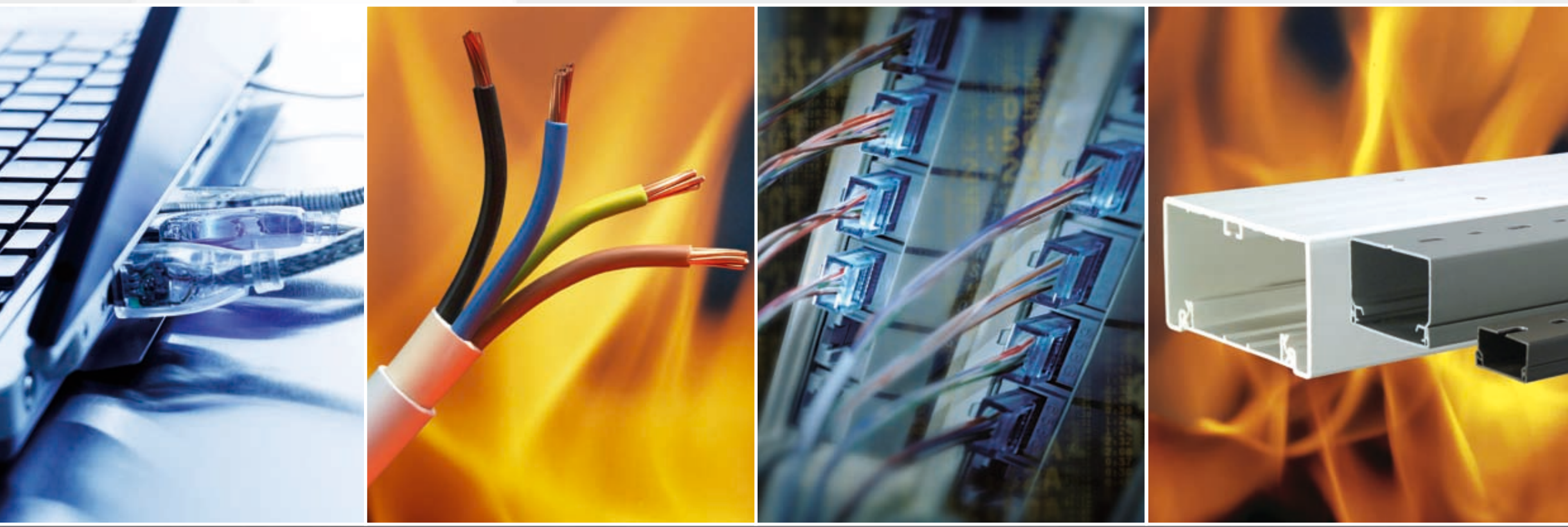
Know-how for improved safety

INTERIM REPORT 2/2008



KEY FIGURES (IFRS)

Group		30/06/2008	30/06/2007
Revenue	EUR million	51.9	42.8
Foreign share	%	65.7	69.2
EBITDA	EUR million	5.7	4.7
EBIT	EUR million	3.3	2.5
Earnings *	EUR million	1.5	2.0
Earnings per share	EUR	0.19	0.25
Operating cash flow	EUR million	1.8	-1.4
Investments	EUR million	10.1	12.2
Employees **		301	266
Trainees ***		29	28

* after minority interests

** as of the cutoff date without trainees

*** as of the cutoff date

CONTENT

The Management Board: Johannes Heckmann and Gerhard Witzany

Dear Shareholders,

In the first half of 2008, Nabaltec AG managed to continue growth, posting a 21.3% gain in revenue in a slowing market environment.

Despite the sharp slowdown in the economy and increased activity by competitors, the “Functional Fillers” division managed to achieve revenue growth of 23.7%. This also shows the continued strong utilization of the Nashtec joint venture, which registered a jump in revenue of more than 30% over the first half of last year.

The “Technical Ceramics” division earned a revenue gain of 16.6%, above all with products used in the refractory industry, reflecting the stable demand situation there.

The share of exports decreased compared to the first half of the previous year by 3.5% to 65.7%. This was due to the order structure and strong demand from domestic customers.

At the start of the second quarter, the production capacities for fine precipitated aluminum hydroxides were fully available. Not yet perceivable to such a degree in the first quarter, the global market slowdown resulting from the real estate crisis, particularly in Spain, Great Britain and the United States, led to slower revenue growth and to spare capacity for fine precipitated aluminum hydroxides. Generally, however, growth in halogen-free flame retardants has remained undiminished with respect to plastics, as reflected in the overall growth.

The global increases in raw materials, energy and logistics prices caused us to make intrayear price increases in July and August to keep pace with the rising costs. As a result of the sharp rise in fuel prices in recent months, prices including free delivery were adjusted for all deliveries ex Nabaltec and Nashtec. Moreover, a price increase was necessary for APYRAL® 40 CD deliveries ex Nashtec based on the extreme rise in energy prices.

Nabaltec AG reacted to this market development by refocusing the investment program, so that alongside the continued, but reduced expansion of production capacities for fine precipitated aluminum hydroxides, progress was made in the construction of the production facility for the PVC additive ACTILOX® CAHC. Construction of the production facility will begin in the second half of 2008. The first quantities from this facility will be marketed at the end of 2009. Borne by the replacement of heavy-metal stabilizers in the PVC industry, we see stable demand in this segment as well over the long term.

In the “Technical Ceramics” division, demand continues to be very stable, with the global steel industry riding a growth trend. The production facilities in this segment are nearing full utilization. Capacity is limited by planned, necessary repairs and overhauls.

Based on the economic slowdown, the planned investment measures were decreased to approx. EUR 27 million for 2008 so as to assure that capacities grow in line with demand. With due regard to the resulting slowdown in the growth of the "Functional Fillers" division, we are adjusting our revenue forecast for fiscal year 2008 to over EUR 100 million, which still represents double-digit growth. Consolidated earnings are likely to be additionally burdened by the anticipated increases in raw material, energy and logistics prices that cannot be fully offset by price increases.

Yours,

Nabaltec AG
The Management Board

Johannes Heckmann   Gerhard Witzany

NABALTEC
GROUP INTERIM MANAGEMENT REPORT FOR 2ND QUARTER 2008

SHARE

Prices and turnover (Xetra trading)		1st half of 2008	Fiscal year 2007
Average price	Euro	6.19	14.87
Maximum price	Euro	8.20	19.80
Closing price (cutoff date)	Euro	5.00	7.80
Average daily turnover	per share	9,049	3,756

The Xetra closing price of the Nabaltec share was EUR 5.94 on 1 April 2008. In the ensuing months, a declining performance was observable, the price closing on 30 June 2008 at EUR 5.00. At the end of the second quarter, the Nabaltec share thus listed 35.9% below the closing price in 2007.

The annual general meeting of Nabaltec AG took place in Schwandorf on 6 May 2008. As a whole, it was possible to welcome approx. 80 shareholders, journalists and guests. After the report of the management board concerning fiscal year 2007, the items on the agenda were approved by a clear majority. Apart from approving the actions of the management and supervisory board during the fiscal year, the shareholders approved the renewed distribution of a dividend of EUR 0.10.

The Management Board continued its personal communication with the capital market during the reporting period. Apart from the general shareholders' meeting, talks were conducted with institutional investors in Germany and abroad. In April a road show took place in London that had been organized by UniCredit. At the center of interest were the capacity plans, potential price increases and foreseeable financial performance of the company.

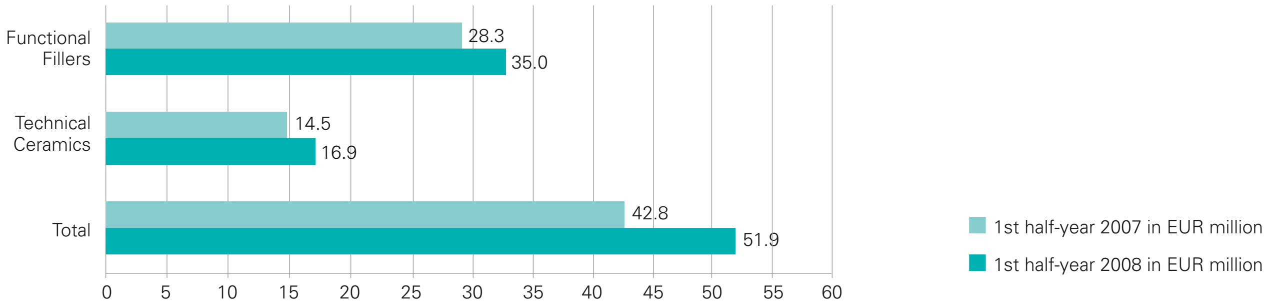
You can find further information on Nabaltec AG on its website www.nabaltec.de.

EARNINGS, FINANCIAL AND LIQUIDITY SITUATION

REVENUE AND EARNINGS PERFORMANCE

The Nabaltec Group managed to sharply increase revenue over 2007 both on half-year and a quarterly basis. In the first six months of 2008, there was an improvement of 21.3% to EUR 51.9 million (first half of 2007: EUR 42.8 million). From April to June, consolidated revenue increased from EUR 22.4 million to EUR 26.6 million, corresponding to a gain of 18.8%. This positive performance was evident in both business divisions. While revenue in "Functional Fillers" in the first half increased to EUR 35.0 million (first half of 2007: EUR 28.3 million) and in the second quarter to EUR 17.8 million (Q2/2007: EUR 15.1 million), "Technical Ceramics" managed to earn EUR 16.9 million (first half of 2007: EUR 14.5 million) and EUR 8.8 million (Q2/2007: EUR 7.3 million). As of 30 June 2008, 65.7% (30 June 2007: 69.2%) of total revenue was earned abroad.

Revenue by business division



Earnings of the Nabaltec Group likewise developed very positively in the reporting period. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 21.3% from EUR 4.7 million in the same period from the previous year to EUR 5.7 million in the first half of 2008. On a quarterly basis, an improvement of 27.3% to EUR 2.8 million was registered (Q2/2007: EUR 2.2 million). At 16.0% (first half of 2007: 17.8%) the share of personnel expenses in total performance in the first half managed to be reduced further, while the share of other operating expenses increased from 17.8% to 19.6%. This displays the disproportional increases in freight costs, currency exchange losses and leasing charges.

EBIT likewise managed to be improved over the previous year's value. In the first half, the operating result increased by 32.0% to EUR 3.3 million (first half of 2007: EUR 2.5 million) and in the second quarter by 23.1% to EUR 1.6 million (Q2/2007: EUR 1.3 million). The resulting EBIT margin from total performance improved on a half-year basis from 5.9% to 6.1%. The earnings for the half-year after minority interests reached EUR 1.5 million after EUR 2.0 million in the first half of 2007.

FINANCIAL AND LIQUIDITY SITUATION

Total assets of the Nabaltec Group amounted as of the cutoff date to EUR 118.8 million after EUR 119.7 million on 31 December 2007.

In terms of assets, property, plant and equipment increased by a total of EUR 6.2 million. This development was attributable above all to the acquisition of technical equipment, plant and machinery (EUR +3.6 million) and to the increase in land, leasehold rights and buildings including buildings on non-owned land (EUR +1.7 million).

Within current assets, inventories increased by EUR 1.8 million, with finished products and merchandise increasing by EUR 1.6 million. Accounts receivable and other assets disclosed a clear reduction in other assets by EUR 7.9 million as of 30 June 2008. This was due to the resale of assets within the framework of sale and lease back transactions of EUR 7.0 million. Cash and cash equivalents amounted as of the cutoff date to EUR 1.1 million after EUR 1.7 million as of 31 December 2007.

In terms of liabilities, dividend disbursements of EUR 0.8 million caused equity to decrease to EUR 46.8 million (31 December 2007: EUR 47.2 million). Due to the likewise lower total assets, the resulting equity ratio remained unchanged compared to 31 December 2007 at 39.4%. Retained earnings as of the cutoff date were EUR 1.5 million (31 December 2007: EUR -0.2 million), while shares of other shareholders amounted to EUR -2.5 million (31 December 2007: EUR -1.9 million).

Non-current liabilities decreased in the first half of 2008 by a total of EUR 2.3 million. Nabaltec was able to reduce liabilities due to banks by EUR 1.8 million to EUR 19.4 million and liabilities from financing leasing by EUR 0.6 million to EUR 1.8 million. In contrast, current liabilities increased by EUR 2.0 million. Both liabilities due to banks and trade liabilities increased by EUR 0.8 million each.

Cash flow from operating activity increased from EUR -1.4 million in the same period from the previous year to EUR 1.8 million in the second half of 2008. Cash flow from investment activity reached EUR -10.1 million after EUR -12.2 million in the same period from 2007. Cash flow from financing activity increased from EUR 3.3 million to EUR 7.6 million. As of 30 June 2008 cash and cash equivalents amounted to EUR 1.1 million.

ORDER PERFORMANCE

In the second quarter of 2008, orders received totaled EUR 13.7 million. The orders on hand amounted as of 30 June 2008 to EUR 24.7 million.

INVESTMENTS

The investment activity of the Nabaltec Group was continued in a well-directed fashion in the first half of 2008. As a whole, EUR 10.1 million (first half of 2007: EUR 12.2 million) flowed into the expansion of production capacities and the improvement of infrastructure. A total of approx. EUR 27 million will be invested in 2008.

EMPLOYEES

As of 30 June 2008, a total of 301 employees (30 June 2007: 266) worked for Nabaltec Group. Of these, 300 employees (30 June 2007: 265) worked in Germany. There were also 29 trainees (30 June 2007: 28).

EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

After the close of the reporting period, no special events occurred that need to be reported here.

RISKS

No material changes arose in the first half of 2008 compared to the opportunities and risks presented in the Group management report 2007.

OUTLOOK

The economic slowdown in USA and Europe, particularly in the real estate sector, led to a slowdown in growth of the halogen-free flame retardant segment, which nevertheless is continuing its substitution process. Nabaltec is taking account of this growth by implementing a 13,000 t capacity expansion for fine precipitated aluminum hydroxides.

The new capacity will be available at the start of 2009. To assure that capacity grows in line with demand, the previously announced second stage of the capacity expansion for fine precipitated aluminum hydroxides by a further 13,000 t has been postponed.

The introduction of the newly developed product ACTILOX® CAHC to the market for environmentally compatible stabilizers is proceeding according to plan. ACTILOX® CAHC helps to replace toxic heavy-metal compounds. Users have already voluntarily pledged to replace lead. With the introduction of REACH, the legal regulations are being made more stringent, until lead compounds will be fully prohibited by 2012.

Currently potential buyers and first customers are supplied along industrial standards from our pilot plant in Kelheim, so long as capacity lasts. In the second half of 2008, construction will start on a new production facility with an investment volume of approx. EUR 20 million, making it possible to render deliveries from this facility as of the end of 2009.

In the “Technical Ceramics” division, the calcination aggregate will be further developed in order to keep pace with rising demand. Further investments are planned for 2008 and 2009 to expand production capacities for highly refined products.

The greater utilization of the production capacities of our Nashtec joint venture in Corpus Christi, Texas (USA), allows a stabilization of results to be expected, despite the extreme increases in energy and raw material costs, via the implemented price increases.

Based on the economic slowdown, the planned investment measures were cut back to approx. EUR 27 million for 2008 to assure that growth remains in line with demand. A total of over EUR 60 million will be invested by 2010. The company has already managed to conclude a financing agreement for the capital requirement not covered by equity.

Due to the slowdown in the growth of the "Functional Fillers" division, the management board adjusts its revenue forecast for fiscal year 2008 to over EUR 100 million, which still represents double-digit growth. Consolidated earnings are likely to be additionally burdened by the anticipated increases in raw material, energy and logistics prices.

NABALTEC
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR 2ND QUARTER 2008

CONSOLIDATED INCOME STATEMENT OF NABALTEC AG, SCHWANDORF,
FOR THE PERIOD FROM 01/01/2008 - 30/06/2008 IN ACCORDANCE WITH IFRS

	01/01/2008 - 30/06/2008 KEUR	**01/04/2008 - 30/06/2008** KEUR	**01/01/2007 - 30/06/2007** KEUR	**01/04/2007 - 30/06/2007** KEUR
1. Revenue	51,941	26,566	42,817	22,390
2. Increase/decrease in finished products	1,699	1,583	-861	-1,229
3. Other own work capitalized	99	40	253	172
Total performance	**53,739**	**28,189**	**42,209**	**21,333**
4. Other operating income	708	306	641	257
5. Cost of materials	29,627	15,926	23,161	11,574
Gross profit	**24,820**	**12,569**	**19,689**	**10,016**
6. Personnel expenses	8,603	4,338	7,494	3,878
7. Depreciation, amortization and other write-offs	2,415	1,223	2,149	913
8. Other operating expenses	10,524	5,396	7,522	3,911
Operating result (EBIT)	**3,278**	**1,612**	**2,524**	**1,314**
9. Financial result	-1,648	-834	-1,060	-459
Result from ordinary operations (EBT)	**1,630**	**778**	**1,464**	**855**
10. Taxes on income	661	378	515	252
Consolidated result after taxes	**969**	**400**	**949**	**603**
11. Profit/loss attributable to other shareholders	-537	-307	-1,017	-352
Consolidated income	**1,506**	**707**	**1,966**	**955**

CONSOLIDATED BALANCE SHEET OF NABALTEC AG, SCHWANDORF, AS OF 30/06/2008
IN ACCORDANCE WITH IFRS

ASSETS

	30/06/2008 KEUR	31/12/2007 KEUR
A. NON-CURRENT ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	350	265
II. Property, plant and equipment		
1. Land, leasehold rights and buildings including buildings on non-owned land	25,856	24,157
2. Technical equipment, plant and machinery	44,573	40,975
3. Other fixtures, fittings and equipment	2,343	2,005
4. Advance payments and plant and machinery in process of construction	15,968	15,383
	88,740	**82,520**
III. Financial assets		
1. Shares in affiliated companies	2	2
2. Other loans	699	647
	701	**649**
IV. Deferred taxes	2,026	2,155
	91,817	**85,589**
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	10,184	10,003
2. Finished products and merchandise	9,447	7,846
	19,631	**17,849**
II. Accounts receivable and other assets		
1. Trade receivables	2,510	2,783
2. Income tax claims	103	174
3. Other assets	3,702	11,589
	6,315	**14,546**
III. Cash and cash equivalents	1,058	1,676
	27,004	**34,071**
	118,821	**119,660**

LIABILITIES

		30/06/2008 KEUR	31/12/2007 KEUR
A.	**SHAREHOLDERS' EQUITY**		
I.	**Subscribed capital**	**8,000**	**8,000**
II.	**Capital reserve**	**29,507**	**29,507**
III.	**Earnings reserves**	**9,805**	**9,805**
IV.	**Compensatory item for currency translation**	**-868**	**-639**
V.	**Profit/loss carried forward**	**1,465**	**-169**
VI.	**Net income**	**1,506**	**2,434**
VII.	**Other reserves**	**-144**	**153**
VIII.	**Shares of other shareholders**	**-2,520**	**-1,850**
		46,751	**47,241**
B.	**NON-CURRENT LIABILITIES**		
1.	Pension provisions	10,564	10,253
2.	Liabilities due to banks	19,357	21,231
3.	Profit participation capital	5,000	5,000
4.	Liabilities from financial leasing	1,813	2,362
5.	Deferred taxes	5,535	5,505
6.	Other liabilities	5,340	5,594
		47,609	**49,945**
C.	**CURRENT LIABILITIES**		
1.	Accrued taxes	700	439
2.	Other provisions and accrued liabilities	1,199	1,527
3.	Liabilities due to banks	6,728	5,933
4.	Trade payables	12,162	11,401
5.	Liabilities from financial leasing	1,077	1,038
6.	Other liabilities	2,595	2,136
		24,461	**22,474**
		118,821	**119,660**

CONSOLDIATED CASH FLOW STATEMENT OF NABALTEC AG, SCHWANDORF, AS OF 30/06/2008 IN ACCORDANCE WITH IFRS

	30/06/2008 KEUR	30/06/2007 KEUR
EBT from period	1,630	1,464
Depreciation (+)/write-ups (-) on non-current assets	2,415	2,149
Gain (-)/loss (+) from asset disposals	-8	2
Interest income (-)	-12	-250
Interest expenses (+)	1,660	1,310
Subtotal	5,685	4,675
Increase (+)/decrease (-) in provisions and accrued liabilities	-16	307
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activity	1,097	-6,222
Decrease (+)/increase in inventories (-)	-1,781	907
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activity	-1,251	589
Paid (-)/received (+) interest	-1,730	-1,206
Paid (-)/received (+) taxes on income	-171	-471
Cash flow from operating activity	**1,833**	**-1,421**
Payments received from disposal of plant, property and equipment	37	2
Payments rendered for investments in plant, property and equipment	-10,003	-12,186
Payments rendered for investments in intangible non-current assets	-87	-6
Payments rendered for investments in financial assets	-52	-49
Cash flow from investment activity	**-10,105**	**-12,239**
Dividend disbursements to buisness owners	-800	-800
Payments received from disposal of assets within the framework of sale and lease back transactions	6,955	0
Payments received from borrowed financial loans	3,141	6,449
Payments rendered for redemption of financial loans	-1,188	-1,804
Payment of liabilities from financial leasing	-509	-520
Cash flow from financing activity	**7,599**	**3,325**
Net change in cash and cash equivalents	-673	-10,335
Change in cash and cash equivalents due to exchange rates, changes in consolidated companies and valuation	55	475
Cash and cash equivalents at start of period	1,676	11,076
Cash and cash equivalents at end of period	**1,058**	**1,216**

Cash and cash equivalents are composed of cash at bank and on hand.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY OF NABALTEC AG, SCHWANDORF, AS OF 30/06/2008 IN ACCORDANCE WITH IFRS

	Parent company									
	Subscribed capital	Profit participation capital	Capital reserve	Earnings reserves	Profit/loss carried forward	Compensatory item for currency translation	Other reserves	Equity	**Shares of other shareholders equity**	**Consolidated shareholders' equity**
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 01/01/2007 German Commercial Code (HGB)	**8,000**	**5,000**	**30,824**	**0**	**630**	**47**	**0**	**44,501**	**-842**	**43,659**
Initial adoption of IFRS		-5,000	-1,317	9,805		-183	39	3,344	419	3,763
As of 01/01/2007	**8,000**	**0**	**29,507**	**9,805**	**630**	**-136**	**39**	**47,845**	**-423**	**47,422**
Dividends					-800			-800		-800
Consolidated earnings for the period					1,966			1,966	-1,017	949
Other changes						-149	83	-66	108	42
As of 30/06/2007	**8,000**	**0**	**29,507**	**9,805**	**1,796**	**-285**	**122**	**48,945**	**-1,332**	**47,613**
As of 01/07/2007	**8,000**	**0**	**29,507**	**9,805**	**1,796**	**-285**	**122**	**48,945**	**-1,332**	**47,613**
Consolidated earnings for the period					469			469	-688	-219
Other changes						-354	31	-323	170	-153
As of 31/12/2007	**8,000**	**0**	**29,507**	**9,805**	**2,265**	**-639**	**153**	**49,091**	**-1,850**	**47,241**
As of 01/01/2008	**8,000**	**0**	**29,507**	**9,805**	**2,265**	**-639**	**153**	**49,091**	**-1,850**	**47,241**
Dividends					-800			-800		-800
Consolidated earnings for the period					1,506			1,506	-537	969
Other changes						-229	-297	-526	-133	-659
As of 30/06/2008	**8,000**	**0**	**29,507**	**9,805**	**2,971**	**-868**	**-144**	**49,271**	**-2,520**	**46,751**

CONSOLIDATED SEGMENT REPORT OF NABALTEC AG, SCHWANDORF, FOR THE PERIOD FROM 01/01/2008 - 30/06/2008 IN ACCORDANCE WITH IFRS

In accordance with its internal organisational and reporting structure, Nabaltec is divided into the "Functional Fillers" and "Technical Ceramics" divisions. The "Functional Fillers" and "Technical Ceramics" divisions are therefore defined as the primary segment reporting format.

Earnings before interest and taxes (EBIT) and before interest, taxes, depreciation and amortisation (EBITDA) have been selected to report the segment earnings.

A presentation by region is also disclosed as a secondary reporting format for "Functional Fillers" and "Technical Ceramics". The regions are defined for Germany, the rest of Europe, the USA and the rest of world (RoW).

	Functional Fillers 01/01/2008 - 30/06/2008 KEUR	Technical Ceramics 01/01/2008 - 30/06/2008 KEUR	Nabaltec Group 01/01/2008 - 30/06/2008 KEUR	Functional Fillers 01/01/2007 - 30/06/2007 KEUR	Technical Ceramics 01/01/2007 - 30/06/2007 KEUR	Nabaltec Group 01/01/2007 - 30/06/2007 KEUR
Segments by division						
Revenue	34,994	16,947	51,941	28,281	14,536	42,817
Segment result						
EBITDA	3,262	2,431	5,693	2,625	2,048	4,673
EBIT	1,659	1,619	3,278	1,114	1,410	2,524
Segments by region						
Revenue						
Germany	7,449	10,315	17,764	4,737	8,447	13,184
Rest of Europe	22,473	4,899	27,372	19,532	4,997	24,529
USA	2,960	1,123	4,083	1,984	394	2,378
RoW	2,112	610	2,722	2,028	698	2,726
Total	**34,994**	**16,947**	**51,941**	**28,281**	**14,536**	**42,817**

CONSOLIDATED SEGMENT REPORT OF NABALTEC AG, SCHWANDORF, FOR THE PERIOD FROM 01/04/2008 - 30/06/2008 IN ACCORDANCE WITH IFRS

In accordance with its internal organisational and reporting structure, Nabaltec is divided into the "Functional Fillers" and "Technical Ceramics" divisions. The "Functional Fillers" and "Technical Ceramics" divisions are therefore defined as the primary segment reporting format.

Earnings before interest and taxes (EBIT) and before interest, taxes, depreciation and amortisation (EBITDA) have been selected to report the segment earnings.

A presentation by region is also disclosed as a secondary reporting format for "Functional Fillers" and "Technical Ceramics". The regions are defined for Germany, the rest of Europe, the USA and the rest of world (RoW).

	Functional Fillers 01/04/2008 - 30/06/2008 KEUR	Technical Ceramics 01/04/2008 - 30/06/2008 KEUR	Nabaltec Group 01/04/2008 - 30/06/2008 KEUR	Functional Fillers 01/04/2007 - 30/06/2007 KEUR	Technical Ceramics 01/04/2007 - 30/06/2007 KEUR	Nabaltec Group 01/04/2007 - 30/06/2007 KEUR
Segments by division						
Revenue	17,798	8,768	26,566	15,071	7,319	22,390
Segment result						
EBITDA	1,565	1,270	2,835	1,279	948	2,227
EBIT	756	856	1,612	696	618	1,314
Segments by region						
Revenue						
Germany	3,604	5,120	8,724	2,133	4,482	6,615
Rest of Europe	11,530	2,637	14,167	10,668	2,192	12,860
USA	1,476	678	2,154	1,269	234	1,503
RoW	1,188	333	1,521	1,001	411	1,412
Total	**17,798**	**8,768**	**26,566**	**15,071**	**7,319**	**22,390**

NABALTEC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/06/2008

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of Nabaltec AG (Nabaltec Group) as of 30 June 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, with due regard to the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) using IFRS 1 (First-Time Adoption of International Financial Reporting Standards). All standards binding in the European Union in the reporting period were used.

The following notes include information and remarks that are to be incorporated in accordance with IFRS into the consolidated financial statements as notes in addition to the balance sheet, income statement, statement of shareholders' equity and cash flow statement.

The balance sheet was classified pursuant to IAS 1 in accordance with maturity. Accordingly, assets and debts are to be classified as long term if they remain in the Group for longer than one year. Trade receivables and payables and inventories are in principle to be disclosed as short-term items. Deferred tax claims and liabilities are generally to be presented as long term. The total expenditure format was used for the income statement.

The Group currency is the euro. All amounts are reported euros (EUR) or thousands of euros (KEUR).

CONSOLIDATED GROUP

In addition to the parent company, Nabaltec AG, Schwandorf, Nashtec L.P., Corpus Christi (USA), was fully integrated into the consolidated group.

Enterprise	Amount of Shares in Capital in	
	KEUR	%
Nashtec L.P., Corpus Christi (USA)	161	50.49

Due to its minor significance, Nashtec Management Corporation was not included in the consolidated financial statements.

CONSOLIDATION PRINCIPLES

The capital consolidation was made pursuant to IFRS 3 (Business Combinations), in accordance with which corporate mergers are to be accounted for using the acquisition method. Acquired assets and debts are to be reported at the attributable market value. No difference arose during the purchase price calculation.

Shares in the equity of the subsidiary not allocable to the parent company have been disclosed as "Shares of other shareholders."

Accounts receivable, liabilities, provisions, income and expenses between integrated companies are to be eliminated within the framework of the consolidation.

The elimination of interim results arising from deliveries and performances within the Group was waived, because the inventories from such deliveries are of minor significance in the presentation of the Group's financial, liquidity and earnings situation.

CURRENCY TRANSLATION

The financial statements of the integrated companies prepared in foreign currencies are to be translated based on the concept of the functional currency pursuant to IAS 21. Because the subsidiary operates its business independently in a financial, economic and organizational respect, the functional currency is in principle identical to the respective national currency of the company. Consequently, in the consolidated financial statements, assets and debts have been translated as of the cutoff date, expenses and income from the financial statements of the consolidated subsidiary at the average annual exchange rate. The resulting exchange differences are disclosed under the equity item "compensatory item for currency translation" with a neutral effect on results.

In the individual financial statements of Nabaltec AG and the consolidated subsidiary, foreign currency receivables and liabilities have been valuated at the exchange rate on the cutoff date with an effect on results. Non-monetary items in foreign currencies were reported at the past values.

If exchange differences arise within the framework of the capital consolidation, they are likewise to be disclosed in equity with a neutral effect on results.

Exchange differences in accordance with IAS 21.32 are likewise to be disclosed in equity with a neutral effect on results.

ACCOUNTING AND VALUATION METHODS

The annual financial statements of Nabaltec AG and of the consolidated subsidiary were prepared pursuant to IAS 27 in accordance with uniform accounting and valuation principles. They were both prepared as of the cutoff date of the consolidated financial statements. To the extent annual financial statements prepared in accordance with national accounting provisions do not correspond to IFRS, they are to be adjusted in the case of material variations in valuations to the uniform Group accounting and valuation principles.

INTANGIBLE ASSETS

Intangible assets acquired for compensation were capitalized pursuant to IAS 38 at the acquisition costs and subjected to normal, straight-line depreciation in accordance with their foreseeable useful life of between four to five years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Nabaltec Group was recorded in accordance with IAS 16 at the acquisition or production costs, reduced by normal, use-related, straight-line depreciation. The production costs of the self-built facilities include prorated overhead costs in addition to directly allocable costs. Borrowing costs have in part been capitalized as acquisition or production costs.

Public subsidies are to be accounted for as a reduction in the acquisition or production cost of the relevant asset (IAS 20.24). The reversal is made over the useful life of the asset in the form of reduced depreciation amounts.

Normal depreciation is based on the following useful lives standard within the Group:

	In years
Operating and commercial buildings	20 to 50
Technical equipment, plant and machinery	10 to 15
Fixtures, fittings and equipment	3 to 13

LEASING

Leasing contracts wherein the Nabaltec Group essentially bears the opportunities and risks as lessee and which are associated with financial title are to be treated as financial leasing in accordance with IAS 17 upon the closing of the leasing contract. The leased object is to be recorded in non-current assets at the attributable market value or the lower present value of the minimum leasing payments. The corresponding liabilities to the lessor are to be recorded as liabilities from financial leasing.

FINANCIAL ASSETS

Financial assets are to be reported at the acquisition costs less extraordinary depreciation.

DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used in the Nabaltec Group are to be implemented to hedge against interest and exchange rate risks from the operative business. The financial instruments are valuated as of the cutoff date at the attributable market values. Gains and losses from the valuation were recorded with an effect on the income statement, unless the prerequisites for hedge accounting were met. With respect to the derivative financial instruments subject to hedge accounting, changes in market value were disclosed either in the results (fair value hedge) or as a component of equity (cash flow hedge).

INVENTORIES

Inventories are in principle to be reported at their acquisition or production costs with due regard to loss-free valuation. Production costs encompass the directly allocable production costs and fixed and variable overhead production costs allocable on a prorated basis. The overhead cost shares are largely to be computed based on normal employment. Selling costs, costs of general administration and interest on borrowings are not to be capitalized. Inventory allowances are to be made for inventory risks arising from increased storage time or reduced marketability.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Except for the derivative financial instruments, accounts receivable and other assets are assets not held for trading purposes. They are to be accounted for at the updated acquisition costs. Non-interest-bearing or low-interest accounts receivable with terms of over one year are discounted. All recognizable risks are to be taken into account in the reduction.

DEFERRED TAXES

In accordance with IAS 12, accrued and deferred taxes are to be reported pursuant to the liability method for all temporary differences between the tax estimates and accounting estimates in accordance with IFRS and for consolidation measures with an effect on results. Deferred taxes are to be computed based on the income tax rates as of the realization date. Changes in tax rates are to be taken into account if the change is sufficiently certain. If a legal set-off is possible, deferred and accrued taxes are to be balanced out.

PENSION PROVISIONS

Pension reserves are to be computed pursuant to IAS 19 in accordance with the projected unit credit method. In this procedure, apart from the pensions and vested rights known on the balance sheet date, increases of pensions and salaries anticipated in the future are to be considered with cautious estimates of the relevant factors of influence. The calculation is to be made based on actuarial assessments with due regard to biometric data.

OTHER PROVISIONS AND ACCRUED LIABILITIES

In accordance with IAS 37, other provisions and accrued liabilities are to be considered to the extent a present obligation can arise vis-à-vis a third party from a past event, recourse is probable and the foreseeable amount of the necessary provision can be reliably estimated. Such provisions are valuated at full cost or based on the performance amount most likely to occur.

LIABILITIES

In accordance with IAS 39, liabilities are either to be recorded at their repayment amount or the attributable market value.

REVENUE

Revenue from the sale of assets has been recorded in accordance with the criteria in IAS 18, if the opportunities and risks were fully transferred to the buyer and a price was agreed or is determinable and payment can be assumed. Revenue was disclosed less sales deductions and cash discounts.

TRANSITION TO IFRS

Transition of consolidated earnings (before minority interests)	**30/06/2007** KEUR	**31/12/2007** KEUR
Net loss in accordance with German Commercial Code (HGB)	**-134**	**-1,509**
Valuation of non-current assets	44	49
Classification of financial leasing	309	616
Valuation of inventories	31	246
Exchange differences in accordance with IAS 21.32	176	672
Formation of deferred taxes	428	856
Valuation of pension provisions	-35	-153
Valuation of other provisions and accrued liabilities	-15	-8
Miscellaneous items	146	-39
Net income in accordance with IAS/IFRS	**950**	**730**

Transition of shareholders' equity	**01/01/2007** KEUR	**30/06/2007** KEUR	**31/12/2007** KEUR
Shareholders' equity in accordance with German Commercial Code (HGB)	**43,659**	**42,798**	**41,764**
Adjustment of disclosed participation capital	-5,000	-5,000	-5,000
Valuation of non-current assets	19,468	19,283	19,013
Valuation of inventories	892	923	1,137
Formation of deferred taxes	-4,206	-3,778	-3,354
Valuation of derivative financial instruments	76	240	303
Classification of financial leasing	-4,437	-3,917	-3,400
Valuation of pension provisions	-3,537	-3,572	-3,690
Valuation of other provisions and accrued liabilities	407	392	400
Miscellaneous items	100	244	68
Shareholders' equity in accordance with IAS/IFRS	**47,422**	**47,613**	**47,241**

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Nabaltec and distribution partners

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