Interim Report 2/2010

OUR KNOW-HOW FOR YOUR SAFETY

The First Half of 2010 at a Glance

Key Figures Nabaltec Group

in EUR million	06/30/2010 (IFRS)	06/30/2009 (IFRS)	Change
Revenues			
Total revenues	**53.4**	33.1	61.3%
thereof:			
Functional Fillers	**36.2**	22.7	59.5%
Technical Ceramics	**17.2**	10.4	65.4%
Foreign share (%)	**69.5**	70.1	
Employees* (number of persons)	**349**	341	2.3%
Earnings			
EBITDA	**7.3**	1.1	563.6%
EBIT	**3.5**	–2.0	
Consolidated result after taxes**	**0.5**	–3.6	
Earnings per share (EUR)**	**0.06**	–0.45	
Financial position			
Cash flow from operating activities	**11.6**	0.8	1,350.0%
Cash flow from investing activities	**–2.8**	–9.7	71.1%
Assets, equity and liabilities	**06/30/2010**	12/31/2009	
Total assets	**138.3**	131.8	4.9%
Equity	**40.6**	40.0	1.5%
Non-current assets	**110.1**	108.7	1.3%
Current assets	**28.2**	23.1	22.1%

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

Course of business	Strategic developments
- recovery continued at a steady pace in the first half of the year	- clear increase in revenue and earnings forecast 2010
- revenue growth of 73.2% in the second quarter over the second quarter of last year, for the highest revenues in the history of Nabaltec	- all capacity reserves increased, particularly in the US
- clear growth in all product segments and regions	- intensified marketing of new products in the additives and boehmites segments
- US revenues nearly tripled in the reporting quarter	- start of construction on a boehmite production site in Schwandorf

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TO OUR SHAREHOLDERS

Ladies and Gentlemen,

In the second quarter of 2010, Nabaltec AG posted the highest revenues in its history. In this record-setting quarter, we were able not only to make up the revenue losses in 2009, but also to return to our long-term growth track, and much sooner than expected. Due to the very positive course of business, we are now raising our 2010 forecast for the second time and there are good indications that revenues this year will exceed the record 2008 revenues.

We currently expect revenues of EUR 100 – 108 million in 2010 as a whole, with an operating profit (EBIT) of at least EUR 6 million: twice as high as our previous EBIT forecast. Even after interest and taxes, we now expect to finish in the profit zone once again.

We are currently registering rapid growth: the first half of 2010 closed with 61.3% revenue growth and second-quarter revenues in the US market nearly tripled, while Asian revenues almost doubled. Accordingly, one of our central challenges at the moment is to ascertain to what extent this represents sustained growth, and to what extent the current market is inflated by pent-up demand and inventory effects. Our analysis of the actual potential of the international markets reveals intact demand and sustainable outstanding opportunities for our products, particularly as Nabaltec has increasingly succeeded in establishing its eco-friendly fillers and additives as alternatives to heavy metal-based products. We therefore expect this growth to continue, as Nabaltec should outperform the market based on the investments it has made in recent years.

Our key investment project this year is also progressing as planned. In October, the new boehmite production plant at the Schwandorf site, built with an investment volume of around EUR 2.0 million, will go online. This product, which was introduced in 2009, has been developing very well, as we are seeing growing demand for our heavy metal-free solution from three different target markets: catalysis, for which our boehmite was developed, the electronics industry and energy storage. When production begins in Schwandorf, our testing facility in Kelheim, currently used to manufacture boehmite, will once again be fully available for research and development of new products, as we believe that we are far from exhausting the potential applications for our smart and eco-friendly fillers and additives, as well as our raw materials for technical ceramics.

Yours,

Johannes Heckmann
Member of the Board

Gerhard Witzany
Member of the Board

Nabaltec Share

Performance of Nabaltec Share
(in EUR, XETRA)

Key Data for Nabaltec Share
(all data refer to XETRA)

	H1/2010	2009
Number of shares	**8,000,000**	8,000,000
Market capitalization (cutoff date) in EUR million	**33.60**	30.72
Average price (in EUR)	**4.15**	2.48
Maximum price (in EUR)	**4.60**	4.80
Lowest price (in EUR)	**3.70**	1.10
Closing price (cutoff date, in EUR)	**4.20**	3.84
Average daily turnover (in shares)	**7,539**	4,817
Earnings per share* (in EUR)	**0.06**	–0.34

* after non-controlling interests

The performance of Nabaltec share in the first six months of 2010 was less volatile and more stable than in the first half of 2009. On 30 June 2010, the share closed at EUR 4.20, up 9.4% from its closing price at the end of Financial Year 2009. Accordingly, the performance of Nabaltec share was only slightly worse than that of the SDAX index (10.0%) and much better than the specialty chemicals index (–3.6%). Nabaltec AG's market capitalization was EUR 33.6 million on 30 June 2010, up from EUR 30.7 million at the end of 2009. In the twelve-month period ending on the reporting date, 30 June 2010, Nabaltec share's performance was 90.9%.

The share's average daily trading volume on XETRA was 7,539 shares in the first half of the year, much higher than in 2009.

This year's General Meeting was held on 10 June 2010 at the Amberg Congress Center. All agenda items were approved by a large majority, including amendments to the Articles of Association in response to new legislation, resolutions approving the actions of the Management and Supervisory Boards and election of the auditor for Financial Year 2010.

Nabaltec AG continued to intensify its capital market communications in the first half of 2010. At the start of May, the company took part in the Entry & General Standard Conference in Frankfurt, the largest capital market conference in those segments of the exchange. VEM Aktienbank AG, whose research follows Nabaltec AG share on a permanent basis, rates the share a "buy", and according to a study of 3 May 2010, sees its fair value at EUR 5.50.

Earnings per share turned into the profit zone on 30 June 2010. This number was at EUR –0.34 at the end of 2009, improved to EUR –0.03 after the first three months of 2010 and now, six months into 2010, earnings per share are at EUR 0.06.

As of 30 June 2010, the majority of the 8,000,000 shares continue to be held by the Heckmann and Witzany families. The Heckmann family holds 32.9% of the capital stock and the Witzany family holds 29.7%, with the remaining shares in free float.

GROUP INTERIM MANAGEMENT REPORT

as of 30 June 2010

Course of business

The noticeable recovery in recent quarters gathered strength in the second quarter of 2010.
This improvement can be attributed to significant demand growth over all business divisions and product segments as well as, to a certain extent, to the fact that the comparison figures for the first and second quarters of 2009 represented low points.

The course of business in Germany, Europe, the US and the rest of the world, especially in Asia, was entirely positive in the second quarter and in the first six months of 2010. The sustained nature the recent growth is underscored by the fact that revenues have been up from the year before for three quarters in a row.

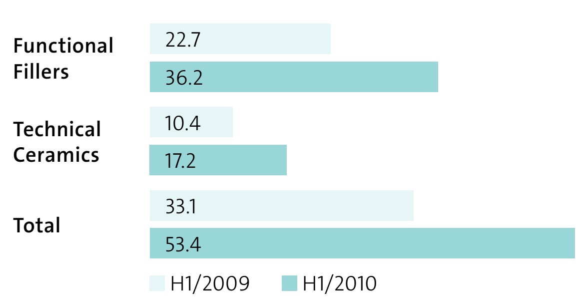
The second quarter of 2010 was a record quarter for Nabaltec AG in terms of revenues and sales. Consolidated revenues were up 73.2% to EUR 29.1 million. In the second quarter of last year, near the low point of the demand crisis, revenues were just EUR 16.8 million. For comparison, revenues were EUR 20.0 million in the third quarter of 2009 and EUR 19.9 million in the fourth quarter.

Revenues in the first half of 2010 amounted to EUR 53.4 million, up 61.3% from the year before, when revenues were just EUR 33.1 million.

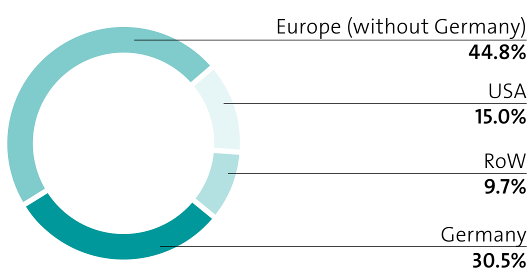
The positive revenues trend has gone together with growth in sales. Sale prices have remained stable overall.

Revenues in the "Functional Fillers" division were up 59.5% in the first six months of the year over the first half of 2009, and revenues in the "Technical Ceramics" division were up 65.4%. Revenues in the "Functional Fillers" business division grew from EUR 22.7 million to EUR 36.2 million and revenue growth in the "Technical Ceramics" business division was stronger and faster than even Nabaltec expected, increasing by EUR 6.8 million to EUR 17.2 million. The revenue growth rate increased for both business divisions in the second quarter, as each business division posted a record quarter.

Revenues by business divisions
(EUR million)

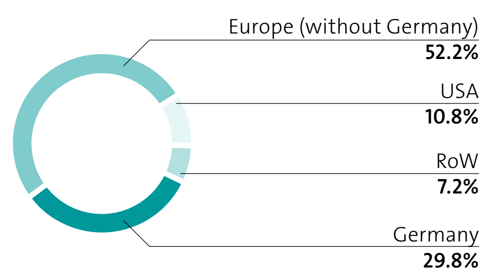


H1/2010



53.4 EUR million

H1/2009



33.1 EUR million

Nabaltec's growth in the US and Asian regions was especially strong. Nabaltec's US subsidiary Nashtec increased its output once again in the first half of 2010, and is now operating at maximum capacity. While business in general is picking up considerably, revenues for flame retardant fillers are noticeable especially in the US and Asian regions, where Nabaltec has increasingly succeeded in capturing revenues from a withdrawing competitor. For example, Nabaltec's US revenues in the second quarter of 2010 were almost three times as high as in the second quarter of 2009.

Nabaltec's total performance was up 69.4% in the first six months of 2010, due above all to its strong revenue growth. At the same time, inventories of finished and unfinished products were kept largely stable and were not reduced any further in the second quarter, in light of the considerable growth in business volume. In the second quarter of last year, Nabaltec was actively engaged in reducing inventories.

The cost of materials ratio (cost of materials as a percentage of total performance) was 54.1% in the first half of 2010, which is consistent with a normal course of business without extraordinary effects. In the first half of last year, Nabaltec benefiting from a precautionary build-up in inventories to cushion the effect of price increases from suppliers. The cost of materials ratio was somewhat low last year, 52.3%. Gross profit margin (gross profit as a percentage of total performance) in the reporting period was 48.6%, down somewhat from 49.4% the year before.

Personnel expenses increased from EUR 7.4 million in the first half of last year to EUR 8.8 million in the first half of 2010, due mainly to the decision to cut down on short-time working in the first quarter and phase it out entirely on 31 May 2010. The personnel expense ratio (personnel expenses as a percentage of total performance) improved considerably, from 23.9% to 16.8%, due to the very strong revenue growth, while the number of employees increased slightly, from 341 at this point last year to 349.

Other operating expenses were affected in particular by the rise in freight costs together with the growth in sales. At the same time, the cost cuts implemented in 2009 created a sustained reduction in other operating expenses, so that other operating expenses as a percentage of total performance fell from 21.9% in the first half of last year to 17.9%.

Earnings in the first half of 2010 were not affected by extraordinary factors and one-time effects.

Nabaltec's earnings before interest, taxes, depreciation and amortization (EBITDA) increased considerably in the first half, from EUR 1.1 million to EUR 7.3 million. The EBITDA margin (EBITDA as a percentage of total performance) was 13.9%. The second quarter of 2010 brought another clear improvement, due to the fact that revenues were up while expenses remained stable, and the EBITDA margin increased from 12.0% to 15.4% from the first to the second quarter. Both business divisions contributed to the earnings growth in proportion to their share of total revenues, in terms of both EBITDA and operating profit (EBIT). Six months into the year, consolidated EBIT were EUR 3.5 million, for a margin (EBIT as a percentage of total performance) of 6.7%. In this area as well, Nabaltec's earnings improved at a much greater pace than in the first quarter, when the improvement in earnings was already strong. The second quarter was the strongest earnings quarter in the history of Nabaltec, with an EBIT of EUR 2.5 million.

Taking into account a net financial income of EUR –2.1 million, earnings before taxes in the first half of the year were EUR 1.3 million. In the second quarter, Nabaltec reported positive earnings before taxes (EUR 1.5 million) for the first time since the financial crisis, and cumulated earnings before taxes for the first half of the year are now positive. Taking into account deferred taxes from accumulated loss carried forward and non-controlling interests, the consolidated result after taxes for the first six months of the year was EUR 0.5 million, for an earnings per share of EUR 0.06 for the first half.

Nabaltec's cash flow from operating activities in the first half of 2010 was EUR 11.6 million, EUR 10.8 million

more than the same period before, when cash flow from operating activities was EUR 0.8 million. This considerable improvement was due in part to the clear growth in earnings. Additionally, Nabaltec was able to keep inventories very low despite the strong growth in business volume, and in some cases was even able to cut inventories even further. At the same time, the year-before comparison figure was affected by the significant outflow of cash due to the reduction in trade payables and other liabilities. The net impact on cash flow from operating activities of trade receivables and payables was hardly significant: both increased by a similar amount due to the increase in business volume.

The outflow of cash for investing activities declined considerably, from EUR 9.7 million to EUR 2.8 million. Nabaltec has largely completed its extensive 2009 investment program, and was therefore able to scale back investment activity considerably in 2010, as planned. As a result, free cash flow increased sharply in the first half of 2010.

The situation for cash flow from financing activities also changed entirely in 2010. After a period of borrowing money to finance investments through the end of 2009, the focus is now on paying back principal and interest. As a result, cash flow from financing activities was just EUR –3.9 million.

Cash and cash equivalents in Nabaltec Group were EUR 5.5 million on 30 June 2010.

Nabaltec's consolidated balance sheet showed only minor structural changes relative to 31 December 2009. Total assets increased by 4.9%. Fixed assets stayed largely stable following completion of the major investment projects, and depreciation was only slightly exceeded by new investments in the first half of the year.

The change in current assets was somewhat more significant, as current assets increased by EUR 5.2 million. This increase was attributable to the growth in liquid funds and in accounts receivable. The change in inventories went in the opposite direction, as inventories fell by EUR 4.6 million, or 24.0%. Inventories are now at minimum levels and Nabaltec now will raise inventories somewhat depending on supplier prices.

On the liabilities side, the equity ratio was nearly unchanged at 29.4% (31 December 2009: 30.3%). The reason the growth in earnings has not yet been reflected in a rising equity ratio is that the company's balance sheet has been lengthened by nearly the same amount. Non-current liabilities decreased slightly as the company paid off debt. Current liabilities increased somewhat due to the growth in trade payables and other liabilities.

Employees

As of 30 June 2010, Nabaltec Group had 349 employees, including trainees. At the same time last year, the Group had 341 employees. The trainee ratio was 10.6%.

Subsequent events

No significant events occurred after the reporting date with an impact on the financial, earnings and liquidity position.

Risk report

In the first half of 2010, there were no significant changes to the risk situation described in the 2009 consolidated management report.

Outlook

The framework parameters in Nabaltec's target markets have shown fundamental improvement. Nevertheless, in light of the fact that the economic environment remains challenging, the development of some of the company's target sectors, such as the steel industry and sectors related to the automotive market, remains uncertain. Thanks above all to fundamental trends such as the move towards greater environmental protection and stricter safety standards, as well as the economic necessity for customers to steadily optimize their processes, however, Nabaltec expects demand for its products to grow. As things stand, Nabaltec will be able in 2010 not only to make up for the revenue losses in 2009, but to return to the company's long-term growth track, both on the consolidated level and for each of the two business divisions.

The goal is to increase revenues to EUR 100–108 million. In terms of earnings as well, Nabaltec's outlook for the year is now far brighter. The forecast for 2010 has already been raised from an outlook of a positive operating profit to an EBIT of over EUR 3 million, and the company now expects to report a consolidated operating profit (EBIT) of at least EUR 6 million. Net earnings for 2010 will also be positive. This is the second time this year that Nabaltec has raised its revenue and earnings forecast.

Cost structures should remain stable in the remainder of the year. Personnel expenses will increase slightly, as the voluntary 6.67% pay reduction which was agreed to at the low point of the economic crisis is set to expire on 1 September 2010.

The US subsidiary Nashtec is operating at full capacity. Additional measures are being taken to raise existing reserves of production capacity. At the same time, a greater percentage of demand in the US and Asia is being met from Germany.

Market conditions are right in all of Nabaltec's product segments. For example, recent market studies from Frost & Sullivan project that the halogen-free flame retardant market, Nabaltec's highest-revenue segment, will grow at a rate of 8.1% a year through 2014. Nabaltec plans to generate above average growth in this market by replacing the heavy metal-based flame retardants which are still in use with halogen-free, eco-friendly products and by taking market share away from competitors thanks to its high-quality and innovative products. In the market for technical ceramics and refractory products as well, the company expects to see growth in 2010 following a period of significant stabilization, as global steel production, the largest direct target sector for these products, is showing clear signs of recovery.

A major goal for 2010 is transforming the outstanding demand for Nabaltec's boehmite into a steadily growing business. The preliminary signs are excellent, as demand is coming primarily from three different areas: the electronics industry, energy storage and demand for use in catalysis processes. Accordingly, Nabaltec has already begun construction of a production plant to manufacture boehmite for use in polymers. This project, with an investment volume of up to EUR 2.0 million, will be completed in the second half of the year. The start of production is scheduled for October 2010. The capacity in the Kelheim testing facility which will be freed up by the new plant will then be used again for product development and optimization.

As the year goes on, Nabaltec plans to build up and expand its "additives" business, which was launched in 2009. Nabaltec sees strong growth opportunities for its "additives" business, as the ongoing replacement of heavy metal-based stabilizers in PVC processing, a process which is driven by international regulations, will encourage the search for eco-friendly alternatives. The product family developed and patented by Nabaltec AG, which can take the place of toxic lead compounds in plastic mixtures and acts as a heat stabilizer, has successfully withstood numerous approval processes with future key customers.
This potential revenue base will be gradually expanded in 2010 and 2011.

Otherwise, the statements made in the forecast report to the 2009 consolidated management report remain in effect.

Schwandorf, 13 August 2010

The Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of 30 June 2010

Consolidated Statement of Comprehensive Income

for the period from 1 January 2010 through 30 June 2010

Consolidated Statement of Comprehensive Income				
in EUR 000	**01/01–06/30/2010**	**04/01–06/30/2010**	01/01 – 06/30/2009	04/01 – 06/30/2009
Revenue	**53,409**	**29,059**	33,108	16,803
Changes in unfinished and finished products	**−1,032**	**97**	−2,621	−407
Other own services capitalized	**86**	**53**	499	321
Total performance	**52,463**	**29,209**	**30,986**	**16,717**
Other operating income	**1,469**	**878**	441	176
Cost of materials	**−28,409**	**−15,833**	−16,171	−8,796
Gross profit	**25,523**	**14,254**	**15,256**	**8,097**
Personnel expenses	**−8,773**	**−4,562**	−7,354	−3,402
Depreciation and amortization	**−3,872**	**−1,957**	−3,109	−1,567
Other operating expenses	**−9,427**	**−5,209**	−6,794	−3,300
Operating result (EBIT)	**3,451**	**2,526**	**−2,001**	**−172**
Interest and similar income	**61**	**31**	57	28
Interest and similar expenses	**−2,205**	**−1,084**	−1,993	−842
Result from ordinary operations (EBT)	**1,307**	**1,473**	**−3,937**	**−986**
Income taxes	**−712**	**−576**	−66	−53
Consolidated result after taxes	**595**	**897**	**−4,003**	**−1,039**
thereof attributable to				
Shareholders of the parent company	**473**	**745**	−3,637	−919
Non-controlling interests	**122**	**152**	−366	−120
Consolidated result after taxes	**595**	**897**	**−4,003**	**−1,039**
Earnings per share (in EUR)	**0.06**	**0.09**	−0.45	−0.11

Consolidated Statement of Comprehensive Income				
in EUR 000	**01/01–06/30/2010**	**04/01–06/30/2010**	01/01 – 06/30/2009	04/01 – 06/30/2009
Consolidated result after taxes	**595**	**897**	**–4,003**	**–1,039**
Foreign Currency Translation (after taxes)	**184**	**131**	–9	–195
Net Result from Hedge Accounting (after taxes)	**–253**	**–175**	358	343
Other result	**–69**	**–44**	**349**	**148**
thereof attributable to				
Shareholders of the parent company	**679**	**407**	113	–243
Non-controlling interests	**–748**	**–451**	236	391
Consolidated result after taxes	**526**	**853**	**–3,654**	**–891**
thereof attributable to				
Shareholders of the parent company	**1,152**	**1,152**	–3,524	–1,162
Non-controlling interests	**–626**	**–299**	–130	271

Consolidated Balance Sheet

as of 30 June 2010

ASSETS

in EUR 000	**06/30/2010**	12/31/2009
Noncurrent assets	**110,071**	**108,702**
Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets (including advance payments)	**214**	233
Property, plant and equipment	**109,857**	108,469
Land, leasehold rights and buildings on non-owned land	**31,220**	30,676
Technical equipment, plant and machinery	**75,081**	74,856
Other fixtures, fittings and equipment	**2,176**	2,239
Advance payments and plant and machinery under construction	**1,380**	698
Current assets	**28,259**	**23,109**
Inventories	**14,646**	19,213
Raw materials and supplies	**6,507**	10,180
Unfinished goods	**215**	187
Finished products and merchandise	**7,924**	8,846
Trade receivables and other assets	**8,068**	3,399
Trade receivables	**4,512**	499
Income tax claims	**368**	248
Other assets	**3,188**	2,652
Cash and cash equivalents	**5,545**	497
Total Assets	**138,330**	**131,811**

EQUITY & LIABILITIES

in EUR 000	06/30/2010	12/31/2009
Equity	**40,569**	**40,043**
Subscribed capital	**8,000**	8,000
Capital reserve	**29,764**	29,764
Earnings reserves	**9,711**	9,707
Profit/loss carried forward	**−2,572**	2,520
Consolidated result after taxes	**473**	−5,047
Accumulated other comprehensive result	**−219**	−898
Non-controlling interests	**−4,588**	−4,003
Noncurrent liabilities	**66,212**	**68,266**
Pension provisions	**11,464**	11,078
Payables to banks	**44,553**	47,197
Profit participation capital	**4,939**	4,927
Liabilities from finance lease	**0**	319
Deferred tax liabilities	**2,787**	2,076
Other liabilities	**2,469**	2,669
Current liabilities	**31,549**	**23,502**
Income tax payable	**379**	480
Other provisions	**861**	868
Payables to banks	**6,055**	4,737
Trade payables	**10,337**	6,066
Liabilities from finance lease	**800**	958
Other liabilities	**13,117**	10,393
Total equity & liabilities	**138,330**	**131,811**

Consolidated Cash Flow Statement

for the period from 1 January 2010 to 30 June 2010

in EUR 000		01/01 – 06/30/2010	01/01 – 06/30/2009
Cash flow from operating activities			
Period profit before taxes		**1,307**	**–3,937**
+	Depreciation and amortization	**3,872**	3,109
–/+	Gain/loss from asset disposals	**0**	1
–	Interest income	**–61**	–57
+	Interest expenses	**2,205**	1,993
Operating profit before working capital changes		**7,323**	**1,109**
+/–	Increase/decrease in provisions	**378**	214
–/+	Increase/decrease in trade receivables and other assets not attributable to investing or financing activity	**–4,550**	–307
+/–	Decrease/increase in inventories	**4,567**	7,183
+/–	Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity	**4,129**	–6,696
Cash flow from operating activities before taxes		**11,847**	**1,503**
–	Income taxes paid	**–222**	–717
Cash flow from operating activities		**11,625**	**786**

in EUR 000		01/01 – 06/30/2010	01/01 – 06/30/2009
Cash flow from investing activities			
–	Cash paid for purchases in property, plant and equipment	**–2,762**	–9,808
+	Cash received from returning intangible assets	**0**	70
–	Cash paid for investments in intangible assets	**–11**	0
Cash flow from investing activities		**–2,773**	**–9,738**
Cash flow from financing activities			
+	Cash received from financial loans	**0**	12,000
–	Cash rendered for payment of financial loans	**–1,402**	–1,994
–	Cash rendered for liabilities from finance lease	**–477**	–545
–	Interest paid	**–2,059**	–2,011
+	Interest received	**61**	57
Cash flow from financing activities		**–3,877**	**7,507**
Net change in cash and cash equivalents		**4,975**	**–1,445**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**73**	35
Cash and cash equivalents at the beginning of the year		**497**	1,942
Cash and cash equivalents at the end of the year		**5,545**	**532**

Consolidated Statement of Changes in Equity

for the period from 1 January 2010 to 30 June 2010

	Equity attributable to shareholders of Nabaltec AG		
in EUR 000	Subscribed Capital	Capital reserve	Earnings reserves
Balance per 01/01/2009	**8,000**	**29,764**	**9,707**
Foreign currency translation			
Net gains from hedge accounting			
Profit/loss recognized directly in equity			
Profit/loss for the period			
Consolidated profit for the period			
Balance per 06/30/2009	**8,000**	**29,764**	**9,707**
Foreign currency translation			
Net gains from hedge accounting			
Profit/loss recognized directly in equity			
Profit/loss for the period			
Consolidated profit for the period			
Balance per 12/31/2009	**8,000**	**29,764**	**9,707**
Consolidation adjustment Nashtec LLC *			**4**
Foreign currency translation			
Net gains from hedge accounting			
Profit/loss recognized directly in equity			
Profit/loss for the period			
Consolidated profit for the period			
Balance per 06/30/2010	**8,000**	**29,764**	**9,711**

*see the notes regarding consolidation group within the abridged consolidated notes

Profit carried forward	Accumulated other comprehensive result	Total	Non-controlling interests	Consolidated equity
2,520	−934	49,057	−4,006	45,051
	−68	−68	59	−9
	181	181	177	358
	113	113	236	349
−3,637		−3,637	−366	−4,003
−3,637	113	−3,524	−130	−3,654
−1,117	−821	45,533	−4,136	41,397
	−108	−108	54	−54
	31	31	30	61
	−77	−77	84	7
−1,410		−1,410	49	−1,361
−1,410	−77	−1,487	133	−1,354
−2,527	−898	44,046	−4,003	40,043
−45		−41	41	0
	811	811	−627	184
	−132	−132	−121	−253
	679	679	−748	−69
473		473	122	595
473	679	1,152	−626	526
−2,099	−219	45,157	−4,588	40,569

Segment reporting

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

Business segments

Nabaltec is divided into two business segments, “Functional Fillers” and “Technical Ceramics”.
Each segment represents a strategic business division, the products and markets of which differ from those of the other.

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

The “Technical Ceramics” segment produces and distributes ceramic raw material and ceramic bodies for numerous applications in technical ceramics as well as the refractory industry.

Period from 1 January 2010 to 30 June 2010

in EUR 000	Functional Fillers		Technical Ceramics		Nabaltec Group	
	01/01–06/30/2010	04/01–06/30/2010	01/01–06/30/2010	04/01–06/30/2010	01/01–06/30/2010	04/01–06/30/2010
Revenues						
Third party revenue	36,194	19,615	17,215	9,444	53,409	29,059
Segment result						
EBITDA	4,799	2,916	2,524	1,567	7,323	4,483
EBIT	1,993	1,492	1,458	1,034	3,451	2,526

Period from 1 January 2009 to 30 June 2009

in EUR 000	Functional Fillers		Technical Ceramics		Nabaltec Group	
	01/01–06/30/2009	04/01–06/30/2009	01/01–06/30/2009	04/01–06/30/2009	01/01–06/30/2009	04/01–06/30/2009
Revenues						
Third party revenue	22,673	12,044	10,435	4,759	33,108	16,803
Segment result						
EBITDA	1,023	1,269	85	126	1,108	1,395
EBIT	–1,069	229	–932	–401	–2,001	–172

Abridged Consolidated Notes to the Interim Report

from 1 January 2010 to 30 June 2010

1. General information

Nabaltec, based in Schwandorf, Germany[1], was founded under the name Nabaltec GmbH, with its registered head office in Schwandorf (registered in the Commercial Register of the Amberg Local Court under HRB 3920) by virtue of Articles of Incorporation dated 14 December 1994. It acquired the specialty alumina division of VAW aluminium AG in 1995. The Company was converted to a stock corporation in 2006.

According to Section 2 of the Articles of Association, Nabaltec AG's business activities include the development, manufacturing and distribution of highly specialized products based on mineral raw materials, in particular on the basis of aluminum hydroxide ('ATH') and aluminum oxide.

Since 24 November 2006, the shares of Nabaltec AG are listed on the Open Market (Entry Standard) segment of the Frankfurt Stock Exchange.

2. Basis of preparation

The consolidated financial statements of Nabaltec AG as at 30 June 2010 were prepared with due regard to all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the Standing Interpretations Committee (SIC) recognized by the European Union and applicable to the financial year.

Published in 2008, though first ratified by the European Union on 12 June 2009, IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements under IFRS" were already applied to the consolidated financial statements as at 31 December 2008 and to the interim financial statements as of 31 March 2009, because an endorsement from the EU was already anticipated at the time these financial statements were prepared.

The interim financial statements of Nabaltec AG for the period from 1 January to 30 June 2010 were prepared in conformance with IAS 34 "Interim Financial Reporting" as a shorter financial report. The shorter financial statements do not contain all information prescribed for the financial statements of the financial year and should be read in conjunction with the consolidated financial statements as at 31 December 2009.

The interim financial statements encompass the period from 1 January 2010 to 30 June 2010.

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

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

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

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

Consolidation group

The consolidation group of Nabaltec AG as at 30 June 2010 did not change compared to the consolidated financial statements as at 31 December 2009 or the second quarter of financial year 2009. The consolidated financial statements encompasses the financial statements of Nabaltec AG, Schwandorf, as parent company and its subsidiary Nashtec LLC, Texas (USA), formerly "Nashtec L.P.", Corpus Christi (USA). Nashtec L.P. was founded as a joint venture with Sherwin Alumina in 2005. The Nashtec Management Corporation was not included in the consolidated financial statements for lack of materiality.

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

Nabaltec AG previously held 51% in Nashtec Management Corp. and 51% (directly 50.49% and indirectly via Nashtec Management Corp., which held 1% of the shares as general partner) in Nashtec L.P. as part of a joint venture. This corporate structure was changed as at 1 January 2010. Nashtec Management Corp. was dissolved, Nashtec L.P. was transformed into an LLC, so that Nabaltec AG now directly holds 51% and Sherwin Alumina LLC directly 49% in Nashtec LLC.

New accounting provisions

All accounting and valuation methods used in the preparation of the abridged financial statements correspond to the methods applied to the most recent consolidated financial statements as at 31 December 2009. The following standards and interpretations were required to be applied for the first time to the interim financial statements:

- IFRS 1 "First-time Adoption of IFRS": The amendments deal exclusively with the formal structure of IFRS 1. The general regulations were separated from the specific regulations of the standard. The new structure will improve the clarity and application of IFRS 1. The revised IFRS 1 is applicable to annual periods beginning on or after 1 January 2010. The amended standard does not affect the amounts reported in the quarterly financial statements.

- IFRS 1 "First-time Adoption of IFRS": The amendments relate to the retroactive application of IFRS in special situations and are intended to assure that enterprises do not incur disproportionately high costs. The amendments were initially applicable to annual periods beginning on or after 1 January 2010. They did not affect the quarterly financial statements.

- IFRS 3 "Business Combinations": For the treatment of minority shares, the revised IFRS 3 provides an option to valuate shares at the attributable current market value or the identifiable prorated net asset value. For business acquisitions achieved in stages, existing shares in the acquired business are revaluated with an effect on income as at the date of the acquisition of control. The amendments were initially required to be applied to annual periods beginning on or after 1 July 2009. This standard was previously applied as at 31 December 2008.

- IAS 27 "Consolidated and Separated Financial Statements under IFRS": Dividends of jointly managed enterprises, associated enterprises and subsidiaries are to be encompassed in the income statement in the future irrespective of the dividends distributed from results prior to the acquisition date. If the dividends distributed in one year exceed the total results of the year, an impairment test might be necessary. The amendments were initially applicable to annual periods beginning on or after 1 July 2009. This standard was already applied as at 31 December 2008.

- IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives": The amendments clarify the recognition of embedded derivatives in the case of a reclassification of hybrid financial instruments from the "Fair Value through Profit and Loss" category. The amendments were initially applicable to annual periods beginning on or after 30 June 2009. They did not affect the quarterly financial statements.

- IAS 39 "Financial Instruments: Recognition and Measurement": The amendments clarify two hedge accounting issues: the inflation risk of a hedged financial item and the unilateral risk of a hedged item. The amendments were initially applicable to annual periods beginning on or after 1 July 2009. They did not affect the quarterly financial statements.

- IFRIC 16 "Hedges of Net Investment in a Foreign Operation": The interpretation clarifies two issues arising from IAS 21 "Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial

Instruments: Recognition and Measurement" in connection with the recognition of hedging foreign currency risks within a company and its foreign operations. IFRIC 16 was initially applicable to annual periods beginning on or after 1 July 2009. They did not affect the quarterly financial statements.

- IFRIC 17 "Distributions of Non-cash Assets to Owners": This interpretation addresses how an entity should measure distributions of assets other than cash when it pays dividends to its owners. IFRIC 17 was initially applicable to annual periods beginning on or after 1 October 2009. They did not affect the quarterly financial statements.

- IFRIC 18 "Transfers of Assets from Customers": IFRIC 18 applies to utility entities (e.g. energy providers). The interpretation clarifies the requirements for agreements in which an entity receives assets from a customer and must use them to connect the customer to a network or to provide the customer with ongoing access to a supplier of goods or services (e.g. energy, gas or water). IFRIC 18 was initially applicable to transfers of assets that took place on or after 1 July 2009. It did not affect the quarterly financial statements.

- Annual Improvement Process (AIP) Project encompassing the amendment of various IFRSs from 2007 to 2009 ("Improvements to IFRS"): In April 2009, IASB published the "Annual Improvements 2007-2009," amending 10 IFRSs and two IFRIC interpretations. Most of the amendments took effect for the reporting years beginning on or after 1 January 2010. They did not affect the quarterly financial statements.

3. Notes to the consolidated statement of comprehensive income

Revenue

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

4. Notes to the balance sheet

Property, plant and equipment

In the first six months of 2010, additions to property, plant and equipment resulted from investments in the CAHC production facility and in technical equipment, plant and machinery in the business unit "Flame Retardants" and business division "Technical Ceramics".

Shareholders' equity

The change in the shareholders' equity of Nabaltec AG is presented in the consolidated statement of changes in equity.

The item "minority shares" represents shares in the shareholders' equity of Nashtec LLC, Texas (USA), formerly "Nashtec L.P.". Because IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements under IFRS," which were amended in 2008, were previously applied in the consolidated financial statements as at 31 December 2008, negative minority shares were disclosed in both the consolidated statement of comprehensive income and in the shareholders' equity.

We refer to the statements under "Consolidation group" with respect to the changes relating to other shareholders.

Current and non-current liabilities

Liabilities to banks

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

The credit agreements of Nabaltec AG are subject in part to covenants measured in part on leverage coverage ratios and the equity ratio. In the event of non-compliance with the covenants, the lender has the option to increase the interest-rate margin or to terminate the agreement for extraordinary cause. Covenants were breached in the 2009 reporting period. The default of covenants for the financial year 2009 had been resolved by a bank collateral pool.

5. Other disclosures

Other financial obligations

Contingent liabilities and legal liability relations

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

Related party transactions

The group of related persons and enterprises did not change compared to the consolidated financial statements as at 31 December 2009.

No transactions with related persons or enterprises took place in the first six months of 2010.
Such transactions are conducted at standard market prices and conditions.

Significant events after the balance sheet date

No significant events were registered after the balance sheet date.

Schwandorf, 13 August 2010

The Management Board

Financial Calendar

23 November 2010	**Interim Report 3/2010**

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