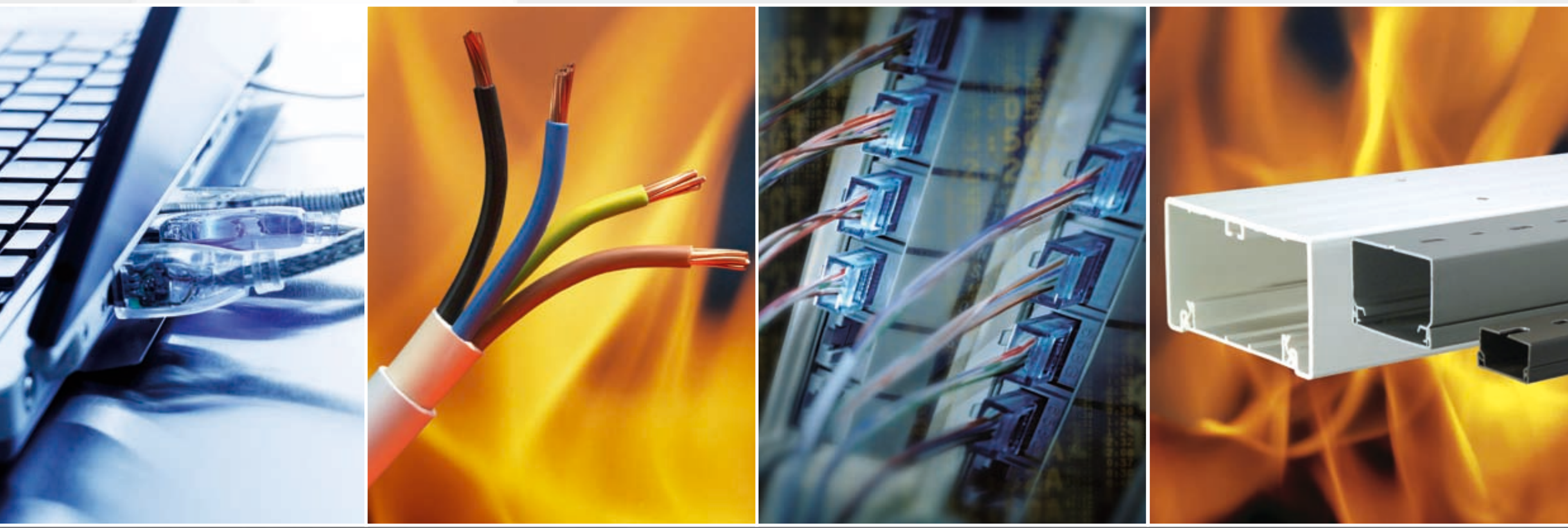
Nabaltec

Know-how for improved safety

INTERIM REPORT 3/2008



KEY FIGURES (IFRS)

Group		30/09/2008	30/09/2007
Revenue	EUR million	76.4	64.5
Foreign share	%	64.8	68.2
EBITDA	EUR million	8.5	6.8
EBIT	EUR million	4.8	3.5
Earnings *	EUR million	1.9	2.3
Earnings per share	EUR	0.24	0.29
Operating cash flow	EUR million	0.1	9.9
Investments	EUR million	15.1	22.0
Employees **		313	282
Trainees ***		32	30

* 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,

The global financial crisis has reached the industrial sector. Despite a clear economic slowdown, Nabaltec AG has been able to successfully maintain its growth course. In the first nine months of 2008, our revenue increased by 18.4% to EUR 76.4 million and revenue in the third quarter is 12.4% higher than in the third quarter of last year.

The "Functional Fillers" division has been particularly hard-hit by the slump in demand for cable and insulation materials as a result of the global housing crisis. The 17.4% revenue increase in this division over the first nine months of 2007 to EUR 49.9 million in the reporting period is attributable to increased demand in Germany, as well as to the ongoing substitution process in which halogenated flame retardants are being replaced by halogen-free flame retardant fillers.

In the "Technical Ceramics" division, the sustained high demand for highly refined refractory products is responsible for 20.5% revenue growth over the first nine months of last year to EUR 26.5 million in the reporting period. Other applications have also contributed to this division's growth.

With an export share of 64.8%, our growth is increasingly attributable to domestic revenue (previous year: 68.2%), although Nabaltec has registered clear growth in all geographic regions. In the US, Nabaltec's revenue increased by 50.0% over the same period from the previous year, as both divisions reported increased revenue.

Installed production capacities in both business divisions were fully available in the third quarter of 2008. However, due to the sharp drop in demand for fine precipitated aluminum hydroxides, capacity was not fully utilized for this product group, while capacity for the other products is stretched to the limit.

The price increases ex Nashtec, which were necessitated by the drastic rise in energy and raw material prices, were largely implemented, but met with declining demand. In the US market as well, the subprime crisis generated a sharp economic downturn, resulting in a substantial drop-off in Nashtec's revenue. Average utilization in the third quarter was about 70%.

Our US production site Nashtec successfully passed its quality management audit in September of this year and received certification from the South Germany Technical Control Association in accordance with the ISO 9001:2000 standard. This demonstrates that our production site in Corpus Christi, Texas, like Nabaltec AG in Schwandorf, meets the highest quality standards set by the International Organisation for Standardisation (ISO).

Due to another sharp increase in the costs of raw materials, shipping and energy in the recent past, we announced in October of this year that we will be increasing our prices for flame retardant fillers, additives and all ceramic raw materials and ceramic bodies effective 1 January 2009 in order to ensure that Nabaltec AG can continue to provide high-quality products, work closely with its customers as a reliable supplier and attain the necessary profitability at the same time.

Preliminary work on the new production facility for the PVC additive ACTILOX® CAHC was completed in the reporting quarter so that construction of the facility can begin in the fourth quarter. This facility is a major part of the 2009 investment program. The product launch through the Kelheim testing plant is very promising so far, meeting with a highly positive response from major reference customers. In view of the fact that the industry is obligated to replace stabilizers containing heavy metals, we expect demand for heavy metal-free stabilizers in the PVC industry to remain stable in the long term despite the weak economy. The new production facility should be routinely supplying customers as of the end of 2009.

In the "Functional Fillers" division, a recovery of the market can hardly be expected in the next six months, and we expect this division to report weak growth in the near term. The "Technical Ceramics" division continues to be carried by high orders on hand in the refractory industry, so that utilization is expected to be high through the end of the year.

About EUR 23 million of the planned investments will be implemented for 2008. The investment program for 2008, 2009 and 2010 is backed by loan commitments from banks, business development loans, an investment grant from the government of Upper Palatinate and equity.

Even in this severe global economic downturn, the trend towards eco-friendly halogen-free flame retardant fillers and high-strength eco-friendly raw materials for technical ceramics remains clearly visible, so that continued growth in the long term appears to be assured, in addition to the expansion of Nabaltec's additives operations (ACTILOX® CAHC).

In view of the excellent average revenue development in the first three quarters of the year, Nabaltec will be able to increase revenue for the full year by 8% to approx. EUR 95 million despite the strongly declining demand. Nabaltec's EBIT showed clear improvement over 2007, both on a quarterly basis and for the first nine months of the year. Due to the weak market, however, we do not expect further EBIT growth in the fourth quarter.

Yours,

Nabaltec AG
The Management Board

Johannes Heckmann | Gerhard Witzany

NABALTEC
GROUP INTERIM MANAGEMENT REPORT FOR 3RD QUARTER 2008

SHARE

Prices and turnover (Xetra trading)		First nine months of 2008	Fiscal year 2007
Average price	Euro	5.53	14.87
Maximum price	Euro	8.20	19.80
Closing price (cutoff date)	Euro	3.58	7.80
Average daily turnover	per share	7,690	3,756

As a result of the international financial crisis, stocks fell sharply at the end of the third quarter of 2008 in nearly all major stock exchanges. Nabaltec AG was unable to escape this development, as Nabaltec share fell from a Xetra closing price of EUR 4.77 on 1 July 2008 to EUR 3.58 at the end of the third quarter of 2008, for a performance of -54.1% since the end of 2007.

The management board once again conducted numerous discussions with the financial community in the third quarter of 2008. In addition to one-on-ones with mostly foreign investors, the company presented at the 20th Baader Small and Mid-Cap Conference in Unterschleißheim on 11 September 2008, as well as the 2008 German Investment Conference in Munich on 23 September 2008. On these occasions, Nabaltec AG encountered strong interest from both domestic and foreign investors.

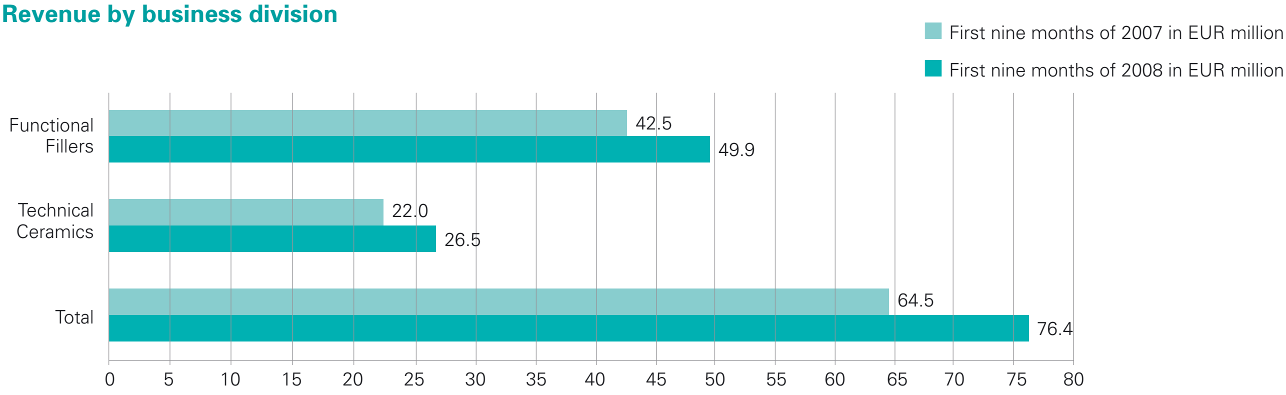
On our website www.nabaltec.de you will find all information about Nabaltec AG.

EARNINGS, FINANCIAL AND LIQUIDITY SITUATION

REVENUE AND EARNINGS PERFORMANCE

Nabaltec Group's revenue increased from EUR 64.5 million to EUR 76.4 million in the first nine months of 2008, an increase of 18.4%. The quarterly revenue trend is similar, as third-quarter revenue came to EUR 24.4 million, up from EUR 21.7 million in the third quarter of last year. The "Functional Fillers" division reported revenue of EUR 49.9 million in the first nine months of 2008 (first nine months of 2007: EUR 42.5 million) and EUR 14.9 million in the third quarter of 2008 (third quarter of 2007: EUR 14.2 million). Revenue in the "Technical Ceramics" division improved to EUR 26.5 million in the first nine months of 2008 (first nine months of 2007: EUR 22.0 million) and EUR 9.6 million in the third quarter (third quarter of 2007: EUR 7.5 million). The foreign revenue share was 64.8% on 30 September 2008 after 68.2% on 30 September 2007.

Revenue by business division



Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 25.0% to EUR 8.5 million (first nine months of 2007: EUR 6.8 million). The EBITDA improvement in the third quarter of 2008 was 38.1% to EUR 2.9 million (third quarter of 2007: EUR 2.1 million). The share of personnel expenses in total performance fell once again in the first nine months of 2008 to 16.4% (first nine months of 2007: 17.6%). The share of other operating expenses in total performance decreased slightly from 18.7% to 18.1%.

Nabaltec's operating income (EBIT) improved by 37.1% in the first nine months of 2008 to EUR 4.8 million (first nine months of 2007: EUR 3.5 million) and by 60.0% in the third quarter to EUR 1.6 million (third quarter of 2007: EUR 1.0 million). This results in an EBIT margin from total performance of 6.1% in the first nine months of 2008 (first nine months of 2007: 5.5%). Finally, the earnings after minority interests in the first nine months of the year came to EUR 1.9 million (first nine months of 2007: EUR 2.3 million).

FINANCIAL AND LIQUIDITY SITUATION

Nabaltec Group's total assets increased from EUR 119.7 million on 31 December 2007 to EUR 129.4 million on 30 September 2008.

Non-current assets increased from EUR 85.6 million to EUR 96.4 million, an increase which reflects above all the acquisition of technical equipment, plant and machinery (increase of EUR 6.1 million), the increase of the balance sheet item land, leasehold rights and buildings including buildings on non-owned land (up EUR 2.8 million) and an increase in advance payments and plant and machinery in process of construction (up EUR 1.3 million).

Current assets declined by EUR 1.1 million to EUR 33.0 million on 30 September 2008 (31 December 2007: EUR 34.1 million). While inventories increased sharply by EUR 6.2 million, accounts receivable and other assets decreased by a total of EUR 6.8 million. The decline in other assets with EUR 7.9 million was particularly due to the sale of assets as part of sale and lease back transactions. Liquid assets came to EUR 1.3 million on 30 September 2008 after EUR 1.7 million on 31 December 2007.

On the liabilities side of the consolidated balance sheet, shareholders' equity declined from EUR 47.2 million to EUR 46.8 million. The profit carried forward was EUR 1.5 million (31 December 2007: EUR -0.2 million), net income for the period EUR 1.9 million (31 December 2007: EUR 2.4 million) and shares of other shareholders EUR -3.2 million (31 December 2007: EUR -1.9 million). The equity ratio was 36.2% on 30 September 2008 after 39.4% on 31 December 2007.

Non-current liabilities decreased by EUR 1.5 million in the reporting period. The primary contributor to this decline were liabilities due to banks, which fell by EUR 1.5 million to EUR 19.7 million. In addition, liabilities from financial leasing decreased by EUR 0.9 million to EUR 1.5 million. Current liabilities increased from EUR 22.5 million to EUR 34.1 million after the first nine months of 2008, due in particular to the EUR 9.0 million increase in liabilities due to banks to EUR 14.9 million, due to the need to obtain short-term interim financing for current investments. In addition, trade payables increased by EUR 1.6 million to EUR 13.0 million.

Operating cash flow fell from EUR 9.9 million in the first nine months of 2007 to EUR 0.1 million in the 2008 reporting period, a decline which is primarily a reflection of the EUR 6.2 million increase in inventories. While cash flow from investment activity came to EUR -15.1 million (first nine months of 2007: EUR -22.0 million), cash flow from financing activity improved considerably to EUR 14.6 million (first nine months of 2007: EUR 4.7 million). This increase is attributable in particular to EUR 7.9 million in proceeds from the sale of assets as part of sale and lease back transactions. Nabaltec Group also took out EUR 10.2 million in additional financing loans during the reporting period. As of the reporting date, the company had EUR 1.3 million in liquid assets.

ORDER PERFORMANCE

Orders received came to EUR 18.1 million in the third quarter of 2008 and orders on hand as of 30 September 2008 amounted to EUR 18.3 million. Consistent with typical ordering practices for yearly orders, we saw a cyclical reduction in orders on hand. However, we have also observed a general trend towards reduced inventories and shortened ordering cycles as a result of the economic uncertainty.

INVESTMENTS

Nabaltec Group invested a total of EUR 15.1 million in the first nine months of 2008 after EUR 22.0 million in the first nine months of 2007. The focus of the investments was on expanding production capacities and steadily improving infrastructure. Investment volume is expected to reach around EUR 23 million for the full year.

EMPLOYEES

Nabaltec Group had a total of 313 employees as of 30 September 2008 (30 September 2007: 282), of which 312 were domestic employees (30 September 2007: 281). The company also hired 32 trainees (30 September 2007: 30).

EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

There were no changes in the company's situation since 30 September 2008 with a substantial impact on the financial, earnings and liquidity situation of Nabaltec AG.

RISKS

In the first nine months of 2008, no substantial changes became apparent to the risks and opportunities presented in the Group management report 2007.

OUTLOOK

The economic outlook has darkened considerably. Inventories are being cut back all over the world, since the industrial sector is insure what to expect in the wake of the international financial crisis. The housing market has been weak since the beginning of the year, and the problems have begun to spread beyond the US and Europe. A bottom to the market is nowhere in sight. The technical ceramics and refractory market has shown stable growth due to the booming metals industry, and this growth is currently expected to continue in the coming years. However, the weakening Asian economy has made manufacturers of refractory products more cautious despite the fact that their order books are filled at the moment, causing them to cut inventories and shorten ordering cycles considerably.

The markets for cable and insulation materials, the primary applications for the fine precipitated aluminum hydroxides produced by the "Functional Fillers" division, are highly dependent on the construction sector, so that a clear improvement is not to be expected in the coming months. The low-voltage sector, telecommunications and IT appear more stable at the moment, so that the process of switching to halogen-free flame retardants can be expected to generate moderate growth in these areas. The market for coarse hydroxide is affected more by the public transportation sector, where the economic downturn is not yet as visible, so that we continue to expect growth in this area, driven by new products with favorable processing properties.

The launch of our new ACTILOX® CAHC product in the market for eco-friendly PVC stabilizers has been very promising so far, generating a high level of interest from potential consumers all over the world. Industrial scale production began at our testing facility in Kelheim, after which the products were processed by market-leading customers. The experience gained in this process was used to complete the planning of our Schwandorf production plant. The plant will cost EUR 20 million and construction will begin in October 2008, after which production will start for our customers in the fourth quarter of 2009.

We responded to the declining demand in the "Functional Fillers" division by postponing the construction of 13,000 tons of additional fine precipitated aluminum hydroxides capacity, as announced. In the "Technical Ceramics" division, the overhaul of the calcination equipment will be completed in the first phase, so that we will be able to strategically expand our high-quality aluminum oxide products at the beginning of 2009.

Total investment volume in 2008, 2009 and 2010 will come to about EUR 60 million, and we will examine our investments closely for needed adjustments. Financing will be provided through bank commitments, business development loans and an investment grant from the government of Upper Palatinate, as well as equity.

For the full year 2008, we will attain a revenue growth of 8% to approx. EUR 95 million. EBIT improved significantly over the year before, both on a quarterly basis and for the first nine months of the year. However, we do not expect any additional EBIT growth in the fourth quarter given the weak market.

NABALTEC
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR 3RD QUARTER 2008

CONSOLIDATED INCOME STATEMENT OF NABALTEC AG, SCHWANDORF,
FOR THE PERIOD FROM 01/01/2008 - 30/09/2008 IN ACCORDANCE WITH IFRS

	01/01/2008 - 30/09/2008 KEUR	01/07/2008 - 30/09/2008 KEUR	01/01/2007 - 30/09/2007 KEUR	01/07/2007 - 30/09/2007 KEUR
1. Revenue	76,389	24,448	64,527	21,710
2. Increase/decrease in finished products	2,249	550	-753	108
3. Other own work capitalized	184	85	451	198
Total performance	**78,822**	**25,083**	**64,225**	**22,016**
4. Other operating income	1,284	576	1,795	1,154
5. Cost of materials	44,397	14,770	35,952	12,791
Gross profit	**35,709**	**10,889**	**30,068**	**10,379**
6. Personnel expenses	12,860	4,257	11,291	3,797
7. Depreciation, amortization and other write-offs	3,701	1,286	3,254	1,105
8. Other operating expenses	14,302	3,778	11,990	4,468
Operating result (EBIT)	**4,846**	**1,568**	**3,533**	**1,009**
9. Financial result	-2,592	-944	-1,822	-762
Result from ordinary operations (EBT)	**2,254**	**624**	**1,711**	**247**
10. Taxes on income	1,277	616	761	246
Consolidated result after taxes	**977**	**8**	**950**	**1**
11. Profit/loss attributable to other shareholders	-897	-360	-1,326	-309
Consolidated income	**1,874**	**368**	**2,276**	**310**

CONSOLIDATED BALANCE SHEET OF NABALTEC AG, SCHWANDORF, AS OF 30/09/2008
IN ACCORDANCE WITH IFRS

ASSETS

	30/09/2008 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	367	265
II. Property, plant and equipment		
1. Land, leasehold rights and buildings including buildings on non-owned land	27,039	24,157
2. Technical equipment, plant and machinery	47,075	40,975
3. Other fixtures, fittings and equipment	2,613	2,005
4. Advance payments and plant and machinery in process of construction	16,659	15,383
	93,386	**82,520**
III. Financial assets		
1. Shares in affiliated companies	2	2
2. Other loans	725	647
	727	**649**
IV. Deferred taxes	1,947	2,155
	96,427	**85,589**
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	13,875	10,003
2. Finished products and merchandise	10,136	7,846
	24,011	**17,849**
II. Accounts receivable and other assets		
1. Trade receivables	3,890	2,783
2. Income tax claims	103	174
3. Other assets	3,664	11,589
	7,657	**14,546**
III. Cash and cash equivalents	1,292	1,676
	32,960	**34,071**
	129,387	**119,660**

LIABILITIES

		30/09/2008 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**	**-498**	**-639**
V.	**Profit/loss carried forward**	**1,465**	**-169**
VI.	**Net income**	**1,874**	**2,434**
VII.	**Other reserves**	**-177**	**153**
VIII.	**Shares of other shareholders**	**-3,171**	**-1,850**
		46,805	**47,241**
B.	**NON-CURRENT LIABILITIES**		
1.	Pension provisions	10,742	10,253
2.	Liabilities due to banks	19,707	21,231
3.	Profit participation capital	5,000	5,000
4.	Liabilities from financial leasing	1,528	2,362
5.	Deferred taxes	5,529	5,505
6.	Other liabilities	5,941	5,594
		48,447	**49,945**
C.	**CURRENT LIABILITIES**		
1.	Accrued taxes	1,117	439
2.	Other provisions and accrued liabilities	1,001	1,527
3.	Liabilities due to banks	14,892	5,933
4.	Trade payables	12,986	11,401
5.	Liabilities from financial leasing	1,100	1,038
6.	Other liabilities	3,039	2,136
		34,135	**22,474**
		129,387	**119,660**

CONSOLDIATED CASH FLOW STATEMENT OF NABALTEC AG, SCHWANDORF,
AS OF 30/09/2008 IN ACCORDANCE WITH IFRS

	30/09/2008 KEUR	30/09/2007 KEUR
EBT from period	2,254	1,711
Depreciation (+)/write-ups (-) on non-current assets	3,701	3,254
Gain (-)/loss (+) from asset disposals	-31	20
Interest income (-)	-11	-267
Interest expenses (+)	2,603	2,089
Subtotal	8,516	6,807
Increase (+)/decrease (-) in provisions and accrued liabilities	-38	212
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activity	-245	3,459
Decrease (+)/increase in inventories (-)	-6,161	247
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activity	980	1,800
Paid (-)/received (+) interest	-2,649	-1,951
Paid (-)/received (+) taxes on income	-297	-696
Cash flow from operating activity	**106**	**9,878**
Payments received from disposal of plant, property and equipment	75	41
Payments rendered for investments in plant, property and equipment	-14,950	-21,940
Payments rendered for investments in intangible non-current assets	-116	-23
Payments rendered for investments in financial assets	-78	-74
Cash flow from investment activity	**-15,069**	**-21,996**
Dividend disbursements to business owners	-800	-800
Payments received from disposal of assets within the framework of sale and lease back transactions	7,872	0
Payments received from borrowed financial loans	10,202	8,291
Payments rendered for redemption of financial loans	-1,911	-2,030
Payment of liabilities from financial leasing	-771	-784
Cash flow from financing activity	**14,592**	**4,677**
Net change in cash and cash equivalents	-371	-7,441
Change in cash and cash equivalents due to exchange rates, changes in consolidated companies and valuation	-13	-89
Cash and cash equivalents at start of period	1,676	11,076
Cash and cash equivalents at end of period	**1,292**	**3,546**

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY OF NABALTEC AG, SCHWANDORF, AS OF 30/09/2008 IN ACCORDANCE WITH IFRS

	Parent company									
	Subscribed capital KEUR	Profit participation capital KEUR	Capital reserve KEUR	Earnings reserves KEUR	Profit/loss carried forward KEUR	Compensatory item for currency translation KEUR	Other reserves KEUR	Equity KEUR	**Shares of other shareholders equity** KEUR	**Consolidated shareholders' equity** 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					2,276			2,276	-1,326	950
Other changes						-361	-24	-385	79	-306
As of 30/09/2007	**8,000**	**0**	**29,507**	**9,805**	**2,106**	**-497**	**15**	**48,936**	**-1,670**	**47,266**
As of 01/10/2007	**8,000**	**0**	**29,507**	**9,805**	**2.106**	**-497**	**15**	**48,936**	**-1,670**	**47,266**
Consolidated earnings for the period					159			159	-378	-219
Other changes						-142	138	-4	198	194
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					1,874			1,874	-897	977
Other changes						141	-330	-189	-424	-613
As of 30/09/2008	**8,000**	**0**	**29,507**	**9,805**	**3,339**	**-498**	**-177**	**49,976**	**-3,171**	**46,805**

CONSOLIDATED SEGMENT REPORT OF NABALTEC AG, SCHWANDORF, FOR THE PERIOD FROM 01/01/2008 - 30/09/2008 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 - 30/09/2008 KEUR	Technical Ceramics 01/01/2008 - 30/09/2008 KEUR	Nabaltec Group 01/01/2008 - 30/09/2008 KEUR	Functional Fillers 01/01/2007 - 30/09/2007 KEUR	Technical Ceramics 01/01/2007 - 30/09/2007 KEUR	Nabaltec Group 01/01/2007 - 30/09/2007 KEUR
Segments by division						
Revenue	49,882	26,507	76,389	42,516	22,011	64,527
Segment result						
EBITDA	4,085	4,462	8,547	3,688	3,099	6,787
EBIT	1,672	3,174	4,846	1,417	2,116	3,533
Segments by region						
Revenue						
Germany	11,091	15,820	26,911	7,125	13,423	20,548
Rest of Europe	31,290	7,362	38,652	29,002	6,920	35,922
USA	4,509	1,789	6,298	3,487	707	4,194
RoW	2,992	1,536	4,528	2,902	961	3,863
Total	**49,882**	**26,507**	**76,389**	**42,516**	**22,011**	**64,527**

CONSOLIDATED SEGMENT REPORT OF NABALTEC AG, SCHWANDORF, FOR THE PERIOD FROM 01/07/2008 - 30/09/2008 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.

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	Functional Fillers 01/07/2008 - 30/09/2008 KEUR	Technical Ceramics 01/07/2008 - 30/09/2008 KEUR	Nabaltec Group 01/07/2008 - 30/09/2008 KEUR	Functional Fillers 01/07/2007 - 30/09/2007 KEUR	Technical Ceramics 01/07/2007 - 30/09/2007 KEUR	Nabaltec Group 01/07/2007 - 30/09/2007 KEUR
Segments by division						
Revenue	14,888	9,560	24,448	14,235	7,475	21,710
Segment result						
EBITDA	823	2,031	2,854	1,063	1,051	2,114
EBIT	13	1,555	1,568	303	706	1,009
Segments by region						
Revenue						
Germany	3,642	5,505	9,147	2,388	4,976	7,364
Rest of Europe	8,817	2,463	11,280	9,470	1,923	11,393
USA	1,549	666	2,215	1,503	313	1,816
RoW	880	926	1,806	874	263	1,137
Total	**14,888**	**9,560**	**24,448**	**14,235**	**7,475**	**21,710**

NABALTEC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/09/2008

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of Nabaltec AG (Nabaltec Group) as of 30 September 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 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 provisions 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 revenue deductions and cash discounts.

TRANSITION TO IFRS

Transition of consolidated earnings (before minority interests)	**30/09/2007** KEUR	**31/12/2007** KEUR
Net loss in accordance with German Commercial Code (HGB)	**-772**	**-1,509**
Valuation of non-current assets	64	49
Classification of financial leasing	468	616
Valuation of inventories	117	246
Exchange differences in accordance with IAS 21.32	465	672
Formation of deferred taxes	642	856
Valuation of pension provisions	-53	-153
Valuation of other provisions and accrued liabilities	-34	-8
Miscellaneous items	53	-39
Net income in accordance with IAS/IFRS	**950**	**730**

Transition of shareholders' equity	**01/01/2007** KEUR	**30/09/2007** KEUR	**31/12/2007** KEUR
Shareholders' equity in accordance with German Commercial Code (HGB)	**43,659**	**42,348**	**41,764**
Adjustment of disclosed participation capital	-5,000	-5,000	-5,000
Valuation of non-current assets	19,468	19,162	19,013
Valuation of inventories	892	1,009	1,137
Formation of deferred taxes	-4,206	-3,564	-3,354
Valuation of derivative financial instruments	76	28	303
Classification of financial leasing	-4,437	-3,653	-3,400
Valuation of pension provisions	-3,537	-3,589	-3,690
Valuation of other provisions and accrued liabilities	407	373	400
Miscellaneous items	100	152	68
Shareholders' equity in accordance with IAS/IFRS	**47,422**	**47,266**	**47,241**

FINANCIAL CALENDAR 2009

April 2009	Annual Report 2008
26 May 2009	Interim Report 1/2009
10 June 2009	Annual General Meeting
25 August 2009	Interim Report 2/2009
24 November 2009	Interim Report 3/2009

Nabaltec and distribution partners

CONTACT

Heidi Wiendl
Nabaltec AG
Alustraße 50 - 52
92421 Schwandorf
Germany
Phone: +49 9431 53-202
Fax: +49 9431 53-260
E-mail: InvestorRelations@nabaltec.de

Linh Chung
Haubrok Investor Relations GmbH
Kaistraße 16
40221 Düsseldorf
Germany
Phone: +49 211 30126-101
Fax: +49 211 30126-172
E-mail: L.Chung@haubrok.de




Nabaltec AG
Alustraße 50 - 52
92421 Schwandorf
Germany
Phone: +49 9431 53-0
Fax: +49 9431 53-260
www.nabaltec.de