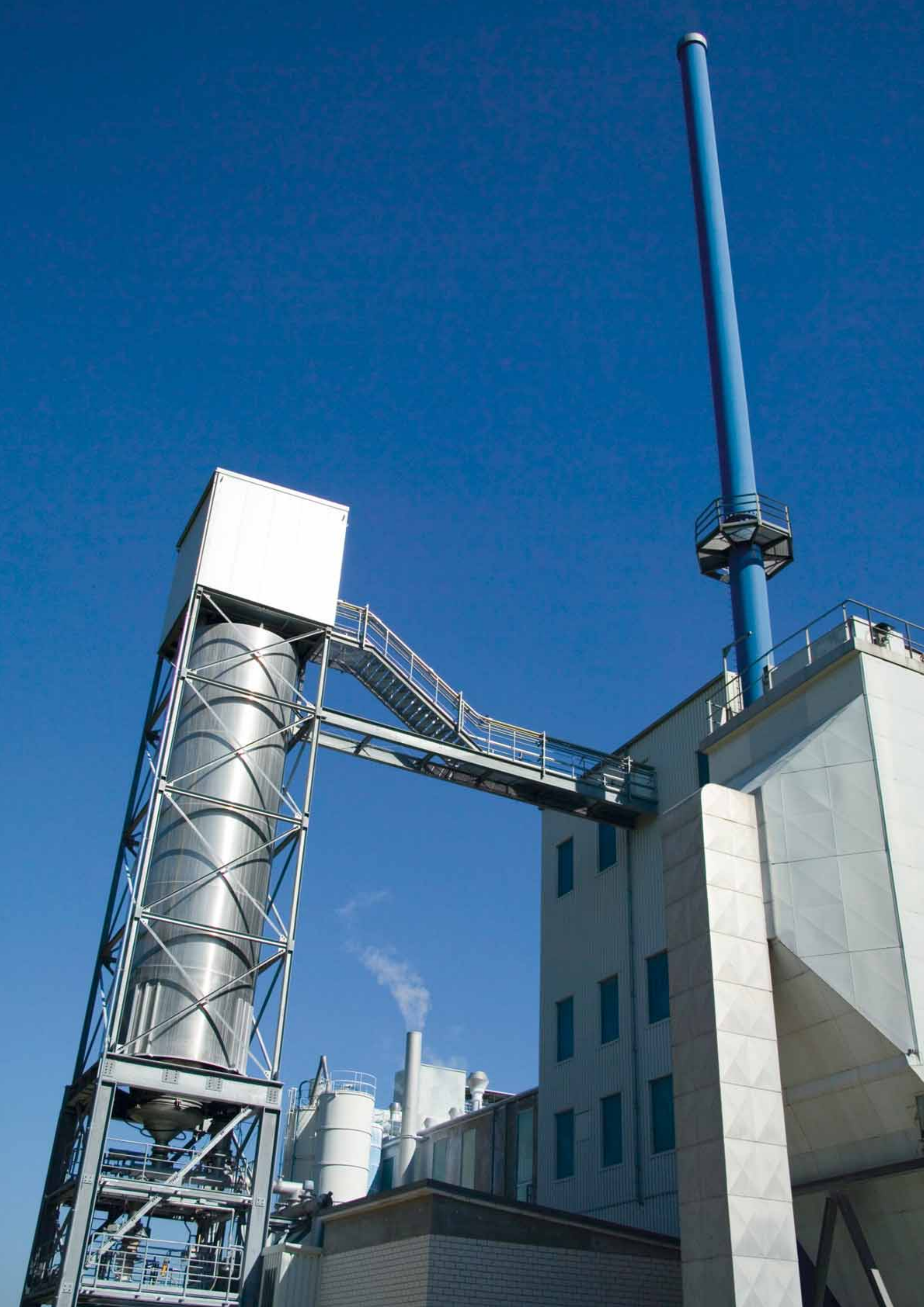
I D E A S   M E A N   D Y N A M I C   F O R C E

Nabaltec

ANNUAL REPORT 2006

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



Key Figures (HGB)

Group		2006	2005	2004
Revenue	EUR millions	71.6	61.3	56.5
Foreign share	%	65.4	65.2	67.6
EBITDA	EUR millions	6.6	5.4	5.7
EBIT	EUR millions	4.0	2.9	2.9
Earnings *	EUR millions	- 0.2	1.1	1.4
Earnings per share **	EUR	- 0.03	0.18	0.24
Operating cash flow	EUR millions	- 7.4	0.5	5.7
Investments	EUR millions	28.5	11.7	4.2
Total assets	EUR millions	93.2	42.5	35.1
Shareholders' equity	EUR millions	43.7	14.8	9.6
Equity ratio	%	46.8	34.7	27.3
Employees ***		283	277	271

* after minority interests

** 2004 and 2005 based on 6,000,000 shares,
2006 based on approx. 6.2 million averaged outstanding shares

*** including trainees, part-time employees and management board
as of balance sheet date

COMPANY PROFILE

Nabaltec AG, with registered office in Schwandorf, a chemicals business which has received multiple awards for innovativeness, manufactures, develops and distributes highly specialized products based on aluminum hydroxide ("ATH") and aluminum oxide, as well as other raw materials, on an industrial scale through its "functional fillers" and "technical ceramics" divisions.

The company's product range includes flame-retardant fillers for the plastics industry, used e.g. in cables, tunnels, airports, high-rise buildings and electronic devices, as well as base materials for use in technical ceramics, the refractory industry and catalysis. Unlike halogenated flame-retardant fillers, the products manufactured by the company's "functional fillers" division contain no hazardous substances and do not require separate disposal. Rather, the company's flame-retardant fillers actually decrease the development of fumes hazardous to human health and the environment in the event of fire.

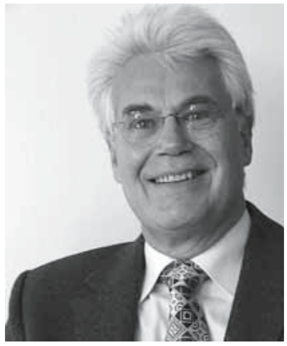
Nabaltec maintains production sites in Germany and the US. It aims to further consolidate its market position by increasing capacity, continuing to optimize its processes and product quality and strategic additions to its product range and to secure the market leadership in each segment where its specialty products are represented, in addition to qualitative leadership.

Only the German version of the annual report is legally binding.

Dear Shareholders,

Nabaltec AG can look back on twelve eventful and, above all, successful months in 2006. Our sales rose by around 9% over the previous year, while consolidated revenue increased by 17%, to EUR 71.6 million, so that the company once again grew faster than the market. These results demonstrate the success of our product strategy, which allows for high contribution margins. Both of our divisions, “Functional Fillers” and “Technical Ceramics,” contributed to this positive result.

Johannes Heckmann



Gerhard Witzany

The beginning of production at our new plant in Corpus Christi, Texas (USA), in November 2006 represents a major operational cornerstone for our future. At that facility, fine precipitated aluminum hydroxide of the APYRAL® 40 CD quality is manufactured under the “Nashtec” joint venture. As the only supplier of fine hydroxides worldwide, we can now offer our customers production sites in both centers of consumption thanks to our USD 32 million investment in Nashtec. In addition to offering greater proximity to customers in America, the new site will improve our ability to supply the Asian market, at a quality equal to that in Schwandorf. Aside from providing these improved sales channels and the security of having two production sites, Nashtec makes us less vulnerable to potential exchange rate fluctuations than would be the case if all of our production were situated in Germany. Due both to Nashtec and an expansion of our fine hydroxide capacity in Schwandorf, production volume rose about 50% over the previous year, to 80,000 tons. We expect 70% utilization of our US capacity through April of the current financial year, after which the plant will operate at full capacity from May on.

In addition to the launch of Nashtec, our successful IPO was a highlight of the past financial year. Although we did not decide to take this step until mid-2006, we were able to make all the necessary preparations in a very short period of time and enter the Entry Standard section of the Frankfurt Stock Exchange on 24 November 2006. The net issue proceeds, in the amount of EUR 28.9 million, will be invested over time in increasing production capacity in our two divisions, which will allow us to meet the steadily rising demand while securing the continued growth of our company.

In order to keep the capital market, and particularly our shareholders, supplied with a continuous stream of timely information about our future corporate development, we plan to largely meet the heightened transparency requirements of the Prime Standard section in the current financial year. In addition to quarterly reporting in German and English, those requirements include a commitment to adhere to the German Corporate Governance Code. The report in that respect can be found on Pages 10 through 12. We will also convert our accounting system to IFRS in the course of the year. The purpose of these measures is to deliver the highest level of transparency possible under the circumstances for the benefit of our shareholders and all interested parties. At the same time, these measures will serve to prepare our organizational processes for entry into the Prime Standard section in the medium term, which is clearly one of our stated goals for the future.

We plan to further increase production capacity in the current financial year, to which end new plants for the production of ceramic bodies, reactive aluminum oxides and fine precipitated aluminum hydroxides are set to go online in the course of 2007. In light of these plans, and in view of the expected positive market trend, Nabaltec AG expects the growth trend of recent years to continue in 2007. In addition to a rise in sales and revenue, this development should once again be reflected by positive earnings. Now that we have achieved qualitative leadership in some segments, we intend to attain in the medium term market leadership in those segments as well.

In order to reach these ambitious goals, we are dependent to a great extent on our employees. Without their commitment and outstanding performance, we would not have been able to successfully overcome the challenges of the past year. In order to maintain the quality of our employees and perpetuate the success of Nabaltec AG, we have always placed great emphasis on education and training. Our sincerity in this regard is demonstrated in no small part by the final scores of our trainees, which routinely number among the highest in their class. The fact that Nabaltec was singled out as one of the best mid-size employers in the nationwide "TOP JOB 2006" comparison study is further proof of our commitment to our employees.

We would like to thank our employees, as well as our shareholders, for the trust in us that they displayed in the course of the IPO and since then. Thanks are also due to our customers, for our successful cooperation. We look forward to a successful future together.

Yours,

Johannes Heckmann
Management Board Member

Gerhard Witzany
Management Board Member

Dear shareholders,

By resolution of the shareholders' meeting of 25 August 2006, Nabaltec GmbH was transformed into a stock corporation, effective 1 January 2006, and the first supervisory board of Nabaltec AG was elected. Entry of the transformation was made in the Commercial Register of the Local Court of Amberg on 27 September 2006.

The first supervisory board consists of three members: Dr. Leopold von Heimendahl (supervisory board chairman), Dr. Dieter J. Braun (deputy chairman) and Professor Dr. Jürgen G. Heinrich. In a statement of 25 August 2006, the supervisory board members accepted their election. By resolution of the same date, the supervisory board appointed Messrs. Johannes Heckmann and Gerhard Witzany management board members of Nabaltec AG.

Since its election, the supervisory board has supervised and advised the management board in its conduct of the company's operations and adopted resolutions within the limits of its competence as defined by law and the articles of association. The supervisory board has in particular routinely attended to the development of the company's business, its financial, earnings and liquidity position, its strategic alignment, the implementation of its strategy and its risk management system.

Through 31 December 2006, two supervisory board meetings were held and, even outside of meetings, necessary measures and resolutions were discussed and voted on in the manner defined in the articles of association. The supervisory board has not created any committees.

The subjects of discussion and resolutions in the supervisory board included the constitution of the supervisory board, the conclusion of management board agreements and agreements with auditors, as well as the rules of procedure for the management and supervisory boards. The rules of procedure for the management board contain a list of actions which the management board may take only with the consent of the supervisory board. The supervisory board also adopted all necessary resolutions in connection with the IPO, particularly definition of the price margin and the final issue price, as well as approving individual management actions, if necessary.

The management board has routinely provided the supervisory board with comprehensive and timely information and written and verbal reports relating to all major developments and transactions, even outside of the supervisory board meetings. In particular, quarterly reports were presented in the reporting year containing information about sale volumes, revenues, costs, operating income and incoming orders. Starting in 2007, the supervisory board will receive monthly reports about the development of sales, revenues and earnings, as well as the degree to which results are consistent with projections.

Nabaltec AG's financial statements for 31 December 2006 were audited by the auditor chosen by the general meeting on 25 August 2006 and mandated by the supervisory board, AWT Horwath GmbH Wirtschaftsprüfungsgesellschaft, Munich. Both the individual and consolidated financial statements for 31 December 2006 were given an unqualified audit certificate.

In the supervisory board meeting on 26 March 2007, the auditor reported to the supervisory board about the essential results of the audit, and the supervisory board took notice of and approved the result of the audit. The supervisory board itself examined and approved the management reports presented by the management board and the financial statements of Nabaltec AG (individual and consolidated financial statements for 31 December 2006). The individual financial statement of Nabaltec AG has accordingly been adopted.

The supervisory board supports the management board's proposal to set aside the retained earnings for the 2006 financial year for payment of a dividend in the amount of EUR 0.10 for each eligible share in Nabaltec AG and carry forward the remainder.

The supervisory board thanks the management board and all employees of Nabaltec AG and its affiliated companies for their work and their effort.

Schwandorf, 26 March 2007

Dr. Leopold von Heimendahl
Supervisory Board Chairman

CORPORATE GOVERNANCE REPORT

The recommendations of the German Corporate Governance Code (“the Code”) are directed at companies whose shares are traded in the official or regulated market. Nabaltec AG, whose shares are currently traded in the open market, will nevertheless follow the recommendations of the Code to a large extent. Accordingly, the management and supervisory board have prepared the following corporate governance report pursuant to No. 3.10 of the Code:

Notes to the Declaration of Compliance
Nabaltec AG will comply with the recommendations of the Code, as amended on 12 June 2006, from the 2007 financial year on, with the exceptions cited in the annual declaration of the management and supervisory boards pursuant to § 161 of the German Stock Corporation Act (“Declaration of Compliance”). The management and supervisory boards adopted the Declaration of Compliance for the 2007 financial year on 26 March 2007. As indicated in this Declaration, the company will deviate from the Code’s recommendations in the following respects:

- No. 2.3.4 of the Code recommends allowing shareholders to follow the proceedings of the general meeting over the internet. The management and supervisory boards prefer a direct dialogue with shareholders and shareholder representatives within the general meeting. Therefore, the company will for the time being not take the measures necessary to have the proceedings of the general meeting be followed over the internet.

- Contrary to the recommendation in No. 4.2.1 of the Code, the supervisory board will not appoint a management board chairman or spokesman for the time being. While the company’s articles of association give it the option to do so, the supervisory board will not exercise this option as long as the management board consists of only two persons.

- No. 4.2.3 of the Code recommends that the remuneration of management board members be comprised of fixed and variable components, with the variable compensation to include one-time components, annually recurring components and components functioning as long-term incentives containing risk elements. The compensation of management board members is currently comprised of fixed and annually recurring variable components, based on the company’s performance.

- Nos. 4.2.4 and 4.2.5 of the Code recommend the breakdown and disclosure of management board compensation, citing the name of each individual. As long as statutory provisions relating to the disclosure of compensation paid to individual management board members do not apply to the company and the management board consists of only two persons, the company will refrain from disclosing management board compensation pursuant to § 286(4) of the Commercial Code.

- Contrary to the recommendation in No. 5.1.2 of the Code, the supervisory board has not defined a general age limit for management board members. Since management board members, by law, serve for a maximum term of five years, the supervisory board believes that consideration of their age at the time of appointment or re-appointment is sufficient.

- No. 5.3.1 of the Code recommends the formation of supervisory board committees; in particular, No. 5.3.2 recommends the creation of an audit committee. Since the company's supervisory board consists of only three members and any supervisory board committee would have to consist of at least three members, the supervisory board deems the formation of committees to be neither necessary nor expedient.

- Contrary to the recommendation in No. 5.4.1 of the Code, the company has no general age limit for supervisory board members either. Instead, it is left to the general meeting to take the age of supervisory board members into account at their election.

- No. 5.4.7 of the Code recommends that the compensation of supervisory board members be comprised of fixed and performance-based components, with the performance-based compensation comprising components relating to the company's long-term performance. In addition, the supervisory board chairmanship and deputy chairmanship, as well as chairmanship and membership in supervisory board committees should be reflected in the compensation and supervisory board compensation is to be broken down and disclosed, citing the name of each individual member. By law, the general meeting decides as to the compensation of the first supervisory board. The company's articles of association state that, even after, supervisory board compensation is generally to be defined by the general meeting. The management and supervisory boards consider it sufficient for supervisory board compensation to be comprised of fixed sums and attendance allowances, with higher remuneration paid only to the chairman of the supervisory board. Management will present a proposal to this effect to the general meeting. Since the compensation of supervisory board members and the individual compensation components are defined by resolution of the general meeting, the company will not include any statements as to supervisory board compensation in the Corporate Governance Report, and will instead limit itself to disclosure of the total compensation paid to the supervisory board in the Notes and Consolidated Notes.

- No. 7.1.2 of the Code recommends publishing interim reports within 45 days after the end of the reporting period. Since these reports must include a US-based subsidiary, the company will probably not be able to meet that deadline, but interim reports will be made available to the general public no more than 60 days after the end of the reporting period.

Contracts with Supervisory Board Members

Supervisory board member Professor Dr.-Ing. Jürgen G. Heinrich performed research and development work for the company in the reporting year based on a contract of 19 February 1997, for which a fee of EUR 4,600.00, plus VAT, was agreed upon paid. The supervisory board has consented to continuation of this contract during the term of Professor Heinrich's membership in the supervisory board pursuant to § 114 of the German Stock Corporation Act.

Directors' Dealings

The company did not receive any reports from members of the company's management or supervisory boards, or from any other persons performing executive functions for the company, as to the acquisition or sale of company shares by those persons themselves or by related persons or companies ("directors' dealings") in the 2006 financial year.

Share Ownership of the Management and Supervisory Boards

The members of the management and supervisory boards hold the number of no par value shares listed below in the company's capital stock (as of 22 March 2007):

Johannes Heckmann	1,166,250 no par value shares
Gerhard Witzany	1,166,250 no par value shares

The members of the supervisory board do not hold any shares of the company.

Stock Option Programs

The company does not have any stock option programs or similar stock-based incentive systems for employees at this time.

Nabaltec AG, Schwandorf

GROUP MANAGEMENT REPORT

FOR THE 2006 FINANCIAL YEAR

MACROECONOMIC SITUATION

The global economic growth stimulated the German economy as well in the course of the year. A positive trend was observed in both domestic and foreign demand, including all major industrial sectors which Nabaltec supplies: the ceramics and refractory products industry continues to benefit from the high demand for steel and other technical ceramics applications. Halogen-free flame retardants for plastics, which contain no hazardous materials, are increasingly entering the public spotlight and their use is being promoted by statutory measures and regulations.

The strength of the euro against the US dollar gives competitors from that monetary zone (USA, Asia) continuing cost (and thus competitive) advantages, which limit Nabaltec's potential sales growth despite the rising demand.

INDUSTRY SITUATION

The company's major competitors, Almatis, Albemarle, Alcan and MAL, focus on different products and markets, to some extent. New competition can be expected above all from less specialized Indian and Chinese suppliers. Prices for raw materials (smelter grade oxide, chemical grade aluminum hydroxide) reached a new high in the reporting year and are expected to consolidate at a lower level in the medium term, due in part to new capacity entering the market.

Demand for halogen-free flame retardant fillers (particularly aluminum hydroxide) continues to rise and is being stimulated by newly drafted fire safety regulations all over the world. Medium-term forecasts predict that global demand will continue to rise at a rate of over 6% a year. In order to keep up with this growth, which is attributable above all to fine precipitated aluminum hydroxide, Nabaltec commissioned a new production plant in the reporting year in Corpus Christi, Texas, together with its joint venture partner, Sherwin Alumina, with an initial capacity of 25,000 tons of fine precipitated aluminum oxide a year. Full production capacity will be reached in the first quarter of 2007. The high utilization of global capacity further stabilized prices, allowing the company to increase prices in order to offset the average rise in costs.

In the specialty oxides and reactive alumina segments, there is still excess capacity in the market for less-refined products, while capacity in the market for highly refined products is clearly limited. Prices in the various segments are affected differently by competition in this respect.

REVENUE AND EARNINGS

In its “Functional Fillers” division, Nabaltec’s “Flame Retardants” business unit, which offers the APYRAL® product range, focuses on halogen-free flame retardants in the following market segments:

- coarse crystalline and viscosity optimised hydroxides for the casting resins market, as casting compounds in electrical engineering and as resins for building components;
- fine-precipitated aluminum hydroxides (fine hydroxide) for the cable coating and insulation market.

The “Additives” business unit
- supplies boehmite qualities for the catalytic raw materials market; and
- will supply heavy metal-free stabilizers for the plastics market.

The goal of this focus is to attain quality leadership in the relevant segments with highlyefficient eco-friendly products, making the company one of the three leading suppliers worldwide.

In the coarse crystalline hydroxide segment, revenue increased by 20% (previous year: down 2%), while sales of fine hydroxides were 13% higher than the previous year (previous year: 16%). In the boehmite segment, sales increased by 204% over the previous year.

This division closed the year with 19% sales growth (previous year: 14%), comprising 64% of overall sales (previous year: 62%).

The “Ceramic Raw Materials” unit of the “Technical Ceramics” division focuses on the following markets:

- the refractory industry;
- wear-resistant ceramics;
- raw materials for technical ceramics; and
- the polishing agent industry.

The focus on highlyrefined products was taken into consideration at all times in developing our qualities. Sales of NABALOX® aluminum oxides decreased slightly due to the continuing focus on more highlyrefined qualities, but revenue increased by 6% (previous year: 4%) as a result of the higher-quality product mix and price increases. The company is reformulating its polishing alumina in order to strengthen its qualitative leadership in that market. In the refractory segment, revenue from SYMULOX® synthetic sintered mullite rose by 10%, after slumping by 45% in the previous year, a development which can be explained by cyclical fluctuations in demand for refractory products in major orders from the glass industry.

In the "Ceramic Bodies" business unit, Nabaltec's GRANALOX® product family is the global market leader, in terms of both quality and quantity, in ceramic bodies for engineering ceramics available over the counter, with an aluminum oxide content of over 92%. Its market position has been reinforced by joint developments with customers, further strengthening the company's very close relationships with customers and suppliers. Revenue in this segment increased by 25% due to a higher-quality product mix (previous year: 12%), so that revenues increased faster than sale volume.

This division closed the year with 10% sales growth (previous year: 0%), comprising 36% of overall sales (previous year: 38%).

In all, Nabaltec Group had sales of EUR 71.578 million (previous year: 61.319 million), 16.7% higher than the previous year, and overall performance rose by 15.4%, to EUR 72.795 million (previous year: EUR 63.091 million).

THE IPO OF NABALTEC AG

In order to generate over EUR 60.000 million in capital needed to fund Nabaltec's extensive investment program to support the company's future growth in all areas, the shareholders decided in mid-2006 to transform Nabaltec GmbH, as it was then called, into a corporation, and to go public.

Together with the IPO partners, UniCredit Markets & Investment Banking (Bayerische Hypo- und Vereinsbank AG) and Berenberg Bank, a plan was formulated for rapid implementation of this decision.

Effective 27 September 2006 (for tax purposes: 1 January 2006), Nabaltec GmbH was transformed into Nabaltec AG. On 23 November 2006, the capital stock was increased by EUR 2,000,000.00, Nabaltec AG's shares were registered on 24 November 2006 in the Entry Standard section of the Frankfurt Stock Exchange and the 2,000,000 shares created by the capital increase, together with 1,335,000 shares held by the existing shareholders (including the greenshoe option), were made available to interested investors.

With an allotment price of EUR 15.50 per bearer share and an initial listing of EUR16.50, all issued shares were successfully placed, generating net issue proceeds of EUR 28.9 million for Nabaltec, after deducting the cost of the IPO (EUR 2.1 million), a sum which will be used to fund more ambitious growth projects over the long term. The cost of the IPO has been listed as extraordinary expenses, and consists of commissions, consulting fees for legal and public relations consultants and public fees.

The new shareholder structure is heavily slanted towards institutional investors, predominantly from English-speaking countries. According to a notice issued in accordance with the Securities Trading Act, Threadneedle

Asset Management Limited (with Threadneedle Asset Management Holdings Limited and Ameriprise Financial) held 5.03% of shares in Nabaltec AG as of 8 December 2006.

The price of Nabaltec stock has held steady in a highly volatile environment, reaching its starting value of EUR 16.50 once again on 29 December 2006.

FINANCIAL, EARNINGS AND LIQUIDITY POSITION

As a result of the company's extensive investments in expanding its fine hydroxide capacity, building a new facility for the production of ceramic bodies at the Schwandorf site and construction of the APYRAL® 40 CD production plant operated by the Nashtec joint venture in Corpus Christi, USA, Nabaltec's fixed assets increased to EUR 50.764 million (previous year: EUR 25.069 million).

The EUR 24.749 million increase in current assets, to EUR 42.191 million, is attributable to a 29% rise in inventories, to EUR 14.357 million, particularly in the raw materials stocks at Schwandorf, Nashtec's inventories, an increase in assets due to accounts receivable from the factoring company and a clear rise in cash in banks, reflecting the company's high liquidity.

USD 22.4 million of the USD 32.36 million needed to finance the investments was secured through a loan contract between Nashtec and Bank of America, for which an interest rate cap was used to hedge against changes in interest rates. The loan obligations will be repaid based on a repayment schedule. The rest of the investment sum, USD 9.96 million, will be provided by the two joint venture partners in proportion to their share in the joint venture, at terms consistent with the loan contract with Bank of America.

Pension provisions increased based on the current opinion and other pensions and accrued liabilities which rose by 36.1% over the previous year, to EUR 4.212 million, due above all to an increase in provisions for rehabilitation of the evaporation building and outstanding invoices.

Total obligations increased by 115%, to EUR 38.630 million, due above all to long-term subsidized borrowings for development projects, borrowings for the Nashtec project and uninvoiced services from the investment projects.

Sufficient liquidity was secured at all times: the company did not utilize its available lines of credit.
Nabaltec's 16.7% revenue growth over the previous year, to EUR 71.578 million, generated a 46.4% increase in raw profit margin (previous year: 44.8%). The 8% increase in personnel expenses over the previous year is attributable to an increase in the total number of employees, increases in collective wages and higher provisions

for employee pensions. Moreover, the increase in other operating expenses was 18.1%, higher than the growth in sales.

The consolidated earnings of EUR 1.747 million (previous year: 1.940 million), before taxes and extraordinary expenses for the IPO, include Nashtec's start-up losses. Consolidated earnings after taxes and minority interests come out to EUR -209,000 (previous year: EUR 1.077 million). This figure includes necessary provisions for contamination, waste disposal and infrastructure expenses.

DERIVATIVE FINANCIAL INSTRUMENTS

The currency hedging transactions existing as of 31 December 2006 for US dollars and British pounds, amounting to a total of EUR 2.284 million, serve to ensure receipt of payment for existing orders in 2007. According to a notice from the bank, a provision in the amount of EUR 66,000 has been formed to cover anticipated losses from pending transactions.

There is also an interest rate and currency swap for a nominal sum of CHF 4,457,400.00. According to a bank notice, the market value of this transaction is EUR 68,000, maturing on 30 September 2011. The derivative interest rate and currency swap serves to limit the interest rate and currency risk.

The loan covering the company's investments in the Nashtec joint venture is secured with an interest rate cap extending for the term of the loan, 10 years.

Nabaltec has assumed a guarantee vis-à-vis Bank of America for its share of Nashtec's obligations, in the form of a „Stand-by Letter of Credit." This guarantee expires in 2009, provided Nashtec complies with its obligations to repay the loan in two stages.

PROCUREMENT

The supply of raw materials and energy was secured at all times based on medium-term supply contracts. Due to past development work, there is no dependence on specific raw material qualities.

The supply of steam and power is secured based on contracts of varying terms, in close cooperation with the Schwandorf Recycling Association. Those contracts also involve energy suppliers to ensure the availability of reserves. Gas and oil are procured through medium-term contracts.

Low-cost supply of raw materials for the Nashtec joint venture is ensured by long-term contracts with the joint venture partner, Sherwin Alumina, which supplies materials from its own production.

PRODUCTION

Due to investment in the fourth APYRAL® 40 CD production line, fine hydroxide capacity at the Schwandorf site was increased by another 5,000 tons, to 55,000 tons. The facility went online at the beginning of November 2006 and has been operating at full capacity since then. Customers continue to affirm our qualitative market leadership in that segment. Work has already begun on the construction of two additional production lines, which will enable the company to meet the future demand for APYRAL® 60 CD, thus opening up new markets for the CD technology.

The introduction of a de-alkalization process will allow the company to further improve product quality and ensure consistent quality in the aluminum oxides and reactive alumina segments. Nabaltec is developing advanced production techniques, with the aid of an pilot rotary kiln, in order to enable the definition of processing parameters in advance when materials of different qualities are used, thus reducing the need for experimentation and additional time if those materials are changed. The pilot facility also allows the company to develop aluminum oxides which are customized to meet specific market requirements on a testing facility scale.

Construction of the new facility for the manufacture of ceramic molds and reactive alumina is largely complete, and mass production is set to begin in the first quarter of 2007. Individual sections of the facility, for the production of reactive alumina, have been online since October. This facility, Nabaltec's largest single investment to date, will allow the company to actively exploit market potential which is known to exist, strengthen its market position by adding highly-specialized products, continue to supply customers as they grow and to develop new markets. The high demand for reactive alumina has induced Nabaltec to move forward the planned increase of its reactive alumina capacity to the first half of 2007.

After some minor alterations, including technical improvements and adjustment to development objectives, the Kelheim testing facility is now operating at full capacity. That facility allows Nabaltec to develop new products and processes, particularly in the fields of catalytic raw materials and stabilizers which do not contain heavy metals. The company has already succeeded in the development of new boehmite, which has encountered high market demand, and small-scale production is already underway in Kelheim. The facility can also be used to manufacture small and mid-size orders and to amass experience in meeting large orders, which can then be used to redesign the production facilities at the Schwandorf site.

The project to introduce an integrated IT system for management and data compilation in the production segments has proceeded within the given timetable and has been expanded to additional segments.

ORGANIZATION AND PERSONNEL

Nabaltec AG's organization into two divisions and three service centers, operating as profit and cost centers, has contributed substantially to its precise market presence:

Divisions

- Functional Fillers
  Business units
  – Flame Retardants
  – Additives

- Technical Ceramics
  Business units
  – Ceramic Raw Materials
  – Ceramic Bodies

Service Centers

- Administrative services
- Technical services
- Laboratory services

This organizational structure enables high accountability of our employees for results and effective cost control.

The recently introduced working group system in the Ceramic Raw Materials business unit is in the process of thorough implementation, optimizing employees' sense of responsibility in establishing flexible working hours and managing the groups themselves.

With 13% of its employees undergoing training as industrial sales clerks, IT specialists, chemical laboratory assistants and chemical workers, Nabaltec is doing more than its share to educate young employees. In the past year, 4 graduates once again scored among the best in the CCI district for the year.

The total number of employees (including management board and trainees) increased slightly, to 283 as of 31 December 2006 (previous year: 277), including 282 in Schwandorf and Kelheim and 1 employee with Nashtec.

ENVIRONMENTAL PROTECTION

By successfully completing its audit under the ISO 14001:2004 standard, administered by the Bavaria Technical Control Association, Nabaltec has underscored its commitment to active protection of the environment.

The laboratory services' repeat accreditation under the DIN EN ISO/IEC 17025:2000 standard furnishes proof of the center's high level of performance, enabling the acquisition of sewage analysis orders as well.

QUALITY MANAGEMENT

By successfully completing its audit under the ISO 9001:2000 standard, administered by the Bavaria Technical Control Association, Nabaltec has underscored its high quality standards in all areas.

Routine internal audits ensure the maintenance and improvement of the quality management system. Certification of Nashtec under the ISO 9001:2000 standard is planned for 2007 in order to document a consistent quality standard for both production sites.

RESEARCH AND DEVELOPMENT

Research and development activities are focused on the following areas:

- process development;
- energy optimization;
- improving existing products; and
- new developments.

Aside from improving the quality of our products, process development is directed towards the rational utilization of the various raw materials and optimized production of our specialty products while minimizing commodity products.

In view of its energy-intensive production process and the steady rise in energy prices, Nabaltec entered into a partnership with Shell Energy Efficiency in 2005, in the course of which considerable potential for reducing costs was discovered and successfully realized, particularly in connection with thermal processes. The ongoing optimization efforts are being implemented in full.

The "Functional Fillers" division is expanding the APYRAL® CD product range in close cooperation with key customers. The development of new products is also aided by various research projects, some of which receive public funds, e.g. as part of an industrial research association working group.

The "Technical Ceramics" division is focused on further developing its product range in cooperation with customers and institutions. To this end, industrial research association working groups have been created with various industrial partners in this area as well.

The clear goal of Nabaltec AG in its product development and improvement activities in all areas is to offer superior quality and processing advantages to its customers.

NASHTEC

In 2005, the company joined forces with Sherwin Alumina to create the "Nashtec" joint venture in the US with the intention of building a production site on the grounds of Sherwin Alumina's aluminum oxide plant in Corpus Christi, Texas, capable of manufacturing 25,000 tons of fine hydroxide (APYRAL® 40 CD) per year.

The project was financed by Bank of America and partners. The total investment volume is USD 32.4 million, with Bank of America contributing USD 22.4 million of the investment sum and the partners contributing the rest in proportion to their share.

The contracts state that Nabaltec is solely responsible for marketing Nashtec's production. Customer sales are to be handled by Nabaltec AG and future revenues are to be integrated into the existing factoring system, albeit with a clear separation between USD revenue and other revenue. For its marketing, customer administration, technical support and further development activities, Nabaltec is to receive 9% of the ex works price as reimbursement for its expenses.

The joint venture provides Nashtec with a workforce, raw materials, energy and infrastructure at cost, thus contributing substantially to an optimizing cost structure.

Construction began in September 2005. The facility went online in November 2006, delivering samples to customers for their approval. In December 2006, the first regular product deliveries were made to customers, in accordance with their specifications. After all optimization efforts are completed, the facility will reach nominal capacity in the first quarter of 2007, after which it will be able to fill customer orders.

This will consolidate Nabaltec's position as the second-largest supplier of fine precipitated aluminum hydroxide and the only supplier capable of offering production sites in the two centers of consumption, America and Europe.

OUTLOOK

The equipment of plastics and casting resins with halogen-free flame-retardant fillers has found support in public discussion and is increasingly becoming the standard in EU legislation, in the US and in Asia. This development has contributed to increased use and demand for aluminum hydroxide, which is already the dominant halogen-free flame-retardant filler in terms of volume. The dynamic growth in this area is therefore expected to continue. Market studies by various institutes confirm our estimate that the annual growth rate will be at least 6%. The company's introduction of the APYRAL® 40 CD quality has led to high utilization of production capacity, which will induce the company to make additional strategic investments in fine hydroxides in the coming years and to expand its product range by adding additional CD qualities in order to preserve the balance between supply and demand. In addition to the qualitative leadership, Nabaltec aspires to be the market leader as well.

Nabaltec's investment in the Nashtec production site in the US gives consumers of fine precipitated aluminum hydroxide the security of a global supply of APYRAL® 40 CD with consistently high quality.

Based on the state of the general economy, the ceramics and refractory industry is expected to continue to grow, and the situation in the industry points to a continuing rise in sales. Customers are continuing to shift towards increased use of fine-ground reactive aluminum oxide. Nabaltec has reacted to this development by making targeted investments in this area and developing new products. The reduction in costs due to the switch to smelter-grade aluminum oxide, a low-cost de-alkalization process and the company's positioning in reactive, low-alkali aluminum oxides foretells a long-term improvement in earnings.

Based on the development since 2005, Nabaltec Group expects its strong sales growth to continue in 2007, powered by an across-the-board increase in production volume in Schwandorf and Corpus Christi, as well as price increases. Orders on hand as of 31 December 2006 reached about EUR 23.931 million and were thus above forecasts, indicating that demand remains lively. This trend has resulted in a continued improvement and stabilization in earnings. The supply of raw materials to the Schwandorf and Kelheim sites continues to be secured by medium-term contracts. The supply of the Nashtec joint venture is secured by long-term arrangement with joint venture partner Sherwin Alumina within the scope of the joint venture agreement.

RISK MANAGEMENT

The company's innovative global activities in hotly contested markets involve entrepreneurial risks. By establishing a comprehensive risk management system and constantly improving risk management instruments in all areas, serious dangers to the company can be identified and eliminated. The starting point of risk management is identifying and assessing various risk types and profiles, which are then monitored and managed by the controlling department. Reports about operational risks and routine status reports are prepared for management and discussed on the highest level. The most important element in this system is comprehensive operational planning, including the identification of targets, accompanied by routine forecasts.

Nabaltec has introduced a strategic planning system in order to take advantage of medium- and long-term opportunities and identify risks. All relevant units are involved in the strategy development process. Risks arising from competition, tax and environmental law are mitigated by Nabaltec in advance by engaging experts. Quality assurance measures limit product and environmental risks. Such measures include e.g. certification of our activities under international standards, constant improvements to facilities and processes, the development of new and the improvement of existing products and participation in international professional committees.

Risk management also includes routinely testing the efficiency of hedging instruments and the reliability of controlling systems. Insurance coverage exists for casualty and liability risks, thus limiting consequences for the company‘s financial, earnings and liquidity position and preventing situations where the continued existence of the company is in jeopardy.

With the introduction of factoring in 2002, the percentage of insured payment claims increased further, producing a clear improvement in the company‘s liquidity position. Currency risks were limited in strategic fashion through currency hedging transactions involving US dollars and British pounds. Interest rate swaps and fixed-interest loan contracts are used to guard against the risk of medium-term interest rate fluctuations. If necessary, the company responds to fluctuations in the demand for products and services in close consultation with employee representatives, within the bounds of the flexible working hours allowed under the collective bargaining agreement for the chemicals industry.

Due to our continuous surveillance of the markets of relevance for the company, as described above, as well as our constant efforts to improve our products and adapt to the needs of existing and potential customers, risks of future development do not currently exist.

There are no recognizable risks which could endanger the continued existence of the company, whether in the reporting period or in the future.

MAJOR TRANSACTIONS AFTER THE CLOSE OF THE FINANCIAL YEAR

No major transactions took place after the close of the financial year.

Schwandorf, 12 March 2007

NABALTEC AG
Management Board

Johannes Heckmann   Gerhard Witzany

Consolidated Balance Sheet of Nabaltec AG, Schwandorf, for 31 December 2006

ASSETS

	31/12/2006 EUR	31/12/2005 EUR
A. FIXED ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	70,037.92	42,070.49
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-owned land	12,846,772.96	5,998,159.74
2. Technical equipment and machinery	20,808,272.06	9,506,586.41
3. Other fixtures, fittings and equipment	1,192,879.01	637,584.12
4. Advance payments and plant and machinery in process of construction	15,299,209.57	8,882,530.29
	50,147,133.60	**25,024,860.56**
III. Financial assets		
1. Shares in affiliated companies	1,726.32	1,726.32
2. Other loans	546,832.00	0.00
	548,558.32	**1,726.32**
	50,765,729.84	**25,068,657.37**
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	7,908,062.30	5,797,875.97
2. Finished products and merchandise	6,448,918.00	5,365,985.36
	14,356,980.30	**11,163,861.33**
II. Accounts receivable and other assets		
1. Trade receivables	2,424,124.53	2,671,695.01
2. Other assets	14,333,661.49	2,675,740.97
	16,757,786.02	5,347,435.98
III. Cash on hand and in banks	11,076,162.53	930,667.14
	42,190,928.85	**17,441,964.45**
C. DEFERRED EXPENSES AND ACCRUED INCOME	268,960.59	18,990.75
	93,225,619.28	**42,529,612.57**

LIABILITIES

	31/12/2006 EUR	31/12/2005 EUR
A. SHAREHOLDERS' EQUITY		
I. Subscribed capital		
Conditional capital: EUR 3,000,000.00 (PY: EUR 0.00)	8,000,000.00	6,000,000.00
II. Profit participation capital	5,000,000.00	5,000,000.00
III. Capital reserve	30,824,219.38	1,824,219.38
IV. Compensatory item for currency translation	46,911.13	12,752.02
V. Profit carry-forward	839,246.10	762,601.40
VI. Net loss (PY: net income)	- 208,833.43	1,076,644.70
VII. Compensatory item for minority interests	- 842,040.63	74,929.53
	43,659,502.55	**14,751,147.03**
B. INVESTMENT GRANTS TO FIXED ASSETS	608,205.06	769,415.41
C. PROVISIONS AND ACCRUED LIABILITIES		
1. Provisions for pensions and similar obligations	6,116,350.00	5,271,141.00
2. Accrued taxes	0.00	719,600.00
3. Other provisions and accrued liabilities	4,211,915.93	3,095,062.67
	10,328,265.93	**9,085,803.67**
D. ACCOUNTS PAYABLE		
1. Accounts payable to banks	24,564,339.62	9,531,163.64
2. Trade payables	9,897,088.94	5,533,630.16
4. Other accounts payable		
- thereof from taxes: EUR 174,316.59 (PY: EUR 699,371.01)		
- thereof for social security:		
EUR 9,215.36 (PY: EUR 324,481.18)	4,168,217.18	2,858,452.66
	38,629,645.74	**17,923,246.46**
	93,225,619.28	**42,529,612.57**

Consolidated Income Statement Nabaltec AG, Schwandorf, for the Period from 1 January 2006 to 31 December 2006

		1/1–31/12/2006		1/1–31/12/2005
	EUR	EUR	EUR	EUR
1. Revenue		71,577,804.25		61,318,937.69
2. Increase in finished products		1,069,338.85		1,509,297.94
3. Other own work capitalized		148,208.86		262,615.54
Total performance		**72,795,351.96**		**63,090,851.17**
4. Other operating income		1,245,135.61		2,266,069.22
		74,040,487.57		65,356,920.39
5. Cost of materials:				
a) Expenses for raw materials				
and supplies and purchased goods	38,818,170.33		34,702,503.48	
b) Expenses for purchased services	198,610.15	39,016,780.48	113,272.73	34,815,776.21
Gross profit		**35,023,707.09**		**30,541,144.18**
6. Personnel expenses:				
a) Wages and salaries	10,792,378.29		10,251,381.18	
b) Social security, pensions				
and support expenses				
- thereof for pensions:				
EUR 1,024,875.01 (PY: EUR 567,327.61)	3,116,822.40		2,565,946.08	
7. Depreciation on intangible				
fixed assets and property,				
plant and equipment	2,570,767.45		2,466,236.08	
8. Other operating expenses	14,541,291.41	31,021,259.55	12,315,179.29	27,598,742.63
		4,002,447.54		**2,942,401.55**
9. Income from loans				
of financial assets	0.00		15.96	
10. Other interest and similar income	73,665.44		8,723.64	
11. Interest and similar expenses	2,328,993.48		1,011,185.66	
Financial result		**- 2,255,328.04**		**-1,002,446.06**
12. Result from ordinary				
business activities		**1,747,119.50**		**1,939,955.49**
13. Extraordinary expenses	2,107,839.45		0.00	
14. Extraordinary result		- 2,107,839.45		0.00
		- 360,719.95		**1,939,955.49**
15. Taxes on income and earnings	760,796.19		921,737.27	
16. Other taxes	37,783.52	798,579.71	36,626.52	958,363.79
17. Net loss				
(PY: net income)		- 1,159,299.66		981,591.70
18. Loss attributable to minority				
shareholders		- 950,466.23		-95,053.00
19. Net loss (PY: net income)		**- 208,833.43**		**1,076,644.70**

Consolidated Cash Flow Statement of Nabaltec AG,

for the Period from 1 January to 31 December 2006

	1/1 – 31/12/2006 EUR thousands	1/1 – 31/12/2005 EUR thousands
Period result (not including extraordinary items)	949	981
Write-ups/downs on fixed assets	2,571	2,466
Increase/decrease in provisions	1,242	316
Other income/expenses with no effect on payments	- 161	- 27
Income/loss from the disposal of fixed assets	0	45
Special effect from change in factoring	- 8,258	0
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activity	- 7,039	- 3,210
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	3,285	- 75
Net cash flow from current business activity	**- 7,411**	**496**
Inflow from disposal of property, plant and equipment	11	12
Outflow for investments in property, plant and equipment	- 28,423	- 11,524
Outflow for investments in intangible fixed assets	- 47	- 16
Inflow from disposal of financial assets	0	1
Outflow for investments in financial assets	0	- 2
Outflow for repayment of investment grants	0	- 255
Net cash flow from investment activity	**- 28,459**	**- 11,784**
Inflow from equity providers	31,000	5,000
Outflow to shareholders	- 1,000	- 1,000
Inflow from disposal of fixed assets as part of sale and leaseback transactions	0	4,396
Inflow from borrowings	20,378	7,142
Outflow for repayment of loans	- 2,956	- 4,820
Outflow from extraordinary items	- 2,108	0
Net cash flow from financing activity	**45,314**	**10,718**
Change in cash and cash equivalents with effect on payments	9,444	- 570
Change in cash and cash equivalents due to exchange rates, changes in consolidated companies and valuation	- 36	14
Currency differences, asset statement	737	0
Cash and cash equivalents at start of period	931	1,487
Cash and cash equivalents at end of period	**11,076**	**931**

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

Statement of Consolidated Shareholders' Equity of Nabaltec AG, for 31 December 2006

	Parent company			
	Subscribed capital	Profit participation capital	Capital reserve	Earned consolidated equity
	EUR	EUR	EUR	EUR
1 January 2005	**6,000,000.00**	**0.00**	**1,824,219.38**	**1,762,601.40**
Transfer profit participation capital		5,000,000.00		
Distribution				- 1,000,000.00
Change in consolidated companies				
Other changes				
Consolidated net income				1,076,644.70
31 December 2005	**6,000,000.00**	**5,000,000.00**	**1,824,219.38**	**1,839,246.10**
1 January 2006	6,000,000.00	5,000,000.00	1,824,219.38	1,839,246.10
Issuance of new shares	2,000,000.00		29,000,000.00	
Distribution				- 1,000,000.00
Other changes				
Consolidated net loss				- 208,833.43
31 December 2006	**8,000,000.00**	**5,000,000.00**	**30,824,219.38**	**630,412.67**

Minority shareholders

Other consolidated result Compensatory item for currency translation	Equity	Minority capital	Other consolidated result Compensatory item for currency translation	Equity	Consolidated shareholders' equity
EUR	EUR	EUR	EUR	EUR	EUR
0.00	**9,586,820.78**	**0.00**	**0.00**	**0.00**	**9,586,820.78**
	5,000,000.00			0.00	5,000,000.00
	- 1,000,000.00			0.00	- 1,000,000.00
	0.00	157,478.01		157,478.01	157,478.01
12,752.02	12,752.02		12,504.52	12,504.52	25,256.54
	1,076,644.70	- 95,053.00		- 95,053.00	981,591.70
12,752.02	**14,676,217.50**	**62,425.01**	**12,504.52**	**74,929.53**	**14,751,147.03**
12,752.02	14,676,217.50	62,425.01	12,504.52	74,929.53	14,751,147.03
	31,000,000.00			0.00	31,000,000.00
	- 1,000,000.00			0.00	- 1,000,000.00
34,159.11	34,159.11		33,496.07	33,496.07	67,655.18
	- 208,833.43	- 950,466.23		- 950,466.23	- 1,159,299.66
46,911.13	**44,501,543.18**	**- 888,041.22**	**46,000.59**	**- 842,040.63**	**43,659,502.55**

Nabaltec AG, Schwandorf

CONSOLIDATED NOTES FOR THE 2006 FINANCIAL YEAR

1. GENERAL INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

Nabaltec AG, based in Schwandorf, is the parent company of Nabaltec Group. The consolidated financial statements for 31 December 2006 were prepared in accordance with §§ 290 et al. of the Commercial Code. The total cost method was used for the income statement.

2. CONSOLIDATED COMPANIES

In addition to the parent company, Nabaltec AG (Schwandorf), Nashtec L.P, based in Corpus Christi (USA), was included as a fully consolidated company.

	Company's share in capital stock in	
Company	EUR thousands	%
Nashtec LP, Corpus Christi (USA)	161	50.49

Nashtec Management Corporation was not included in the consolidated financial statements due to its secondary importance in terms of § 296(2) of the Commercial Code.

3. CONSOLIDATION PRINCIPLES

The consolidation of capital was performed using the book value method pursuant to § 301(1) Sentence 2 No. 1 of the Commercial Code. The date of initial consolidation is the date on which the subsidiaries were first included in the consolidated financial statements. In the course of netting out the book values and shareholders' equity of subsidiaries, the valuations at the time the subsidiaries were first included in the consolidated financial statements were used.

The consolidated balance sheet includes a separate compensatory item for minority interests in consolidated subsidiaries (i.e. interests not belonging to the parent company) in the amount of the share in shareholders' equity in the amount of their share in shareholders' equity pursuant to § 307(1) of the Commercial Code. The net income or loss attributable to minority shareholders is reported separately in the consolidated income statement after the consolidated net income/loss item pursuant to § 307(2) of the Commercial Code.

The consolidation of income and expenses is performed pursuant to § 305(1) of the Commercial Code by netting out revenue, other operating income and interest income between the consolidated companies with the expenses of those companies.

Accounts receivable and payable between consolidated companies are netted out pursuant to § 303(1) of the Commercial Code. Differences arising from the translation of receivables and payables in foreign currency do not affect earnings.

The same disclosure, valuation and classification guidelines apply for all domestic and foreign consolidated companies. In case of deviations from German classification or valuation principles, reclassifications and revaluations were made.

4. CURRENCY TRANSLATION

Figures listed in the consolidated financial statements are reported in euros (EUR) or thousands of euros.

Currency translation for the foreign subsidiary follows the principle of functional currency. Assets and liabilities are translated using the exchange rate on the balance sheet date, with the exception of shareholders' equity. Shareholders' equity is translated at historical exchange rates.

The income statement is translated using average exchange rates. The resulting translation differences are reported in a separate item under shareholders' equity, with no effect on earnings. Insofar as translation differences arise in the course of consolidating capital, they are reported in shareholders' equity with no effect on earnings. These differences are indicated in the statement of shareholders' equity. The change in the compensatory item from foreign currency translation is also indicated in the statement of shareholders' equity. The period result includes translation differences in the amount of EUR 34,000.

5. ACCOUNTING AND VALUATION METHODS

The following accounting and valuation methods were applied throughout the consolidated financial statements of Nabaltec AG:

Intangible fixed assets are listed at their acquisition cost, minus scheduled straight-line depreciation. The useful life is 4 years. Depreciation in the year of addition was performed on a pro rata basis.

Property, plant and equipment are listed at acquisition or production cost minus scheduled depreciation.

Scheduled depreciation is performed using the straight-line method and typical useful life, based on the maximum allowable tax rates. Independently usable assets of up to EUR 410.00 were fully written-off in the year of addition pursuant to § 6(2) of the Income Tax Act. Depreciation in the year of addition was performed on a pro rata basis. Production costs do not include interest on borrowed funds.

Financial assets are listed at updated acquisition cost.

Raw materials and supplies, as well as **merchandise**, are listed at acquisition cost, with due regard for the strict lowest-value principle. Acquisition costs are determined using the averaging method. Items whose fair value on the balance sheet date is lower than the acquisition cost are depreciated to the lower fair value.

Finished products are valued at production cost, with due regard for the strict lowest-value principle. The production cost includes, aside from directly attributable cost of materials and fabrication costs, a reasonable proportion of overhead material and fabrication costs. Interest on borrowings and the cost of general administration were not included in production costs. Finished products were consolidated into valuation units using group valuation pursuant to § 240(4) of the Commercial Code. Production costs of identical or nearly identical products were ascribed not to the individual items, but to the relevant group, using a weighted average value.

Accounts receivable and other assets are reported at nominal value. Recognizable individual risks are accounted for through individual allowances. The general credit and default risk in connection with trade receivables is accounted for through a general allowance.

Liquid funds are reported at nominal value.

Deferred expenses and accrued income relate to expenses prior to the balance sheet date which represent an expense for a certain time after that date. Reversal is made using the straight-line method in accordance with the passage of time.

Subscribed capital is listed at nominal value.

Investment grants to fixed assets were listed in the amount of the grant and are reversed over time based on the useful life of the subsidized investments.

Pension provisions are formed based on actuarial principles in accordance with the partial value method pursuant to § 6a of the Income Tax Act using an interest rate of 6% and the 2005 G benchmark tables of Dr. Klaus Heubeck.

Other provisions and accrued liabilities are formed for all recognizable risks and contingent liabilities, in the amount necessary based on the assessment of a prudent businessman.

Accounts payable are listed at the repayment or performance amount.

Principles of Currency Translation
Foreign-currency receivables and liquid funds are valued at the selling rate on the date of accrual or the balance sheet date, whichever is lower. Foreign-currency obligations are valued at the buying rate on the date of accrual or the balance sheet date, whichever is higher.

6. INFORMATION ABOUT THE CONSOLIDATED BALANCE SHEET

Fixed Assets
The development of fixed assets in the financial year is described on the next two pages.

Accounts Receivable and Other Assets
Other assets consist primarily of accounts receivable from a factoring company from the sale of receivables (EUR 11.185 million), VAT refund claims (EUR 1.567 million), short-term loans (EUR 873,000), a petroleum tax refund claim (EUR 224,000) and corporation and trade tax refund claims (EUR 133,000). All accounts receivable and other assets have a residual term of less than one year.

Due to the long-term character of assets arising from pension liability insurance coverage, they were listed as financial assets in the reporting year, under the "other loans" item. In the previous year, they were listed as current assets, under "other assets." Last year's item was not adjusted.

The accounts receivable from a factoring company, in the amount of EUR 11.185 million, were listed under "other assets" in the 2006 financial year. In the previous year, EUR 1.596 million of those receivables were listed under "trade receivables." Last year's item was not adjusted.

The rise in accounts receivable from a factoring company over the previous year was attributable to the switch from financing factoring to maturity factoring at the end of the financial year.

Statement of Consolidated Fixed Assets of Nabaltec AG, Schwandorf, for the Period from 1 January to 31 December 2006

	Acquisition/production cost					
	1/1/2006	Additions	Disposals	Transfers	Currency differences	31/12/2006
	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets						
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	1,733,114.81	47,283.81	24,461.95	38,104.04	0.00	1,794,040.71
II. Property, plant and equipment						
1. Land, leasehold rights and buildings, including buildings on non-owned land	7,811,866.36	7,386.30	0.00	7,118,540.94	- 17,098.13	14,920,695.47
2. Technical equipment and machinery	24,818,450.35	1,027,704.75	236,272.09	12,235,486.19	0.00	37,845,369.20
3. Other fixtures, fittings and equipment	3,556,767.05	259,373.53	279,607.15	591,238.93	0.00	4,127,772.36
4. Advance payments and plant and machinery in process of construction	8,882,530.29	27,127,836.74	0.00	-19,983,370.10	- 727,787.36	15,299,209.57
	45,069,614.05	**28,422,301.32**	**515,879.24**	**- 38,104.04**	**- 744,885.49**	**72,193,046.60**
III. Financial assets						
1. Shares in afffiliated companies	1,726.32	0.00	0.00	0.00	0.00	1,726.32
2. Other loans	0.00	0.00	0.00	546,832.00	0.00	546,832.00
	1,726.32	0.00	0.00	546,832.00	0.00	548,558.32
	46,804,455.18	**28,469,585.13**	**540,341.19**	**546,832.00**	**- 744,885.49**	**74,535,645.63**

Accumulated depreciation							
1/1/2006	Additions	Disposals	Currrency differences	31/12/2006	Book value 31/12/2006	Book value 31/12/2005	Depreciation in financial year
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1,691,044.32	57,410.22	24,451.75	0.00	1,724,002.79	70,037.92	42,070.49	57,410.22
1,813,706.62	262,895.39	0.00	- 2,679.50	2,073,922.51	12,846,772.96	5,998,159.74	262,895.39
15,311,863.94	1,965,769.83	236,230.27	- 4,306.36	17,037,097.14	20,808,272.06	9,506,586.41	1,965,769.83
2,919,182.93	284,692.01	268,538.26	- 443.33	2,934,893.35	1,192,879.01	637,584.12	284,692.01
0.00	0.00	0.00	0.00	0.00	15,299,209.57	8,882,530.29	0.00
20,044,753.49	**2,513,357.23**	**504,768.53**	**- 7,429.19**	**22,045,913.00**	**50,147,133.60**	**25,024,860.56**	**2,513,357.23**
0.00	0.00	0.00	0.00	0.00	1,726.32	1,726.32	0.00
0.00	0.00	0.00	0.00	0.00	546,832.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	548,558.32	1,726.32	0.00
21,735,797.81	**2,570,767.45**	**529,220.28**	**- 7,429.19**	**23,769,915.79**	**50,765,729.84**	**25,068,657.37**	**2,570,767.45**

Shareholders' Equity

The development of consolidated shareholders' equity is indicated in the statement of consolidated shareholders' equity.

a) Subscribed capital	EUR	8,000,000.00

The capital stock is divided into 8,000,000 no-par-value shares.
In the 2006 financial year, the capital stock was increased by up to EUR 2,000,000.00, to up to EUR 8,000,000.00, by resolution of the general meeting of 23 October 2006. Capital stock was then increased to EUR 8,000,000.00 through the issuance of 2,000,000 shares. Entry of the capital increase in the Commercial Register of the Local Court of Amberg was made on 23 November 2006.

Position on 1 January 2006	EUR	6,000,000.00
Capital stock increase	EUR	2,000,000.00
Position on 31 December 2006	**EUR**	**8,000,000.00**

b) Profit participation capital	EUR	5,000,000.00

Shareholders' equity includes profit participation capital in the amount of EUR 5 million. The scheduled term ends in 2012. Until then, the contracting parties have no routine termination right. The profit participation capital meets the requirements in IDW HFA 1/1994 for disclosure as shareholders' equity.

c) Authorized capital

As of 31 December 2006, the following authorized capital exists (to expire on 22 October 2011)	EUR	3,000,000.00

By resolution of the general meeting on 23 October 2006, the management board, with the consent of the supervisory board, is authorized to increase the capital stock by up to EUR 3,000,000.00 through 22 October 2011 by issuing up to 3,000,000 new no-par-value bearer shares in exchange for cash and/or in-kind contributions, once or multiple times, and to decide as to the exclusion of subscription rights (Authorized Capital 2006/I).

d) Conditional capital	EUR	3,000,000.00

By resolution of the general meeting on 23 October 2006, the capital stock was conditionally increased through the issuance of up to 3,000,000 no-par-value bearer shares (Conditional Capital 2006/I). The conditional capital serves exclusively to provide shares to holders of convertible and warrant bonds issued based on the authorization of the company's general meeting on 23 October 2006.

e) Capital reserve	EUR	30,824,219.38

1 January 2006	EUR	1,824,219.38
Transfers	EUR	29,000,000.00
31 December 2006	**EUR**	**30,824,219.38**

2,000,000 shares were issued at EUR 15.50 per share, each representing EUR 1.00 of the capital stock, resulting in a premium of EUR 14.50 per share, for a total of EUR 29,000,000.00.

Investment Grants to Fixed Assets

Investment grants to fixed assets are reversed in accordance with the useful life of the subsidized investments.

Provisions and Accrued Liabilities

Other provisions and accrued liabilities consist primarily of personnel obligations (EUR 1.245 million), clean-up and disposal expenses (EUR 1.051 million), anticipated losses from pending transactions (EUR 205,000) and outstanding invoices (EUR 996,000). An additional provision for EUR 445,000 was formed for the processing of hydroxide solution and disposal of waste, in accordance with § 249(2) of the Commercial Code.

Accounts Payable

Trade payables and other accounts payable include accounts payable from a minority shareholder in a consolidated company for a total of EUR 3.955 million.

The statement of liabilities below breaks down accounts payable and residual terms, indicating any securities which have been furnished:

	Total	Residual terms			Sum backed by security	Type of security
		less than 1 year	1 – 5 years	over 5 years		
	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	
Accounts payable to banks	24,564	2,828	9,362	12,374	24,564	Land charges, security assignment
Trade payables	9,897	9,897	0	0	0	
Other accounts payable	4,168	644	3,524	0	0	
	38,629	**13,369**	**12,886**	**12,374**	**24,564**	

7. INFORMATION ABOUT THE CONSOLIDATED INCOME STATEMENT

Revenue

Breakdown of revenue by geographical market:

	2006		2005	
	EUR thousands	%	EUR thousands	%
Germany	24,793	34.6	21,339	34.8
Rest of Europe	38,694	54.1	34,297	55.9
North America	4,251	5.9	2,858	4.7
South America	648	0.9	123	0.2
Asia	3,417	4.8	2,720	4.4
Africa	190	0.3	346	0.6
Australia	11	0.0	0	0.0
	72,004	**100.6**	**61,683**	**100.6**
Minus				
Discounts and bonuses	-426	-0.6	-364	-0.6
	71,578	**100.0**	**61,319**	**100.0**

Breakdown of revenue by business divisions:

	2006		2005	
	EUR thousands	%	EUR thousands	%
Fillers	46,178	64.5	38,351	62.5
Ceramics	25,400	35.5	22,968	37.5
	71,578	**100.0**	**61,319**	**100.0**

Extraordinary Expenses

The extraordinary expenses item consists of the cost of the IPO, in the amount of EUR 2.108 million.

8. INFORMATION ABOUT THE CONSOLIDATED CASH FLOW STATEMENT

EUR 1.543 million in interest was paid during the financial year. Interest received during the financial year amounted to EUR 71,000.

EUR 1.572 million in taxes was paid on income during the financial year.

9. GROUP SEGMENT REPORTING FOR THE 2006 FINANCIAL YEAR

In line with its internal organizational and operating structure, Nabaltec is divided into two business divisions: functional fillers and technical ceramics. Segment results will be presented in the form of earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA).

The earnings of the functional fillers and technical ceramics are also given by region. The regions are defined as Germany, Rest of Europe, USA and Rest of World (RoW).

	Fillers 2006	Ceramics 2006	Nabaltec Group 2006	Fillers 2005	Ceramics 2005	Nabaltec Group 2005
Segments						
in EUR thousands						
Revenue	46,178	25,400	71,578	38,351	22,968	61,319
Segment earnings						
EBITDA	4,482	2,091	6,573	3,123	2,285	5,408
EBIT	2,863	1,139	4,002	1,754	1,188	2,942
Depreciation and amortization	1,619	952	2,571	1,369	1,097	2,466
Other items with no effect on payments	697	384	1,081	181	108	289
Assets*	56,874	25,007	81,881	28,564	13,016	41,580
Investments in long-term assets	21,912	6,558	28,470	9,844	1,867	11,711
Debt	32,576	6,054	38,630	13,657	4,266	17,923
Segments by region						
in EUR thousands						
Revenue						
Germany	9,745	14,800	24,545	7,959	13,163	21,122
Rest of Europe	30,167	8,389	38,556	26,090	8,075	34,165
USA	3,023	1,188	4,211	1,884	877	2,761
RoW	3,243	1,032	4,266	2,418	853	3,271
Total	**46,178**	**25,400**	**71,578**	**38,351**	**22,968**	**61,319**
Assets*						
Germany	32,225	25,007	57,232	21,201	13,016	34,217
Rest of Europe	0	0	0	0	0	0
USA	24,649	0	24,649	7,363	0	7,363
RoW	0	0	0	0	0	0
Total	**56,874**	**25,007**	**81,881**	**28,564**	**13,016**	**41,580**
Investments in long-term assets						
Germany	4,557	6,558	11,115	2,481	1,867	4,348
Rest of Europe	0	0	0	0	0	0
USA	17,355	0	17,355	7,363	0	7,363
RoW	0	0	0	0	0	0
Total	**21,912**	**6,558**	**28,470**	**9,844**	**1,867**	**11,711**

* Fixed and current assets, not including liquid funds

10. OTHER INFORMATION

Liability relations and other financial obligations

In accordance with § 251 and § 268(7) of the Commercial Code, the following liability relations must be noted:

	EUR thousands
1. Obligations arising from the negotiation and transfer of bills of exchange	0
2. Obligations arising from guarantees, bills of exchange and check guaranties	0
3. Obligations arising from warranty contracts	0
4. Liability arising from the furnishing of securities for third-party obligations	0
Total	**0**

The following other financial obligations exist which are of importance for assessment of the financial position:

	EUR thousands
a) Obligations arising from rental, lease, service and consulting agreements	5,884
Thereof	
- maturing in less than 1 year	1,667
- maturing in 1 – 5 years	4,217
- maturing in over 5 years	0
b) Obligations arising from investment contracts (orders)	9,594
- thereof, maturing in less than 1 year	9,594

	Share in capital stock		Total shareholders' equity in past financial year*)		Earnings in past financial year*)	
	in %	in USD	in USD	in EUR	in USD	in EUR
Direct holdings						
Nashtec Management Corporation, Texas/USA	51.0	2,102.65	1)	1)	1)	1)
Nashtec L.P., Texas/USA	50.5	208,163.26	-1,125,979.00	-855,217.23	-1,497,675.00	-1,188,914.03
Indirect holdings						
Stake in Nashtec Management Corporation:						
Nashtec L.P., Texas/USA	0.5	2,102.65	-1,125,979.00	-855,217.23	-1,497,675.00	-1,188,914.03

* Shareholders' equity in foreign currency in the past financial year was translated at the exchange rate as of the balance sheet date. Earnings in foreign currency in the past financial year were translated using the average exchange rate in the financial year.

1) The disclosure of data as to shareholders' equity and earnings in the past financial year is omitted in accordance with § 313(2) No. 4 Sentence 3 of the Commercial Code due to secondary importance.

Derivative Financial Instruments

In the course of the group's risk management system, derivative financial instruments are used in order to mitigate risks, particularly those arising from fluctuations in interest and exchange rates.

Market values are determined by independent financial services companies.

The nominal and market values of the financial instruments as of 31 December 2006 were as follows:

Interest rate hedging

An interest rate and currency swap exists with a market value of EUR 67,611.35 as of 31 December 2006.
The bank will receive CHF 4,457,400.00 and pay EUR 2,850,000.00. The interest rate and currency swap matures on 30 September 2011. There is also an interest rate swap with a nominal value of USD 18,000,000.00 (EUR 13,671,578.31) and a market value of USD 100,451.00 as of 31 December 2006 (EUR 76,295.76).

The derivative interest rate and currency swaps serve to mitigate the interest rate and currency risk. Positive market values were not taken into account.

Currency hedging

	31 December 2006		31 December 2005	
	Nominal value	Market value	Nominal value	Market value
	EUR	EUR	EUR	EUR
USD currency futures	868,121.57	38,850.22	4,361,519.28	-60,919.08
GBP currency futures	1,416,034.25	-65,499.28	697,836.71	-26,477.00

Currency hedging contracts are valued based on reference rates, with due regard for forward premiums and discounts. Provisions for anticipated losses from pending transactions were created in the amount of the negative market value. Positive market values were not taken into account.

Employees

The average number of workers employed during the financial year is:

	Nabaltec	Nashtec
	Number	Number
Industrial workers	149	
Employees	85	1
Marginal workers	13	
	247	1

In addition, an average of 28 trainees was employed during the financial year.

Management and Supervisory Board

In accordance with the articles of association, the company's management board consists of at least one person. The number of management board members is defined by the supervisory board. The supervisory board may select one management board member to serve as chairman. No management board member is serving as chairman at this time.
The members of the management board are (each serving since the date indicated):

Mr. Johannes Heckmann, since September 2006
Economic engineering graduate

Mr. Gerhard Witzany, since September 2006
Commercial graduate

Disclosure of the total remuneration paid to the management board is waived in accordance with § 314(1) No. 6a of the Commercial Code, with § 286(4) of the Commercial Code applying accordingly.

A loan for EUR 150,000 was issued to management board member Mr. Gerhard Witzany by contract of 22 May 2003. The loan carried interest of 5.0% p.a., to be repaid beginning 30 June 2005 in equal annual installments of EUR 30,000 each. Early repayment can be made at any time. EUR 139,000 of the loan principal was repaid in this financial year. As of the balance sheet date, the loan amount was EUR 0.

Supervisory Board

In accordance with the articles of association, the supervisory board consists of three members. At the time these Notes were prepared, the supervisory board included the following members (each serving since the date indicated):

Dr. Leopold von Heimendahl (supervisory board chairman), since September 2006
Retired physicist

Dr. Dieter J. Braun (deputy supervisory board chairman), since September 2006
Retired chemist

Dr.-Ing. Jürgen G. Heinrich, since September 2006
Professor of engineering ceramics

The supervisory board members received a total of EUR 18,000 in remuneration for the 2006 financial year.

Report on Relations with Related Persons

DRS 11 defines "related persons" as natural persons, legal entities and companies which can be influenced by the company and/or which can exercise influence over the company.

The company's related persons include the members of the management and supervisory board, including their close relatives and companies over which the company's management or supervisory members or their close relatives can exercise decisive influence or in which those persons hold a substantial proportion of voting rights. Also qualifying as "related persons" are the company's principal shareholders and, in general, the company's group affiliates and companies in which it holds an interest through which it can exercise decisive influence over the business practices of that company.

The following members of the company's management board and family members of management board members hold shares in the company:

- Mr. Johannes Heckmann, management board member, holds a direct stake in the company
- Mr. Gerhard Witzany, management board member, holds a direct stake in the company
- Mr. Thomas Heckmann, brother of management board member Johannes Heckmann, holds a direct stake in the company
- Mr. Dieter Heckmann, father of management board member Johannes Heckmann, holds a direct stake in the company
- Ms. Renate Witzany, wife of management board member Gerhard Witzany, holds a direct stake in the company

Business relations between the company and related persons existing during the financial year are described below:

The company regularly utilizes engineering services, awarding project-related services in the course of tendering procedures. Certain contracts were awarded to AKW A+V GmbH in this manner. Management board member Johannes Heckmann holds an indirect 50% interest in AKW A+V GmbH, through AKW A+V Holding GmbH & Co. KG. The remaining shares in AKW A+V Holding GmbH & Co. KG are held by his brother, Thomas Heckmann, who also serves as the managing director of AKW A+V. A total of EUR 768,000 in payments was made to AKW A+V GmbH in the 2006 financial year. As of 31 December 2006, there were no accounts receivable or payable.

An agreement exists between the company and supervisory board member Dr. Jürgen G. Heinrich regarding the performance of research and development work in some aspects of ceramics process technology. EUR 5,000 was paid to Dr. Heinrich during the financial year. As of 31 December 2006, there were no outstanding claims against the company arising from this business relation.

Management board members Johannes Heckmann and Gerhard Witzany have each issued a guarantee to the factoring company, Coface Finanz GmbH, capped at EUR 6.00 million, for the existence, assignability and freedom from defenses of the receivables offered for sale in the course of factoring.

Schwandorf, 12 March 2007

Nabaltec AG
Management Board

Johannes Heckmann Gerhard Witzany

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Nabaltec AG, Schwandorf, comprising the balance sheet, the income statement, notes to the consolidated financial statements, cash flow statement and the statement of changes in equity, together with the group management report for the business year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Nabaltec AG, Schwandorf, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 16 March 2007

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

Signed, ppa. Chr. Bayer	Signed, M. Rauchfuss
Wirtschaftsprüfer	Wirtschaftsprüfer

Nabaltec AG, Schwandorf

FINANCIAL STATEMENTS OF NABALTEC AG

(abridged version)

Balance sheet of Nabaltec AG, Schwandorf, for 31 December 2006

ASSETS

	31/12/2006 EUR	31/12/2005 EUR
A. FIXED ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	70,037.92	42,070.49
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-owned land	5,635,646.57	5,829,155.18
2. Technical equipment and machinery	10,245,679.02	9,506,586.41
3. Other fixtures, fittings and equipment	613,814.75	637,584.12
4. Advance payments and plant and machinery in process of construction	9,843,206.23	1,688,800.36
	26,338,346.57	**17,662,126.07**
III. Financial assets		
1. Shares in affiliated companies	162,930.73	162,930.73
2. Loans to affiliated companies	4,148,981.89	1,531,618.40
3. Other loans	546,832.00	0.00
	4,858,744.62	**1,694,549.13**
	31,267,129.11	**19,398,745.69**
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	7,409,218.31	5,797,875.97
2. Finished products and merchandise	6,107,393.62	5,365,985.36
	13,516,611.93	**11,163,861.33**
II. Accounts receivable and other assets		
1. Trade receivables	2,424,124.53	2,671,695.01
2. Other assets	14,333,661.49	2,675,740.97
	16,757,786.02	**5,347,435.98**
III. Cash on hand and in banks	10,546,142.78	760,013.09
	40,820,540.73	**17,271,310.40**
C. DEFERRED EXPENSES AND ACCRUED INCOME	165,312.56	18,990.75
	72,252,982.40	**36,689,046.84**

LIABILITIES

	31/12/2006 EUR	31/12/2005 EUR
A. SHAREHOLDERS' EQUITY		
I. Subscribed capital		
Conditional capital: EUR 3,000,000.00 (PY: EUR 0.00)	8,000,000.00	6,000,000.00
II. Profit participation capital	5,000,000.00	5,000,000.00
III. Capital reserve	30,824,219.38	1,824,219.38
IV. Profit carry-forward	1,056,055.18	595,187.56
V. Net income	783,220.80	1,460,867.62
	45,663,495.36	**14,880,274.56**
B. INVESTMENT GRANTS TO FIXED ASSETS	608,205.06	769,415.41
C. PROVISIONS AND ACCRUED LIABILITIES		
1. Provisions for pensions and similar obligations	6,116,350.00	5,271,141.00
2. Accrued taxes	0.00	719,600.00
3. Other provisions and accrued liabilities	4,211,915.93	3,095,062.67
	10,328,265.93	**9,085,803.67**
D. ACCOUNTS PAYABLE		
1. Accounts payable to banks	7,554,594.06	5,453,928.55
2. Trade payables	7,380,720.26	5,226,536.19
3. Accounts payable to affiliated companies	248,330.06	0.00
4. Other accounts payable		
- thereof from taxes: EUR 174,316.59 (PY: EUR 699,371.01)		
- thereof for social security:		
EUR 9,215.36 (PY: EUR 324,481.18)	469,371.67	1,273,088.46
	15,653,016.05	**11,953,553.20**
	72,252,982.40	**36,689,046.84**

Income Statement of Nabaltec AG, Schwandorf,

for the Period from 1 January to 31 December 2006

		1/1–31/12/2006		1/1–31/12/2005
	EUR	EUR	EUR	EUR
1. Revenue		71,577,804.25		61,318,937.69
2. Increase in finished products		712,387.99		1,509,297.94
3. Other own work capitalized		148,208.86		262,615.54
Total performance		**72,438,401.10**		**63,090,851.17**
4. Other operating income		1,245,135.61		2,552,146.83
		73,683,536.71		**65,642,998.00**
5. Cost of materials:				
a) Expenses for raw materials and supplies and purchased goods	38,644,847.54		34,702,503.48	
b) Expenses for purchased services	198,610.15	38,843,457.69	113,272.73	34,815,776.21
Gross profit		**34,840,079.02**		**30,827,221.79**
6. Personnel expenses:				
a) Wages and salaries	10,750,041.22		10,251,381.18	
b) Social security, pensions and support expenses - thereof for pensions: EUR 1,024,875.01 (PY: EUR 567,327.61)	3,116,822.40		2,565,946.08	
7. Depreciation on intangible fixed assets and property, plant and equipment	2,398,864.62		2,466,236.08	
8. Other operating expenses	13,608,473.84	29,874,202.08	12,209,211.89	27,492,775.23
		4,965,876.94		**3,334,446.56**
9. Income from other securities and loans of financial assets - thereof from affiliated companies: EUR 157,545.44 (PY: EUR 0.00)	157,545.44		15.96	
10. Other interest and similar income - thereof from affiliated companies EUR 0.00 (PY: EUR 41,158.13)	73,665.44		49,881.77	
11. Depreciation on financial assets and marketable securities	182,796.68		0.00	
12. Interest and similar expenses	1,324,651.18		965,112.88	
Financial result		**-1,276,236.98**		**-915,215.15**
13. Result from ordinary business activities		**3,689,639.96**		**2,419,231.41**
14. Extraordinary expenses	2,107,839.45		0.00	
15. Extraordinary result		-2,107,839.45		0.00
	1,581,800.51		**2,419,231.41**	
16. Taxes on income and earnings	760,796.19		921,737.27	
17. Other taxes	37,783.52	798,579.71	36,626.52	958,363.79
18. Net income		**783,220.80**		**1,460,867.62**

USE OF RETAINED EARNINGS

The management board proposes using the 2006 retained earnings of EUR 1,839,275.98 as follows:

Distribution to shareholders through payment of a dividend of EUR 0,10 per share for the 8,000,000 shares carrying dividend rights for the 2006 financial year	EUR 800,000.00
Profit carry-forward	EUR 1,039,275.98
Retained earnings	**EUR 1,839,275.98**

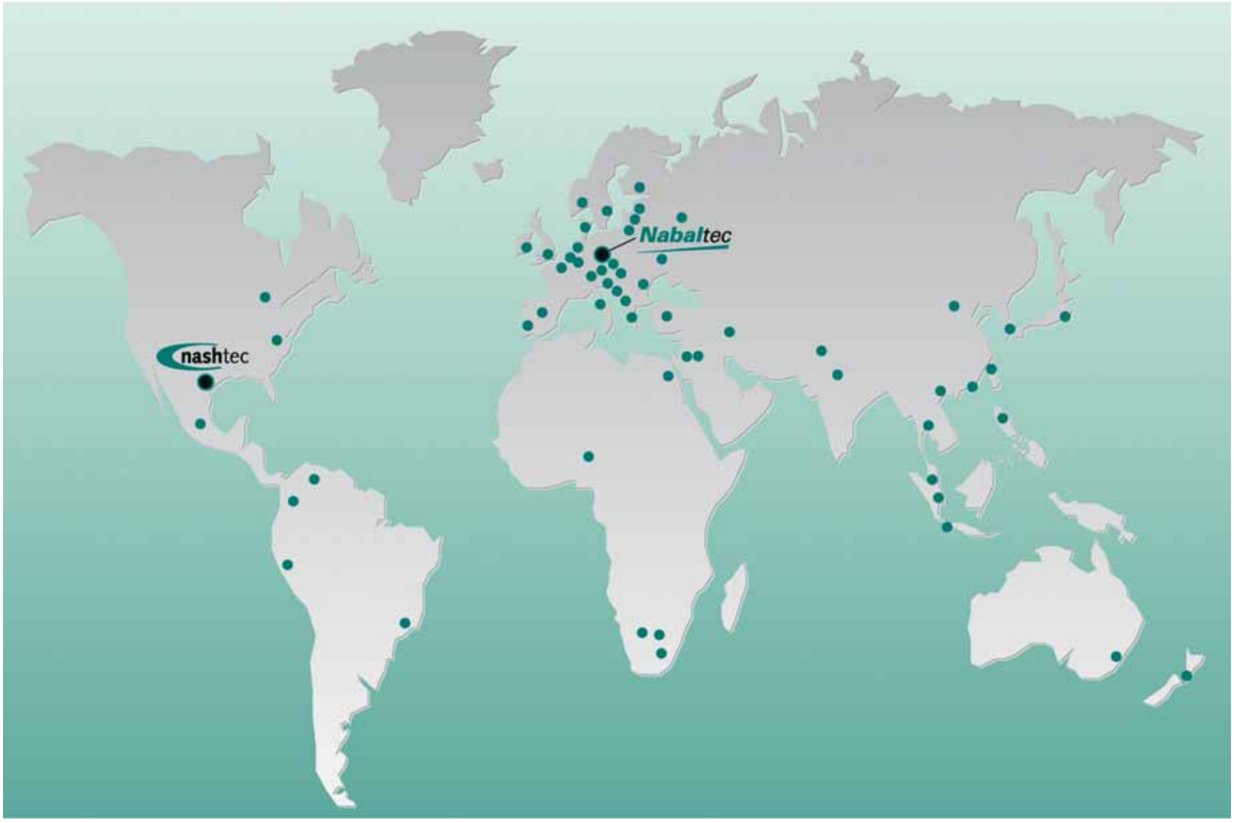
The above-mentioned retained earnings result from the profit carry-forward (EUR 1.056.055,18) and the net income (EUR 783.220,80), stated in the balance sheet of Nabaltec AG for 31 December 2006.

Schwandorf, March 2007

The Management Board
Johannes Heckmann, Gerhard Witzany

NABALTEC AG – FINANCIAL CALENDAR 2007

16 May 2007	Annual General Meeting Announcement of Figures for QI
22 May 2007	Interim Report I/2007
28 August 2007	Interim Report II/2007
27 November 2007	Interim Report III/2007



Nabaltec and distribution partners

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