

I D E A S M E A N D Y N A M I C F O R C E

Nabaltec



INTERIM REPORT II/2007

D Y N A M I C F O R C E M E A N S P R O G R E S S



KEY FIGURES (HGB)

Group		30/06/2007	30/06/2006
Revenue	EUR millions	42.8	35.6
Foreign share	%	69.2	65.4
EBITDA	EUR millions	3.8	3.9
EBIT	EUR millions	1.7	2.8
Earnings *	EUR millions	0.9	1.4
Earnings per share **	Euro	0.11	0.23
Operating cash flow	EUR millions	-2.1	5.4
Investments	EUR millions	12.2	11.9
Employees ***		291	273

* after minority interests

** 2006 based on 6,000,000 no-par-value shares
2007 based on 8,000,000 no-par-value shares

*** on average including management board and trainees

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Dear Shareholders,

The first half of 2007 was dominated by the successful launch of Nashtec's APYRAL® 40 CD volume in the global market. Full capacity was reached in May and market prices did not react negatively to the appearance of this additional volume, which comprises 10 % of the global market for fine-precipitated aluminum hydroxide. Customers everywhere appreciate the quality and consistency of the product of Nashtec.

The „Functional Fillers“ division strengthened its market position and improved its market share thanks to increased capacity in fine-precipitated aluminum hydroxides, as well as viscosity-optimized and milled hydroxides. The basis of the division's success is its qualitative leadership, which results in processing advantages for customers, and the division is constantly working on additional developments in this direction.

The „Technical Ceramics“ division was able to continue to exploit the strong market constitution, reporting a clear rise in revenue volume. With demand in the refractory industry continuing to hold steady, further growth in revenue is expected. The specialization on increasingly refined products increases added value in this segment, and divisional revenue showed clear improvement over last year as a result.

What this means in numbers is that Nabaltec Group's success in the first three months of the year has carried over into the second quarter. Revenue rose by 24.4 %, to EUR 22.4 million, and revenue in the first half of 2007 amounted to EUR 42.8 million, 20.2 % higher than the first half of 2006. Both divisions reported improvements over the same period of 2006, as in the first quarter of 2007. Revenue in the „Functional Fillers“ division came to EUR 28.3 million in the first half of 2007, up from EUR 23.3 million in the first half of 2006, while revenue in the „Technical Ceramics“ division increased from EUR 12.3 million in the first half of 2006 to EUR 14.5 million in the first half of 2007. On the earnings front, we continue to see considerable room for improvement after the first six months of 2007. While our earnings before interest, taxes, depreciation and amortization (EBITDA) came to EUR 3.8 million, just short of the EUR 3.9 million reported last year, earnings before interest and taxes (EBIT) came to just EUR 1.7 million, well below last year's figure of EUR 2.8 million.



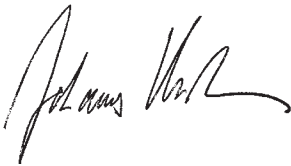
Johannes Heckmann



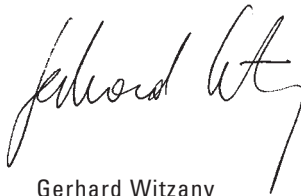
Gerhard Witzany

We expect the increased capacity at our Schwandorf site to make up for Nashtec's recently limited production in the second half of the year. As a result, we adhere to our Group revenue projection of EUR 95 million for 2007 as a whole, and we expect to exceed last year's earnings mark.

Yours,



Johannes Heckmann
Management Board Member



Gerhard Witzany
Management Board Member

Nabaltec AG, Schwandorf

**GROUP INTERIM MANAGEMENT REPORT
FOR 2ND QUARTER 2007**

SHARE

Nabaltec AG stock began the second quarter of 2007 at a Xetra price of EUR 19.35. Due to volatile trading in the ensuing months, its price dropped to EUR 17.50 by the end of the quarter, just below its price at the beginning of 2007, EUR 17.60.

The first annual general meeting of Nabaltec AG's shareholders was held on 16 May 2007. Before around 60 shareholders, guests and members of the media, the management board reported on the 2006 financial year, the figures for the first quarter of 2007 and its expectations as to future developments. In the subsequent voting, nearly all the agenda items were approved unanimously. The general meeting voted to approve the actions of the management and supervisory boards and to pay a dividend in the amount of EUR 0.10, an impressive affirmation of the policies pursued by the management and supervisory boards.

In order to maintain interest in Nabaltec shares, the management board regularly conducts discussions with institutional investors in Germany and abroad. In June, for example, road shows were held once again in London and Scandinavia and additional events are planned.

Up-to-date information about Nabaltec AG is available at all times on our website, www.nabaltec.de.

EARNINGS, FINANCIAL AND LIQUIDITY POSITIONS

REVENUE AND EARNINGS PERFORMANCE

Nabaltec Group reported a 20.2 % rise in revenue in the first half of 2007, as revenue increased from EUR 35.6 million in the first half of 2006 to EUR 42.8 million. In fact, revenue rose by 24.4 % from the second quarter of 2006 to the second quarter of 2007, from EUR 18.0 million to EUR 22.4. Both divisions recorded improvements on both a quarterly and a semi-annual basis. Revenue in the „Functional Fillers“ division rose to EUR 28.3 million in the first half of the year (first half of 2006: EUR 23.3 million) and EUR 15.1 million in the second quarter (second quarter of 2006: EUR 11.5 million), while revenue in the „Technical Ceramics“ division increased to EUR 14.5 million for the first half (EUR 12.3 million in the first half of 2006) and EUR 7.3 million for the second quarter (EUR 6.5 million in the second quarter of 2006). As in the first quarter of 2007, this positive revenue trend is attributable to a combination of price increases, higher revenue volume and increased capacity at the Schwandorf site for APYRAL® 40 CD as of the end of 2006. Foreign revenue also improved over the first half of 2006, comprising 69.2 % of total revenue (65.4 % in the previous year). This improvement is due above all to the added capacity created by the new production site in Corpus Christi, Texas (USA).

Nabaltec Group's earnings could not keep pace with this revenue growth in the first half of the year due to the necessary start-up expenses for Nashtec. As a result, EBITDA in the first half of 2007 came to EUR 3.8 million, just below the EUR 3.9 million figure posted in the first half of 2006. In the second quarter, Nabaltec's EBITDA was EUR 1.8 million, compared to EUR 2.1 million in the second quarter of 2006. EBIT decreased to EUR 1.7 million in the first six months of 2007 from EUR 2.8 million in the first half of 2006, and from EUR 1.5 million in the second quarter of 2006 to EUR 0.9 million in the second quarter of 2007. As a result, the EBIT margin fell from 7.9 % in the first half of 2006 to 4.0 % in the first half of 2007. Earnings after minority interests came to EUR 0.9 million in the reporting period, down from EUR 1.4 million in the first half of 2006.

FINANCIAL AND EARNINGS POSITIONS

Nabaltec Group's total assets increased from EUR 93.2 million on 31 December 2006 to EUR 97.9 million at the end of the reporting period. The acquisition of new technical equipment and machinery in particular (an increase of EUR 7.6 million) generated a clear rise in property, plant and equipment. Meanwhile, cash on hand and in banks came to EUR 1.2 million (31 December 2006: EUR 11.1 million). Due to the rise in revenue, trade receivables increased to EUR 6.6 million in the first half of 2007 (31 December 2006: EUR 2.4 million).

The EUR 0.8 million dividend payout adopted by the annual general meeting was performed in the second quarter of 2007, reducing shareholders' equity from EUR 43.7 million to EUR 42.8 million. As a result, the equity ratio decreased from 46.9 % to 43.7 %. Accounts payable rose sharply in the first six months of 2007, from EUR 38.6 million to EUR 42.3 million. While trade payables decreased by EUR 1.5 million, accounts payable to banks increased by EUR 3.0 million and other accounts payable rose by EUR 2.1 million. This development is attributable above all to the increase in Nashtec's loan obligations to its joint venture partner, Sherwin Alumina.

Cash flow from current business activity decreased from EUR 5.4 million to EUR -2.1 million due to the EUR 4.2 million rise in trade receivables and the EUR 1.5 million drop in trade payables. The investment activity increased from EUR 11.9 million to EUR 12.2 million in the first half of 2007 due to increased investments in property, plant and equipment, while cash flow from financing activity dropped from EUR 8.7 million to EUR 3.8 million.

ORDER PERFORMANCE

Incoming orders came to EUR 21.2 million in the second quarter of 2007. Orders on hand at the end of the reporting period were EUR 27.1 million.

INVESTMENTS

Nabaltec Group increased its investments from EUR 11.9 million in the first half of 2006 to EUR 12.2 million in the first half of 2007. Most of these funds went towards increasing production capacity for the APYRAL® CD qualities, ceramic bodies and reactive aluminas, as well as improving infrastructure.

EMPLOYEES

Nabaltec employed on average 291 employees (previous year: 273), 290 of which were employed on average in Germany (previous year: 272).

EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

After the end of the reporting period, a technical defect occurred in one of Nashtec's precipitators due to a design error. As a result, we decided to conduct a safety inspection of all precipitation tanks. The resulting damages will be covered by the tank manufacturer's warranty and insurance.

Our US production will be sharply reduced temporarily, which will delay deliveries to customers. We expect the production plant to be largely back online by mid-September 2007, with Nashtec reaching full capacity in October 2007 at the latest.

The limited production and delays in delivery will be reflected in the third-quarter figures, since experience has shown that warranty and insurance settlements take time.

RISKS

There were no significant changes in the first half of 2007 with respect to the opportunities and risks described in the 2006 consolidated management report.

OUTLOOK

Demand for halogen-free flame retardant fillers for the plastics and cable industry continues to rise. New forecasts predict annual growth rates of 7 % for aluminum hydroxide, a trend which will be reinforced by actions taken by some US States to ban some brominated flame retardants.

The successful launch of new APYRAL® CD qualities (APYRAL® 50 CD and APYRAL® 60 CD) creates new market potential for Nabaltec outside of the cable industry. Even in non-cable industries, we offer customers a clear processing advantage due to our higher processing speed. The capacity situation for the CD qualities continues to be positive, so that full utilization of the capacity additions planned for the third quarter is assured.

Based on the current market situation in the „Ceramic Raw Materials“ unit, we expect the high utilization of our facilities to continue, while prices remain stable. Global demand for reactive aluminas continues to rise, so that the newly created production facilities are almost fully utilized.

In the „Ceramic Bodies“ unit, demand remains strong. Due to the strength of the technical ceramics segment, we will be moving our existing facilities into the new production building step by step until the end of 2007, which will enable us to continue filling the numerous orders in full without delays.

In the third quarter, we will open a new plant for the production of APYRAL® CD qualities, as well as new plants for the production of reactive aluminas. We will also complete preparations for the launch of a heat stabilizer for the PVC industry, while beginning planning for a future production site.

While the consequences of the necessary safety inspection of all Nashtec precipitation tanks will impact the third-quarter numbers, we expect the additional capacity in Schwandorf from the end of August forward to compensate for this effect. As a result, we continue to project about EUR 95 million in Group revenue in 2007, as well as higher earnings than in the previous year, which would mean that we will continue to grow faster than the market, as we have in the past.

EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2007

BASIS FOR ACCOUNTING

Nabaltec AG (Schwandorf) is the parent company of the Nabaltec Group. The consolidated interim financial statements as of 30 June 2007 were prepared in accordance with the provisions in §§ 290 ff of the Commercial Code in conformance with DRS 6. The income statement was prepared in accordance with the cost summary method.

The same consolidation, accounting and valuation principles were applied when preparing the consolidated interim financial statements as were used for the consolidated financial statements for financial year 2006.

The values in the consolidated interim financial statements are expressed in euros (EUR) and thousands of euros (KEUR).

BASIS OF CONSOLIDATION

The consolidated Group was the same as in the consolidated financial statements for 31 December 2006.

PERSONNEL

The number of workers employed on average is:

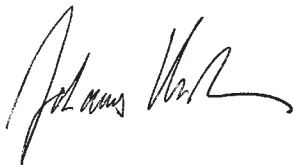
	Nabaltec No.	Nashtec No.
Industrial workers	156	
Employees (not including management board members)	97	1
Marginal workers	7	
	260	1

In addition, an average of 28 trainees were employed.

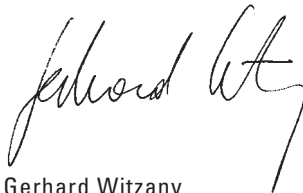
Schwandorf, August 2007

Nabaltec AG

The Management Board



Johannes Heckmann



Gerhard Witzany

CONSOLIDATED INCOME STATEMENT NABALTEC AG, SCHWANDORF,
FOR THE PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2007

	01/04/2007- 30/06/2007	01/04/2006- 30/06/2006	01/01/2007- 30/06/2007	01/01/2006- 30/06/2006
	KEUR	KEUR	KEUR	KEUR
1. Revenue	22,390	17,967	42,817	35,550
2. Decrease / Increase in finished products	-1,229	662	-861	-43
3. Other own work capitalized	172	43	253	43
Total performance	21,333	18,672	42,209	35,550
4. Other operating income	294	350	597	698
	21,627	19,022	42,806	36,248
5. Cost of materials:				
a) Expenses for raw materials and supplies and purchased goods	11,518	9,666	23,009	18,380
b) Expenses for purchased services	75	63	183	106
Gross profit	10,034	9,293	19,614	17,762
6. Personnel expenses:				
a) Wages and salaries	3,158	2,758	6,090	5,533
b) Social security, pensions and support expenses	701	577	1,367	1,166
7. Depreciation on intangible fixed assets and property, plant and equipment	916	593	2,056	1,174
8. Other operating expenses	4,379	3,897	8,360	7,139
	880	1,468	1,741	2,750
9. Other interest and similar income	182	3	251	3
10. Interest and similar expenses	567	532	1,162	968
Financial result	-385	-529	-911	-965
11. Result from ordinary business activities	495	939	830	1,785
12. Taxes on income and earnings	466	401	943	681
13. Other taxes	9	9	21	20
14. Net result	20	529	-134	1,084
15. Loss attributable to minority shareholders	-351	-170	-1,007	-270
16. Net income	371	699	873	1,354

CONSOLIDATED BALANCE SHEET OF NABALTEC AG, SCHWANDORF,
FOR 30 JUNE 2007

ASSETS

	30/06/2007	31/12/2006
	KEUR	KEUR
<hr/>		
A. FIXED ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	67	70
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-owned land	14,169	12,847
2. Technical equipment and machinery	28,430	20,808
3. Other fixtures, fittings and equipment	1,555	1,193
4. Advance payments and plant and machinery in process of construction	15,550	15,299
	59,704	50,147
III. Financial assets		
1. Shares in affiliated companies	2	2
2. Other loans	596	547
	598	549
	60,369	50,766
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	7,125	7,908
2. Finished products and merchandise	6,294	6,449
	13,419	14,357
II. Accounts receivable and other assets		
1. Trade receivables	6,620	2,424
2. Other assets	15,135	14,334
	21,755	16,758
III. Cash on hand and in banks	1,216	11,076
	36,390	42,191
C. DEFERRED EXPENSES AND ACCRUED INCOME	1,164	269
	97,923	93,226
<hr/>		

LIABILITIES

	30/06/2007	31/12/2006
	KEUR	KEUR
<hr/>		
A. SHAREHOLDERS' EQUITY		
I. Subscribed capital		
Conditional capital: EUR 3,000,000,00 (PY: EUR 3,000,000,00)	8,000	8,000
II. Profit participation capital	5,000	5,000
III. Capital reserve	30,824	30,824
IV. Compensatory item for currency translation	84	47
V. Profit/loss carried forward	-170	839
VI. Net income (PY: net loss)	873	-209
VII. Compensatory item for minority interests	-1,813	-842
	<hr/>	<hr/>
	42,798	43,659
 B. INVESTMENT GRANTS TO FIXED ASSETS	 535	 608
 C. PROVISIONS AND ACCRUED LIABILITIES		
1. Provisions for pensions and similar obligations	6,382	6,116
2. Accrued taxes	471	0
3. Other provisions and accrued liabilities	5,428	4,212
	<hr/>	<hr/>
	12,281	10,328
 D. ACCOUNTS PAYABLE		
1. Accounts payable to banks	27,597	24,565
2. Trade payables	8,425	9,897
3. Other accounts payable	6,287	4,169
	<hr/>	<hr/>
	42,309	38,631
	<hr/>	<hr/>
	97,923	93,226
	<hr/>	<hr/>

**CONSOLIDATED CASH FLOW STATEMENT OF NABALTEC AG,
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2007**

	01/01/2007 - 30/06/2007	01/01/2006 - 30/06/2006
	KEUR	KEUR
Period result (not including extraordinary items)	-134	1,084
Write-ups/downs on fixed assets	2,056	1,174
Increase/decrease in provisions	1,952	1,971
Other income/expenses with no effect on payments	-73	-85
Income/loss from the disposal of fixed assets	2	0
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activity	-4,954	928
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-966	289
Net cash flow from current business activity	-2,117	5,361
Inflow from disposal of property, plant and equipment	2	0
Outflow for investments in property, plant and equipment	-12,186	-11,892
Outflow for investments in intangible fixed assets	-6	-34
Outflow for investments in financial assets	-49	-4
Net cash flow from investment activity	-12,239	-11,930
Inflow from equity providers	0	0
Outflow to shareholders	-800	-1,000
Inflow from disposal of fixed assets as part of sale an leaseback transactions	0	0
Inflow from borrowings	6,449	10,140
Outflow for repayment of loans	-1,804	-469
Outflow from extraordinary items	0	0
Net cash flow from financing activity	3,845	8,671
Change in cash and cash equivalents with effect on payments	-10,511	2,102
Change in cash and cash equivalents due to exchange rates, changes in consolidated companies and valuation	73	24
Currency differences, asset statement	578	507
Cash and cash equivalents at start of period	11,076	931
Cash and cash equivalents at end of period	1,216	3,564

Cash and cash equivalents are comprised of cash on hand and in banks.

**STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY OF NABALTEC AG,
FOR 30 JUNE 2007**

Parent company

	Subscribed capital	Profit participation capital	Capital reserve	Earned consolidated equity
	KEUR	KEUR	KEUR	KEUR
1 January 2006	6,000	5,000	1,824	1,839
Distribution				-1,000
Other changes				
Consolidated result of the period				1,354
30 June 2006	6,000	5,000	1,824	2,193
1 July 2006	6,000	5,000	1,824	2,193
Issuance of new shares	2,000		29,000	
Other changes				
Consolidated result of the period				-1,563
31 December 2006	8,000	5,000	30,824	630
1 January 2007	8,000	5,000	30,824	630
Distribution				-800
Other changes				
Consolidated result of the period				873
30 June 2007	8,000	5,000	30,824	703

Minority shareholders

Other consolidated result Compensatory item for currency translation KEUR	Equity KEUR	Minority capital KEUR	Other consolidated result Compensatory item for currency translation KEUR	Equity KEUR	Consolidated shareholders' equity KEUR
13	14,676	62	13	75	14,751
	-1,000			0	-1,000
2	2		2	2	4
	1,354	-270		-270	1,084
15	15,032	-208	15	-193	14,839
15	15,032	-208	15	-193	14,839
	31,000			0	31,000
32	32		31	31	63
	-1,563	-680		-680	-2,243
47	44,501	-888	46	-842	43,659
47	44,501	-888	46	-842	43,659
	-800			0	-800
37	37		36	36	73
	873	-1,007		-1,007	-134
84	44,611	-1,895	82	-1,813	42,798

GROUP SEGMENT REPORTING FOR THE PERIOD FROM 1 APRIL 2007 TO 30 JUNE 2007

In line with its internal organizational and operating structure, Nabaltec is divided into two business divisions: „Functional Fillers“ and „Technical Ceramics“. Segment results will be presented in the form of earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA).

The earnings of the „Functional Fillers“ and „Technical Ceramics“ are also given by region. The regions are defined as Germany, Rest of Europe, USA and Rest of World (RoW).

	Functional Fillers 01/04/2007- 30/06/2007	Technical Ceramics 01/04/2007- 30/06/2007	Nabaltec Group 01/04/2007- 30/06/2007	Functional Fillers 01/04/2006- 30/06/2006	Technical Ceramics 01/04/2006- 30/06/2006	Nabaltec Group 01/04/2006- 30/06/2006
Segments	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue	15,071	7,319	22,390	11,489	6,478	17,967
Segment earnings						
EBITDA	937	859	1,796	1,504	559	2,063
EBIT	383	497	880	1,174	296	1,470
Segments by region						
Revenue						
Germany	2,133	4,482	6,615	2,678	3,844	6,522
Rest of Europe	10,668	2,192	12,860	7,298	2,137	9,435
USA	1,269	234	1,503	1,047	333	1,380
RoW	1,001	411	1,412	466	164	630
Total	15,071	7,319	22,390	11,489	6,478	17,967

GROUP SEGMENT REPORTING FOR THE PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2007

In line with its internal organizational and operating structure, Nabaltec is divided into two business divisions: „Functional Fillers“ and „Technical Ceramics“. Segment results will be presented in the form of earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA).

The earnings of the „Functional Fillers“ and „Technical Ceramics“ are also given by region. The regions are defined as Germany, Rest of Europe, USA and Rest of World (RoW).

	Functional Fillers 01/01/2007- 30/06/2007	Technical Ceramics 01/01/2007- 30/06/2007	Nabaltec Group 01/01/2007- 30/06/2007	Functional Fillers 01/01/2006- 30/06/2006	Technical Ceramics 01/01/2006- 30/06/2006	Nabaltec Group 01/01/2006- 30/06/2006
Segments	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue	28,281	14,536	42,817	23,290	12,260	35,550
Segment earnings						
EBITDA	1,943	1,854	3,797	2,930	995	3,925
EBIT	534	1,207	1,741	2,274	477	2,751
Segments by region						
Revenue						
Germany	4,737	8,447	13,184	5,007	7,267	12,274
Rest of Europe	19,532	4,997	24,529	15,186	4,153	19,339
USA	1,984	394	2,378	2,077	469	2,546
RoW	2,028	698	2,726	1,020	371	1,391
Total	28,281	14,536	42,817	23,290	12,260	35,550

NABALTEC AG – FINANCIAL CALENDAR 2007

27 November 2007

Interim Report III/2007



Nabaltec and distribution partners

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