business consists of supplying customers with aluminum hydroxide- and aluminum oxide-based products. No other services are provided to customers. Contracts as defined in the standard typically come about through individual customer orders. In other words, the contracts consist exclusively of a single performance obligation, i.e. the delivery of goods, and no relevant grounds were identified for combining contracts or contractual modifications.

With regard to determination of the transaction price (Step 3), consideration for Nabaltec AG is comprised of fixed and variable components. The fixed consideration is the fixed amount specified in the individual order. Variable consideration includes discounts and bonuses, which are subtracted from revenues in the period in which they accrue. Because the terms of the contracts are short (individual orders), there are no significant financing components. Non-cash consideration is not paid.

As described above, Nabaltec AG has no contracts with multiple performance obligations. Accordingly, there is no need to allocate the transaction price based on stand-alone selling prices. As a result, Step 4 (allocation of the transaction price to the separate performance obligations) has no impact.

Given the fact that revenue is realized at a specific point in time (Step 5), the criteria in IFRS 15 for realization of revenue over time are not met in view of Nabaltec's business model. In particular, no products exist which have no alternative use for the company due to practical or contractual limitations. The point in time at which control over the delivered goods is transferred typically conforms to the time of delivery and/or the contractual date for passage of risk.

In view of the above statements, the present accounting approach can be retained. As a result, IFRS 15 will have no significant impact on the consolidated financial statements aside from increasing the scope of mandatory disclosures in the Notes and adding more aspects to the Group's reporting.

- Amendments to IFRS 15, "Clarifications to IFRS 15": The amendments include clarifications concerning various rules of IFRS 15 and simplifications with regard to transition to the new Standard. In addition to the clarifications, the amended Standard contains two additional simplifications in order to reduce complexity and diminish the cost of transitioning to the new Standard. These simplifications relate to options for the disclosure of contracts which either closed at the start of the earliest period presented in the financial statements or which were modified prior to the start of the earliest period presented. Having been implemented into EU law, the amendments are to be applied for the first time on 1 January 2018.

- IFRS 16, "Leases": IFRS 16 contains a complete model for the classification and recognition of leases for the lessor and the lessee. IFRS 16 is generally applicable to all leases. Under the Standard, a lease exists if the lessor grants the lessee the right to control an identified asset over a defined period of time in exchange for the payment of consideration by the lessee. For lessees, the former classification of leases as operating and finance leases no longer applies. Instead, lessees will be required in the future to recognize a "right-of-use" (or RoU) asset for all leases, along with a corresponding lease liability. Exceptions to this rule only apply for short-term leases and leases involving low-value assets. The RoU asset is initially recognized in the amount of the lease liability plus any initial direct costs incurred by the lessee. In subsequent periods, the RoU asset is measured at amortized cost. The lease liability is measured as the present value of lease payments made over the term of the lease. Subsequently, the carrying amount of the lease liability is compounded using the discount rate and lease payments made by the lessee are subtracted. Changes in lease payments result in remeasurement of the lease liability.

For the lessors, the familiar rules in accordance with IAS 17, "Leases," generally remain in effect, with leases classified as finance or operating leases. The criteria for the classification of finance leases were adopted unchanged from IAS 17.

The new Standard applies to annual periods beginning on or after 1 January 2019. Earlier application of the new Standard is possible insofar as IFRS 15 ("Revenue from contracts with customers") is also applied. The Standard has been adopted into EU law by the EU. IFRS 16 went through the endorsement procedure in November 2017.

The Group has begun to assess the potential impact of the application of IFRS 16 on its consolidated financial statements. Given the amount of future minimum lease payments based on operating leases existing as of 31 December 2017, the Group does not currently expect application of the new Standard to have a significant impact. A decision as to which transition method to apply has yet to be made.

- IFRIC 22, "Foreign currency transactions and advance consideration": IFRIC 22 addresses a question concerning the application of IAS 21, "The effects of changes in foreign exchange rates." It clarifies the point in time for which the exchange rate is to be determined for the translation of foreign-currency transactions that include the receipt or payment of advance consideration. It states that the exchange rate for the underlying asset, income or expense depends on the date on which the asset or liability resulting from the advance payment is first recognized. The Interpretation is to be applied for the first time in the first reporting period beginning on or after 1 January 2018. Earlier application is permissible. The EU has yet to endorse this Interpretation. The Group currently does not expect this Interpretation to have a material impact on the consolidated financial statements.

- IFRIC 23 “Uncertainty over income tax treatments”: The tax treatment of certain matters and transactions may depend on future recognition by tax courts and authorities. IAS 12 (“income taxes”) defines rules for the recognition of actual and deferred taxes. IFRIC 23 supplements the rules in IAS 12 with regard to taking into account uncertainties concerning the income tax treatment of matters and transactions. Subject to adoption in EU law, the Interpretation is first to be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group does not currently expect this Interpretation to have a material impact on the consolidated financial statements.

- Various: Improvements to the International Financial Reporting Standards (2014-2016): IFRS 1 and IAS 28: In IAS 28, it was clarified that the option for measurement of an investment in an associated company or joint venture held by a venture capital firm or another qualifying entity may be exercised differently depending on the investment. In addition, the short-term exceptions for first-time IFRS users in Appendix E of IFRS 1 (IFRS 1.E3-E7) were stricken. The amendments to IFRS 1 and IAS 28 are first to be applied in the first reporting period of financial years beginning or after 1 January 2018. The company does not expect these amendments to have a material impact on the consolidated financial statements.

- Various: Improvements to the International Financial Reporting Standards (2015-2017): Four IFRSs were amended in the course of the Annual Improvements to IFRSs (2015-2017). In IFRS 3, it is clarified that when an entity obtains control of a business in which it was formerly involved within the context of a joint operation, the principles for combinations achieved in stages are to be applied and previously held interests are to be remeasured. In IFRS 11, it is stated that when a party obtains joint control over a business in which it was previously involved within the context of a joint operation, previously held interests are not remeasured. IAS 12 has been amended so that all income tax consequences of dividends are to be recognized in the same way as the income on which the dividends are based. Finally, it is stated in IAS 23 that, if a company borrows funds for the procurement of qualifying assets generally, costs of specific borrowings in connection with procurement of the qualifying assets are not taken into account when determining the capitalization rate until those assets are completed. Subject to incorporation into EU law, the amendments are first to be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The company does not expect these amendments to have a material impact on the consolidated financial statements.

- Amendments to IAS 19: The amendments to IAS 19 state that, if a defined-benefit pension plan is amended, curtailed or settled in the future, the current service cost and the interest for the remainder of the year must be remeasured using the actuarial assumptions which were used for remeasurement of the net liability. The IASB has further clarified the impact of a plan amendment, curtailment or settlement on the asset ceiling. Subject to incorporation in EU law, the amendments are first to be applied in annual reporting periods beginning on or after 1 January 2019.

The following standards and amendments were/are not applied due to lack of relevance for Nabaltec AG:

- IFRS 2 "Share-based payment"
- IFRS 4 "Insurance contracts"
- IFRS 6 "Exploration for and evaluation of mineral resources"
- IFRS 11 "Joint arrangements"
- IFRS 17 "Insurance contracts"
- IAS 11 "Construction contracts"
- IAS 26 "Accounting and reporting by retirement benefit plans"
- IAS 28 "Investments in associates and joint ventures"
- IAS 29 "Financial reporting in hyperinflationary economies"
- IAS 41 "Agriculture"

2.3 SUBSIDIARIES AND CONSOLIDATED COMPANIES

The consolidated financial statements include the financial statements of the parent company and the company it controls, including structured entities (its subsidiaries), insofar as they are material for presentation of the financial, earnings and liquidity position. The company obtains control when it

- can exercise power over the investee;
- is exposed to variable returns from its investment; and
- has the ability to affect those returns through its power over the investee.

The composition of the Group is evident from the table below:

NUMBER OF COMPANIES

	2017	2016
Nabaltec AG and fully consolidated subsidiaries		
Domestic	1	1
Foreign	1	1
Unconsolidated subsidiaries		
Foreign	1	1

The following subsidiaries were included in the consolidated financial statements of Nabaltec AG:

SUBSIDIARIES

			Share of capital and voting rights	
Name of subsidiary	Main business	Registered office	12/31/2017 in %	12/31/2016 in %
Nashtec LLC	Production of aluminum hydroxides	Corpus Christi, USA	100.00	51.00

The Management Board of Nabaltec AG has checked whether Nabaltec AG has actual control over Nashtec LLC. This assessment took into account e.g. the majority interest and the other contractual arrangements between Allied Alumina LLC and the other companies involved in the bankruptcy of Sherwin Alumina LLC, which was initiated in January 2016. On 17 February 2017, a federal bankruptcy court approved the liquidation plan for Sherwin Alumina LLC in accordance with Chapter 11 of the US Bankruptcy Code, so that the complex procedure involving assumption of the business activities of Nashtec LLC could be set in motion.

The following agreements were concluded on 17 March 2017 and took effect immediately:

- acquisition of the remaining 49% of shares in Nashtec LLC held by Allied Alumina LLC, the parent company of Sherwin Alumina Company LLC;
- assumption by Nabaltec AG of the loan provided by Sherwin Alumina LLC to Nashtec LLC at a value below par. Other income in the amount of TEUR 2,656 was recognized in Financial Year 2017 in connection with this transaction;
- acquisition of Sherwin Alumina LLC's existing stocks of aluminum hydroxide by Nashtec LLC; and
- acquisition by Nashtec LLC of a site in Corpus Christi, Texas, including production buildings and operating equipment, for realization of the stand-alone solution.

The transaction was set in motion by the parties effective 1 January 2017 in order to clearly delineate economic responsibility between the contracting parties. For this reason, the additional shares acquired based on the contractual arrangements were included in the consolidated financial statements effective 1 January 2017. A difference in the amount of TEUR 10 resulted from the acquisition of the minority shares and the corresponding derecognition of the shares of non-controlling shareholders, and this difference was recognized in earnings reserves.

Nashtec LLC halted production in August 2016, and the necessary retooling work is currently ongoing. Nashtec is expected to resume production in the second quarter of 2018. Until then, customers will continue to be supplied from Germany.

The following subsidiary was not included in the consolidated financial statements of Nabaltec AG but was instead recognized at cost since it is not material for presentation of the financial, liquidity and earnings position.

SUBSIDIARIES

			Share of capital and voting rights	
Name of subsidiary	Main business	Registered office	12/31/2017 in %	12/31/2016 in %
Nabaltec Asia Pacific K.K.	Marketing and sales	Tokyo, Japan	100.00	100.00

All individual financial statements of the consolidated companies, which are prepared in accordance with national law, were reconciled to IFRS and adapted to the Group's accounting policies.

The reporting dates of all companies included in the consolidated financial statements are 31 December.

2.4 CONSOLIDATION METHODS

Capital consolidation for the subsidiary was performed by netting out the book value of the investment with the subsidiary's remeasured capital at the time of the acquisition (remeasurement method). The cost of acquisition is equal to the fair value of the assets paid, the equity instruments issued and the liabilities incurred and assumed on the transaction date (the date of exchange), plus the costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities in connection with a business combination are measured upon initial consolidation at their fair value as of the acquisition date, regardless of the amount of non-controlling interests. The amount by which the cost of acquisition exceeds the Group's share in the net assets of the subsidiary, measured at fair value, is recognized as goodwill. If the cost of acquisition is lower than the net assets of the acquired subsidiary, measured at fair value, the difference is recognized immediately in the consolidated statement of comprehensive income, following additional review.

The impact of all material intra-Group transactions is eliminated by netting out income and expenses and accounts receivable and payable between Group companies. Interim results from intra-Group sales of assets which have yet to be resold to third parties are eliminated. The tax deferrals required in accordance with IAS 12 are performed on temporary differences arising from consolidation measures.

The results of subsidiaries which are acquired or sold over the course of the year are included in the consolidated statement of comprehensive income from the time the Group begins to exercise control until the time that such control ceases.

The share of consolidated shareholders' equity and consolidated net income which is attributable to non-controlling interests is disclosed separately from the shares attributable to the parent company. Insofar as the capital accounts of non-controlling interests show a negative balance, they are recognized as a negative item in shareholders' equity and consolidated profit and loss. As described in the prior section, no shares are held by non-controlling shareholders in the consolidated financial statements for 31 December 2017 following acquisition of the remaining shares in Nashtec LLC.

2.5 CURRENCY TRANSLATION

The consolidated financial statements are prepared in Euros, the Group's functional and reporting currency.

Foreign-currency monetary items (liquid funds, accounts receivable, accounts payable) in the individual financial statements of consolidated companies which are prepared in the local currency are measured at the closing rate. Exchange differences are recognized in profit and loss. Non-monetary items denominated in foreign currency are recognized at the historical rates.

The translation of the financial statements of the consolidated company, which are prepared in a foreign currency, is performed based on the functional currency concept in accordance with IAS 21, "The effects of changes in foreign exchange rates," using the modified closing rate method. Since the subsidiary essentially operates independently in financial, economic and organizational terms, the functional currency is identical to the company's national currency.

Accordingly, assets and liabilities are translated at the closing rate, shareholders' equity at the historical rate and income and expenses at the average rate for the year. Differences arising from currency translation are not recognized in profit and loss and are instead recognized separately in shareholders' equity under "other changes in shareholders' equity with no effect on profit and loss."

Currency differences relative to currency translation in the year before are recognized in shareholders' equity under "other changes in equity with no effect on profit and loss."

Initial historical costs and depreciation of fixed assets are translated at the exchange rate in effect on the last reporting date, while depreciation and all other transactions during the year are translated at the average exchange rate for the year. The translation of the foreign subsidiary's fixed assets results in translation differences which are presented in separate columns in the statement of fixed assets.

3. USE OF ASSUMPTIONS AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to make certain assumptions which affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities as of the reporting date and the recognition of income and expenses.

These assumptions and estimates relate primarily to the following:

- Determining the useful lives of property, plant and equipment and intangible assets: the useful lives of fixed assets are based on management's estimates. The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each year. However, there were no changes to estimated useful lives during the current year.

- The option in accordance with IFRS 1.16, in conjunction with IFRS 1.18, for measurement of land and buildings at fair value in the IFRS opening balance sheet was exercised. The remeasurement of land and buildings on 1 January 2007 was performed with due regard for outside expert opinions.

- Pensions and other post-employment employee benefits: pension plans are measured based on actuarial calculations. Actuarial measurement is performed based on assumptions with regard to discount rates, expected income from plan assets, future increases in wages and salaries, mortality and future pension increases. Such estimates are subject to considerable uncertainty in view of the long-term nature of these plans. Provisions for pensions and similar obligations amounted to TEUR 36,804 on 31 December 2017 (year before: TEUR 38,076). Further details are presented in Section 6.9, "Other current and non-current provisions."

- Measurement of other provisions: provisions are measured using management's best estimate of the amount necessary to settle the current obligation as of the reporting date. As of 31 December 2017, the book value of recognized other provisions was TEUR 173 (year before: TEUR 162). We refer to the explanations in Section 6.9, "Other current and non-current provisions," for further statements and information.

- Recognition of deferred tax assets: in assessing the realizability of deferred taxes, the Management Board ascertains the likelihood that all deferred tax assets will be realized. The ability to realize deferred tax assets is ultimately contingent upon whether sufficient taxable income is earned in the periods in which temporary differences are deductible. If that is not the case, the deferred tax assets are not used and are therefore not recognized. Deferred tax assets as of 31 December 2017 (prior to netting out with deferred tax liabilities) amounted to TEUR 7,808 (year before: TEUR 9,437).

- Impairment of non-financial assets: impairment tests of other intangible assets and property, plant and equipment are generally based on the estimated future discounted net cash flows which are to be expected from continued use of the asset and from disposal of the asset at the end of its useful life. Factors such as diminished revenues, resulting in lower net cash flows, as well as changes in discounting factors, may result in impairment or a write-up, if permissible.

Actual results in future periods may deviate from estimates. If better information becomes available, changes are made with effect on profit and loss.

4. MAJOR ACCOUNTING POLICIES

4.1 REVENUE REALIZATION

Revenues from the sale of goods are recognized in accordance with the criteria established in IAS 18 in cases where risks and opportunities have been transferred entirely to the buyer, a price has been agreed upon or can be determined, and it can be expected that the price will be paid.

Revenues are diminished by cost of sales and discounts.

4.2 REALIZATION OF EXPENSES

Expenses are recognized on an accrual basis. Operating expenses are recognized in profit and loss at the time of their accrual, or at the time the service is utilized.

4.3 RESEARCH AND DEVELOPMENT COSTS

Nabaltec AG invests part of its financial resources in research and development performances. In addition to internal development activities relating to the individual optimization of purchased software, this particularly includes research and development activities for the improvement of existing products and processes and the development of new products and processes.

Research costs are recognized as expenses in the period in which they accrued. The Group only recognizes development costs in connection with individual projects as intangible assets if it can demonstrate the technical feasibility that the asset will be completed so that it will be available for internal use or sale, as well as its intention to complete the asset and use or sell it. The Group must also show that the asset will generate a future economic benefit, the availability of resources to complete the asset and the ability to reliably determine the expenses attributable to the asset during its development.

Following the first-time recognition of development costs, the cost model is applied, i.e. the asset is recognized at cost less accrued depreciation and impairment costs. Costs include directly attributable personnel expenses and other direct costs, as well as a reasonable share of overhead costs. The capitalized amounts are depreciated over the useful life of the asset once it is commissioned.

Capitalized development costs are tested for impairment once a year if the asset has yet to be used or if there are indications of impairment over the course of the year.

Nabaltec AG generally capitalizes all material development costs which accrue in the development phase of internally developed software. These costs are depreciated over the expected useful life of the software beginning with initial use.

Since the Group's development projects are often subject to official approval procedures and other unpredictable events, the requirements for the capitalization of costs accruing prior to approval are generally not met, or the amount of such costs in the brief period between the research/approval and market launch is immaterial.

No development costs were capitalized as of 31 December 2017 (year before: TEUR 0).

4.4 INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost less straight-line depreciation. Depreciation of intangible assets is generally performed in straight-line fashion over the useful life of the asset.

The depreciation term is as follows:

- IT software 4 – 5 years

The residual values of assets, useful lives and depreciation methods are examined at the end of each year and adapted if necessary.

Intangible assets with an indefinite useful life do not exist.

Reference is made to Section 4.3, "Research and development costs," for the capitalization of development costs as self-created intangible assets.

4.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less depreciation, in accordance with the expected useful life of the asset. The cost includes a reasonable share of attributable overhead costs in addition to direct costs.

Depreciation on property, plant and equipment is performed using the straight-line method.

The depreciation terms are as follows:

- Production and office buildings 20 – 50 years
- Technical equipment and machinery 5 – 22 years
- Fixtures, fittings and equipment 3 – 20 years

The residual values of assets, useful lives and depreciation methods are examined at the end of each year and adapted if necessary.

4.6 BORROWING COSTS

Borrowing costs directly associated with the acquisition, construction or production of qualified assets (i.e. assets which take a substantial period of time to get ready for use or sale) are included in the cost of the asset until such time as the asset is ready for its intended use or sale. See Section 6.2, "Property, plant and equipment."

Income earned from the temporary investment of specifically borrowed funds is subtracted from capitalizable borrowing costs until those funds are spent on qualified assets.

All other borrowing costs are recognized with effect on profit and loss in the period in which they accrue.

4.7 GOVERNMENT GRANTS

Government grants are deducted from the cost of the relevant asset (IAS 20.24). They are reversed over the useful life of the asset in the form of reduced depreciation. See Section 6.10, "Current and non-current accounts payable."

4.8 LEASES WITH THE GROUP AS LESSEE

The determination as to whether an agreement is or contains a lease is made based on the economic content of the agreement and requires an assessment as to whether performance of the contractual agreement is contingent upon the use of a specific asset or assets and whether the agreement grants a right to use the asset.

Finance leases in which all risks and opportunities associated with ownership of the transferred essentially pass to the Group at the start of the lease are recognized at the fair value of the leased object or the present value of minimum lease payments, whichever is lower. Lease payments are broken down into two components, the finance charge and amortization of the outstanding liability, so that the residual book value of the lease liability accrues interest at a constant rate. The finance charge is immediately recognized as an expense. If it is not adequately certain that ownership will pass to the Group once the term of the lease expires, capitalized lease objects are fully depreciated over the term of the lease or their useful life, whichever is shorter. No finance lease liabilities existed as of 31 December 2017 and 31 December 2016.

Leases in which beneficial ownership cannot be attributed to the Group are classified as operating leases. Operating lease expenses are recognized in the consolidated income statement in straight-line fashion over the term of the lease. Future expenses of this nature are reported in Section 7.1, under "other financial obligations."

In sale-and-leaseback transactions which establish an operating lease, the realization of income from the sale depends on the relationship of the sale price to fair value. If the sale price is equal to the fair value of the asset, the income is recognized immediately. In case of sale-and-leaseback transactions which result in a finance lease, the entire income is generally deferred and amortized over the term of the lease.

4.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The capitalized book value of intangible assets with a limited useful life and property, plant and equipment is checked for impairment based on the expected future cash flows arising from use of the asset (discounted at a rate commensurate with the risk) and based on the net sale price of the asset (impairment test) if certain events or market developments indicate an adjustment of the estimated useful life of the asset, or that the value of the asset has decreased. In addition, intangible assets which are not yet ready for use are tested for impairment annually. If the net book value of the asset is higher than the recoverable amount (the higher of the asset's value in use and net realizable value), a write-down is performed. The determination of expected future cash flows takes into account current and expected future income as well as technological, economic and general developments and developments in the specific field of business. If the reason for an earlier write-down no longer applies, a write-up to the amortized cost of the asset is performed, to the extent permissible.

4.10 FINANCIAL ASSETS

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

Upon initial recognition, financial assets are measured at fair value. For financial assets which are not measured at fair value through profit and loss, the measurement includes transaction costs which are directly attributable to acquisition of the asset.

The Group classifies its financial assets upon initial recognition and reviews this classification at the end of each year, to the extent reasonable and permissible. As of the reporting date, the Group has not classified any financial assets as "held-to-maturity investments" or "available-for-sale financial assets."

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Group entered into an obligation to buy or sell the asset or liability. Regular way purchases and sales are purchases or sales of financial assets which call for the assets to be delivered within a period defined by market rules or conventions.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss includes financial assets which are held for trading and financial assets that are designated on initial recognition as financial assets measured at fair value through profit and loss. No such designation was made by the Group in the reporting period.

Financial assets are classified as "held for trading" if they were acquired for the purpose of selling them in the near future. Derivatives are also classified as "held for trading," with the exception of derivatives which are financial guarantee contracts or which are designated and effective hedging instruments. Income and losses from financial assets which are held for trading are recognized through profit and loss.

At the time when the Group first becomes a counterparty to a contract, it ascertains whether embedded derivatives are to be recognized separately from the host contract. A reassessment is only performed if the terms of the contract are substantially modified, resulting in a significant change to the cash flows which would otherwise have been generated by 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. They particularly consist of trade receivables, other assets and cash and cash equivalents.

Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Income and losses are recognized in profit and loss, upon derecognition of the loans and receivables, upon impairment and in the course of amortization.

Derecognition of financial assets

A financial asset is derecognized when the company loses its ability to dispose over contractual rights to the cash flows comprising the financial asset.

If the Group transfers its contractual rights to the cash flows generated by an asset but neither transfers nor retains substantially all of the risks and rewards associated with ownership of the asset, so that the Group retains its ability to dispose over the transferred asset, the Group continues to recognize the transferred asset to the extent that it has a continuing involvement in the asset.

4.11 IMPAIRMENT OF FINANCIAL ASSETS

On each reporting date, a test is performed to determine whether financial assets or groups of financial assets are impaired. An impairment loss is recognized immediately in profit and loss.

Trade receivables are recognized at amortized cost less reasonable allowances. Allowances on accounts receivable are performed based on the probability of default.

Other financial assets and accounts receivable are recognized at amortized cost. Allowances are performed on a case-by-case basis if doubts exist as to the recoverability of other assets.

4.12 INVENTORIES

Inventories are measured at cost or at net realizable value, whichever is lower.

Raw materials and supplies are recognized upon addition at cost plus ancillary costs less price reductions. Costs are determined by applying the weighted average method.

Finished goods and work in process are capitalized at their production cost. Production costs include directly attributable production costs as well as a share of attributable fixed and variable overhead production costs. The share of overhead costs is determined based on normal employment. Cost of sales, cost of general administration and borrowing costs are not capitalized.

Finished goods are combined into measurement units as part of a group valuation.

On the reporting date, inventories are written down to account for risks arising from extended storage or diminished realizability, taking into account their net realizable value.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet include cash on hand, bank balances and short-term deposits within original terms to maturity of less than three months. The same definition is used for the purposes of consolidated cash flow statement. Measurement is performed at amortized cost.

4.14 TAXES

Actual taxes on income

Actual tax liabilities and refund claims for the current and all earlier periods are recognized in the amount of the expected payment to or refund from the tax authority. This amount is calculated based on the tax rates and laws in effect as of the reporting date.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between tax and IFRS measurement and for consolidation measures with effect on profit and loss using the balance sheet method in accordance with IAS 12, “Income taxes.” Pursuant to IAS 12.34, deferred tax assets for loss carry-forwards or temporary differences may only be recognized to the degree that it is likely that future taxable income will be earned so as to enable deduction of these loss carry-forwards.

Deferred taxes are calculated based on the tax rates in effect at the time of realization, based on the current legal situation. Changes in tax rates are taken into account insofar as they can be expected with adequate certainty.

Deferred tax assets and liabilities were netted out where possible.

4.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING INSTRUMENTS

The Group uses derivative financial instruments to hedge against interest rate and currency risks arising from operations. Financial instruments are measured at fair value as of the reporting date. Changes in value are recognized at profit and loss unless the requirements for hedge accounting are met. Changes in the market value of derivative financial instruments subject to hedge accounting are recognized either in profit and loss (fair value hedge) or as a component of shareholders’ equity (cash flow hedge). Hedge accounting was applied in the financial year for cash flow hedges relating to interest rate and currency risks.

Derivative financial instruments which are not designated as hedging instruments are classified as financial assets held for trading if their fair value is positive and as liabilities if their fair value is negative. Derivative financial instruments are measured at fair value. Changes in the fair value of these derivative financial instruments are recognized in profit and loss.

4.16 SHAREHOLDERS’ EQUITY

Shareholder contributions and payments into the capital reserve are recognized, less transaction costs directly associated with the acquisition of shareholders’ equity, and with due regard for a possible tax effect.

4.17 OTHER PROVISIONS

Pursuant to IAS 37, “Provisions, contingent liabilities and contingent assets,” provisions are recognized insofar as a present obligation towards third parties arises from a past event which is likely to result in a future payment and which can be reliably estimated. This means that the probability of occurrence must be higher than 50%. Provisions are recognized for identifiable risks and contingent liabilities in their probable amount and recourse claims are not taken into account. Non-current other provisions are discounted. The settlement amount includes cost increases as of the reporting date.

Provisions were made for existing service anniversary bonus obligations established by works agreements using the same calculation assumptions as for pension reserves and pension-like liabilities. Service anniversary bonus obligations are calculated using the projected unit credit method.

4.18 PENSION RESERVES

Pension reserves are calculated using the projected unit credit method in accordance with IAS 19. This method takes into account known pensions and vested rights as of the reporting date as well as expected future increases in pensions and salaries, based on a careful assessment of the relevant factors. The calculation is based on an actuarial opinion with biometric assumptions.

The (net) interest component is determined at the start of the period by multiplying (net) pension obligations, i.e. pension liabilities less plan assets, by the discount rate for measurement of the pension obligation. As a result, the interest expense resulting from the compounding of the obligation is netted out with the expected income from plan assets, with the result to be recognized as profit and. Expected income from plan assets is assumed to be in the amount of the discount rate.

Deviations between the actual return on plan assets and/or the actual discount rate as of the reporting date and the expected discount rate (= the expected return on plan assets) are recognized as other comprehensive income, like other actuarial gains and losses, as a remeasurement component.

The discount rate for (net) pension obligations is determined based on the yields of high-quality fixed-interest corporate bonds.

The service time component (service cost), which is to be recognized as profit and loss, includes both current service cost and past service costs arising from changes in the plan.

4.19 FINANCIAL LIABILITIES

Financial liabilities in terms of IAS 39 are classified as “financial liabilities at fair value through profit and loss” or “other liabilities.”

The Group classifies its financial liabilities upon initial recognition and reviews that classification at the end of each year, to the extent reasonable and permissible.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are measured at fair value upon initial recognition. Income and losses due to changes in fair value are immediately recognized as profit and loss. This category includes derivative financial instruments with negative market values (held for trading). Income and losses from financial liabilities measured at fair value are recognized as profit and loss.

Interest-bearing loans and bonds

Loans and bonds are measured at fair value upon initial recognition less directly associated transaction costs. They are not designated as financial liabilities at fair value through profit and loss.

Following initial recognition, interest-bearing loans and bonds are measured at amortized cost using the effective interest method. Differences between the historical cost and the repayment amount are recognized as profit and loss in accordance with the effective interest method.

Financial liabilities, all of which are classified as other liabilities, are measured upon initial recognition at the fair value of the consideration received less associated transaction costs. Following initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized once the obligation which forms the basis for the liability has been settled or terminated or has expired.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUES

For the breakdown of revenues into product segments, reference is made to the segment reporting and the associated notes in Section 7.7, “Segment reporting.”

5.2 OWN WORK CAPITALIZED

Own work in the amount of TEUR 507 (year before: TEUR 716) was capitalized in Financial Year 2017 for various technical equipment and machinery, including capitalized interest in the amount of TEUR 74 (year before: TEUR 273).

5.3 OTHER OPERATING INCOME

Other operating income is comprised as follows:

OTHER OPERATING INCOME

in TEUR	2017	2016
Income from the reversal of other accounts payable	2,656	0
Currency gains	545	1,026
Other	406	213
Payments in kind	197	209
Analysis Center services	179	160
Rent and lease payments	156	156
Supply of industrial water	149	155
Siding and track work	80	30
Income from the disposal of property, plant and equipment	42	11
Warehouse and scrap sales	41	35
HR services	26	26
Insurance indemnities	25	84
Allowances on accounts receivable	18	0
Government grants	17	66
Total	**4,537**	**2,171**

Government grants relate to expense subsidies. The requirements associated with these grants have been met in full and no other uncertainties exist.

5.4 COST OF MATERIALS

Cost of materials is comprised as follows:

COST OF MATERIALS

in TEUR	2017	2016
Cost of raw materials, supplies and purchased goods	82,236	80,296
Cost of purchased services	1,502	651
Total	**83,738**	**80,947**

5.5 PERSONNEL EXPENSES

Personnel expenses are comprised as follows:

PERSONNEL EXPENSES

in TEUR	2017	2016
Wages and salaries	25,814	23,730
Social security contributions	4,468	3,985
Expenses for pension obligations	827	3,773
Other pension expenses	188	191
Total	**31,297**	**31,679**

Expenses for pension obligations meet the criteria for a defined benefit plan in terms of IAS 19.

Other pension expenses consist of employer subsidies to employee pension plans meeting the criteria of a defined contribution plan in terms of IAS 19.

The company’s share of statutory pension insurance contributions, in the amount of TEUR 1,842 (year before: TEUR 1,752), are included in social security contributions, which are paid monthly.

5.6 EMPLOYEES

The average number of employees in the Group has changed as follows:

EMPLOYEES

	2017	2016
Industrial workers	243	234
Employees	170	163
Minimally employed workers	4	5
Total	**417**	**402**

In addition, an average of 50 trainees were employed during the year (year before: 48).

5.7 DEPRECIATION

Depreciation of fixed assets is evident from the Statement of Fixed Assets.

If there are indications of impairment, the company performs an impairment test for intangible assets and property, plant and equipment, in which the book value of the cash-generating units are compared against the realizable value. The realizable value of each cash-generating unit was determined by calculating the value in use with the help of the discounted cash flow method. These discounted cash flows are based on three-year forecasts using management-approved projections. The cash flow forecasts take into account past experience and management's best estimate of the company's future development. Forecasted cash flows are discounted using a risk-adequate discount rate.

Impairment tests did not indicate a need to write down assets in Financial Year 2017.

5.8 OTHER OPERATING EXPENSES

Other operating expenses are comprised as follows:

OTHER OPERATING EXPENSES

in TEUR	2017	2016
Freight	11,485	11,059
Outside services not attributable to the production process	7,317	6,239
Sales commissions	3,257	3,219
Currency losses	1,610	462
Other administrative costs	1,005	943
Legal and consulting expenses	787	870
Insurance	733	630
Minimum lease payments	661	693
Other	652	805
Ancillary personnel expenses	535	430
Losses from the disposal of fixed assets	517	25
Travel expenses	478	419
Advertising expenses	292	295
Other taxes	251	112
Impairments of accounts receivable	0	5
Total	**29,580**	**26,206**

5.9 RESEARCH AND DEVELOPMENT

All research and development costs for the year, in the amount of TEUR 2,755 (year before: TEUR 2,948), were recognized as expenses.

5.10 INTEREST AND SIMILAR INCOME

Interest and similar income is shown in the following table:

INTEREST AND SIMILAR INCOME

in TEUR	2017	2016
Income from plan assets (pension liability insurance)	62	113
Income from interest rate swaps	0	98
Interest income from bank balances	49	52
Total	111	**263**

5.11 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses are shown in the following table:

INTEREST AND SIMILAR EXPENSES

in TEUR	2017	2016
Interest expenses to banks	1,169	1,427
Interest expenses from interest rate swaps	883	886
Interest expenses from provisions	607	725
Interest expenses for the loan from Sherwin Alumina	0	250
Interest expenses from compounding	34	43
Total	2,693	**3,331**

5.12 TAXES ON INCOME

Taxes on income break down as follows:

TAXES ON INCOME

in TEUR	2017	2016
Actual taxes:		
Tax expense for current year	4,546	3,237
Tax expense for prior years	–18	8
Deferred taxes:		
Accrual and reversal of temporary differences	487	–1,584
Recognized in other comprehensive income	–867	2,217
Recognized in the capital reserve	137	0
Total	4,285	**3,878**

Taxes on income for Financial Year 2017 consist of current trade and corporate income tax.

Deferred taxes are calculated based on the tax rates in effect or expected at the time of realization, taking into account tax rules in effect or adopted as of the reporting date. The calculation of deferred taxes in Germany was based on a tax rate of 29.13% (year before: 29.13%). This number is comprised of the 15% corporate income tax rate, which remains in effect, the unchanged 5.5% solidarity mark-up and the average Group trade tax rate of 13.30% (year before: 13.30%). Taxes for the foreign company were calculated using the applicable national tax rate of 21% (year before: 34%).

The effects of taxes in other comprehensive income, recognized as part of consolidated shareholders' equity, break down as follows for each component:

	BEFORE TAXES		DEFERRED TAXES		AFTER TAXES	
in TEUR	2017	2016	2017	2016	2017	2016
Foreign currency translation	–3,075	428	0	0	–3,075	428
Net income from hedge accounting	1,031	–928	–300	299	731	–629
Actuarial gains and losses	1,946	–6,137	–567	1,918	1,379	–4,219
Total	**–98**	**–6,637**	**–867**	**2,217**	**–965**	**–4,420**

The table below shows the tax reconciliation of the expected tax expense in each year with the actual tax expense recognized in the consolidated income statement:

TAX RATE

	2017	2016
Tax rate	29.13 %	29.13 %
in TEUR		
Earnings before taxes (EBT)	15,735	9,162
Expected tax expense	4,584	2,669
Deviations		
1. Addition to interest carry-forward	0	15
2. Different foreign tax rate	307	–3
3. Adjustments to actual taxes from prior years	8	48
4. Remeasurement of US loss carry-forward	0	815
5. Changes in tax rates in the USA (year before: Germany)	–371	41
6. Non-deductible expenses	753	153
7. Tax effects of consolidation measures	–1,088	143
8. Other	92	–3
Tax expense recognized in the consolidated income statement	4,285	3,878

Deferred tax assets and liabilities are as follows:

	CONSOLIDATED BALANCE SHEET		CONSOLIDATED INCOME STATEMENT	
in TEUR	12/31/2017	**12/31/2016**	2017	**2016**
Deferred tax assets				
Other assets	517	509	8	55
Pension reserves	6,304	7,058	–754	2,617
Other provisions	176	205	–29	66
Loss carry-forward	148	702	–554	–955
Other	663	963	–300	272
Gross total, deferred tax assets	7,808	9,437	–1,629	2,055
Unrecognized deferred tax assets	0	0	0	0
Net total, deferred tax assets	**7,808**	**9,437**	**–1,629**	**2,055**
Deferred tax liabilities				
Fixed assets	7,757	8,196	439	–329
Inventories	385	419	34	4
Other	38	707	669	–146
Total deferred tax liabilities	**8,180**	**9,322**	**1,142**	**–471**
	–372	**115**	**–487**	**1,584**

The deferred tax asset in the form of the loss carry-forward is attributable in its entirety to Nashtec LLC. Under US law, the latter is not considered to be an independent tax subject for federal and state taxes. In general, the share of the tax loss carry-forwards in the US which are attributable to Nabaltec AG, as shareholder, in the amount of TEUR 707 (year before: TEUR 2,065), can be carried back two years and carried forward up to 20 years for the purposes of federal tax:

in TEUR	2017	**2016**
Expiration date within		
1 year	0	0
2 – 5 years	0	0
6 – 10 years	0	0
11 – 20 years	707	2,065

Deferred tax assets and liabilities in the US are netted out with deferred tax assets in connection with loss carry-forwards. As of 31 December 2017, deferred tax assets in the amount of TEUR 0 (year before: TEUR 0) were recognized in Germany in connection with loss and interest carry-forwards.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 INTANGIBLE ASSET

With regard to the change in intangible assets, reference is made to the Statement of Fixed Assets.

Intangible assets largely consist of IT software and proprietary rights.

No intangible assets had been transferred by way of security as of 31 December 2017, as was the case in the prior year as well.

Material obligations to acquire intangible assets did not exist.

6.2 PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment is shown in the Statement of Fixed Assets.

As in the year before, no property, plant and equipment served as collateral or land charges for debt.

A total of TEUR 74 in borrowing costs were capitalized in Financial Year 2017 (year before: TEUR 273) for the long-term manufacture of various technical equipment, buildings and operating equipment. The average capitalization rate used for the calculation of capitalizable borrowing costs was 2.60% (year before: 3.20%).

6.3 FINANCIAL ASSETS

Financial assets relate to the Group's 100% interest in Nabaltec Asia Pacific K.K. The subsidiary has not been fully consolidated for materiality reasons. In the absence of an active market, the shares are measured at cost.

6.4 INVENTORIES

Inventories are comprised as follows:

INVENTORIES

in TEUR	12/31/2017	12/31/2016
Raw materials and supplies	19,025	17,864
Work in process	28	32
Finished goods and merchandise	13,950	12,986
Total	**33,003**	**30,882**

As in the previous year, no inventories serve as collateral for accounts payable to banks.

The impairment of inventories, which is recognized as an expense, amounted to TEUR 224 (year before: TEUR 115).

6.5 TRADE RECEIVABLES

Trade receivables are as follows:

TRADE RECEIVABLES

in TEUR	12/31/2017	12/31/2016
Gross trade receivables	4,239	3,259
Individual allowances	–150	–168
Total	**4,089**	**3,091**

All trade receivables are not interest-bearing and have a residual term of less than one year.

We refer to Section 7.2, "Disclosures for financial instruments," with regard to the development of the allowance account and the age structure of accounts receivable

6.6 OTHER ASSETS

Other assets are comprised of other financial assets and other non-financial assets as follows:

OTHER ASSETS

in TEUR	12/31/2017	12/31/2016
Accounts receivable from factoring	3,507	3,451
Other	740	628
Other financial assets	**4,247**	**4,079**

OTHER NON-FINANCIAL ASSETS

in TEUR	12/31/2017	12/31/2016
VAT receivable	1,019	1,320
Accrued assets	210	130
Other non-financial assets	**1,229**	**1,450**
Total	**5,476**	**5,529**

The accounts receivable from factoring recognized as of 31 December 2017, in the amount of TEUR 3,507 (year before: TEUR 3,451), consist primarily of withheld purchase prices in connection with factoring arrangements.

Other assets have a residual term of less than one year.

6.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised as follows as of the reporting date:

CASH AND CASH EQUIVALENTS

in TEUR	12/31/2017	12/31/2016
Bank balances	45,916	36,181
Cash on hand	1	2
Total	**45,917**	**36,183**

Bank balances earn interest at variable interest rates for sight deposits. Short-term deposits are made for a variety of terms, ranging from one day to three months depending on the Group's needs. They earn interest in each case at the rates in effect for short-term deposits.

For the purposes of the consolidated cash flow statement, there are no differences in cash and cash equivalents as of 31 December 2017.

Cash and cash equivalents are not subject to any restrictions on disposal.

6.8 SHAREHOLDERS' EQUITY

The changes in Nabaltec AG's shareholders' equity are shown in the Statement of Consolidated Shareholders' Equity.

Subscribed capital

Utilizing the authorized capital made available by resolution of the shareholders of 30 June 2016 (Authorized Capital 2016/I), the Management Board, with the Supervisory Board's approval, raised Nabaltec AG's capital stock by issuing 800,000 new bearer shares, each representing EUR 1.00 of the capital stock, in exchange for cash contributions, with preemption rights excluded. As a result, Nabaltec AG's subscribed capital (capital stock) was raised from EUR 8,000,000 to EUR 8,800,000. The capital increase was entered into the Commercial Register on 15 September 2017.

Fully paid-in capital (capital stock) therefore amounted to TEUR 8,800 on the reporting date (year before: TEUR 8,000) and consists of 8,800,000 bearer shares, with each share representing EUR 1.00 of the capital stock. Each share confers one vote.

Authorized capital

The Management Board, with the Supervisory Board's approval, is authorized by resolution of the shareholders of 30 June 2016 to raise the capital stock through 31 May 2021 once or multiple times by up to TEUR 4,000 by issuing up to 4,000,000 new no-par-value bearer shares in exchange for cash and/or non-cash contributions, with the stipulation that the number of shares is to be increased in the same proportion as the capital stock. The Management Board may decide to exclude subscription rights with the approval of the Supervisory Board (Authorized Capital 2016/I).

Following the partial use described above, Authorized Capital/I now amounts to TEUR 3,200.

Conditional capital

The capital stock was conditionally raised by up to TEUR 4,000 by resolution of the shareholders of 30 June 2016 (Conditional Capital 2016/I). The conditional capital serves exclusively to provide shares to holders of warrants and convertible bonds issued by the company based on the authorization of the shareholders of 30 June 2016.

Capital reserve

As of 31 December 2017, the capital reserve amounted to TEUR 47,029 (year before: TEUR 29,764). The increase in the amount of TEUR 17,265 results from the capital increase executed in September 2017. With an issue price of EUR 23.00 per share, the capital increase generated a premium in the amount of TEUR 17,600. At the same time, transaction costs in the amount of TEUR 335 (after taxes) were subtracted from shareholders' equity. The capital reserve also includes a premium from the IPO, which took place in 2006. This resulted from the issuance of 2,000,000 shares at a price of EUR 15.50 per share, with each share representing EUR 1.00 of the capital stock, so that a premium of EUR 14.50 was charged per share, for a total of TEUR 29,000.

The Management Board, with the Supervisory Board's approval, is authorized by resolution of the shareholders of 30 June 2016 to issue convertible bonds and/or warrants made out to the bearer with a total value of up to TEUR 150,000 and with a term of no more than 15 years ("Convertible Bonds and/or Warrants") through 31 May 2021 once or multiple times and to provide holders of convertible bonds with conversion rights for up to 4,000,000 bearer shares in the company as specified in the Terms of Warrants and Convertible Bonds ("Terms of Bonds") which are to be defined by the Management Board with the approval of the Supervisory Board.

Earnings reserves

As of 31 December 2017, earnings reserves amounted to TEUR 9,721 (year before: TEUR 9,711). The increase in the amount of TEUR 10 results from acquisition of the minority shares in Nashtec LLC in the first quarter of 2017. Earnings reserves also include the effect of first-time application of the IFRS.

The Management Board will propose a dividend payout in the amount of EUR 0.18 per share for Financial Year 2017.

We refer to the consolidated statement of changes in equity regarding changes in earnings carry-forwards.

Other changes in equity with no effect on profit and loss

Differences arising from currency translation, changes in the market value of derivative financial instruments for which hedge accounting is used, actuarial gains and losses from pension reserves and from corresponding deferred taxes are recognized separately in shareholders' equity under "other changes in equity with no effect on profit and loss." As of 31 December 2017, other changes in equity with no effect on profit and loss amounted to TEUR –14,436 (year before: TEUR –13,471).

Non-controlling shareholders

Following acquisition of the minority shares in Nashtec LLC in Financial Year 2017, shares held by non-controlling shareholders amounted to TEUR 0 on 31 December 2017 (year before: TEUR 562).

6.9 OTHER CURRENT AND NON-CURRENT PROVISIONS

The development of other provisions is shown in the tables below:

FINANCIAL YEAR 2017

in TEUR	1/1/2017	Transfer	Use	Reversal	12/31/2017
Provisions for personnel expenses	1,088	63	95	0	1,056
Other provisions	162	170	159	0	173
Total	**1,250**	**233**	**254**	**0**	**1,229**

FINANCIAL YEAR 2016

in TEUR	1/1/2016	Transfer	Use	Reversal	12/31/2016
Provisions for personnel expenses	887	270	69	0	1,088
Other provisions	154	159	151	0	162
Total	**1,041**	**429**	**220**	**0**	**1,250**

Provisions for personnel expenses, in the amount of TEUR 1,056 (year before: TEUR 1,088), consist of anniversary pay obligations. These obligations were measured using the projected unit credit method, in which anniversary pay obligations are funded by single premiums for the annual growth in vested rights, with due regard for trend assumptions. As a biometric foundation for the calculation, the 2005 G benchmark tables of Prof. Dr. Klaus Heubeck were used. The measurement was also based on the assumption of an actuarial interest rate of 1.80% and a salary trend of 2.75%.

Pension reserves

The Group has launched defined benefit pension plans which provide for a portion of the Group's employees in the period after retirement. These are final salary pension plans for Management Board members and employees based on the pension rules. The pension plans are in effect for employees who joined the company prior to 1 May 1995 and who are employed for an unlimited term. As a result, there can be no additions to the group of pension beneficiaries. Pension liability insurance premiums are paid for a portion of the plans. Because of how the plans are structured, the employer is exposed to actuarial risks, of which the most significant are interest rate risk and longevity risk. The average age of the persons covered by the pension plans is in a range between 60 and 65 years. Pension obligations are calculated based on a retirement age of 63 (pension rules) and 65 (Management Board members).

The tables below show the composition of the pension expenses recognized in the consolidated statement of comprehensive income as well as amounts recognized in the consolidated balance sheet for the individual pension plans:

PENSION EXPENSES

in TEUR	2017	2016
Current service cost	827	591
Past service cost	0	3,182
Net interest expense	566	665
Pension expenses	**1,393**	**4,438**
Actual income from plan assets	54	57

New pension commitments were issued in 2016 in connection with the change in the structure of the Management Board as of 1 January 2017. This resulted in a past service cost in 2016 which was recognized as profit and loss in the year the plan was modified.

The net interest expense is comprised of the interest expense, in the amount of TEUR 592 (year before: TEUR 705), less expected income from plan assets in the amount of TEUR 26 (year before: TEUR 39). The interest share of the funds transferred to pension reserves and income from plan assets is recognized in net interest income. Actuarial gains and losses are recognized in other comprehensive income and have developed as follows:

DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES

in TEUR	
Actuarial losses on 1 January 2016	–12,407
Losses from changes in biometric and financial assumptions	–6,348
Experience gains	194
Income from plan assets	17
Actuarial losses on 31 December 2016	**–18,544**
Income from changes in biometric and financial assumptions	2,300
Experience gains	–382
Income from plan assets	28
Actuarial gains and losses on 31 December 2017	**–16,598**

Changes in the present value of defined benefit obligations are as follows:

DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES

in TEUR	
Defined benefit obligations on 1 January 2016	29,567
Interest expense	705
Current service cost	591
Past service cost	3,182
Benefits paid	–378
Actuarial gains/losses	6,155
Defined benefit obligations on 31 December 2016	**39,822**
Interest expense	592
Current service cost	827
Past service cost	0
Benefits paid	–743
Actuarial gains/losses	–1,918
Defined benefit obligations on 31 December 2017	**38,580**

Of the TEUR 38,580 in defined benefit obligations as of 31 December 2017 (year before: TEUR 39,822), a sum in the amount of TEUR 12,656 (year before: TEUR 13,170) is covered by pension liability insurance with a premium reserve of TEUR 1,776 (year before: TEUR 1,746).

Pension payments in the amount of approximately TEUR 740 are expected in Financial Year 2018 and TEUR 713 in Financial Year 2017.

Changes in the fair value of plan assets are as follows:

FAIR VALUE OF PLAN ASSETS

in TEUR	
Fair value of plan assets on 1 January 2016	1,616
Employer contributions	73
Expected returns	39
Actuarial gains/losses	18
Fair value of plan assets on 31 December 2016	**1,746**
Employer contributions	36
Benefits paid	–60
Expected returns	26
Actuarial gains/losses	28
Fair value of plan assets on 31 December 2017	**1,776**

Plan assets consist of the asset value of a pension liability insurance policy, which is to be treated as part of plan assets pursuant to IAS 19.7 (b). The Group expects contributions to plan assets to total TEUR 36 in Financial Year 2018.

The recognized value of pension reserves can be reconciled as follows with the present value of the defined benefit liability:

in TEUR	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Fair value of plan assets	1,776	1,746	1,616	1,489	1,369
Present value of defined benefit liability	38,580	39,822	29,567	26,764	20,289
Pension reserves	36,804	38,076	27,951	25,275	18,920

The basic assumptions for the calculation of post-employment pension obligations are shown below:

in %	2017	2016
Discount rate	1.80	1.50
Salary trend	2.75	2.75
Pension trend	2.00	2.00
Fluctuation	1.00	1.00

Post-employment mortality among 65-year-old retirees in accordance with Heubeck's 2005 G benchmark tables

The following would be the effects on the pension liability if the actuarial assumptions change:

PENSION LIABILITY

in TEUR	+ 25 BP	–25 BP
Discount rate	36,676	40,350
Salary trend	38,823	38,086
Pension trend	39,799	37,167

The above sensitivity analysis is based on a scenario where one assumption changes while all the others remain constant. In reality, however, it is not unlikely for changes in multiple assumptions to be correlated.

The methods and types of assumptions used for the sensitivity analysis have not changed since the previous period.

6.10 CURRENT AND NON-CURRENT ACCOUNTS PAYABLE

BOOK VALUES

in TEUR		Book value	thereof term < 1 year	thereof term: 1 – 5 years	thereof term: > 5 years
Accounts payable to banks	12/31/2017	71,804	1,423	70,381	0
	12/31/2016	72,569	1,224	32,433	38,912
Trade payables	12/31/2017	15,639	15,639	–	–
	12/31/2016	14,526	14,526	–	–
Accounts payable from income taxes	12/31/2017	1,995	1,995	–	–
	12/31/2016	1,112	1,112	–	–
Other accounts payable	12/31/2017	8,296	8,296	–	–
	12/31/2016	16,389	16,389	–	–
Total	**12/31/2017**	**97,734**	**27,353**	**70,381**	**0**
	12/31/2016	**104,596**	**33,251**	**32,433**	**38,912**

Accounts payable to banks

Accounts payable to banks consist of long-term loans against borrower's note obtained at typical market interest rates. The book value is equal to the market value.

Nabaltec AG's loan contracts are subject to covenants which are measured by leverage coverage ratios such as equity ratio. If the covenants are breached, the lender has the option of raising the interest margins or it may exercise its right of extraordinary termination. None of the covenants in effect as of 31 December 2017 were breached in the 2017 reporting year.

Trade payables

Trade payables have a residual term of up to 90 days.

The book values of trade payables are equal to their fair value.

Accounts payable from income taxes

This includes outstanding tax payments in Germany resulting from corporate income tax, solidarity mark-up and trade tax for the financial year just closed and the prior year.

Other accounts payable

Current accounts payable consist of the following financial and non-financial obligations:

OTHER ACCOUNTS PAYABLE

in TEUR	12/31/2017	12/31/2016
Negative market values from interest rate swaps	2,274	3,130
Other	2,407	541
Financial statements and auditing	121	193
Professional association	116	173
Loans from minority shareholders	0	9,780
Negative market values from currency futures	0	175
Other current financial accounts payable	**4,918**	**13,992**

in TEUR	12/31/2017	12/31/2016
Bonuses and other performance-based compensation	1,896	1,051
Outstanding vacation claims	933	762
Amounts owed to the tax office	317	306
Other excise duties	140	159
Social expenses owed	38	66
Inventor compensation	38	38
Demographic Contribution II	16	15
Other current non-financial accounts payable	**3,378**	**2,397**
Other current accounts payable (total)	**8,296**	**16,389**

As described in Section 2.3, the minority shareholder's loan which existed in the previous year (TEUR 9,780) has been assumed by Nabaltec AG.

Amounts owed for bonuses and performance-based compensation accrue depending on the degree to which the targets are met. Amounts owed for outstanding vacation claims depend on the individual employees.

Amounts owed to the tax office consist primarily of wage and church tax for the financial year just closed which has yet to be paid as of the reporting date.

Due to the short-term nature of these obligations, the book values of the other current accounts payable are approximately equal to their fair value.

7. OTHER DISCLOSURES

7.1 OTHER FINANCIAL LIABILITIES

Liabilities arising from operating leases with the Group as lessee

The Group has financial liabilities arising from rental and lease agreements. As of the reporting date, 31 December 2017, no lease agreements existed for various technical equipment and machinery within the context of a sale-and-leaseback transaction. The residual terms of all contracts are largely between 1 and 5 years.

A total of TEUR 661 (year before: TEUR 693) in expenses arising from rental and operating lease agreements were recognized in the current year.

Total future minimum lease payments in connection with rental and operating lease contracts have the following maturities:

in TEUR	12/31/2017	12/31/2016
Minimum lease payments within 1 year	615	651
Minimum lease payments, 1 – 5 years	777	992
Minimum lease payments, over 5 years	0	0
Total	**1,392**	**1,643**

Contingent liabilities and guarantees

No material contingent liabilities, guarantees or other material litigation existed as of the reporting dates for which provisions have not yet been set aside. As of 31 December 2017, there were a total of EUR 5,981 in obligations (year before: TEUR 4,423) arising from investment orders.

An investment plan was prepared on 9 November 2016 for the realization of a stand-alone solution for the US subsidiary Nashtec LLC. Nabaltec AG has committed to making funds available to implement the investment plan. The amount of the financial obligations will be as high as TEUR 10,010 (TUSD 12,000) and will extend through 31 December 2018. It is to be expected that these financial obligations will materialize in their full amount.

7.2 DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

Book value, measurement and fair value by measurement category

The table below shows the book values and fair values of all financial instruments recognized in the consolidated financial statements:

		BOOK VALUE		FAIR VALUE	
in TEUR	Measurement category pursuant to IAS 39	2017	2016	2017	2016
Financial assets					
Shares in affiliated companies	AC	78	78	–	–
Trade receivables	LaR	4,089	3,091	4,089	3,091
Other assets and accounts receivable					
Other non-derivative accounts receivable and financial assets	LaR	4,247	4,079	4,247	4,079
Positive market values of currency derivatives (with hedging)	–	0	0	0	0
Cash and cash equivalents	LaR	45,917	36,183	45,917	36,183
Financial liabilities					
Financial liabilities measured at cost					
Accounts payable to banks	FLaC	71,804	72,569	71,804	72,569
Trade payables	FLaC	15,639	14,526	15,639	14,526
Other financial liabilities					
Other non-derivative financial liabilities	FLaC	2,644	10,687	2,644	10,687
Negative market values of interest rate derivatives (without hedging)	HfT/FVtPL	0	0	0	0
Negative market values of interest rate derivatives (designated in effective cash flow hedges)	–	2,274	3,130	2,274	3,130
Negative market values of currency derivatives (with hedging)	–	0	175	0	175

The following abbreviations are used for the measurement categories pursuant to IAS 39:

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

The fair value of derivative financial instruments and loans was determined by discounting expected future cash flows using typical market interest rates. The fair value of other financial assets was calculated using typical market interest rates.

Cash and cash equivalents, trade receivables and other accounts receivable have a residual term of less than one year. As a result, their book value as of the reporting date approximates their fair value.

Shares in affiliated companies relate to shares in the subsidiary Nabaltec Asia Pacific K.K., which is not fully consolidated for reasons of materiality.

Net income by measurement category

Income and expenses from financial instruments are presented below using the measurement categories in IAS 39:

MEASUREMENT CATEGORY PURSUANT TO IAS 39

in TEUR		From interest	From subsequent measurement: At fair value	Currency translation	Impairment	Net income 2017
Acquisition Costs	AC	–	–	3	–	3
Loans and Receivables	LaR	49	–	–1,100	18	–1,033
Held for Trading	HfT	–	–	–	–	–
Other Liabilities	FLaC	–1,203	–	32	–	–1,171
Total 2017		**–1,154**	**–**	**–1,065**	**18**	**–2,201**

MEASUREMENT CATEGORY PURSUANT TO IAS 39

in TEUR		From interest	From subsequent measurement: At fair value	Currency translation	Impairment	Net income 2016
Acquisition Costs	AC	–	–	–3	–	–3
Loans and Receivables	LaR	52	–	129	–5	176
Held for Trading	HfT	–92	98	–	–	6
Other Liabilities	FLaC	–1,720	–	438	–	–1,282
Total 2016		**–1,760**	**98**	**564**	**–5**	**–1,103**

In the consolidated statement of comprehensive income, interest income and expenses from financial instruments are recognized under “interest and similar income” and “interest and similar expenses.” Interest income from financial assets in the “loans and receivables” measurement category largely consists of interest income from current account balances and short-term deposits. Interest expenses from financial liabilities in the “other liabilities” measurement category largely consist of interest expenses for accounts payable to banks.

The total interest expense for the loan against borrower’s note, calculated using the effective interest method, was TEUR 1,203 (year before: TEUR 1,303).

The subsequent measurement of derivative financial instruments in the “held for trading” measurement category incorporates interest effects. These effects are recognized under “interest and similar expenses” and “interest and similar expenses.” On the other hand, effects from the subsequent measurement of interest rate derivatives which are designated as effective cash flow hedges are recognized under shareholders’ equity with no effect on profit and loss. The recognition of ineffective hedges with an effect on profit and loss was not necessary.

Currency translation income and expenses for financial assets in the “acquisition costs,” loan and receivables” and “other liabilities” measurement categories result from shares in companies which are not fully consolidated, trade payables and receivables and accounts payable to banks which are denominated in foreign currency. They are recognized under “other operating income” and “other operating expenses.”

Impairments largely consist of transfers to and reversals of individual allowances on trade receivables. These amounts are recognized under “other operating income” and “other operating expenses.”

Fair value hierarchy

On 1 January 2009, a hierarchy of various fair values was introduced for financial assets and liabilities measured at fair value with effect on profit and loss specifying the significance of the input data used for measurement. This hierarchy is as follows:

Level 1: At the first level of the fair value hierarchy, fair value is determined based on publicly quoted market prices, since the best possible objective indication of the fair value of a financial asset or liability can be observed in an active market.

Level 2: If an active market does not exist for a financial instrument, companies determine fair value using valuation models. Valuation models include use of the discounted cash flow method, option price models, comparing the instrument to the present fair value of another, largely identical, financial instrument, and examining recent transactions between well-informed, independent and willing business partners. Fair value is estimated based on the results of a valuation method which uses market data to the greatest possible extent and is based as little as possible on company-specific data.

Level 3: The valuation models used on this level are, in part, not based on parameters and assumptions which are observable in the market.

The financial instruments which are measured by the Group at fair value have been assigned to the following levels of the hierarchy:

12/31/2017

in TEUR	Level 1	Level 2	Level 3	Total
Assets				
Positive market values of currency derivatives	0	0	0	0
Liabilities				
Negative market values of interest rate derivatives	0	2,274	0	2,274
Negative market values of currency derivatives	0	0	0	0

12/31/2016

in TEUR	Level 1	Level 2	Level 3	Total
Assets				
Positive market values of currency derivatives	0	0	0	0
Liabilities				
Negative market values of interest rate derivatives	0	3,130	0	3,130
Negative market values of currency derivatives	0	175	0	175

No assets or liabilities were reclassified between the measurement levels in Financial Year 2017.

Fair value is determined in each case based on the mark-to-market valuation of the participating banks.

Hedging transactions

Interest rate swaps are executed to hedge against fluctuations in future cash flows for loans with variable rates of interest resulting from changes in market interest rates. In addition, a US dollar currency derivative was entered into in Financial Year 2016 to hedge against foreign exchange risks arising from sales transactions. The term of the currency derivative expired in December 2017. Designated and effective cash flow hedges are recognized in accordance with the hedge accounting rules in IAS 39. Accordingly, risks arising from fluctuations in interest and exchange rates are deliberately managed with a view to reducing earnings volatility.

At the commencement of the hedge, both the hedging transaction and the Group's risk management goals and strategies with regard to the hedge are formally defined and documented. The documentation is to include a definition of the hedging instrument and the hedged item, as well as the type of risk and a description of how the Group will measure the effectiveness of the hedging instrument in compensating for risks arising from changes in cash flow associated with the hedged item. Hedging transactions are continually examined to ascertain whether they actually were highly effective for the entirety for the reporting period for which the hedging transaction was defined.

Among the requirements imposed by IAS 39 within the framework of hedge accounting is the requirement that designated hedges must be effective. To meet this requirement, changes in the fair value of the hedging instrument must fall within a range of 80% to 125% of the opposite changes in the fair value of the hedged item, both prospectively and retrospectively. The effective portion of a hedge, i.e. that which falls within the above range, is recognized in shareholders' equity with no effect on profit and loss, while the ineffective portion is immediately recognized as profit and loss in the consolidated statement of comprehensive income.

As of 31 December 2017, the Group recognized interest rate derivatives in the amount of TEUR –2,274 (year before: TEUR –3,130) and currency derivatives in the amount of TEUR 0 (year before: TEUR –175) as hedging instruments as part of a cash flow hedge. Realization of the fair value of the interest rate and currency derivative, with no effect on profit and loss, resulted in changes in value in Financial Year 2017 of TEUR 856 (year before: TEUR –752) and TEUR 175 (year before: TEUR –175) respectively, the full amount of which was recognized in shareholders' equity. The cash flow hedges are designed to hedge cash flows in the form of routine interest payments, in the case of the interest rate derivatives. Interest rate derivatives amount to a total of TEUR 70,000, with TEUR 31,000 maturing through 2020 and TEUR 39,000 maturing through 2022.

There were no major changes relative to the year before to the risk positions for the risks presented below.

Default risk

Default risks arise primarily from trade receivables. Factoring transactions are used in order to minimize default risks. Under these contractual arrangements, the risk that the debtor will be unable to pay is transferred to the counterparty. As a result, the relevant amounts are derecognized in their entirety and are no longer recognized as trade receivables. The exceptions are trade receivables which are not accepted by the factor, e.g. because a credit limit has been exceeded. Trade receivables are also insured through credit default insurance.

The amounts recognized in the balance sheet have been adjusted by the allowance for unrecoverable claims, which was estimated by management based on past experience and the current economic environment. Individual allowances are made whenever an indication exists that accounts receivable are uncollectible. These indications are based on intensive contacts within the framework of receivables management.

The default risk in the event of counterparty default in connection with the Group's financial assets, such as trade receivables, cash and cash equivalents and other assets, is no higher than the book value of the relevant instruments.

There is no major concentration of default risks within the Group, as these risks are spread out over a large number of counterparties and customers. As in the previous year, there were no restrictions on ownership or disposal.

The table below shows the change in allowances on trade receivables:

in TEUR	2017	2016
1/1/	168	163
Transfers	0	5
Reversals	18	0
12/31/	150	168

The age structure of trade receivables is as follows:

in TEUR	Book value	Neither overdue nor impaired	Overdue but not impaired < 3 months	3 – 6 months	6 – 12 months	> 12 months
12/31/2017	4,089	4,089	0	0	0	0
12/31/2016	3,091	3,091	0	0	0	0

As far as trade receivables are concerned which are neither in default nor written down, there was no indication as of the reporting date that the debtors will be unable to meet their payment obligations.

No trade receivables were overdue or impaired due to modified conditions.

No other financial assets were impaired. No overdue claims existed in that regard as of the reporting date.

Liquidity risk

The Group routinely monitors the risk of a liquidity shortage, taking into account e.g. the terms to maturity of financial assets and liabilities as well as expected cash flows from business activities. The Group's goal is to use bank overdrafts and loans to continually meet liquidity requirements while at the same time ensuring utmost flexibility. The Group had existing credit limits in the amount of TEUR 2,250 as of 31 December 2017 (year before: TEUR 2,250).

The table below shows the contractually stipulated (undiscounted) cash flows in connection with financial liabilities. It includes all financial liabilities held as of the reporting date for which payments had been contractually stipulated. Estimates of future new obligations were not included. Amounts denominated in foreign currencies were translated using the exchange rate as of the reporting date. Variable interest payments on financial instruments were determined based on the fixed interest rates in effect most recently prior to the reporting date. Financial liabilities which are payable at any time are assigned to the earliest maturity category.

CASH OUTFLOWS undiscounted

in TEUR		Total	thereof term < 1 year	thereof term 1 – 5 years	thereof term > 5 years
Accounts payable to banks	12/31/2017	78,386	3,357	75,029	–
	12/31/2016	81,051	3,150	38,576	39,325
Trade payables	12/31/2017	15,639	15,639	–	–
	12/31/2016	14,526	14,526	–	–
Other financial liabilities	12/31/2017	4,918	4,918	–	–
	12/31/2016	13,992	13,992	–	–
Total (financial liabilities)	**12/31/2017**	**98,943**	**23,914**	**75,029**	**–**
	12/31/2016	**109,569**	**31,668**	**38,576**	**39,325**

Foreign exchange risk

The Group's foreign exchange risks result from its operations. While the individual Group companies operate predominantly with their respective functional currencies, they are exposed to foreign exchange risks in connection with expected payments outside of their functional currency.

In accordance with IFRS 7, foreign exchange risks are presented using sensitivity analyses, which show the effects on pre-tax earnings (due to changes in the measurement of financial assets and liabilities with effect on profit and loss) and possibly shareholders' equity of the Euro going up or down in value relative to all other foreign currencies. These analyses focus on financial instruments which are denominated in a currency other than the local functional currency, and which are monetary in nature. Accordingly, differences arising from the translation of foreign statements into the Group currency, Euros, due to changes in exchange rates are not recognized, in accordance with the requirements of IFRS 7. In contrast to the year before, shareholders' equity as of the reporting date was not affected by changes in the fair value of currency derivatives intended to hedge future cash flows.

	Rate change in %	Impact on pre-tax earnings in TEUR	Impact on shareholders' equity* in TEUR
2017			
USD	+10	424	0
USD	−10	−424	0
2016			
USD	+10	471	852
USD	−10	−471	−1,430

* *Not including the impact on pre-tax earnings*

Interest rate risk

The Group's exposure to the risk of fluctuations in market interest rates results primarily from financial accounts payable to banks carrying variable interest rates. The Group's interest expenses are managed through a combination of fixed-interest and variable-interest debt. Interest rate swaps are used to hedge against interest rate risks arising from positions carrying long-term variable interest rates, in which the difference between fixed-interest and variable-interest cash flows is exchanged with the counterparty at defined intervals based on a predefined notional amount.

Interest rate risks are modelled in accordance with the requirements of IFRS 7 using sensitivity analyses, which show the effects of hypothetical changes in market interest rates on current interest payments, income and expenses as follows in the context of pre-tax earnings and possibly shareholders' equity (from the subsequent measurement of interest rate derivatives designated as effective cash flow hedges):

	Increase/ decrease in basis points	Impact on pre-tax earnings in TEUR	Impact on shareholders' equity* in TEUR
2017			
Europe	+10	0	221
USA	+10	–18	0
Europe	–10	0	–225
USA	–10	18	0
2016			
Europe	+10	–3	302
USA	+10	–19	0
Europe	–10	3	–309
USA	–10	19	0

** Not including the impact on pre-tax earnings*

7.3 ADDITIONAL DISCLOSURES CONCERNING CAPITAL MANAGEMENT

Nabaltec AG employs a solid capital management scheme in order to enable the Group to remain on track for growth and to ensure its ability to meet its payment obligations. A particular goal is to maintain an enduring balance between equity and debt.

Nabaltec AG's shareholders' equity and debt items recognized in connection with capital management as of 31 December 2017 and 2016 are shown below:

	12/31/2017 in TEUR	12/31/2016 in TEUR	Change in %
Shareholders' equity	**84,563**	**57,765**	**46.39**
as % of total capital	54.08	41.23	31.17
Non-current financial debt	70,381	71,345	–1.35
Current financial debt	1,423	11,004	–87.07
Debt*	**71,804**	**82,349**	**–12.81**
as % of total capital	45.92	58.77	–21.87
Total capital for capital management purposes	**156,367**	**140,114**	**11.60**

** The company defines debt as accounts payable to banks and accounts payable to a minority shareholder.*

Equity increased by TEUR 26,798 last year, to TEUR 84,563, largely due to the capital increase in September 2017 in the amount of TEUR 18,065, as well as consolidated earnings in the amount of TEUR 11,450.

Debt decreased by TEUR 10,545 last year, to TEUR 71,804, largely due to Nabaltec AG's acquisition of loan funds issued by its former minority shareholder.

Together, these effects resulted in an increase in the equity ratio (shareholders' equity as a percentage of total capital) to 54.08% in 2017, up from 41.23% in the year before. The ratio of debt to capital for capital management purposes decreased from 58.77% on 31 December 2016 to 45.92% on 31 December 2017.

In the future, the Group will endeavor to steadily optimize its financial management, together with continuous monitoring and management of its equity ratio.

The object of this financial management is to improve the solvency of Nabaltec AG relative to its business partners and optimize capital costs.

Nabaltec AG is not subject to any capital adequacy requirements in accordance with its Articles of Association. For covenants arising from loan contracts, reference is made to Section 6.10, “Current and non-current accounts payable.”

7.4 TRANSACTIONS WITH RELATED PARTIES

Persons and companies are considered to be related parties in terms of IAS 24, “Related party disclosures,” if one of the parties has the ability, directly or indirectly, to control or exercise a significant influence over the other party, or if one of the parties is engaged in joint management of the company.

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

- members of the Management Board (see Section 7.8, “Corporate officers”) and their family members;
- members of the Supervisory Board (see Section 7.8, “Corporate officers”) and their family members;
- companies which are directly or indirectly controlled by members of the Management Board or Supervisory Board.

The members of the Management Board received short-term remuneration in the amount of TEUR 2,181 in Financial Year 2017 (year before: TEUR 1,568). An additional TEUR 0 was transferred to provisions for service anniversaries (year before: TEUR 8). In addition, a total of TEUR 604 was spent on post-employment benefits (year before: TEUR 416).

The members of the Supervisory Board received a total of TEUR 59 in remuneration in Financial Year 2017 (year before: TEUR 49).

The following accounts receivable and payable existed on 31 December 2017 and 2016 vis-a-vis related parties:

	Accounts receivable		Accounts payable	
in TEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Companies controlled by Supervisory Board members	0	0	0	0
Companies controlled by Management Board members	14	12	0	0

Allowances for doubtful accounts with related parties were performed on 31 December 2017 in the amount of TEUR 8 (year before: TEUR 8).

In addition to Management and Supervisory Board compensation, the following transactions with related parties were recognized in Financial Years 2017 and 2016:

in TEUR	Deliveries and services performed and other income 2017	Deliveries and services performed and other income 2016	Deliveries and services received ad other expenses 2017	Deliveries and services received ad other expenses 2016
Companies controlled by Supervisory Board members	0	0	19	5
Companies controlled by Management Board members	27	26	11	30

Transactions with companies controlled by Management Board members include human resources services and other services (income in the amount of TEUR 27, year before: TEUR 26), investment planning (services in the amount of TEUR 8, year before: TEUR 19), as well as other services (expenses in the amount of TEUR 3, year before: TEUR 11). Transactions with companies controlled by Supervisory Board members and related persons also resulted from the payment of a royalty (fees of TEUR 5, year before: TEUR 5) and other services (expenses in the amount of TEUR 14, year before: TEUR 0).

7.5 EARNINGS PER SHARE

The number of outstanding shares changed as follows over the Financial Year:

NUMBER OF SHARES

	2017	2016
Outstanding common shares as of 1 January	8,000,000	8,000,000
Capital increase on 15 September	800,000	
Outstanding common shares as of 31 December	8,800,000	8,000,000
Average undiluted number of outstanding common shares	**8,234,521**	**8,000,000**

To calculate undiluted earnings per share, the earnings attributable to holders of common shares in the company are divided by the weighted average number of common shares in circulation during the year.

In accordance with IAS 33, “Earnings per share,” the calculation of diluted earnings per share must also take into account the effects of potential common shares. Dilutive effects on the earnings of Nabaltec AG do not exist. Accordingly, the undiluted earnings per share is equal to the diluted earnings per share for Financial Years 2017 and 2016.

Earnings per share are therefore as follows:

EARNINGS PER SHARE

	2017	2016
Consolidated after-tax earnings – shareholders in the parent company	11,450	5,344
Average undiluted number of outstanding common shares	8,234,521	8,000,000
Earnings per share	1.39	0.67

We also refer to the statements in Section 6.8, “Shareholders equity.”

7.6 DISCLOSURES CONCERNING THE CASH FLOW STATEMENT

The cash flow statement shows the origin and use of cash flows. A distinction is made between cash flow from operating activity and cash flow from investment and financing activity in accordance with IAS 7, “Statement of Cash Flows.”

The item presented in Section 6.7, “cash and cash equivalents,” is included in the funds presented in the cash flow statement.

Deviations between the additions cited in the Statement of Fixed Assets and payments made for investments in property, plant and equipment result from outstanding amounts owed for asset acquisitions as of the reporting date.

Interest paid and received and taxes on income are directly evident from the consolidated cash flow statement.

The changes in accounts payable to banks, which are attributable to financing activity, result entirely from the compounding of original transaction costs and therefore have no effect on cash flow. Within the framework of its financing activity, the Group fully repaid the loan from its former minority shareholder Sherwin Alumina LLC, with an outflow of TEUR 5,969. The difference remaining between this amount and book value had no effect on cash flow within the framework of the overall transaction.

7.7 SEGMENT REPORTING

The operating segments conform to the Group’s business segments. The Group’s risks and internal organizational and reporting structures are largely determined by the products which are manufactured in the various segments.

Business segments

Nabaltec is divided into two segments, “Functional Fillers” and “Specialty Alumina.” Each segment represents a strategic business unit with distinct products and markets.

The “Functional Fillers” segment primarily manufactures and distributes non-halogenated flame-retardant fillers for the plastics and cable industry, as well as additives.

In the “Specialty Alumina” segment, ceramic materials and ceramic bodies are manufactured and distributed for a wide range of applications in technical ceramics and in the refractory industry.

The “Others” column consists of assets and liabilities which are not attributable to any individual segment. It is comprised primarily of liquid funds (segment assets), accounts payable to banks and pension reserves (segment liabilities).

Transfer prices between the business segments are generally determined based on typical market conditions in accordance with the arm’s length principle. Segment revenues, expenses and earnings include transfers between business units which are eliminated over the course of consolidation. No transactions between the business segments took place in the 2017 and 2016 Financial Years.

FINANCIAL YEAR ENDING ON 12/31/2017

in TEUR	Functional Fillers	Specialty Alumina	Other	Nabaltec Group
Revenues				
Revenues from non-Group customers	112,153	56,448	–	168,601
Segment earnings				
EBITDA	21,479	8,549	–	30,028
EBIT	13,119	5,198	–	18,317
Assets and liabilities				
Segment assets	127,153	47,632	46,592	221,377
Segment liabilities	16,848	8,316	111,650	136,814
Other segment data				
Investments				
– Property, plant and equipment	16,287	4,649	–	20,936
– Intangible assets	82	64	–	146
– Financial assets	0	0	–	0
Depreciation				
– Property, plant and equipment	8,278	3,284	–	11,562
– Intangible assets	82	67	–	149

FINANCIAL YEAR ENDING ON 12/31/2016

in TEUR	Functional Fillers	Specialty Alumina	Other	Nabaltec Group
Revenues				
Revenues from non-Group customers	109,123	50,092	–	159,215
Segment earnings				
EBITDA	17,316	5,593	–	22,909
EBIT	9,630	2,600	–	12,230
Assets and liabilities				
Segment assets	118,213	47,176	37,309	202,698
Segment liabilities	14,915	7,471	122,547	144,933
Other segment data				
Investments				
– Property, plant and equipment	13,603	5,128	–	18,731
– Intangible assets	50	103	–	153
– Financial assets	55	23	–	78
Depreciation				
– Property, plant and equipment	7,596	2,929	–	10,525
– Intangible assets	90	64	–	154

Regional data

Regions are defined as Germany, rest of Europe, USA and rest of world.

FINANCIAL YEAR ENDING ON 12/31/2017

in TEUR	Germany	Rest of Europe	USA	Rest of world	Total
Revenues					
Revenues from non-Group customers	45,251	81,709	21,371	20,270	168,601
Other segment data					
Segment assets	191,000	–	30,377	–	221,377
Investments					
– Property, plant and equipment	10,574	–	10,362	–	20,936
– Intangible assets	146	–	–	–	146
– Financial assets	–	–	–	0	0

FINANCIAL YEAR ENDING ON 12/31/2016

in TEUR	Germany	Rest of Europe	USA	Rest of world	Total
Revenues					
Revenues from non-Group customers	42,437	78,332	20,226	18,220	159,215
Other segment data					
Segment assets	179,554	–	23,144	–	202,698
Investments					
– Property, plant and equipment	16,348	–	2,383	–	18,731
– Intangible assets	153	–	–	–	153
– Financial assets	–	–	–	78	78

More than 10% of total revenues in Financial Year 2017 were earned from a single customer. The revenues from this customer amounted to TEUR 18,489 and are included in the results for the "Functional Fillers" segment. In Financial Year 2016 as well, more than 10% of revenues were earned from a single customer (TEUR 17,218).

The Group's non-current assets are located in Germany and the US. Non-current assets are defined as assets which are used in business operations and which are intended to remain in the company for more than 12 months. The allocation to the various regions is determined by the location of the respective assets.

7.8 CORPORATE OFFICERS

Management Board

- Mr. Johannes Heckmann (Chief Executive Officer)
- Mr. Günther Spitzer (Chief Financial Officer)
- Dr. Michael Klimes (Chief Operating Officer)

Supervisory Board

- Mr. Gerhard Witzany (Chairman as of 27 June 2017)
- Dr. Dieter J. Braun (Vice Chairman)
- Prof. Dr.-Ing. Jürgen G. Heinrich
- Dr. Leopold von Heimendahl (Chairman through 27 June 2017)

7.9 VOLUNTARY DECLARATION PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT ON THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Nabaltec AG have voluntarily issued the prescribed declaration for publicly traded companies in accordance with § 161 of the German Stock Corporation Act and have made this declaration available to its shareholders on the company's website. The declaration is posted on the company's website, "www.nabaltec.de," under "Investor Relations/Corporate Governance."

7.10 MAJOR EVENTS OCCURRING AFTER THE REPORTING DATE

The Management Board of Nabaltec AG, with the approval of the Supervisory Board, resolved on 8 February 2018 to acquire two properties in the US through a US subsidiary which has yet to be formed. Under the current plan, the first stage will be to construct a production facility for refined hydroxides with a capacity of around 30,000 tons per year through mid-2019. A facility for the production of boehmite will follow in a second stage. These projects will allow Nabaltec to extend its product portfolio in the US for non-halogenated flame retardant and catalysis applications. The investment volume for the first stage of the project is expected to be around USD 12 million. Nabaltec currently expects the project to have a positive impact on consolidated earnings one year after the facility goes online.

7.11 FEES AND SERVICES OF THE AUDITOR IN ACCORDANCE WITH § 314 OF THE GERMAN COMMERCIAL CODE

The auditor's fee for the 2017 financial statements (including the 2017 consolidated financial statements) amounts to TEUR 87. The auditor received a fee in the amount of TEUR 16 for other assurance services, a fee of TEUR 42 for tax advisory services and a fee of TEUR 0 for other services.

Schwandorf, 2 March 2018

Nabaltec AG
The Management Board

JOHANNES HECKMANN GÜNTHER SPITZER DR. MICHAEL KLIMES

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 to 31 December 2017. 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 315e (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 Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Nabaltec AG, Schwandorf, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e (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, complies with the legal requirements, as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Nuremberg, 12 March 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Kiefer) (Fischer)
German Public Auditor German Public Auditor

ANNUAL FINANCIAL STATEMENTS NABALTEC AG 2017

BALANCE SHEET
AS OF 31 DECEMBER 2017

ASSETS

in TEUR	12/31/2017	12/31/2016
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	291	407
2. Advance payments	78	35
	369	**442**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-freehold land	25,035	19,838
2. Technical equipment and machinery	51,728	49,163
3. Other fixtures, fittings and equipment	3,236	2,886
4. Advance payments as well as plant and machinery under construction	2,509	11,031
	82,508	**82,918**
III. Financial assets		
1. Shares in affiliated companies	6,761	240
2. Loans to affiliated companies	22,583	9,744
	29,344	**9,984**
	112,221	**93,344**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	15,140	15,290
2. Finished goods and purchased products	13,941	12,890
	29,081	**28,180**
II. Accounts receivable and other assets		
1. Trade receivables	4,089	3,091
2. Other assets	5,266	5,381
	9,355	**8,472**
III. Cash and cash equivalents	**44,921**	**34,633**
	83,357	**71,285**
C. Prepaid expenses	**167**	**66**
TOTAL ASSETS	**195,745**	**164,695**

EQUITY & LIABILITIES

in TEUR	12/31/2017	12/31/2016
A. Shareholders' equity		
I. Subscribed capital	8,800	8,000
II. Capital reserve	48,424	30,824
III. Accumulated profits	19,632	12,213
	76,856	**51,037**
B. Non-current assets investments grants	**4**	**4**
C. Provisions		
1. Retirement benefit obligation and similar provisions	24,012	21,435
2. Accrued taxes	1,995	1,112
3. Other provisions and accrued liabilities	7,387	5,016
	33,394	**27,563**
D. Accounts payable		
1. Payables to banks	71,924	72,724
2. Trade payables	11,620	12,330
3. Payables to affiliated companies	131	158
4. Other payables – thereof relating to taxes: EUR 317 thousand (PY: EUR 306 thousand) – thereof relating to social securities: EUR 34 thousand (PY: EUR 31 thousand)	1,816	879
	85,491	**86,091**
TOTAL EQUITY & LIABILITIES	**195,745**	**164,695**

INCOME STATEMENT

FOR THE FINANCIAL YEAR 1 JANUARY 2017 TO 31 DECEMBER 2017

in TEUR	1/1/–12/31/2017		1/1/– 12/31/2016	
1. Revenues		169,318		159,791
2. Change in finished goods		1,085		1,078
3. Other capitalized own services		307		716
Total performance		**170,710**		**161,585**
4. Other operating income – thereof exchange rate differences: EUR 545 thousand (PY: EUR 1,026 thousand)		1,046		1,596
		171,756		**163,181**
5. Cost of materials:				
a) Cost of raw materials and supplies and purchased goods	81,737		85,327	
b) Cost of purchased services	1,733	83,470	652	85,979
Gross profit		**88,286**		**77,202**
6. Personnel expenses:				
a) Wages and salaries	25,248		23,471	
b) Social security and other pension costs – thereof for pension costs: EUR 2,314 thousand (PY: EUR 2,493 thousand)	6,671		6,437	
7. Amortization/Depreciation of intangible assets and property, plant and equipment	10,579		9,784	
8. Other operating expenses – thereof exchange rate differences: EUR 1,610 thousand (PY: EUR 462 thousand)	29,109	71,607	24,783	64,475
		16,679		**12,727**
9. Income from securities and loans (financial assets) – thereof from affiliated companies: EUR 315 thousand (PY: EUR 319 thousand)	315		319	
10. Interest and similar income	49		151	
11. Depreciation of financial assets and of securities held as current assets – thereof from affiliated companies: EUR 838 (PY: EUR 0)	838			
12. Interest and similar expenses – thereof for compounding interest: EUR 936 thousand (PY: EUR 782 thousand)	**2,987**	**–3,461**	**3,081**	**–2,611**
Financial result		13,218		10,116
13. Income taxes		4,528		3,245
14. Net after-tax result		8,690		6,871
15. Other taxes		71		112
16. Net result for the year		**8,619**		**6,759**
17. Profit carried forward		11,013		5,454
18. Accumulated profit		**19,632**		**12,213**

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Management Board proposes that the distributable profit of the 2017 financial year, amounting to EUR 19,632,076.09, will be used as follows:

An amount of EUR 1,584,000.00 will be distributed to the shareholders by payment of a dividend of EUR 0.18 per share on the 8,800,000 non par value shares entitled to dividend payments for the 2017 financial year. The remainder in the amount of EUR 18,048,076.09 will be carried forward.

Schwandorf, April 2018

The Management Board

JOHANNES HECKMANN GÜNTHER SPITZER DR. MICHAEL KLIMES

FINANCIAL CALENDAR 2018

	2018
German Spring Conference, Frankfurt	14 May
Interim Report 1/2018	24 May
Annual General Meeting	26 June
Interim Report 2/2018	23 August
Interim Report 3/2018	27 November

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

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

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