Interim Report 1/2010

OUR KNOW-HOW FOR YOUR SAFETY

The First Quarter of 2010 at a Glance

Key Figures Nabaltec Group

in EUR million	03/31/2010 (IFRS)	03/31/2009 (IFRS)	Change
Revenues			
Total revenues	**24.4**	16.3	49.7%
thereof:			
Functional Fillers	**16.6**	10.6	56.6%
Technical Ceramics	**7.8**	5.7	36.8%
Foreign share (%)	**69.5**	67.0	
Employees* (number of persons)	**348**	344	1.2%
Earnings			
EBITDA	**2.8**	−0.3	
EBIT	**0.9**	−1.8	
Consolidated result after taxes**	**−0.3**	−2.7	88.9%
Earnings per share (EUR)**	**−0.03**	−0.34	91.2%
Financial position			
Cash flow from operating activities	**5.5**	−3.6	
Cash flow from investing activities	**−1.8**	−4.5	60.0%
Assets, equity and liabilities	**03/31/2010**	12/31/2009	
Total assets	**133.1**	131.8	1.0%
Equity	**39.7**	40.0	−0.7%
Non-current assets	**109.0**	108.7	0.3%
Current assets	**24.0**	23.1	3.9%

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

Course of business	Strategic developments
- recovery continues and picks up speed	- intensification of the new additives and boehmite market development
- clear growth in all product segments and regions	- plans to commence boehmite production in Schwandorf
- turnaround in EBIT accomplished	- sales & marketing offensive to gain share in the market for halogen-free flame retardants
- high cash flow from operating activities reducing net debt and increasing liquidity	- long-term financing secure

CONTENT

TO OUR SHAREHOLDERS

GROUP INTERIM MANAGEMENT REPORT

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS)

TO OUR SHAREHOLDERS

Dear Shareholders,

With the business performance in the first quarter of 2010, a nearly 50% gain in revenues and the return to the profit zone at the operative level, Nabaltec AG has proven its potential. The gradual recovery was already evident in the third and fourth quarters of last year. Now we have clearly gained momentum. We are very pleased that this growth was registered across both business divisions ("Functional Fillers" and "Technical Ceramics"), all product segments and all sales regions. We see this breadth as a clear indicator of sustainability.

Still, we do not want to extrapolate the performance of the first three months over the 12-month year. Some of our customers, particularly from the refractory industry, are expecting the market to move sideways as of mid-year. We therefore are anticipating revenues of between EUR 85 and 95 million for the year as a whole. Earnings before interest and taxes (EBIT) should perform just as positively over the year as in the quarter. Yet the bottom line after interest and taxes will still be negative in 2010. We will provide details of our estimates at our general shareholders' meeting on 10 June 2010 in Amberg.

Based on conservative assumptions, we have integrated the new activities relating to additives for the plastics industry and boehmites for the electronics industry into our current planning. Both segments are developing as planned. With respect to additives, release procedures are underway with customers for qualities from the new production facility. Customers want to be certain that we will be able to supply the same high quality from the new facility as we have continuously proven in the other product segments ton for ton, year after year.

In 2010 we will continue to promote the success of our boehmite as a halogen-free flame retardant in the production of electronic printed circuit boards by establishing our own production in Schwandorf, thus relieving the plant in Kelheim, which is currently working at the limits of its capacity. The Kelheim plant will be used again as a pilot facility for the development of new products. We will finance our manageable investment needs in the low single-digit million Euro range out of current cash flow. At the same time, we should achieve sharply positive free cash flow in 2010, having largely completed the multi-year investment program.

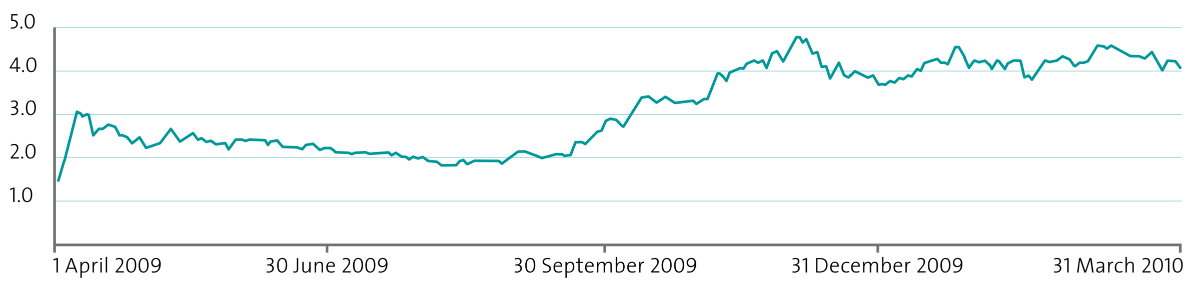
Yours,

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)

	Q1/2010	2009
Number of shares	**8,000,000**	8,000,000
Market capitalization (cuttof date) in EUR millions	**32.96**	30.72
Average price (in EUR)	**4.20**	2.48
Maximum price (in EUR)	**4.60**	4.80
Lowest price (in EUR)	**3.70**	1.10
Closing price (cutoff date, in EUR)	**4.12**	3.84
Average daily turnover (in shares)	**7,564**	4,817
Earnings per share* (in EUR)	**–0.03**	–0.34

* after non-controlling interests

At the end of the first quarter, the Nabaltec share listed at EUR 4.12 (all data refer to XETRA) and thus 7.3% above the 2009 closing price of EUR 3.84. Nabaltec was thus able to perform sharply better than the industry and only slightly weaker than the SDAX. To compare: The index for specialty chemical stocks in Germany declined by 2.5% in the first quarter, while the SDAX increased by 9.8% in the same period. Nabaltec was therefore able to continue the clear recovery since April 2009 – with somewhat less volatility. The first quarter low was EUR 3.70, the high EUR 4.60. The performance of the Nabaltec share over 12 months (cutoff date: 31 March) amounted to 165.8%.

The market capitalization of Nabaltec AG registered EUR 32.96 million as at 31 March 2010.

The average daily trading volume of the Nabaltec share in the first three months of the year on XETRA was 7,564 shares (Q1/2009: 4,817 shares), thus 57.0% above the previous year's value. The negotiability of the Nabaltec share was supported by the voluntary undertaking of a Designated Sponsor. Since 2009 Nabaltec AG has been managed by VEM Aktienbank AG.

The earnings per share (EPS) were EUR –0.03 (after non-controlling interests) at the close of the quarter, after EUR –0.34 as at 31 December 2009.

Communication with the capital market was continued in the first quarter of 2010. As the provisional annual financial statements were released, management held many meetings with analysts, investors and journalists.

The majority of the 8,000,000 no-par-value shares of Nabaltec AG are still held by the Heckmann and Witzany Families. As at 31 December 2009, the Heckmann Family held 32.9% and the Witzany Family 29.7% of the capital stock. The residual shares are in free float.

GROUP INTERIM MANAGEMENT REPORT

as of 31 March 2010

Course of business in the first quarter of 2010

The noticeable recovery which made itself felt in the second half of 2009 continued in the first quarter of 2010 and gained a considerable amount of momentum and demand grew tangibly over all business divisions and product segments. The course of business was consistently positive in the first three months of 2010 in Germany, Europe, the US and in the rest of the world, especially Asia. In fact, results in the first quarter of 2010 were not only substantially better than the first quarter of 2009, which was heavily affected by the crisis, but they were better than the largely stabilized results of the third and fourth quarter of 2009 as well, underscoring the strength of the recovery.

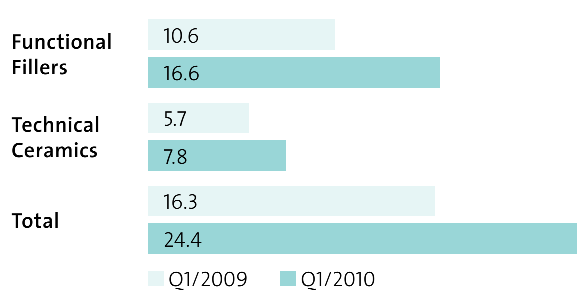
Consolidated revenues increased by 49.7% in the first quarter of 2010, to EUR 24.4 million. The first quarter of last year was the low point of the demand crisis, with revenues falling to EUR 16.3 million. By comparison, revenues were EUR 20.0 million in the third quarter of 2009 and EUR 19.9 million in the fourth quarter.

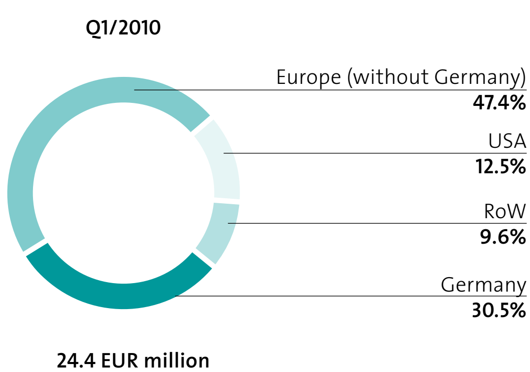
Revenue growth followed the general sales trend. Sale prices were kept generally stable.

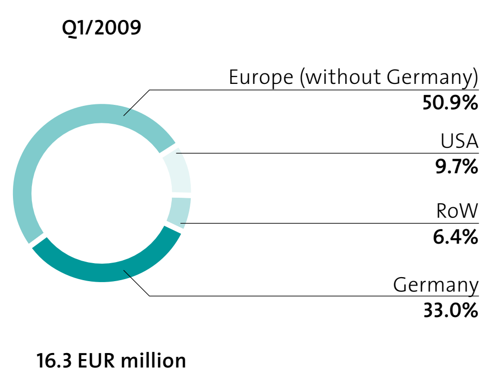
Revenues in the "Functional Fillers" business division increased by 56.6% over the first quarter of last year and revenues in the "Technical Ceramics" business division were up 36.8% in the reporting quarter. Revenues in the "Functional Fillers" business division increased at an unexpectedly fast pace, from EUR 10.6 million to EUR 16.6 million, while revenue growth in the "Technical Ceramics" business division met expectations, as revenues increased from EUR 5.7 million to EUR 7.8 million.

In terms of regions Nabaltec's strongest revenue growth was in the US, but clear gains were registered in all other regions as well. Nabaltec's US subsidiary Nashtec increased its output once again in the first quarter of 2010, and production is now approaching maximum capacity.

Revenues by business divisions
(EUR million)







Nabaltec's total performance increased by 62.9% in the first three months of 2010. This is attributable to its strong revenue growth in the first quarter, as well as the fact that inventories of finished and unfinished goods were cut drastically in the first quarter of 2009.

Cost of materials was 54.1% of total performance in the first quarter of 2010, a level which is consistent with the normal course of business without extraordinary effects. In the first quarter of last year, Nabaltec reaped the benefits of a forward-looking inventories strategy, which significantly cushioned the blow of price increases on the procurement side. The cost of materials ratio was somewhat lower in that quarter, 51.7%. Gross profit margin was 48.5% in the reporting quarter, somewhat lower than last year's value of 50.3% (as a percentage of total performance).

Personnel expenses increased from EUR 4.0 million to EUR 4.2 million, due primarily to the reduction in short-time working relative to the year before. The personnel expense ratio (personnel expenses as a percentage of total performance) improved considerably due to the very strong revenue growth, falling from 28.0% to 18.0%, while the number of employees increased slightly, rising from 344 a year ago to 348.

Other operating expenses were determined by freight costs, which increased along with sales. At the same time, the cost-cutting measures implemented in 2008 and 2009 led to a sustained reduction in expenses, so

that other operating expenses as a percentage of total performance fell from 24.5% in the first quarter of last year to 18.0%.

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

Earnings before interest, taxes, depreciation and amortization (EBITDA) turned positive in the first quarter, improving from EUR –0.3 million to EUR 2.8 million, for an EBITDA margin of 12.0%. Both business divisions completed the turnaround: both based on EBITDA and EBIT. Consolidated EBIT were EUR 0.9 million, or 3.9% of total performance.

Taking into account the net financial income of EUR –1.1 million, consolidated result from ordinary operations was EUR –0.2 million. After accounting for deferred taxes and profit shares of non-controlling interests, consolidated result for the period was EUR –0.3 million, for quarterly earnings per share of EUR –0.03.

Nabaltec recorded a cash flow from operating activities of EUR 5.5 million in the first quarter of 2010, EUR 9.1 million more than in the first quarter of last year, when cash flow from operating activities was EUR –3.6 million. This substantial important was due in part to the improvement in earnings, as well as further optimization in inventories. Cash flow last year was affected by substantial cash outflows in an effort to reduce trade payables and other liabilities. Cash flow from investing activities changed considerably, from EUR –4.5 million to EUR –1.8 million, as Nabaltec has largely completed its extensive 2009 investment program and scaled back investments substantially in the first quarter of 2010, as planned. The situation in connection with cash flow from financing activities has also changed completely. While the period through the end of 2009 was characterized by the borrowing of funds to finance investments, the focus since then has been on paying down debt and making interest payments. Accordingly, net cash flow financing activities was EUR –1.9 million in the reporting quarter.

Cash and cash equivalents in Nabaltec Group came to EUR 2.3 million on 31 March 2010.

There have been only slight changes to Nabaltec Group's balance sheet relative to 31 December 2009. Total assets increased slightly, by 1.0%. Fixed assets remained constant following the completion of the major investment projects, while a balance was nearly maintained between scheduled depreciation and investments in the first quarter of 2010. Inventories fell

by around EUR 4.0 million. Trade receivables increased by EUR 3.2 million and cash reserves increased by EUR 1.8 million.

On the liabilities side, the equity ratio remained nearly constant, at 29.8% (31 December 2009: 30.3%). Non-current liabilities decreased slightly as a result of scheduled redemption payments. Current liabilities increased somewhat due to the growth in trade payables and other liabilities.

Employees

As of 31 March 2010, Nabaltec Group had 348 employees, including trainees. On 31 March of last year, the Group had 344 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 quarter of 2010, there were no significant changes to the risk situation described in the 2009 consolidated management report.

Outlook

Although economic conditions continue to be challenging, Nabaltec expects demand for its products to grow thanks to fundamental trends such as the move towards greater environmental protection and stricter safety standards, as well as the economical necessity for customers to steadily optimize their processes. 2010 should see a return to Nabaltec's long-term growth track, both on the Group level and for the company's two business divisions. The goal is revenue growth in the low double digits to an amount between EUR 85 million and EUR 95 million. Nabaltec is planning a clear improvement in earnings compared to 2009, with the prospect of recording a positive operating profit.

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 benefit from this growth in the flame retardant market in several ways: by taking advantage of the projected growth in the general market, by replacing the flame retardants containing heavy metals 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, we expect significant stabilization and slight growth in 2010, as global steel production, the largest direct target sector for these products, is showing clear signs of recovery.

A major goal in the remainder of the year is building up and expanding Nabaltec's "Additives" business, which was launched in 2009, as well as sales of specialty boehmite qualities. Nabaltec sees strong growth opportunities for its "Additives" business, as the ongoing replacement of stabilizers containing heavy metals 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 at future key customers. This potential revenue base will be gradually expanded in 2010. Nabaltec AG faces a similar task for its boehmites in the electronics industry. In that case as well, the challenge is to build upon the initial successes in 2009, continue to develop markets and to gradually win over suppliers to the electronics industry, as well as ensuring that Nabaltec products successfully complete approval procedures. The global market potential in this segment is enormous given the transition in the electronics industry towards halogen-free flame retardants in printed circuit boards.

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

Schwandorf, 14 May 2010

The Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of 31 March 2010

Consolidated Statement of Comprehensive Income

for the period from 1 January 2010 through 31 March 2010

Consolidated Statement of Comprehensive Income		
in EUR 000	**01/01/ – 03/31/2010**	01/01/ – 03/31/2009
Revenue	**24,350**	16,305
Changes in unfinished and finished products	**–1,129**	–2,214
Other own services capitalized	**33**	178
Total performance	**23,254**	**14,269**
Other operating income	**591**	265
Cost of materials	**–12,576**	–7,375
Gross profit	**11,269**	**7,159**
Personnel expenses	**–4,211**	–3,952
Depreciation and amortization	**–1,915**	–1,542
Other operating expenses	**–4,218**	–3,494
Operating result (EBIT)	**925**	**–1,829**
Interest and similar income	**30**	29
Interest and similar expenses	**–1,121**	–1,151
Result from ordinary operations (EBT)	**–166**	**–2,951**
Income taxes	**–136**	–13
Consolidated result after taxes	**–302**	**–2,964**
thereof attributable to		
Shareholders of the parent company	**–272**	–2,718
Non-controlling interests	**–30**	–246
Consolidated result after taxes	**–302**	**–2,964**
Earnings per share (in EUR)	**–0.03**	**–0.34**

Consolidated Statement of Comprehensive Income

in EUR 000	01/01/ – 03/31/2010	01/01/ – 03/31/2009
Consolidated result after taxes	–302	–2,964
Foreign Currency Translation (after taxes)	53	186
Net Result from Hedge Accounting (after taxes)	–78	15
Other result	–25	201
thereof attributable to		
Shareholders of the parent company	272	356
Non-controlling interests	–297	–155
Consolidated result after taxes	–327	–2,763
thereof attributable to		
Shareholders of the parent company	0	–2,362
Non-controlling interests	–327	–401

Consolidated Balance Sheet

as of 31 March 2010

ASSETS

in EUR 000	03/31/2010	12/31/2009
Noncurrent assets	**109,029**	**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)	**221**	233
Property, plant and equipment	**108,808**	108,469
Land, leasehold rights and buildings on non-owned land	**30,849**	30,676
Technical equipment, plant and machinery	**74,852**	74,856
Other fixtures, fittings and equipment	**2,162**	2,239
Advance payments and plant and machinery under construction	**945**	698
Current assets	**24,048**	**23,109**
Inventories	**15,204**	19,213
Raw materials and supplies	**7,216**	10,180
Unfinished goods	**154**	187
Finished products and merchandise	**7,834**	8,846
Trade receivables and other assets	**6,563**	3,399
Trade receivables	**3,665**	499
Income tax claims	**263**	248
Other assets	**2,635**	2,652
Cash and cash equivalents	**2,281**	497
Total Assets	**133,077**	**131,811**

EQUITY & LIABILITIES

in EUR 000	03/31/2010	12/31/2009
Equity	**39,716**	**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	**–272**	–5,047
Accumulated other comprehensive result	**–626**	–898
Non-controlling interests	**–4,289**	–4,003
Noncurrent liabilities	**67,465**	**68,266**
Pension provisions	**11,271**	11,078
Payables to banks	**46,342**	47,197
Profit participation capital	**4,933**	4,927
Liabilities from finance lease	**128**	319
Deferred tax liabilities	**2,212**	2,076
Other liabilities	**2,579**	2,669
Current liabilities	**25,896**	**23,502**
Income tax payable	**379**	480
Other provisions	**862**	868
Payables to banks	**4,446**	4,737
Trade payables	**7,641**	6,066
Liabilities from finance lease	**920**	958
Other liabilities	**11,648**	10,393
Total equity & liabilities	**133,077**	**131,811**

Consolidated Cash Flow Statement

for the period from 1 January 2010 to 31 March 2010

in EUR 000		01/01/ – 03/31/2010	01/01/ – 03/31/2009
Cash flow from operating activities			
Period profit before taxes		**–166**	**–2,951**
+	Depreciation and amortization	**1,915**	1,542
–/+	Gain/loss from asset disposals	**0**	1
–	Interest income	**–30**	–29
+	Interest expenses	**1,121**	1,151
Operating profit before working capital changes		**2,840**	**–286**
+/–	Increase/decrease in provisions	**187**	140
–/+	Increase/decrease in trade receivables and other assets not attributable to investing or financing activity	**–3,149**	417
+/–	Decrease/increase in inventories	**4,009**	4,733
+/–	Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity	**1,746**	–7,811
Cash flow from operating activities before taxes		**5,633**	**–2,807**
–	Income taxes paid	**–117**	–764
Cash flow from operating activities		**5,516**	**–3,571**

	in EUR 000	**01/01/ – 03/31/2010**	01/01/ – 03/31/2009
	Cash flow from investing activities		
–	Cash paid for purchases in property, plant and equipment	**–1,796**	–4,527
+	Cash received from returning intangible assets	**0**	70
–	Cash paid for investments in intangible assets	**–3**	0
	Cash flow from investing activities	**–1,799**	**–4,457**
	Cash flow from financing activities		
+	Cash received from financial loans	**0**	11,000
–	Cash rendered for payment of financial loans	**–742**	–1,450
–	Cash rendered for liabilities from finance lease	**–229**	–270
–	Interest paid	**–1,002**	–1,172
+	Interest received	**30**	29
	Cash flow from financing activities	**–1,943**	**8,137**
	Net change in cash and cash equivalents	**1,774**	**109**
	Effects of exchange rate changes on the balance of cash held in foreign currencies	**10**	233
	Cash and cash equivalents at the beginning of the year	**497**	1,942
	Cash and cash equivalents at the end of the year	**2,281**	**2,284**

Consolidated Statement of Changes in Equity

for the period from 1 January 2010 to 31 March 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 03/31/2009	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 03/31/2010	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
	348	348	−162	186
	8	8	7	15
	356	356	−155	201
−2,718		−2,718	−246	−2,964
−2,718	356	−2,362	−401	−2,763
−198	−578	46,695	−4,407	42,288
	−524	−524	275	−249
	204	204	200	404
	−320	−320	475	155
−2,329		−2,329	−71	−2,400
−2,329	−320	−2,649	404	−2,245
−2,527	−898	44,046	−4,003	40,043
−45		−41	41	0
	315	315	−262	53
	−43	−43	−35	−78
	272	272	−297	−25
−272		−272	−30	−302
−272	272	0	−327	−327
−2,844	−626	44,005	−4,289	39,716

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 31 March 2010

in EUR 000	Functional Fillers	Technical Ceramics	Others	Nabaltec Group
Revenues				
Third party revenue	16,579	7,771		**24,350**
Segment result				
EBITDA	1,883	957		**2,840**
EBIT	501	424		**925**

Period from 1 January 2009 to 31 March 2009

in EUR 000	Functional Fillers	Technical Ceramics	Others	Nabaltec Group
Revenues				
Third party revenue	10,629	5,676		**16,305**
Segment result				
EBITDA	–246	–41		**–287**
EBIT	–1,298	–531		**–1,829**

Abridged Consolidated Notes to the Interim Report

from 1 January 2010 to 31 March 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 31 March 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 31 March 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 31 March 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 31 March 2010 did not change compared to the consolidated financial statements as at 31 December 2009 or the first 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 three 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 Management Board is negotiating with the relevant banks.

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 three 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, 14 May 2010

The Management Board

Financial Calendar

10 June 2010	**Annual General Meeting**
24 August 2010	**Interim Report 2/2010**
23 November 2010	**Interim Report 3/2010**

Contact

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

Frank Ostermair
Better Orange IR & HV AG
Haidelweg 48
81241 Munich
Phone: +49 89 8896906-14
Fax: +49 89 8896906-66
E-mail: info@better-orange.de

Imprint

Publisher
Nabal*tec* AG
Alustraße 50 – 52
92421 Schwandorf
Phone: +49 9431 53-202
Fax: +49 9431 53-260
E-mail: info@nabaltec.de
www.nabaltec.de

Text, concept & realization
better value, Munich/Berlin

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