Annual Report 2009

OUR KNOW-HOW FOR YOUR SAFETY

OUR STRENGTHS COME TO BEAR ESPECIALLY WHEN TOP QUALITY, SAFETY, ECO-FRIENDLINESS AND DURABILITY ARE REQUIRED.

We are specialized in functional fillers for the plastics industry and high-quality raw materials for technical ceramics for a wide range of applications, and for highly specific requirements.

Technological know-how, experience and implementing complex processes are the basis for high-quality and highly specialized products of consistently excellent quality and with customized properties to meet the specific needs of each customer. This is why our customers appreciate us, and this is how we will meet our goal of becoming the quality leader in each of our target markets. We have been recognized multiple times for our innovativeness, and this quality has allowed us to steadily expand our market position.

Nabaltec serves highly specialized markets all over the world. Our export ratio is about 70 percent.

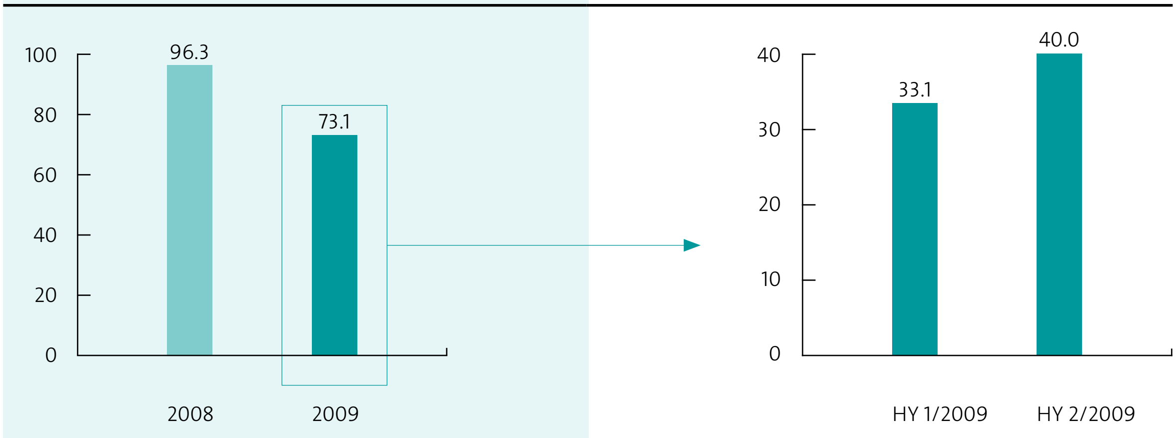
Key Figures Nabaltec Group

for the financial year from January 1, 2009 through December 31, 2009

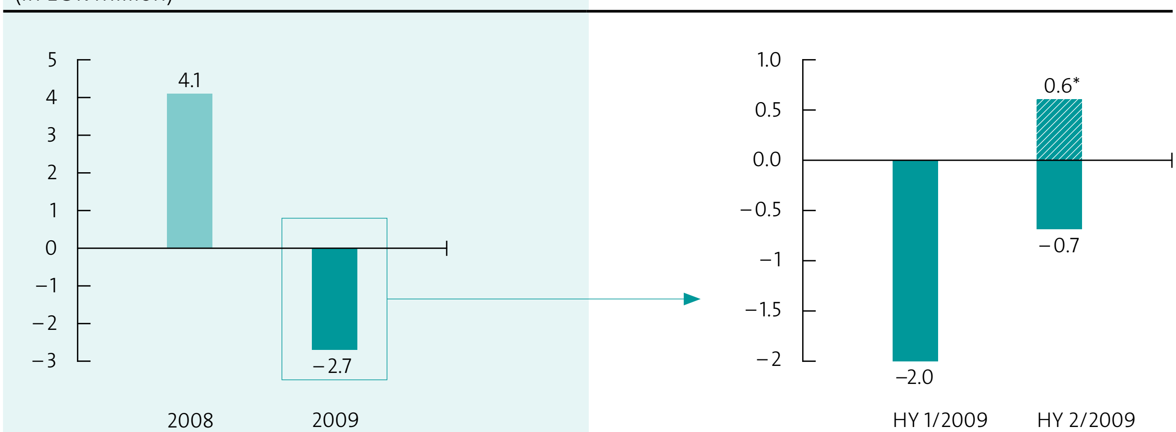
in EUR million	**2009 (IFRS)**	2008 (IFRS)	Change
Revenues			
Total revenues	**73.1**	96.3	–24.1%
therein:			
Functional Fillers	**50.2**	61.6	–18.5%
Technical Ceramics	**22.9**	34.7	–34.0%
Foreign share (%)	**69.9**	65.0	
Earnings			
EBITDA	**3.7**	9.3	–60.2%
EBIT	**–2.7**	4.1	
Consolidated result after taxes*	**–5.0**	1.1	
Earnings per share (EUR)*	**–0.63**	0.14	
Financial position			
Cash flow from operating activities	**4.6**	3.7	24.3%
Cash flow from investing activities	**–20.3**	–16.3	24.5%
Assets, equity and liabilities			
Total assets	**131.8**	132.2	–0.3%
Equity	**40.0**	45.1	–11.3%
Non-current assets	**108.7**	97.3	11.7%
Current assets	**23.1**	34.9	–33.8%
Employees** (persons)	**349**	347	0.6%

* after non-controlling interests
** end of year including trainees

Revenues
(in EUR million)

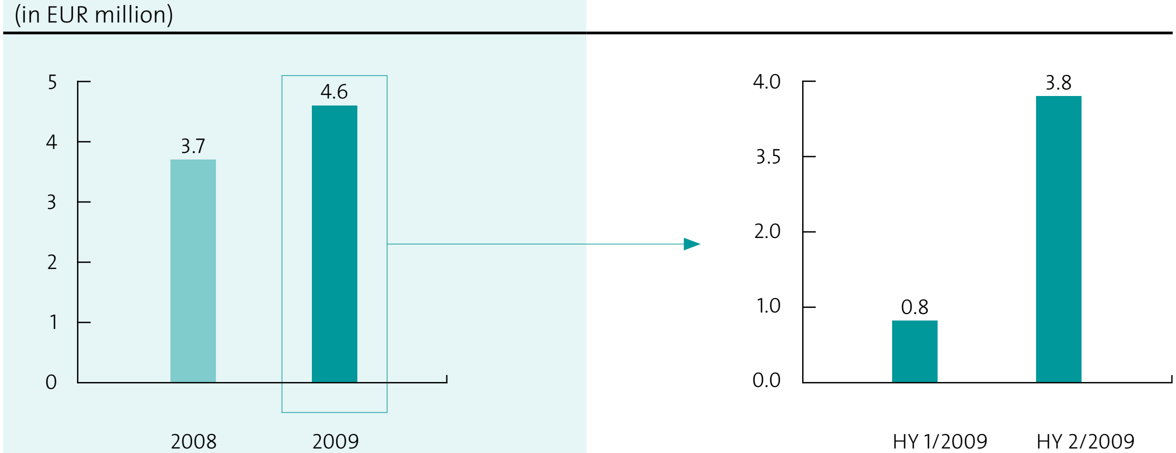


EBIT
(in EUR million)



* adjusted for extraordinary effects

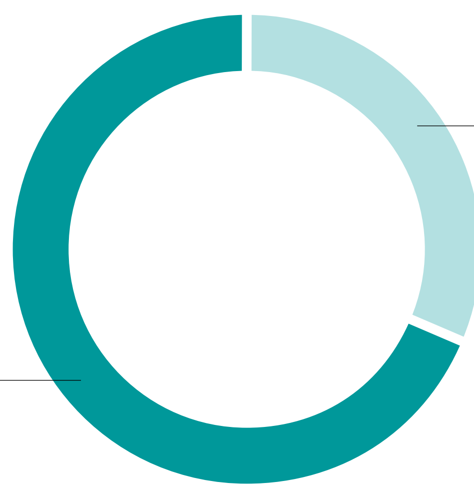
Cash flow from operating activities
(in EUR million)



Our Business Divisions

Functional Fillers
Nabaltec's aluminum hydroxide- and magnesium hydroxide-based flame retardants are smoke-suppressant, non-toxic and eco-friendly. Based on these qualities, they are clearly superior to other flame retardants for use in plastics. In order to satisfy increasingly strict requirements with respect to safety, eco-friendliness and processing, Nabaltec products are used above all in cable and insulation, and especially often in tunnels, airports and high-rise buildings.

Our newly developed additives, which entered industrial production at the end of 2009, have a stabilizing effect on plastics and can substitute heavy metals, while others have catalytic properties. Nabaltec also began manufacturing specialty boehmites in 2009 for use in the electronic industry, which enable processing of plastics at high temperatures.



Technical Ceramics
Nabaltec manufactures ceramic raw materials and ceramic bodies from specialty oxides for products which meet the highest standards and demands. Its ceramic raw materials are used in the refractory industry, polishing industry, wear-resistant ceramics and in electrical ceramics. Suppliers of high-quality mechanical parts, such as spark plugs, high-voltage insulators and ballistic ceramics use our products. Ceramic bodies are particularly highly-specialized granulates for a broad range of ceramic applications. Whatever the requirements, our know-how and experience allow us to equip these products with highly specific properties.

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TO OUR SHAREHOLDERS

“The launch of our new additives for the plastics industry and boehmites for the electronics industry has opened up two very promising new markets.”

GERHARD WITZANY
Member of the Board

JOHANNES HECKMANN
Member of the Board

Ladies and Gentlemen, Dear Shareholders,

Despite all the economic and financial adversity, Nabaltec has stayed unerringly on course strategically in 2009. We have continued our investment program, with a total volume of almost EUR 100 million over five years and over EUR 20 million last year, and brought it to a successful conclusion. This program consists almost exclusively of purely long-term investments: investments in new markets, like our US subsidiary, Nashtec, in new products, like our new additives plant in Schwandorf, and in new ideas, which we can now develop more efficiently into market-ready products thanks to the expansion of our research and development facility in Kelheim. We are convinced that Nabaltec AG has never been better-positioned than it is today.

But nevertheless, we cannot ignore the fact that, in 2009, our share price fell to a record low of EUR 1.10 for a time. This was a valuation which, in our view, in no way reflects the actual constitution, potential and future opportunities of Nabaltec AG. However, this price was the expression of the capital market's uncertainty with respect to Nabaltec in light of the clear decline in revenues, the fact that the company had gone into the red, as well as our ambitious investment program and the need to finance those investments.

As is evident from the share's 249.1% climb from its record low through the end of 2009, we succeeded in overcoming the uncertainty of the capital market. Incidentally, we never encountered this uncertainty from our customers and business partners. We consider this to be evidence of the trust they place in Nabaltec's quality and potential, a trust which we have built up over the decades, and which has made Nabaltec into an absolutely reliable company in the middle of a turbulent market.

But to return to the development in 2009 specifically: Nabaltec was set back three years in terms of revenues. We will not be able to make up this decline in 2010, but in 2011 at the earliest, if the market is strong. At the same time, the revenue trend over the twelve months of 2009 makes us more optimistic about the future. We saw a tangible consolidation over the course of 2009, and revenues in the third and fourth quarters were much higher than in the first six months.

The markets for functional fillers and technical ceramics were affected by a sharp drop in volume and revenues in 2009. Nevertheless, our research indicates that we were able to hold our market position very well. We are still the second-largest or even the number one supplier for halogen-free aluminum hydroxide-based flame retardants and freely available aluminum oxide-based ceramic bodies. In some cases, we were actually able to strengthen our market position in this difficult market despite the setbacks.

Our strong market position did not come on its own: we built it up with numerous innovations in high-quality product segments, including APYRAL® 50 CD, our boehmites and our reactive aluminas. This allowed us to successfully adjust our prices in 2008/2009 to account for the rising costs of raw materials, transportation and energy, underscoring our clear qualitative advantage over aggressively-priced competitors, as well as the fact that our customers appreciate our solid value proposition.

Changes in the market are expected to create new opportunities in 2010 as well: directly, through the acquisition of new market shares, and indirectly, as customers migrate to reliable partners.

In light of this situation, the "Global High Performance Fillers Growth Strategy Leadership Award" which we received in 2009 from Frost & Sullivan takes on particular importance. While we are proud of the award itself, we are even prouder of the reasons for the award. Frost & Sullivan, one of the best-known market analysis institutes in the world, explicitly cites three factors as the decisive reasons for giving us this award:

- innovation;
- customer-focused development;
- global presence.

Nabaltec believes that these three strategic abilities and strengths are the key to its future success. The fact that the market experts of Frost & Sullivan, after closely examining all of our competitors, have also identified these factors as decisive gives us an added sense of affirmation and motivation. Frost & Sullivan also predicts an above-average growth in the market for halogen-free flame retardant fillers.

Innovations are not an end unto themselves: their value is measured based on how quickly they translate into a return on investment, on the sustainability of that return and on their strategic importance. This is particularly clear in the case of ceramic raw materials, of which we are the fourth-largest supplier in the world. We have only barely missed our goal of breaking into the top three, as some of our competitors were able to outpace us in total production. But if we were to analyze just the high-quality segments, Nabaltec would be in second place even now. This is a position which we have built up in recent years due especially to new product qualities, e.g. in polishing and reactive aluminas, in the face of global competition.

When it comes to return on investment, we measure ourselves based on Nabaltec's two most important projects at the moment:

1. Additives
The new CAHC plant went online in the fourth quarter of 2009. CAHC is a heat stabilizer which, in the foreseeable future, will replace heavy metal-based additives in PVC production, an area in which they are commonly used today. Our product is currently undergoing approval procedures with our key customers in the quality available from our new plant. We plan to gradually develop this market starting in 2010. But our object is not short-term success: instead, we will proceed step by step to develop this project in a sustainable fashion. In 2010, we expect our new plant to produce about 25% of its maximum capacity and, together with our customers, we will work to convince manufacturers of PVC-based window profiles all over the world to switch to CAHC heat and UV stabilizers. We have set clearly measurable milestones for the development of this market, culminating with the achievement of our maximum annual capacity of 10,000 tons in 2012.

2. Boehmites
Here as well, we have been able to develop a new product segment in recent months, as well as developing new applications for existing products. We supply boehmites to the electronics industry, especially PCB manufacturers, for use in printed circuit boards, together with other high-tech fillers, to allow soldering e.g. at 350 degrees without loss of quality. Our boehmites have very rapidly gained excellent market standing as a “synergist” in flame retardancy. We developed this product on our own and produces it in our Kelheim pilot facility, which is operating with three shifts. In 2010, we expect to create additional capacity in order to satisfy growing global demand using manageable investments which can be financed from cash flow.

In the boehmite segment, we expect that success will come even faster and more directly than with additives. But let us give these two brand new segments of Nabaltec AG time until the end of 2012, at which point the voluntary commitments of industrial companies all over the world will take effect to stop using heavy metal-based products and switch over to eco-friendly, all-natural products, such as our ACTILOX® CAHC.

In 2010, we expect to return to our long-term growth track in all areas. Our goal is revenue growth in the low double digits and a clear improvement in earnings over 2009, with the prospect of a break-even operational result. Market conditions are right in all of Nabaltec’s product segments.

Brand new market studies predict that the market for halogen-free flame retardants, our highest-revenue segment, will grow at a rate of 8.1% a year through 2014. We intend to profit from the growing flame retardant market in three ways:

1. We will benefit from the projected market growth.
2. Halogenated flame retardants are still in use, and will be replaced by products which are halogen-free and therefore eco-friendly.
3. We intend to take market share away from our competitors on the strength of our high-quality and innovative products.

The refractory products market is also expected to grow in 2010, as a result of the growth in steel production.

After a difficult 2009, we are especially proud of the Nabaltec employees. Not only did they make a vital contribution to the company's competitiveness by accepting shorter hours and a cut in wages and salaries, but their enthusiasm and determination to make the best of it allowed us to successfully get through the crisis. For this, we give our warmest thanks to all of our employees, as well as to our customers and partners for their cooperation.

We invite you to continue to accompany Nabaltec AG on its promising path, and we thank you for your trust.

Yours,

Johannes Heckmann
Member of the Board

Gerhard Witzany
Member of the Board

Report of the Supervisory Board

Ladies and Gentlemen, Dear Shareholders,

The beginning of 2009 was a time of great challenges for the company and for the Supervisory Board. The uncertainty which prevailed in the financial markets and in the most important markets for Nabaltec products all over the world, especially in the first and second quarters, made it considerably more difficult to supervise short-term planning and to advise management in a forward-looking manner. However, the markets began to stabilize visibly at mid-year, a little earlier in the case of functional fillers and a little later for technical ceramics, and this has allowed us to look ahead more in addition to monitoring current developments.

In this situation, we have consistently advised, monitored and supervised Management Board with utmost care in Financial Year 2009, in accordance with our responsibilities as established by law, the Articles of Association and corporate governance rules. The Supervisory Board was informed by the Management Board directly and involved at an early stage in every decision of fundamental importance for the company.

Whenever required by law, the Articles of Association or the Rules of Procedure we voted on the Management Board's reports and draft resolutions after careful deliberation and review. All transactions requiring approval were approved. We devoted particular attention in 2009 to the risks facing the Group, risk management and lawful and efficient corporate management.

In the 2009 reporting year, the Supervisory Board convened for four regular sessions: on 24 April 2009, on 10 June 2009, after the General Meeting, on 28 September 2009 and on 11 December 2009. No meetings were held in 2010 prior to the Supervisory Board meeting of 15 April, which votes on adoption of the financial statements. All members were present at each session. The members of the Supervisory Board also conducted deliberations in writings and over the phone. Where necessary, the Supervisory Board has adopted resolutions outside of the regular meetings.

Since the Supervisory Board of Nabaltec AG consists of just three members, the formation of committees was once again dispensed with.

No conflicts of interest for individual members of the Supervisory Board arose during the 2009 reporting year in the course of deliberations, in draft resolutions or through exercise of the Board's audit mandate. In the assessment of the Supervisory Board, a sufficient number of members may be viewed as independent, since two members of the Supervisory Board have no personal or business relationship with the company or with the Management Board. An agreement exists between Nabaltec AG and Professor Dr. Jürgen G. Heinrich with respect to the performance of research and development work regarding aspects of ceramic process engineering.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board reviewed its performance in the 2009 Financial Year, particularly the efficiency of its procedures and the timely and adequate supply of information.

Focus of Deliberations

Even outside the Supervisory Board sessions, the Management Board made full and timely reports to the Supervisory Board, verbally and in writing. In particular, we were kept informed of the market situation, the competitive situation, sales, revenue and earnings development and the attainment of targets through monthly and quarterly reports. In addition, I, as Chairman of the Supervisory Board, kept myself constantly informed of the current course of business, major transactions and crucial Management Board decisions. To that end, I engaged myself in a close and routine exchange of information and ideas with both members of the Management Board.

The Group's revenues and earnings development as well as measures for the improvement of them and also of the assets and financial position were routinely discussed at Supervisory Board sessions: Intensive consideration was also given to the following issues in 2009:

- the 2008 annual financial statements and consolidated financial statements, particularly the appropriation of earnings and the report on risks;
- measures to cut costs in light of weakening sales markets;
- corporate governance, particularly the processes for preliminary discussion of quarterly reports by the Management and Supervisory Boards;
- status reports on the construction and commissioning of the new CAHC plant at the Schwandorf site;
- potential and measures in the boehmites segment;
- transformation of the US subsidiary Nashtec into an LLC;
- planning for 2010 and mid-term planning through 2012;
- investment and financing planning for 2010 to 2012;
- regulatory and statutory changes, such as the Act on the Appropriateness of Management Board Remuneration, the Accounting Law Modernization Act, etc.

Another focus of our deliberations in 2009, as well as our supervisory and monitoring activity, especially in the session 2010 slated for adoption of the 2009 financial statements, was the entire accounting process in Nabaltec AG and Nabaltec Group, monitoring the internal controlling system and the effectiveness of the internal auditing and risk management system.

On 13 March 2009, the Management and Supervisory Boards issued their joint Declaration of Compliance for 2009, which was posted on the company's website, www.nabaltec.de, where it can be viewed by shareholders at any time. Both bodies discussed the changes to the German Corporate Governance Code as amended on 18 June 2009 and published on 5 August 2009 in the Electronic Federal Gazette, especially in the session on 11 December 2009, in preparation for issuing the 2010 Declaration of Compliance. Further information about corporate governance at Nabaltec can be found in the Corporate Governance Report in this Annual Report.

Management Board Compensation
Management board compensation is defined by the whole Supervisory Board of Nabaltec AG. The Supervisory Board has reviewed the fairness of the compensation paid to each member of the Management Board, and it has confirmed that this compensation is fair. Management board compensation at Nabaltec AG is structured based on long-term performance. Other criteria required by law, such as a compensation structure which does not induce corporate officers to take undue risks and which includes ways of limiting compensation for extraordinary developments, have either been implemented already or will be satisfied in all new agreements.

2009 Annual Financial Statements and Consolidated Financial Statements
Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, has audited the annual financial statements and management report of Nabaltec AG, as well as the consolidated financial statements, which were prepared based on the IFRS (International Financial Reporting Standards) pursuant to § 315a of the German Commercial Code, and the consolidated management report. The Supervisory Board issued the audit mandate by resolution of the General Meeting 10 June 2009. Before publishing the nomination, the Supervisory Board obtained an independence declaration from the auditor. There were no visible reasons to doubt the auditor's

independence. The auditor was also asked to notify us immediately of any circumstances which could establish bias on its part and to keep us informed about any performances it rendered in addition to the audit. The focus of the 2009 audit was the accurate disclosure of additions to fixed assets, particularly with respect to the investment in the CAHC plant in Schwandorf.

The auditor issued an unqualified auditor's opinion for Nabaltec AG's annual financial statements and management report and for the consolidated financial statements and consolidated management report.

All of the documents pertaining to the financial statements, as well as the auditor's report, were made available to each member of the Supervisory Board in a timely manner for independent review. The documents and the auditor's report was the subject of intense consideration and discussion at the session of 15 April 2010. The auditor was present during the session, reported on the essential conclusions of his audit and was available for further questions. One focus of the auditor's explanations was his assessment of the accounting-related internal controlling and risk management system. The auditor was not able to find any major weaknesses in this system. The Management Board and the auditors have answered all of our questions fully and to our complete satisfaction.

After conducting an independent review of the annual financial statements and consolidated financial statements, management report and consolidated management report, the Supervisory Board has made no objections, and accepts the conclusions of the audit conducted by Deloitte & Touche GmbH. We have accordingly approved the annual financial statements and consolidated financial statements for 31 December 2009 which have been prepared by the Management Board, and the annual financial statements for Nabaltec AG are therefore adopted.

The Supervisory Board would like to thank the Management Board and all of management for their consistently strong, trusting and constructive collaboration. Special thanks goes out to all of our employees who, in a very challenging year, have allowed Nabaltec AG to hold its position in the world market under the toughest of conditions, always with the goal of achieving utmost customer satisfaction while acting with business sense.

Schwandorf, 15 April 2010

Dr. Leopold von Heimendahl
Chairman of the Supervisory Board

Corporate Governance Report

Nabaltec AG made a voluntary commitment to comply with the recommendations of the German Corporate Governance Code (the "Code") in 2007, and has further developed its corporate governance practices in Financial Year 2009. Starting in 2010, the company will follow the recommendations of the Code as amended on 18 June 2009, with few exceptions. Those exceptions will be disclosed in a joint Declaration of Compliance of 12 March 2010 from the Supervisory and Management Boards and grounds will be provided for those exceptions, as is now required by law.

A comparison of the prior Declaration of Compliance of March 2009 with the corporate governance practices actually implemented in Financial Year 2009 revealed no deviations.

The Articles of Association of Nabaltec AG and the Rules of Procedure for the Management Board and Supervisory Board were unchanged in 2009.

Shareholders and the General Meeting

Nabaltec AG largely complies with the Code's various suggestions for execution of the general meeting. For cost/benefit considerations, Nabaltec AG continues to refrain from broadcasting the general meeting online and therefore does not follow the suggestion in 2.3.4 of the Code.

Attendance at the general meeting of 10 June 2009 in Amberg was over 80%, so that attendance went up once again in 2009. The general meeting approved all of the agenda items which were put up for voting.

Interaction of the Management and Supervisory Boards

Details about the interaction of the Management and Supervisory Boards are given at length in the Supervisory Board's report.

As in prior years, the Management and Supervisory Boards give reports on corporate governance in the 2009 Annual Report. The Corporate Governance Report, including the Declaration of Compliance, is also a component of the recently introduced corporate management declaration, which Nabaltec will prepare on a voluntary basis. Nabaltec AG will post this declaration on its website and makes reference to it in the Consolidated Management Report.

Nabaltec AG maintains D&O insurance coverage for its Management Board, which already includes a deductible. Where necessary, the terms of the policy were adjusted in December 2009 to conform to the new provisions of the German Stock Corporation Act. The new policy terms will take effect on 1 July 2010.

The Management Board

"The Management Board will manage the company with the object of creating sustainable value on its own responsibility and in the interests of the company, i.e. with due regard for the interests of the shareholders, employees and other groups associated with the company (stakeholders)." Nabaltec AG is in full agreement with this revision of 4.1.1 of the Code, dealing with the functions and responsibilities of the management board.

No conflicts of interest arose in Financial Year 2009. The members of the Management Board, Johannes Heckmann and Gerhard Witzany, do not serve on the supervisory boards of other publicly traded companies.

The Supervisory Board
The Nabaltec AG Supervisory Board consists of three members and therefore does not form committees. Detailed information about the Supervisory Board's work and consultations in Financial Year 2009 can be found in the Report of the Supervisory Board. In our view, the Supervisory Board has a sufficient number of independent members. No conflicts of interest arose in Financial Year 2009.

Compensation of Corporate Officers
All details about the basics of the compensation system can be found in the Consolidated Management Report and Consolidated Notes. In particular, the latter discuss the new rules which were adopted as part of the Act on the Appropriateness of Management Board Remuneration, such as for adequateness and for the avoidance of unreasonable risks, limiting compensation for extraordinary developments, establishing a long-term orientation for the company and the definition of compensation by the whole Supervisory Board.

Accounting and Auditing
The general meeting of 10 June 2009 chose Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, as the auditor of the individual and consolidated financial statements for Financial Year 2009. The audit mandate was issued by the Supervisory Board. Before recommending the auditor's selection to the general meeting, the Supervisory Board obtained a declaration from the auditor with respect to the personal and commercial circumstances of the firm, and this declaration gave no cause for objections. As in prior years, the Supervisory Board agreed with the auditor that the Supervisory Board Chairman would be immediately notified if there are any reasons for exclusion or prejudice discovered during the audit or if any facts come to light which might imply the inaccuracy of the declaration issued by the Management and Supervisory Boards pursuant to § 161 of the German Stock Corporation Act.

Shares of the Capital Stock Held by Corporate Officers
(31 December 2009)

Management Board	
• Johannes Heckmann	1,295,250 shares
• Gerhard Witzany	1,244,310 shares
Supervisory Board	
• Dr. Leopold von Heimendahl	42,000 shares
• Dr. Dieter J. Braun	50,000 shares
• Prof. Dr. Jürgen G. Heinrich	1,700 shares

Declaration of Compliance with the German Corporate Governance Code for the 2010 Financial Year

The Management Board and Supervisory Board of Nabaltec AG, with registered office in Schwandorf, hereby declare as follows pursuant to § 161 of the German Stock Corporation Act:

Since filing its first Declaration of Compliance on 26 March 2007, Nabaltec AG has complied with the recommendations of the German Corporate Governance Code ("the Code") in Financial Years 2007 to 2009, with the exceptions noted in the Declarations of Compliance for those years. Starting in Financial Year 2010, the Company will comply with the recommendations of the Code as amended on 18 June 2009 and published in the electronic Bundesanzeiger [Federal Gazette] on 5 August 2009, with the following exceptions:

- The Company will not transmit the invitation to the general meeting and the invitation documents electronically to financial services providers, shareholders and shareholder associations (2.3.2 of the Code). Nabaltec AG sends invitations to the general meetings to its shareholders via the depositaries, and the invitation is published in the electronic Bundesanzeiger [Federal Gazette]. In addition, the invitation, the Annual Report and any other general meeting documents are available for download from the Company's website. As a result, the Company believes that the shareholders have proven and secure access to information, and the Company sees no need for an additional electronic transmission.

- A directors and officers (D&O) policy is in place for members of the Supervisory Board, but no deductible has been stipulated for insured persons (3.8 of the Code). The Management and Supervisory Boards do not believe that such a deductible would have the effect of improving the motivation and sense of responsibility of the Supervisory Board members in performing their assigned functions.

- The Supervisory Board will not appoint a Management Board chairman or spokesman for the time being (4.2.1 of the Code). The two Management Board members operate on an equal footing. The Supervisory Board intends to continue this successful arrangement, and feels that there is no cause to elevate one of the two Management Board members over the other by appointing one member to the Management Board chairman or spokesman.

- Management Board remuneration will not be itemized and disclosed by name, and the Corporate Governance Report will not include a compensation report (4.2.4 and 4.2.5 of the Code). Nabaltec AG complies with all duties for the disclosure of management board compensation pursuant to IFRS and the German Commercial Code, and deems those disclosures to be sufficient.

- There is no defined age limit for Management Board members (5.1.2 of the Code), in order to give the Company access to the expertise of older and more experienced management board members and in order to avoid precluding the optimal composition of the Management Board based on nothing more than formal considerations.

- The Supervisory Board does not form any committees, and in particular, does not have a committee on auditing or nomination (5.3.1, 5.3.2 and 5.3.3 of the Code). The Supervisory Board numbers three persons, which is adequate for the size of the Company. Since any Supervisory Board committee would also require at least three members, the Supervisory Board currently deems the formation of committees to be neither necessary nor expedient, and since it works effectively as a complete body.

- Supervisory Board members receive fixed compensation and a meeting allowance, but no performance-based compensation. The position of deputy chairman of the Supervisory Board does not affect compensation. Supervisory Board compensation is not itemized and disclosed by name (5.4.6 of the Code). The Management and Supervisory Boards deem the current level of compensation for members of the Supervisory Board, which is defined by the general meeting, to be reasonable, and disclosure of total Supervisory Board compensation in the Consolidated Notes to be sufficient.

- The Company will not publish its consolidated financial statements within 90 days of the close of each financial year and interim reports within 45 days of the close of each reporting period (7.1.2 of the Code). The Company's consolidated financial statements will continue to be published within four months of the close of each financial year and interim reports within 60 days of the close of each reporting period. In other words, the Company will voluntarily comply with the statutory deadlines for the regulated market and the stock exchange rules for the Prime Standard segment which are deemed reasonable by the Management Board and Supervisory Board.

Schwandorf, 12 March 2010

The Management Board:

Johannes Heckmann

Gerhard Witzany

The Supervisory Board:

Dr. Leopold von Heimendahl

Dr. Dieter J. Braun

Professor Dr.-Ing. Jürgen G. Heinrich

Nabaltec Share

Performance
The performance of Nabaltec shares in Financial Year 2009 was more than satisfactory despite an inauspicious beginning, with the stock price slipping to a record low of EUR 1.10 following a highly turbulent first quarter. As of 31 December 2009, the stock price closed at EUR 3.84, up 54.2% from the year before, and up 249.1% from its first quarter low. From that point on, Nabaltec shares recovered steadily and gained value, especially in the third and fourth quarters.

The stock indices of relevance for Nabaltec, the DAX 30, SDAX and the specialty chemicals index, performed very similarly in 2009. They had been dropping steadily since the third quarter of 2008, as the financial and economic crisis hit, and in the first quarter, were down by as much as 23.8% from their 2008 closing price. Since then, they steadily recovered, finishing the year up by as much as 51.6% over the year before. Thus, Nabaltec has slightly outperformed all related indices in 2009.

As a result, Nabaltec was able to strengthen its position within the Entry Standard market segment, i.e. in the Entry Standard Index, in 2009. At the end of the year, Nabaltec's weight within the index was 3.19%, climbing to 17th place among the largest 30 highest-volume companies in the segment.

Performance of Nabaltec Share
(in EUR, XETRA trading)

At the end of 2009, Nabaltec AG's market capitalization was EUR 30.7 million, up from EUR 19.9 million on 31 December 2008.

Key Data for Nabaltec Share
(All data refers to XETRA)

	2009	2008
Number of shares	**8,000,000**	8,000,000
Market capitalization (cutoff date) in EUR millions	**30.72**	19.92
Average price (in EUR)	**2.48**	4.80
Maximum price (in EUR)	**4.80**	8.20
Lowest price (in EUR)	**1.10**	2.05
Closing price (cutoff date, in EUR)	**3.84**	2.49
Average daily turnover (in shares)	**11,245**	7,313
Earnings per share (in EUR)	**–0.63**	0.14

*after non-controlling interests

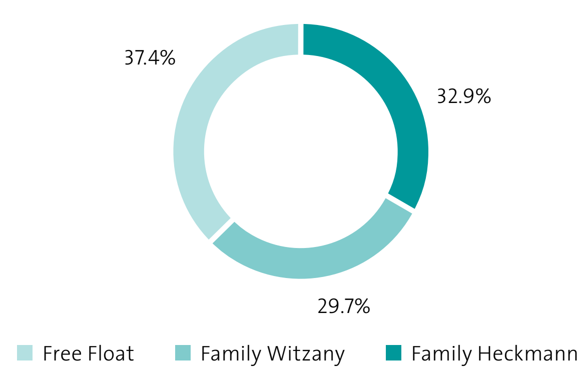
Liquidity
Nabaltec share's average XETRA daily trading volume was 11,245 shares in 2009, up about 53.8% from the 2008 average.

2009 trading volume fluctuated sharply from quarter to quarter. In the first three months of the year, average daily trading volume was 4,817 shares. Volume peaked in the third quarter and, in the fourth quarter, daily trading volume was 12,614 shares, twice as high as in the fourth quarter of 2008. In the second half of 2009 alone, over 2.1 million of Nabaltec shares were traded in XETRA, or more than two thirds of the free float shares. Since it was first listed, the liquidity of Nabaltec stock has been reinforced by a voluntary commitment from a designated sponsor. This function was assumed by VEM Aktienbank AG at the start of the year.

Earnings per Share
Earnings per share (EPS) were – 0.63 in 2009 (after non-controlling interests), compared to EUR 0.14 the year before. Nabaltec AG calculates earnings per share based on the average number of shares in circulation, in accordance with IAS 33. There was no dilution in 2009.

General Meeting
Nabaltec AG's 2009 general meeting was held on 10 June 2009, and was the first general meeting to be held in the Amberg Congress Center. Attendance (during voting) was up slightly from previous years, reaching 81.1% of the capital stock. All of the agenda items which were placed up for voting were approved by the general meeting, including a resolution to retain Nabaltec's 2008 earnings in order to strengthen its capital base, and to dispense with a dividend payout.

Shareholders' Structure
The majority of Nabaltec's 8,000,000 shares are still held by the Heckmann and Witzany families. As of 31 December 2009, the Heckmann family held 32.9% of the company's capital stock and the Witzany family held 29.7%. The remaining shares are in free float.



Analysts
A total of four studies about Nabaltec AG were published in 2009, by two financial analysts. In each case, VEM Aktienbank and Berenberg Bank made a "buy" recommendation. In VEM Aktienbank's study, dated 25 November 2009, the price target was raised from EUR 3.55 to EUR 5.50.

Capital Market Communications
Nabaltec AG noticeably increased its investor relations activities in Financial Year 2009, taking part in several investor and analyst conferences, including its first appearance at Deutsche Börse's Entry and General Standard Conference in May 2009 and DVFA's Small Cap Conference in September 2009, in Frankfurt.

Nabaltec's financial communications activities were supplemented by numerous discussions with members of the press, particularly in connection with the publication of quarterly results. The financial and economic press published numerous reports about recent developments and perspectives at Nabaltec, especially in the fourth quarter of 2009.

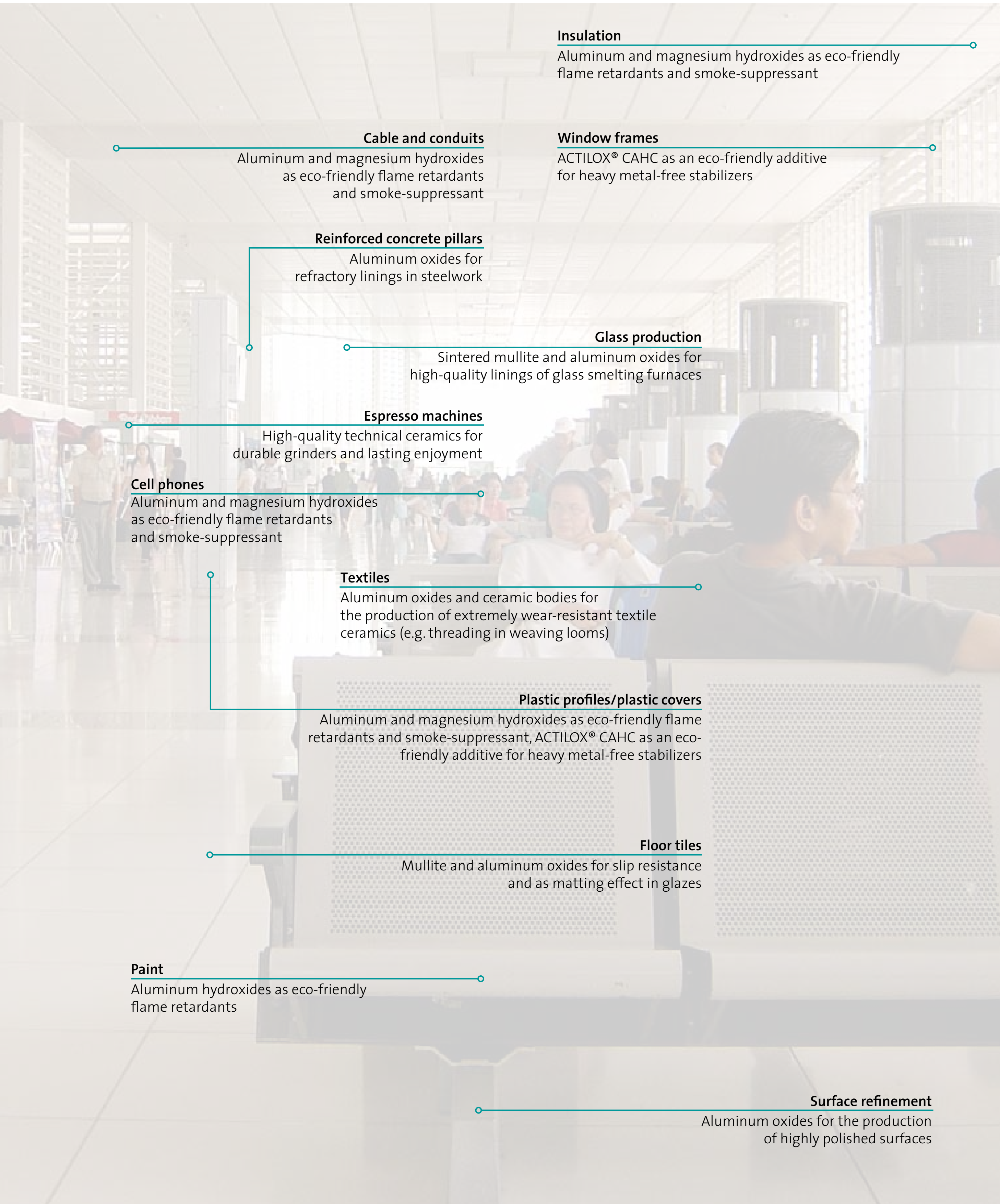
Investors can find all the information they need about Nabaltec share in the Investor Relations section of the company's website, www.nabaltec.de, as well as other information about the company.

Basic Data for Nabaltec Share

ISIN (International Security Identification Number)	DE000A0KPPR7
WKN (German Securities ID)	A0KPPR
Share Symbol	NTG
Stock Exchanges	Frankfurt (Entry Standard), over-the-counter in Berlin, Düsseldorf, Munich, Stuttgart
Sector	All Industrial
Industry Group	Products & Services
Index Membership	Entry Standard, Entry All Share, DAXsector All Industrial, DAXsubsector All Industrial Products & Services

ECO-FRIENDLINESS AND SAFETY:

Nabaltec product innovations are found in many areas of life.



Insulation
Aluminum and magnesium hydroxides as eco-friendly flame retardants and smoke-suppressant

Cable and conduits
Aluminum and magnesium hydroxides as eco-friendly flame retardants and smoke-suppressant

Window frames
ACTILOX® CAHC as an eco-friendly additive for heavy metal-free stabilizers

Reinforced concrete pillars
Aluminum oxides for refractory linings in steelwork

Glass production
Sintered mullite and aluminum oxides for high-quality linings of glass smelting furnaces

Espresso machines
High-quality technical ceramics for durable grinders and lasting enjoyment

Cell phones
Aluminum and magnesium hydroxides as eco-friendly flame retardants and smoke-suppressant

Textiles
Aluminum oxides and ceramic bodies for the production of extremely wear-resistant textile ceramics (e.g. threading in weaving looms)

Plastic profiles/plastic covers
Aluminum and magnesium hydroxides as eco-friendly flame retardants and smoke-suppressant, ACTILOX® CAHC as an eco-friendly additive for heavy metal-free stabilizers

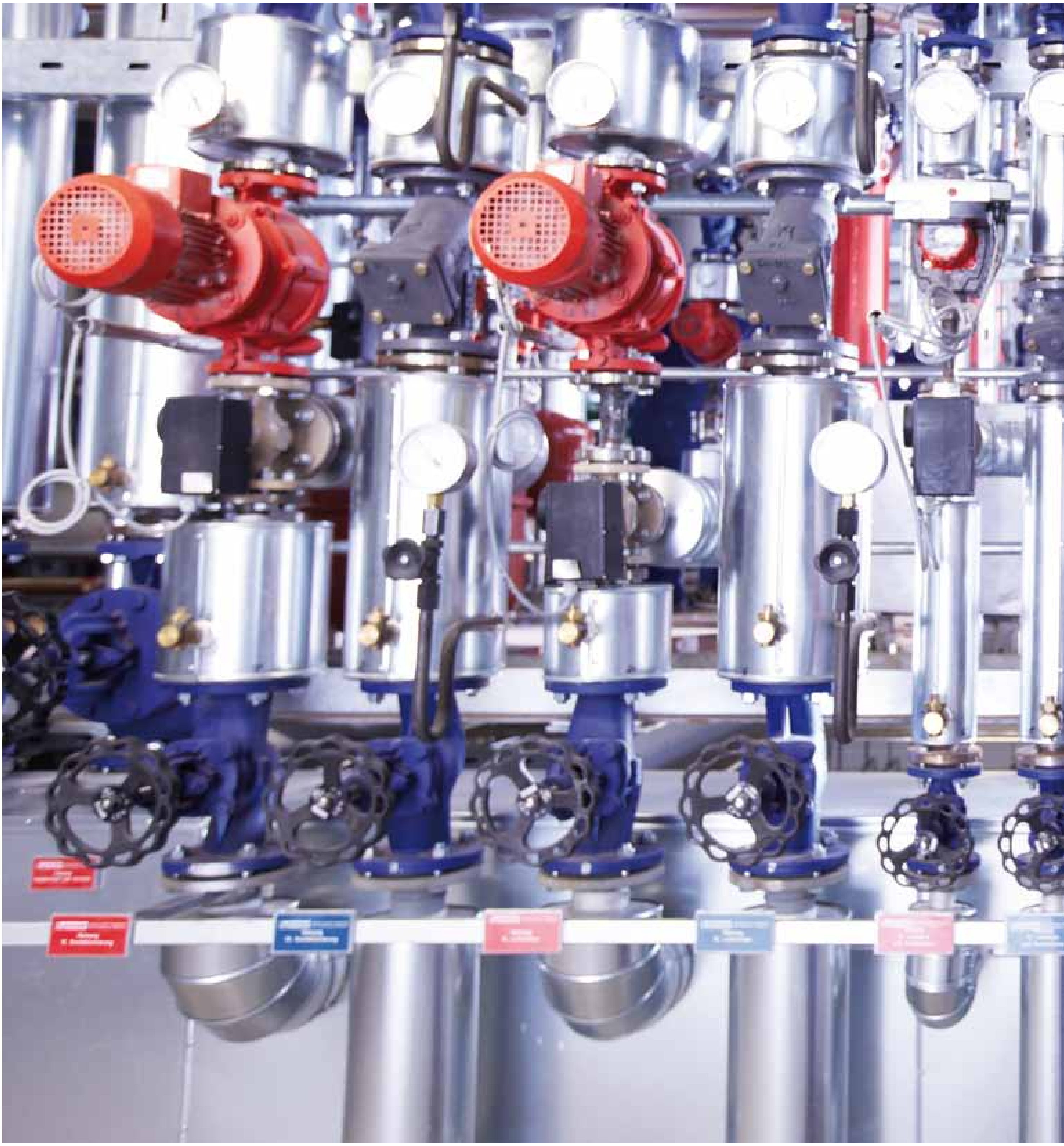
Floor tiles
Mullite and aluminum oxides for slip resistance and as matting effect in glazes

Paint
Aluminum hydroxides as eco-friendly flame retardants

Surface refinement
Aluminum oxides for the production of highly polished surfaces

GROUP MANAGEMENT REPORT

for the financial year 2009




abaltec

1. Operations and general conditions

1.1 Business operation

Nabaltec AG develops, manufactures and distributes highly specialized products based on mineral raw materials, in particular on the basis of aluminum hydroxide ('ATH') and aluminum oxide. The Company belongs to the world's leading suppliers of functional fillers, ceramic raw material and ceramic bodies. The annual production capacity entails approximately 240.000 tons with an export share amounting to around 70%.

The range of applications of Nabaltec products is extremely diversified:

- Flame retardants for the plastics industry used for example for cabling in tunnels, airports, high-rises and electronic equipment and serve above all as fire protection
- Fillers and additives that pigment and stabilize plastics or that are applied due to their catalyst character
- Ceramic raw materials applied in the plastics industry, in technical ceramics and in the abrasives industry
- Highly specialized ceramic raw materials for ballistics, microelectronics and ceramic filters

We expanded our product and application range in 2009 by two promising product divisions: specialized products for the PVC industry (additives) and for the electronics industry (boehmite).

Whenever applications require a high degree of quality, safety, environmental friendliness and product duration, Nabaltec products are always preferred.

As the world's exclusive supplier of fine precipitated aluminum hydroxide that is used as high-quality, non-halogenated, flame-retardant fillers, Nabaltec disposes of production sites in the most important demand-driven markets in Europe and USA (i.e. in Schwandorf and Kelheim, Germany, as well as via her subsidiary, Nashtec, in Corpus Christi, USA). This permits Nabaltec to produce cost-efficiently in customer proximity and to serve these significant markets directly.

Nabaltec maintains very close contacts with customers through its sales team and its technical support staff. All sales team members have specialized technical and chemical expertise, so that expert advice is guaranteed at all times. This proximity to our

clients is fundamental for the concerted, client-specific development of our products.

1.2 Corporate structure

Nabaltec, based in Schwandorf, was formed in 1994 and, in 1995, acquired the specialty alumina division of VAW aluminium AG. In September 2006, it was transformed into a publicly traded company and has been listed in the Entry Standard of the Frankfurt stock exchange since November 2006.

The Company owns a 51% interest in Nashtec Management Corp. and a 51% interest (50.49% directly and indirectly via Nashtec Management Corp., which holds 1% of the shares as the general partner) in Nashtec L.P. (USA) as part of a joint venture. The Company does not have any other holdings or subsidiaries.

In order to position itself in the market as precisely and distinctly as possible, Nabaltec AG's operations are divided into two divisions, each in turn comprising two business units. In addition, the Company operates three service departments as profit, respectively, cost centers.

Business divisions

Functional Fillers:
- Flame Retardants
- Additives

Technical Ceramics:
- Ceramic Raw Materials
- Ceramic Bodies

Service Centres
- Administrative Services
- Technical Services
- Laboratory Services

1.3 Strategy

For the further development of the Company, Nabaltec AG focuses on the following core strategic areas:

1. Continuous improvement of production processes as well as product quality so as to optimize customer benefits

Through our integrated sales team and technical support staff, we are engaged in a constant exchange with her customers. The Company's product and process development activities are continuously geared so as to offer customers processing advantages through simple and faster production processes and, consequently, those benefits relating to lower manufacturing and development costs. In order to achieve this, the directed exchange with customers is essential, in particular regarding product and processing know-how. To this end, the testing facility in Kelheim and the research and development department at the Schwandorf site are constantly being expanded and collaborations with research institutions are being further intensified.

Optimizing processes includes efficient energy use as well as comprehensive environmental protection, both of which represent a major competitive factor. Therefore, Nabaltec has taken extensive measures in order to optimize energy consumption as well as minimize air and water pollution during operations.

2. Systematic expansion of our product range

Besides the continuous improvement of existing products, new products are developed for selected applications – often in close collaboration with key customers. In 2009, the Company not only launched two of such newly developed products, but also started producing and marketing these on industrial scale.

So doing, Nabaltec developed an environmentally friendlier stabilizer for the PVC industry in 2008 and 2009 in the new business division 'Additives'. This product replaces plumbiferous substances that are still predominantly used in plastics. Based on familiar processes and in close liaison with key customers, we could develop a new product with a high added value. Subsequent to the successful test phase of the new production facility, the production on industrial scale commenced in Q4:2009.

The testing facility in Kelheim allows development activities and sample productions of up to several hundred tons for the product launch on small scale. Currently, boehmite grades developed by Nabaltec are manufactured at this site. These are used as

environmentally friendly, non-halogenated flame retardants for applications requiring extremely high processing temperatures, e.g. non-halogenated, flame-retardant conductor plates. The Nabaltec product APYRAL® AOH can be processed at temperatures of up to 320°C without any difficulty. Given that the high demand for this product has already led to the full use of the production capacity in Kelheim, large scale production at the facilities in Schwandorf has been planned for 2010.

3. In its target markets, Nabaltec AG strives for quality leadership and a market share among the top three suppliers

Fire safety concerns within the plastics and cable & wire industry will continue to grow in the years to come. Halogenated flame-retardant fillers will consistently be replaced by non-halogenated fillers. In order to benefit from this trend disproportionately high and to gain market leadership within this segment, we have specifically expanded our production capacity for ATH-based flame-retardant fillers. Today, Nabaltec is one of the world's two leading suppliers in this area.

In the ceramic raw materials segment, the market for reactive alumina is developing relatively well due to refractory industry requirements. The markets for technical ceramics and the abrasive industry also continue showing solid growth. Nabaltec responds to this growth by further developing innovative, new products. Measured on the basis of quantitative output, and according to our own research, Nabaltec is Number 4 in the market. Taking into consideration the high-quality product divisions, our market position is even better.

Nabaltec is already the market leader in freely available ceramic bodies for highly specialized applications in technical ceramics and its position will be further strengthened by the state-of-the-art production facility for granulated ceramic bodies in Schwandorf.

4. Nabaltec benefits from worldwide growth triggers and regional economic development through international growth

Environmentally friendly as well as highly safe solutions are advancing forward worldwide, encouraged particularly through regulatory requirements or industrial negotiated agreements. With an export share of approximately 70%, we already profit from these worldwide trends. The aim of being the one of the world's top 3 suppliers in the

target markets goes hand in hand with the aim of being equally well represented in all world markets. Our focal point regarding market expansion measures is currently on North America and Asia.

5. Flexible and quick adaption of capacities and cost structures thanks to high-resolution controlling processes

Nabaltec pursues a margin oriented capacity policy. Fluctuations in demand have to be taken into account as soon as possible, since the production processes in specialty chemistry can only be expanded or reduced with an imminent delay should such production processes simultaneously remain profitable. Therefore, Nabaltec has developed a much differentiated controlling system that reacts fast; and has at its disposal the appropriate instruments so as to align costs with fluctuations in demand.

1.4 Controlling

Nabaltec AG disposes of a differentiated cost-performance accounting, which is largely shaped by direct costing. Through multi-level contribution margin accounting, results are represented transparently. Deviations are constantly only allocated and charged to those responsible. This controlling system is the basis for the management of the Company and covers business divisions as well as service centers. It delivers information quickly and reliably regarding actual results and deviations from the budget as well as the effectiveness of decisions and taken measures.

The controlling system forms the basis of the companywide incentive scheme, assigning responsibilities and defining specific objectives for even the smallest units of the Company. As such, our cost-performance accounting system is an extensive means to achieve Company objectives. Variance analyses are available online, indicating need for action at an early stage, and promoting leadership through defined incentives. Variance analyses are performed for all cost centers each month.

Corporate data are presented monthly in each business division as well as to Management, where results and alternative measures for action are discussed and implemented. The structure of the actual corporate data corresponds to that employed for the budget. A forecast is prepared subsequent to the quarter close.

Since 1998, the EDP software 'Navision' is in use by all commercial departments. The entire administration

of the cost-performance accounting system, including the earnings statement, has been performed by Nabaltec since 2003 on the basis of the controlling software 'macs'.

Revenues, contribution margin, EBIT, ROI, useful lives and cash flows are the central key figures used as a basis for our business economic decisions.

2. Course of business in 2009

2.1 Macroeconomic development

The global recession has affected nearly all of Nabaltec's major markets and segments in 2009. Worldwide economic performance decreased by 1.1%. The German economy decreased by 4.9%; the highest decrease within the recent past. Other European countries also faced a considerable economic downturn. Among the large European economies, the economic performance e.g. in France decreased by 2.3%, Great Britain by 4.7% and Spain by 3.6%. In the Italian market, of particular importance to Nabaltec, the economy suffered a downturn of 4.8%. The strongest recession was felt in Russia, where economic growth turned from +5.6% to –7.4%. The US economy weakened by 2.5%, which is slightly better than was expected. In 2009, the Japanese economic recession continued at the prevailing rate of –5.4%. The only exceptions from the downward trend among the large economies were China and India with economic growth of 8.5% and 6.0%, respectively.

The economic development in 2009 was marked by extreme uncertainty across all boards. Not only was this made explicit through the continued downward rectification of economic forecasts for the first half of 2009. As from the second half of 2009, there was a worldwide economic bottoming out.

2.2 Industry development

In 2009, the German chemical industry experienced the most difficult year in history, according to the German Chemical Association (VCI). Industry wide production had to be temporarily reduced by 30% in the first half year. Despite bottoming out and economic stimulation in the second half of the year, the industry suffered a production decrease of 10% p.a. Capacity utilization fell to an average of 75% and the production level, according to VCI, reached 2004 levels. Total revenue for the chemical industry decreased by 12.5%. International sales were more stable than domestic demand. The weak market also affected investments, which decreased by 10% compared to prior year investments.

The buyers' market for functional fillers as well as that for technical ceramics was confronted with very similar developments. The first half of 2009 was characterized by receding markets. As of the middle of the year, the floor was reached and on a lower level, consolidation commenced. Individual indirect target industries, such as the automobile industry and infrastructure and construction industry, temporarily benefited from governmental schemes. However, these effects were hardly felt by upstream industries, such as buyers of functional fillers and technical ceramics.

Nevertheless, the long term trend of increasing demand for non-halogenated, flame-retardant fillers and in particular aluminum hydroxide is still intact, propelled by newly issued fire protection regulations around the world. Current, independent forecasts assume an annual increase in demand of worldwide 8.1% till 2014. This market growth is further stimulated by the growing public consciousness for fire safety and the ongoing replacement of potentially hazardous flame retardants with environmentally friendly, halogen-free aluminum hydroxide. This growth in demand affects fine precipitated aluminum hydroxide most of all, an area where Nabaltec is very well-positioned thanks to its investments in recent years.

In the special aluminum oxide and reactive aluminum oxide segments, the refractory market is influenced by the demand of the steel industry. In the wake of the global economic downturn, the steel industry also had to shut down capacity at the end of 2008, and only gradually started expanding capacity again end 2009. In 2009, worldwide steel production decreased by 8.4%, despite the positive economic development in China and India. Yet, long term trends, such as the improvement to the durability of refractory products required by their manufacturers (which promotes highly refined special aluminum oxide) have withstood the latest economic developments.

2.3 Overview of the course of business of the Nabaltec Group in 2009

The course of business of the Nabaltec Group in 2009 was marked by a strongly split development. The partially dramatic decrease in demand that started in Q4:2008 as a result of the world economic crisis continued unabatedly in Q1:2009 and also significantly impacted the course of business in Q2:2009. The business division 'Technical Ceramics' fought against the crisis and was initially only hit by the global decrease in demand beginning 2009.

The second half of 2009 was characterized first by the bottoming out of the crisis, then, towards year end, by slight economic growth. The comparison of the first to the second half of the year regarding order backlog, sales, revenue, and profit invariably underlines the upward trend.

Particularly, business stabilized in Q4:2009. Relative to the total operating performance, this was the strongest quarter in 2009 and also the first in which revenue exceeded that of the same period in the prior year. The turnaround could also be underlined by positive earnings development. The EBITDA was already positive as of Q2:2009 and could consequently be improved in the course of the year. Q3:2009 and Q4:2009, after adjusting for special factors, also showed a positive EBIT and at the same time an upward trend.

The development of our US subsidiary, Nashtec, played a significant role in the relative stable course of business compared to the industry as well as in the recovery in the second half of 2009. In the USA, 2008 revenue could be held stable in 2009. It proved absolutely correct to launch a second product grade in the USA. Since then, demand and sales turnover have improved even more. As of the first half of 2009, Nashtec has positive cash flows and reached break-even on operational level and on earnings before tax. In the second half of the year, production activity increased and Nashtec achieved values that, given the industry environment, were held for hardly possible.

Sales of special boehmite grades, even though still on a relatively low level, developed extremely well in 2009. Nabaltec entered a promising market and could position itself for further market penetration. Moreover, the start of production of the new product line ACTILOX® CAHC as additive for the plastics industry ran according to schedule. The new production facility in Schwandorf started operating in Q4:2009.

2.4 Development of revenue

The Nabaltec Group realized EUR 73.1 million revenue in 2009, i.e. 24.1% less compared to prior year. The decrease is mainly due to the deterioration in sales quantities of on average 31.6% across all business divisions. The positive development of sales prices could somewhat compensate lower revenue. As a consequence of increasing costs relating to energy, logistics and raw materials, Nabaltec could effectively increase sales prices. Direct exchange rate effects played a subordinated role in the development of revenue in 2009. The export share increased from 65.0% in 2008 to 69.9% in the reporting period.

In 2009, revenues of the division 'Functional Fillers' decreased by 18.5%, from EUR 61.6 million down to EUR 50.2 million. The division 'Technical Ceramic' suffered a higher decrease in revenues, 34.0% from EUR 34.7 million down to EUR 22.9 million. Both divisions were similarly affected by the economic downturn and the corresponding decrease in demand. However, given that the division 'Technical Ceramics' could maintain, to a large extent, sales at a stable level in Q4:2008 and that it was initially affected by the economic crisis only in Q1:2009, the development of the two divisions differed in 2009. The division 'Functional Fillers' was already marked by a significant decrease in demand in Q4:2008; therefore, in turn, sales stabilized sooner in 2009.

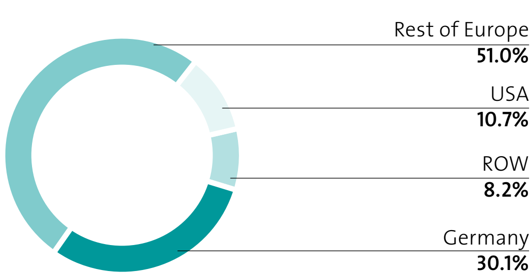
On Group level, sales clearly stabilized in the course of 2009. After drastic reductions in Q1 and Q2, sales in Q3 and Q4 were higher than in the same period prior year, or at least remained stable. As such, the sales in the second half of the year exceeded that of the first six months of 2009 by 20.8%. For the first time in Q4:2009, sales exceeded the corresponding prior year period, which however was, among others, due to the fact that the development end 2008 was already significantly negatively affected by the economic crisis and the prior year comparison was therefore respectively lower.

The gradual recovery was felt earliest for the US and Asian markets. In both regions, sales already improved in Q2:2009. The US subsidiary, Nashtec, developed very well in 2009. The share of the USA revenue mix of Nabaltec grew from 8.1% to 10.7%.

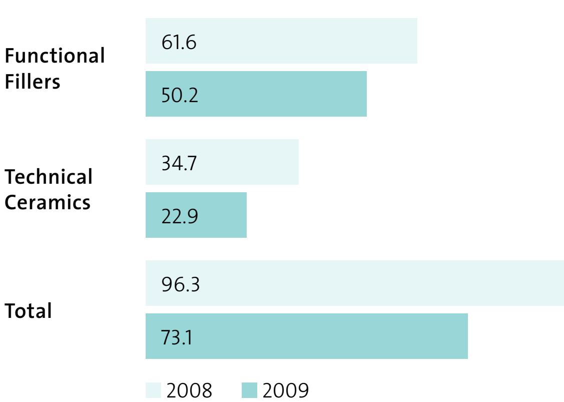
With total Group revenue of EUR 73.1 million, Nabaltec reached a revenue level similar to that of 2006 (EUR 71.6 million). In comparison to the industry, Nabaltec could sustain its position relatively well with a backslide of merely three years. According to the German Chemical Association (VCI), based on production output, the industry has been reverberated to the level of 2004.

The total order value for the financial year 2009 amounted to EUR 72.1 million compared to EUR 68.1 million in prior year.

Revenue by region 2009



Revenue by business segment
(in EUR million)



2.5 Earnings

The Nabaltec Group's total revenues amounted to EUR 71.4 million compared to EUR 100.6 million in prior year. The reason for the decrease was the reduction in revenue as well as the targeted reduction in the level of finished goods held in stock. The reduction in stock of EUR 4.3 million took place mainly within the first three quarters. Through the normalization of demand in Q4:2009, Nabaltec slightly increased stock levels above the low levels held in Q3 in order to react more flexibly to changes in demand. Capitalized own services in the amount of EUR 1.2 million include EUR 0.8 million of interest during construction.

Other operating income of EUR 1.0 million (prior year: EUR 1.9 million) primarily consists of exchange rate gains and other income from goods and services delivered to third parties.

Operational expense ratios (compared to total sales)

	2009	2008
Cost of materials	**53.4%**	57.2%
Personnel expenses	**21.8%**	17.0%
Other operating expenses	**21.0%**	18.5%

The cost-of-materials-ratio could significantly be decreased by 3.8%-points. This results mainly from lower energy prices in the USA. Simultaneously, the sales price effects realized companywide positively influenced this relation. Accordingly, the gross profit margin of 48.0% in 2009 was only slightly below that of prior year (44.8%). The absolute gross profit margin decreased in 2009 from EUR 45.1 million to EUR 34.3 million.

Personnel expenses were reduced by EUR 2.4 million by means of extensive cost-cutting measures; such as a decrease in salaries and wages of 6.67%, short-time work and a reduction in lump-sum payments. However, extraordinary additions to pension provisions in Q4: 2009 reduced the total reduction in personnel expenses to EUR 1.5 million. The personnel-expenses-ratio increased from 17.0% in priory year to 21.8% in 2009 due to the disproportionately higher decrease in total sales. The head count slightly increased from 347 as at December 31, 2008 to 349 as at December 31, 2009. Manpower needs in the business division 'Additives' were met through internal transfers.

Other operating expenses decreased from EUR 18.6 million to EUR 15.0 million. Cost reductions were realized in particular relating to contracted services in the amount of EUR 1.8 million. The development of distribution costs is largely in line with the development of sales.

Earnings before interest, tax and depreciation (EBITDA) amounted to EUR 3.7 million in 2009, while EBITDA amounted to EUR 9.3 million in prior year. Both divisions earned a positive annual EBITDA. In this regard, the stabilization and upward trend could clearly be seen in the course of the year, although both divisions' earnings were negative after the first quarter. The positive trend in the second half year in comparison to the first half was noticeable, as in the second half; EBITDA was 136.4% higher than in the first six months.

Taking into consideration the scheduled depreciation in the financial year 2009 in the amount of EUR 6.4 million, the operating result (EBIT) amounts to EUR –2.7 million compared to EUR 4.1 million in prior year. Here, too, an improvement could be noted from quarter to quarter, after adjusting for special factors. In Q4:2009, one-off special items of EUR 1.3 million were realized. These consisted of extraordinary additions to the pension provision as well as provisions for sewer rehabilitation and costs resulting from defect mill(s). Adjusted for special items, EBIT improved in the course of the year from EUR –2.0 million in the first half year to EUR 0.6 million in the second half of 2009.

Earnings before tax amounted to EUR –7.0 million (PY: EUR 1.0 million).This includes the financial result 2009 of EUR –4.3 million (PY: EUR –3.1 million), consisting of EUR 4.4 million interest expenses and EUR 0.1 million interest income. The increase in interest expenses results from higher borrowings at less attractive financing terms, which were necessary for investments.

Group earnings after non-controlling interest amounted to EUR –5.0 million (PY: EUR 1.1 million).

Functional Fillers
(in EUR million)

	2009	2008
Revenue	**50.2**	61.6
EBITDA	**2.8**	3.7
EBIT	**–1.6**	0.3
Investments	**17.2**	14.1

In 2009, revenue decreased by 18.5% in the business segment ‘Functional Fillers’. Despite a noticeable stabilization as from Q2:2009, levels could not reach those of 2008, particularly because the first half of 2008 was the most successful period in the Company’s history within this business segment. The rapid recovery proved, though, that the underlying market drivers for Nabaltec products are intact. Globally, non-halogenated, flame-retardant fillers are on the rise due to their environmental friendliness and are increasingly crowding out halogenated alternatives that have dominated the market thus far.

Revenue per quarter 2009
(in EUR million)

Also, based on EBITDA, the recovery from Q2: 2009 was observable. Cost-cutting measures and more flexibility were effective and resulted in positive earnings contribution within the last three quarters of the year. This can also be seen when comparing the two half years with each other. EBITDA, in the second half, improved by 80.0% to EUR 1.8 million compared to EUR 1.0 million in the first six months.

'Functional Fillers' was the focus of 2009 investments within the Nabaltec Group. The main reason was the construction of the new production facilities for additives. Production commenced in Q4: 2009. Significant revenue contributions are expected for 2010.

Technical Ceramics
(in EUR million)

	2009	2008
Revenue	**22.9**	34.7
EBITDA	**0.9**	5.6
EBIT	**−1.1**	3.8
Investments	**1.3**	4.7

In 2009, revenue decreased by 34.0% to EUR 22.9 million in the business segment 'Technical Ceramics'. The significantly larger deviation in revenue development compared to that of the business segment 'Functional Fillers' is, among others, due to the excellent 2008 figures. 'Technical Ceramics', then, had a very stable year with a very successful fourth quarter. Therefore, the comparison of annual revenue with that of the Group is somewhat limited. Nevertheless, a clear upward trend in 'Technical Ceramics' is observable from quarter to quarter in 2009.

Revenue per quarter 2009
(in EUR million)

Also within the business segment ‘Technical Ceramics’, revenue development based on EBITDA turned positive in the course of the year. While Q1: 2009 was still negative, the business segment attained an EBITDA of EUR 1.0 million in the last three quarters of the year, respectively, an annual EBITDA of EUR 0.9 million.

In 2009, investments in the business segment ‘Technical Ceramics’ related mainly to the optimization of technical equipment and machinery.

2.6 Financial position

2.6.1 Financial management

The Management Board is responsible for financial management, concentrating on managing Nabaltec’s capital structure, cash flow management, interest rate as well as currency hedging and financing. The US subsidiary, Nashtec, is incorporated in the Group’s liquidity management.

Thanks to the Company’s own production in the USA through her subsidiary, Nashtec, Nabaltec was able to eliminate the exchange rate effects derived from fluctuations between US-Dollar and Euro to a considerable degree. Nabaltec pursues a thorough currency hedging policy regarding any residual exchange rate risks, should market volatility or the volume of business transactions denominated in foreign currency require such measures.

Nabaltec has secured the Company’s long term financing, not least in regards to the extensive investment plan implemented in the last five year. As of the balance sheet date, the Company provided EUR 8.4 million in funds to Nashtec. Interest rates and contract terms correspond to those standards used for middle-sized enterprises, despite the harsh refinancing environment. In the case of debt financing with variable interest, Nabaltec avails itself of various interest rate hedging instruments with a middle and long term fixed interest period (interest swaps).

Nabaltec's growth is financed primarily through bank loans, and the Company takes advantage of KfW (Reconstruction Loan Corporation) and LfA program, as well as subsidies from the government of Upper Palatinate. As a result, Nabaltec has achieved a balanced debt financing structure.

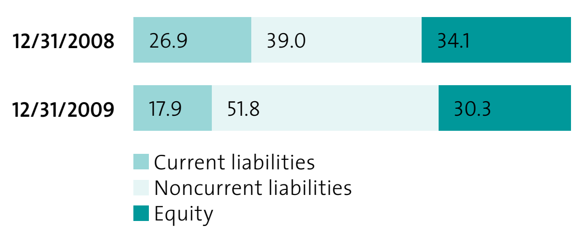
2.6.2 Financing

Shareholders' equity decreased as of 31 December 2009 due to the development of net earnings from EUR 45.1 million to EUR 40.0 million. As a result, the equity ratio decreased from 34.1% in prior year to 30.3% in 2009, which can be considered as sound compared to the industry.

Noncurrent liabilities increased in the reporting period from EUR 51.5 million to EUR 68.3 million, in particular long term payables to banks by EUR 19.8 million in order to finance investments. EUR 2.7 million of the total investment grant received from the government of Upper Palatinate was not yet used for new investments in property, plant and equipment as of the balance sheet date (December 31, 2009), and was therefore presented under 'other liabilities'.

Current liabilities decreased in the reporting period from EUR 35.6 million to EUR 23.5 million (i.e. by EUR 12.1 million). This results from Nabaltec's concerted efforts in decreasing in particular short term payables to banks as well as trade payables.

Structure of equity & liabilities
(in %)



2.6.3 Other off-balance sheet financing instruments

Nabaltec sold various technical equipment and machinery as part of a sale-and-lease-back transaction. The leases will run for another one to five years. Furthermore, Nabaltec continuously uses factoring in connection with trade receivables, in particular to minimize potential default risks. Nabaltec does not use any other financial engineering instruments.

2.6.4 Investments

In the reporting period, the Nabaltec Group invested a total amount of EUR 20.2 million. After a proportional adjustment reflecting the part of the investment

grant used in 2009, the total additions to fixed assets amounts to EUR 18.5 million. Investments focused on the division 'Additives' for the establishment of the production site in Schwandorf and new machines and equipment, particularly for the division 'Flame Fillers'. In comparison, EUR 20.4 million was invested in prior year.

2.6.5 Cash flow

Despite the difficult course of business and declined earnings, the Nabaltec Group could generate a positive cash flow. Cash flow from operating activities amounts to EUR 4.6 million (prior year: EUR 3.7 million). Extraordinary factors included optimizing working capital by decreasing stock levels in the amount of EUR 9.2 million. On the other hand, cash flow decreased by EUR 10.5 million due to the reduction of trade payables as well as the redemption of draw-downs of disposable funds on current accounts.

Cash flow from investment activities amounted to EUR –20.3 million in the reporting period compared to that of prior year amounting to EUR –16.3 million, including the proportionate write-down of the investment grants received from the government of Upper Palatinate. Based on the additions, investments were on a similar level for 2009 and 2008. In the financial year 2009, Nabaltec's extensive investment program that accumulated to a total amount of approximately EUR 100 million within the last five years almost reached completion. The last major milestone was the new CAHC production facility in Schwandorf. Construction completion and commissioning took place in Q4: 2009.

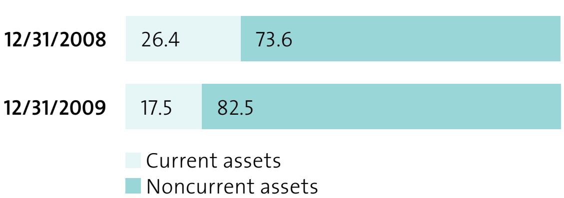
Cash flow from financing activities increased from EUR 12.7 million in 2008 to EUR 14.4 million in the reporting period. Especially new credit lines in the amount of EUR 22.7 million resulted in this increase. Simultaneously, EUR 2.8 million of loans was redeemed and interest expenses of approximately EUR 4.5 million were paid.

The Nabaltec Group's total cash and cash equivalents as at December 31, 2009 amounted to EUR 0.5 million compared to EUR 1.9 million in prior year.

2.7 Asset position

The Nabaltec Group's total assets of EUR 131.8 million as of December 31, 2009 remained largely stable compared to prior year's value amounting to EUR 132.2 million.

Structure of assets
(in %)



On the asset side, noncurrent assets also increased significantly in 2009 by EUR 11.6 million (12.0%) to EUR 108.5 million. This increase is primarily attributable to investments in technical equipment and machinery, in infrastructure improvements and optimizing production processes in the amount of EUR 18.5 million.

Current assets were marked by the directed reduction in the level of inventories held in stock.

3. Non-financial performance indicators

3.1 Employees

End 2009, the Nabaltec Group employed in total 349 employees (December 31, 2008: 347). Thereof, 348 employees (December 31, 2008: 346) were employed in Germany. This figure includes 38 trainees (December 31, 2008: 32). Nabaltec sets a high value on sound professional training. Therefore, also in 2009, the rate of trainees of 10.9% traditionally presents a significantly large portion of the workforce. So doing, Nabaltec slightly increased this rate in 2009 and, as in prior years, far exceeded the industry average. Nabaltec trainees typically count to the best of the class. The Company is currently offering training positions for industrial clerks, IT clerks, chemical laboratory technicians, chemists, electrical mechanics specialists and industrial mechanics specialists.

In order to promote safety-consciousness among all of its employees and to simplify implementation of statutory and trade association requirements, the Company decided in 2007, in addition to its existing quality and environmental management systems in accordance with ISO 9001:2008 and ISO 14001:2004, to introduce a work and health management system in compliance with BS OHSAS 18001:2007 (British Standard Occupational Health and Safety Assessment Series). In 2009, an extensive monitoring audit for the quality management system based on ISO 9001:2008 was conducted. Also, the environment management system (ISO 14001:2004) as well as the work and health management system (BS OHSAS 18001:2007) was newly accredited. In the reporting period, Nabaltec AG's production facilities in Kelheim were

certified in regards to quality, environment and health protection; the accreditation based on ISO 9001:2008 was already successfully performed for the subsidiary, Nashtec, USA.

In addition, Nabaltec AG's laboratory services are accredited under the DIN EN ISO/IEC 17025:2005 standard.

In the past, Nabaltec AG regularly belonged to the 100 best employers in the German middle market, according to the national multi-sector company comparison, 'TOP JOB'. Such distinctions indicate how seriously the Company takes its responsibility toward her employees. Safeguarding of jobs had a high priority during the economic crisis 2009. All employees significantly contributed toward job preservation through voluntary reduction of salaries and wages and short-time work. Nabaltec's central concern is to offer her employees company-internal perspectives and opportunities for further development in order to enhance and strengthen the employees' corporate identity, commitment and involvement.

3.2 Research and development

Research and development activities play a central role within the context of Nabaltec AG's overall strategy. An essential element within the R&D strategy is the close collaboration with customers and our joint development efforts. In all our business divisions, the goal is clearly defined: offering customers superior quality and processing advantages so as to support them in securing their competitive advantage. As a leading supplier of highly specialized products, we consider research and development to be one of our core competencies.

The close collaboration with customers is incorporated throughout all our divisions and processes. Hands-on marketing is required to define our clients' specific needs and to ensure that these are directly taken into account in our development activities. The same holds for client feedback regarding new product developments, but also regarding existing products; this feedback also directly finds consideration in our development activities. So doing, Nabaltec can quickly identify and actively promote new trends.

Parallel, Nabaltec has set the goal within the development activities of continuously optimizing our own production processes and, thereby, forming a basis for the improvement of our market position; an example of which is the optimization of energy use as a fundamental driver for manifold R&D projects.

Our historically grown in-house expertise is effectively supplemented in some areas by joint projects and collaborations with universities, public and private institutions, as well as research and technology companies. Our research partners currently include the Institute of Plastics Processing at RWTH Aachen University, the German Plastics Institute in Darmstadt, the Fraunhofer Institute for Ceramic Technologies and Systems in Dresden, the Technical University of Dresden and the Paper Technology Foundation in Munich. Nabaltec emphasizes innovation by participating in projects of the German Federation of Industrial Research Associations and the Federal Ministry of Education and Research in both of our divisions.

Our strong commitment to research and development is expressed in various national and international awards and distinctions. For example, the Company, for the fourth time, belonged to Germany's 'Top 100' innovative small and medium sized companies in the 17th edition of the renowned competition. Nabaltec impressed the judges with its systematic, well-thought-out and successful innovation management system, and was awarded the sought-after 'Top 100' seal by Lothar Späth, former Prime Minister of Baden-Württemberg.

Besides, Nabaltac was awarded the 'Global High Performance Fillers Growth Strategy Leadership Award' by the renowned and globally operating market survey institute Frost & Sullivan. The analysts of Frost & Sullivan emphasized that, in particular, the integration of a philosophy of innovation with customer focused research and global presence provides a strong foundation on which Nabaltec can further build and expand. 'Innovative and timely expansion of Nabaltec's product line according to customer needs sets the Company apart from its competitors [...]', according to Frost & Sullivan.

Currently, the focus of our research and development activities lies above all in further developing and enhancing existing products and processes. The requirements are defined by the continuously changing customer and market demands. It is of utmost importance to meet these requirements and thereby simultaneously expand and realign the boundaries of our own product range within our target markets.

The R&D focus on additives and boehmite in the last two years will be continued even after the successful product launch in 2009. Now, the central point will be the further development of grades, the identification and acquisition of new fields of operation.

In 2009, the following developments played a central role in the 'Functional Fillers' division:

The market for non-halogenated flame retardants still has considerable growth potential, particularly for innovative and environmentally friendly products. Halogenated products are being replaced by non-halogenated, and large companies in the consumer-electronics sector emphasize the environmental friendliness of their products through pertinent marketing slogans. So doing, these companies publicly avow themselves to such products and promote this trend. An additional development trend is the promotion of flame retardants in public transport vehicles such as busses, which up till today are not equipped with such fire protection.

In the field of classical mineral flame retardants, such as APYRAL®, existing products are modified in co-ordination with our customers as well as in accordance with new application requirements, e.g. in the cable & wire industry. An example of such projects is the optimization of the grain size distribution. In this regard, special attention is always given to achieving optimal characteristics of finished products with improved fire protection.

In order to access new areas of application, additional special fillers are being developed on submicron level, such as ACTILOX® AS. Research and development goals entail achieving anti-settling characters and fire protection synergies in unsaturated polyester resins.

Nabaltec AG developed new APYRAL® products for the innovative RTM (Resin Transfer Molding) process engineering. The process performance of these new products can be ideally adjusted, permitting the Company to attend to this future market accordingly.

In the field of the electrical and electronics industry (E&E industry), Nabaltec has intensively forged the development of applications. For instance, customer approvals were recently obtained in the area of conductor boards through the precision tuning of new APYRAL®-AOH products. Further approvals are currently in preparation or are already in process.

Nabaltec AG performs application development for technical thermoplastic and fire protection plastics, in which mineral flame retardants have to date not been applied, e.g. special fine grades of APYRAL® AOH

und ACTILOX® (boehmite). Regarding new trends in environmental engineering, we are currently in the process of developing new substances for energy storage in alternative drive concepts.

The 'Technical Ceramics' division's largest market segment (the refractory industry) is characterized by an unbowed trend regarding the development and application of monolithic feeds. The characteristics of the required refractory concrete are significantly impacted by the performance of the applied fine components, particularly of aluminum oxide. Thus, prior development activities regarding this area of application were continued and the product portfolio for reactive alumina was successfully expanded by new products with even better performance capabilities.

Furthermore, development projects regarding modified mullet grades and other optimized special alumina were conducted in collaboration with customers and institutes.

In intensive co-operation with end users, spray dried aluminum oxide (GRANALOX®) was further developed. In addition to the customer-specific development and adjustments, new products in the substance categories of pure and transformed aluminum oxide were introduced to the market.

3.3 Customer relations

Prerequisite for our market success are products of the highest quality, developed, optimized and delivered in large number of units over a long period of time based on specific customer needs. The Company's products are continuously geared so as to help her customers make safer, environmentally friendlier, more robust and competitive products and simultaneously optimize customer production processes. Therefore, joint development projects as well as business relations result in long term supply contracts and sustainable co-operations. Our objective of attaining a market position among the first three leading suppliers in each of the global market segments, is above all, only achievable through close collaboration with our clients and, at the same time, guarantees our customers the utmost reliability and best availability.

3.4 Environmental protection

We require our own products to significantly contribute toward environmental protection and toward the improvement of the eco balances of a multitude of products. The increasing significance of environmental protection is one of the most important drivers for the global market success

of Nabaltec products. For instance, they replace plumbiferous additives in plastics. In this respect, it is of central importance that research and development, production as well as up and downstream logistics are conducted as environmentally friendly as possible. The conservation of natural resources is of central concern for Nabaltec and a prerequisite for the social acceptance of the Company. Nabaltec AG actively accepts responsibility for the environment, and this commitment extends well beyond its own sites.

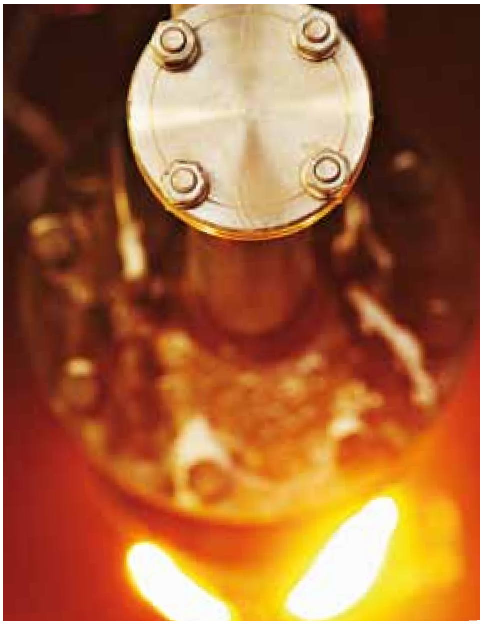
Nabaltec places special emphasis on optimizing energy processes in production, both for environmental reasons and as a means of cutting costs. Through joint efforts with external partners, we have developed techniques requiring much less process energy, leading to a substantial reduction in CO_2 emissions. In general, we endeavor to develop production processes with a closed-circuit for all production facilities. One of the milestones in this regard is the new CAHC facility in Schwandorf that operates entirely without any production wastewater and has a closed water circuit. Also, regarding the exposure to chemicals, e.g. sodium hydroxide solution, which is required for the production of fine hydroxide, it is consequently sought to prevent the dispersion thereof into the environment. Rather, it is ensured that such chemicals are used entirely in a closed production cycle and can be reused. In collaboration with the refuse utilization association in Schwandorf, an essential part of Nabaltec's energy needs are covered by renewable energy.

4. Risk report

4.1 Risik management

For the Nabaltec Group, the relevance of risk management is derived from the entrepreneurial activities as well as the global activities within the corresponding international competitive and regulatory environments and the complexities of the global economy. This inseparably goes hand in hand with risks and opportunities. Our success considerably depends on recognizing such risks and opportunities as well as dealing with these consciously and on bringing risks under control. Effective risk management is a core element for securing the Company long term, its economic success in international markets and for its successful, sustainable future development.

In 2009, we took additional measures to further develop the risk management within the Company. The continuous further development of risk prevention instruments across all fields enables the early identification and elimination of business



risks. Integral elements consist of risk management as a continuous process, risk controlling, extensive communication and documentation as well as an internal monitoring system. All visible internal and external risks are, as far as possible, captured, documented, evaluated and embedded in a risk matrix. This risk matrix represents the basis for the valuation of potential risks and for the identification of key risks.

The starting point of the actual risk management processes at Nabaltec is the identification and evaluation of various types of risks and risk profiles that are monitored and controlled by Controlling. Reports on business risks as well as continuous status reports are prepared for and discussed by Management. An important component is also the comprehensive operational budget including targets, regularly supplemented with forecasts.

Nabaltec has implemented a strategic planning system in order to take advantage of intermediate and long term opportunities and identify risks. All relevant units are involved in the strategy development process. Risks arising from competition, anti-trust, 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 as well as involvement in international professional committees.

Risk management also includes routinely testing the efficiency of applied hedging instruments and the reliability of controlling systems. There is insurance coverage for casualty and liability risks, thus limiting the financial consequences for the Company's liquidity, financial position and earnings as well as preventing situations that could jeopardize the continued existence of the Company.

4.2 Risks regarding future development

Sales Market Risk

For both business divisions, the economic environment in 2009 was marked by strong reservation and uncertainty in the financial as well as the commodity markets. In spite of a more flexible and adjusted cost structure and capacities, high fluctuations in demand, such as incurred beginning 2009, include drastic quantity and margin risks. Additional sales risks include the potential loss of significant key accounts, loss of market share due to technological innovation or the

encroachment of competitors. Thanks to our strong market position as innovation and quality leader, such risks can be confined and the corresponding market mechanisms can, at the same time, be used as an opportunity within global competition.

From today's perspective, there are no risks for existing products relating to the enacted European REACH regulation, effective July 1, 2007. In order to meet the high requirements set by REACH and to assess possible restrictions on new products, the Company has created an in-house REACH office. By joining an industry consortium, the risk of higher registration costs can be counteracted.

Procurement Market Risk

In light of recent economic development, we monitor our suppliers' economic situation very closely and have alternatives for all products. For the procurement of raw materials, Nabaltec operates on the basis of intermediate and long term contracts. The supply of the most important media, electricity, gas and vapor for the production process is also ensured by long term agreements. Given the current level of capacity, there do not appear to be any bottlenecks expected in the intermediate term. In the case of strong growth, Nabaltec disposes of alternative scenarios and preliminary considerations to cover rising energy needs at attractive conditions. An additional risk is the more than proportional increase in logistics costs. On the one hand, Nabaltec can counter this risk by passing on more logistic costs to the customers, and on the other hand, by finding a balanced logistics mix. For example, we dispose of our own side track, which makes transport per rail very attractive.

Financial Market Risks

If necessary, exchange rate risks are restricted by hedging instruments covering US Dollar risks. In the case of intermediate term financing, interest risks are hedged by swaps or credit agreements with fixed interest rates are entered into. Nabaltec AG as well as her USA subsidiary have at their disposal a detailed financial and liquidity budget. Variance analyses are performed periodically. If additional liquidity is deemed necessary, the appropriate financing measures are taken. Potential risks resulting from the financial crisis that led to a more restrictive credit grant from banks, are countered by Nabaltac through long term bank loans, also from federally owned banks that are appropriately collateralized. Interest rate fluctuations are partially covered by hedge instruments. The credit agreements are partially subject to covenants that are, among others, oriented

toward leverage coverage ratios as well as the equity ratio. In the case of non-compliance, the lender is eligible to increase the interest margin or make use of his extraordinary right to terminate the contract. In the reporting period 2009, covenants were not adhered to. The Management Board is currently in negotiations with the respective banks.

Through the introduction of factoring in 2002, the secured portion of receivables could be increased and the Company's liquidity could be clearly improved.

Personnel Risks

The fluctuation of employees in key positions gives rise to personnel risks. We respond to these risks through various measures: intensive training/education and management trainee programs to enhance the qualification of employees, performance-based remuneration, an employee substitution ruling that regulates the temporary replacement of key employees, and early advance plans for successors. Furthermore, the Company offers good professional prospects and training possibilities. For Nabaltec, personnel opportunities result from the recruitment of proven experts. Our market position, the earned reputation in the industry, the high degree of reliability and the well-known focus in our research and development activities contribute toward making Nabaltec an attractive employer within its own market segments.

Production, Process and IT Risks

Nabaltec disposes of an integrated quality management system with ISO 9001:2008 accreditation that is put to practice companywide. Therefore, Nabaltec considers the production-specific risks as manageable. Regarding IT applications that are critical for the business, Nabaltec AG relies on standard programs and the redundant design of high-quality hardware. Through regular verification of the access structure, data protection is guaranteed. Data security is based on appropriate, well-established techniques.

Environmental Risks

Environmental risks can arise from the transgression of admissible thresholds for noise and dust exposure or through the emission of hazardous substances. Nabaltec mitigates these risks by means of extensive environmental management based on ISO 14001:2004, which is accredited and is periodically further developed and audited. Nabaltec's production processes are based on closed circuits, e.g. for water and lye.

Technological Risks

Potential technological risks could result from customers substituting Nabaltec products due to a change in technology, from the disuse of newer technology or from not recognizing technological development. As the innovation leader, we try to minimize these risks by engaging in continuous and intensive research and development efforts, by maintaining customer proximity and by integrating marketing and R&D structures. Nabaltec considers technological development as a source of opportunity to generate a competitive edge with product quality by accessing new market through fast-pace product adjustments and by generating process and quality advantages together with our clients; thereby, setting the stage for economic success.

Regulatory Risks

Changes within the legal framework, could lead to risks for Nabaltec. Currently, regulatory changes provide additional market opportunities – and this trend will not reverse in the medium and long term. This trend is underlined by the sustained global enforcement of environmentally friendly products, such as ours, whose cycle of matter does not include environmentally harmful materials.

4.3 Overall risk

Due to our continuous surveillance of relevant markets, as described above, as well as our constant efforts to improve our products and adapt to the needs of existing and potential customers, the Company's future development is currently not exposed to any risks. In general, the Company's risks are well-managed and their potential impact is therefore limited. The Company's future existence is secure.

5. Declaration of Corporate Governance

The activities of Nabaltec AG's executive and supervisory committees are governed by the principles of responsible management. Since the Company is listed in the Entry Standard of the Frankfurt stock exchange, the Management Board voluntarily reports on the corporate management and governance in the form of a Declaration of Corporate Governance in accordance with Section 289a Paragraph 1 of the German Commercial Code (HGB) and Paragraph 3.10 of the German Corporate Governance Codex. The declaration is published on the Company's website www.nabaltec.de under Investor Relations/Corporate Governance.

6. Subsequent events

Thus far, Nabaltec AG held 51% of the shares in Nashtec Management Corp. and 51% of the shares in Nashtec L.P. (USA) (directly 50.49% and indirectly 1% via Nashtec Management Corp., as general partner) in the form of a joint venture. Effective January 1, 2010, the corporate structure was amended. Nashtec Management Corp. was liquidated; Nashtec L.P. was transformed into an LLC so that Nabaltec AG now directly owns 51% of the shares in Nashtec LLC. The remaining 49% are directly held by Sherwin Alumina.

No further events took place subsequent to December 31, 2009.

7. Outlook

In spite of the challenging economic setting, we anticipate an upturn in demand for our products thanks to fundamental trends, such as environmental protection, increasing safety standards and the economic imperative to continuously improve customer processes.

Nabaltec is a leader in quality and innovation and belongs to the market leaders in her own target markets. Nabaltec AG could yet again effectively prove her reliability as stable partner in the market in 2009. The approval process for the Company's own products could be successfully finalized by a number of market participants, who up to now did not belong or only partly belonged to Nabaltec's client portfolio.

This could form the basis for an expansion of the customer structure in 2010 and subsequent years. The Company is well-positioned in order to positively develop in close collaboration with customers in more stable markets.

7.1. Economic activity & industry

As forecast by the IMF (International Monetary Fund), the national economies most relevant to Nabaltec are expected to recover somewhat. Dampened growth in the economic performance of the EURO region is expected; namely 1.0% in 2010 and 1.6% in 2011. Germany is expected to perform slightly better. In the USA, the economy will recover even quicker. China and India will set forth their economic growth.

Economic Growth Forecast

in %	2010	2011
World	3.9	4.3
USA	2.7	2.4
EURO Region	1.0	1.6
Germany	1.5	1.9
France	1.4	1.7
Italy	1.0	1.3
Spain	−0.6	0.9
Great Britain	1.3	2.7
Japan	1.7	2.2
China	10.0	9.7
India	7.7	7.8

Source: IMF, World Economic Outlook, January 2010

The forecasts regarding the German chemical industry expect a clear stabilization. The German Chemical Association, VCI, assumes annual revenue growth of approximately 6%. The price level shall remain stable or even increase slightly. The association's confidence is drawn from member-company surveys, a noticeable suspension of short-time work and already extended production in plastics processing and automobile manufacturing.

7.2 Management outlook

For 2010, Nabaltec anticipates demand to steady. The high volatility and short term nature of business that was felt in Q4:2009, when customers minimized their levels of inventories held on stock at year end, shall drastically abate.

Regionally, Nabaltec expects the continuation of the stable revenue development seen in 2009 in the USA. And particularly the Asian market is expected to raise additional impulses. For instance, the Indian demand impulses for non-halogenated fire protection are likely to even exceed those of China. The Company foresees slight growth for Germany and Europe due to stabilizing demand.

With its patented CD technology, Nabaltec AG is extremely well-positioned for future development in the market for non-halogenated fire protection. This was underlined by the successful launch of two CD qualities in the USA in 2009. The positive properties of fine precipitated ATH have begun to capture the industry's attention in recent years and are gradually resulting in the substitution of other materials. And, they have led to changeovers in product development and production in the downstream industry.

The Company's product range, which is based on CD technology, is being further expanded in order to offer processing advantages to customers in additional processing areas and target markets as well. The cable & wire and insulation markets, the principal consumers of the fine hydroxides produced by the 'Functional Fillers' division, are highly dependent on the construction sector. Therefore, in the medium term, these markets will not be growth drivers. In contrast, growth impulses are expected in the short term from the application segments in the low voltage range, in telecommunication and in IT. The signs of recovery in the market for non-halogenated fire protection are clear to see. The economic stimulus package initiated in 2009 by governments not only in Europe but also in the USA and Asia continue having an effect. This expectation is additionally supported by the development in legislation and the ever stricter fire protection regulations that are expediting the changeover from halogenated to non-halogenated flame retardants in the industry. For example, new market surveys in 2009 prognosticate a market growth of annually 8.1% up until 2014 for non-halogenated fire protection.

One of our focuses for 2010 and 2011 is the successful development and expansion of the business areas 'Additives' and special boehmite qualities that newly commenced in 2009. Nabaltec sees opportunities for growth in the additives market, where the replacement of stabilizers containing heavy metals with environmentally friendly alternatives is promoted by international regulations. The product line developed and patented by Nabaltec AG that can replace toxic lead compounds in plastic mixtures, and can be used as a heat stabilizer, has successfully undergone several approval processes by future key customers. In 2010, the basis for potential revenue will be further broadened.

A similar focus will be adopted for boehmite used by the electronics industry. After initial success in 2009, here, too, the emphasis lies in gradually accessing the

markets and successively acquiring suppliers in the electronics market, respectively, finalizing the approval procedures for Nabaltec products. The global market potential in this segment is tremendous, given the changeover in the electronics industry toward non-halogenated flame retardants in conductor boards. Therefore, Nabaltec's objective for 2010 and 2011 is to take in a strategic imminent market position, acquire key customers particularly in Korea and Japan, and so doing fully anchor its environmentally friendly and high performance product solutions in the market.

The market for technical ceramics and refractory products are significantly dependent on the worldwide production of steel. Subsequent to a partly dramatic downturn in 2009, the market is expected to clearly stabilize in 2010. The British market research firm, MEPS, even forecasts a growth in quantities of 11.1%. A number of international steel manufacturers already announced in the second half of 2009 the step-by-step reactivation of shut down production capacities. We expect a somewhat delayed response from our refractory customers in the form of higher order volume. In particular, the future demand for high-quality aluminum oxide products will continue to increase, since the service life of refractory products can only be extended through these.

Regarding ceramic bodies, Nabaltec likewise assumes an intact market and a positive future development. Protection of passengers and vehicular protection are the main application areas for these products, and is gaining in worldwide importance.

7.3 Expected earnings and financial position

Given market determining factors that are principally intact in the individual target markets, Nabaltec expects revenue growth in the low, two-digit percentage range for 2010.

Compared to prior year, Nabaltec AG will evidently decrease its investments and increase free cash flow in 2010. The last major milestone within the extensive investment program implemented in the last five years was the new CAHC production facility in Schwandorf. In 2010, project measures entail approximately EUR 3.0 million in new investments.

Regarding personnel expenses, the Company will seek to increase flexibility by taking advantage of the short-time work in 2010. Simultaneously, we plan to maintain a stable level of workforce.

Furthermore, total production costs shall be optimized in 2010 in as far as Nabaltec can increase flexibility

and variably adjust capacities. In 2008 and 2009, preparatory work was performed to improve all processes in the supply chain to react quickly and variably to fluctuations in demand relative to the industry.

In 2010, depreciation expenses will increase according to plan, reflecting the extensive investments in fixed assets. Interest expenses will prospectively sum to an amount of approximately EUR 5.0 million in 2010. The systematic redemption of loans in 2010 will slightly increase in comparison to 2009.

We currently expect our markets to resume their course of growth in 2010. Our objective is revenue growth in the low, two-digit percentage range and improved earnings compared to 2009, with break-even on the level of the operational result.

Note with respect to uncertainties in the outlook:

The statements and information with respect to future developments stated above are based on current expectations as well as certain assumptions. They therefore involve a number of risks and uncertainties. A large number of factors, a significant part of which is not under the Group's control, affect future sales and earnings. As a result, actual results may deviate from the statements and forecasts made in this report.

Schwandorf, March 5, 2010

Nabaltec AG
The Management Board

Johannes Heckmann

Gerhard Witzany

CONSOLIDATED FINANCIAL STATEMENTS

for the financial year January 1, 2009 through December 31, 2009

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Consolidated Statement of Comprehensive Income

for the financial year from January 1, 2009 through December 31, 2009

Consolidated Statement of Comprehensive Income			
in EUR 000	Notes	**01/01 – 12/31/2009**	01/01 – 12/31/2008
Revenue	5.1	**73,060**	96,277
Increase in unfinished and finished products		**–2,867**	4,115
Other own services capitalized	5.2	**1,161**	253
Total performance		**71,354**	**100,645**
Other operating income	5.3	**1,027**	1,935
Cost of materials	5.4	**–38,061**	–57,528
Gross profit		**34,320**	**45,052**
Personnel expenses	5.5	**–15,595**	–17,109
Depreciation and amortization	5.7	**–6,441**	–5,190
Other operating expenses	5.8	**–14,992**	–18,625
Operating result (EBIT)		**–2,708**	**4,128**
Interest and similar income	5.10	**119**	587
Interest and similar expenses	5.11	**–4,442**	–3,674
Result from ordinary operations (EBT)		**–7,031**	**1,041**
Income taxes	5.12	**1,666**	–1,223
Consolidated result after taxes		**–5,365**	**–182**
thereof attributable to			
Shareholders of the parent company		**–5,047**	1,126
Non-controlling interests		**–318**	–1,308
Consolidated result after taxes		**–5,365**	**–182**
Earnings per share (in EUR)	7.5	**–0.63**	**0.14**

Consolidated Statement of Comprehensive Income			
in EUR 000	Notes	**01/01 – 12/31/2009**	01/01 – 12/31/2008
Consolidated result after taxes		**–5,365**	**–182**
Foreign Currency Translation (after taxes)		**–63**	**84**
Net Result from Hedge Accounting (after taxes)		**420**	**–1,380**
Other result		**357**	**–1,296**
thereof attributable to			
Shareholders of the parent company		**36**	**–448**
Non-controlling interests		**321**	**–848**
Consolidated result after taxes		**–5,008**	**–1,478**
thereof attributable to			
Shareholders of the parent company		**–5,011**	**678**
Non-controlling interests		**3**	**–2,156**

Consolidated Balance Sheet

at December 31, 2009

ASSETS

in EUR 000	Notes	12/31/2009	12/31/2008
Noncurrent assets		**108,702**	**97,292**
Intangible assets			
Concessions, industrial property rights and similar rights and assets,as well as licenses to such rights and assets (including advance payments)	6.1	**233**	364
Property, plant and equipment		**108,469**	96,928
Land, leasehold rights and buildings on non-owned land	6.2	**30,676**	27,250
Technical equipment, plant and machinery	6.2	**74,856**	56,057
Other fixtures, fittings and equipment	6.2	**2,239**	2,373
Advance payments and plant and machinery under construction	6.2	**698**	11,248
Current assets		**23,109**	**34,869**
Inventories		**19,213**	28,408
Raw materials and supplies	6.3	**10,180**	16,552
Unfinished goods	6.3	**187**	569
Finished products and merchandise	6.3	**8,846**	11,287
Trade receivables and other assets		**3,399**	4,519
Trade receivables	6.4	**499**	1,303
Income tax claims	6.5	**248**	0
Other assets	6.6	**2,652**	3,216
Cash and cash equivalents	6.7	**497**	1,942
Total Assets		**131,811**	**132,161**

EQUITY & LIABILITIES

in EUR 000	Notes	12/31/2009	12/31/2008
Equity		**40,043**	**45,051**
Subscribed capital	6.8	**8,000**	8,000
Capital reserve	6.8	**29,764**	29,764
Earnings reserves	6.8	**9,707**	9,707
Profit/loss carried forward	6.8	**2,520**	1,394
Consolidated result after taxes		**–5,047**	1,126
Accumulated other comprehensive result	6.8	**–898**	–934
Non-controlling interests	6.8	**–4,003**	–4,006
Noncurrent liabilities		**68,266**	**51,501**
Pension provisions	6.9	**11,078**	9,643
Payables to banks	6.10	**47,197**	27,377
Profit participation capital	6.10	**4,927**	4,902
Liabilities from finance lease	6.10	**319**	1,269
Deferred tax liabilities	5.12	**2,076**	3,943
Other liabilities	6.10	**2,669**	4,367
Current liabilities		**23,502**	**35,609**
Income tax payable	6.10	**480**	608
Other provisions	6.9	**868**	930
Payables to banks	6.10	**4,737**	10,236
Trade payables	6.10	**6,066**	9,497
Liabilities from finance lease	6.10	**958**	1,093
Other liabilities	6.10	**10,393**	13,245
Total equity & liabilities		**131,811**	**132,161**

Consolidated Cash Flow Statement

for the financial year from January 1, 2009 through December 31, 2009

in EUR 000		Notes	01/01 – 12/31/2009	01/01 – 12/31/2008
Cash flow from operating activities				
Period profit before taxes			**–7,031**	**1,041**
+	Depreciation and amortization	5.7	**6,441**	5,190
–/+	Gain/loss from asset disposals		**10**	–13
–	Interest income	5.10	**–119**	–587
+	Interest expenses	5.11	**4,442**	3,674
Operating profit before working capital changes			**3,743**	**9,305**
+/–	Increase/decrease in provisions		**1,373**	–561
–/+	Increase/decrease in trade receivables and other assets not attributable to investing or financing activity		**1,369**	2,793
+/–	Decrease/increase in inventories		**9,195**	–10,558
+/–	Increase/decrease in trade payables and other liabilities, not attributable to investment or financing activity		**–10,536**	3,089
Cash flow from operating activities before taxes			**5,144**	**4,068**
–	Income taxes paid		**–579**	–321
Cash flow from operating activities			**4,565**	**3,747**

in EUR 000		Notes	01/01 – 12/31/2009	01/01 – 12/31/2008
Cash flow from investing activities				
+	Cash received from disposals of property, plant and equipment		**3**	78
–	Cash paid for purchases in property, plant and equipment	6.2	**–20,404**	–21,482
+	Cash received from investment grants		**0**	6,000
+	Cash received from returning intangible assets		**73**	0
–	Cash paid for investments related to sale-and-lease-back transactions		**0**	–809
–	Cash paid for investments in intangible assets	6.1	**–8**	–116
Cash flow from investing activities			**–20,336**	**–16,329**
Cash flow from financing activities				
–	Dividend distributed to shareholders	6.8	**0**	–800
+	Cash received from disposals of assets under sale-and-lease-back transactions	6.10	**0**	7,872
+	Cash received from financial loans	6.10	**22,699**	12,433
–	Cash rendered for payment of financial loans	6.10	**–2,842**	–2,578
–	Cash rendered for liabilities from finance lease	6.10	**–1,085**	–1,038
–	Interest paid		**–4,519**	–3,734
+	Interest received		**119**	587
Cash flow from financing activities			**14,372**	**12,742**
Net change in cash and cash equivalents			**–1,399**	**160**
Effects of exchange rate changes on the balance of cash held in foreign currencies			**–46**	106
Cash and cash equivalents at the beginning of the year		6.7	**1,942**	1,676
Cash and cash equivalents at the end of the year		6.7	**497**	**1,942**

Consolidated Statement of Changes in Equity

for the financial year January 1, 2009 through December 31, 2009

	Equity attributable to shareholders of Nabaltec AG		
in EUR 000	Subscribed Capital	Capital reserve	Earnings reserves
Balance per 01/01/2008	**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	–	–	–
Profit distribution	–	–	–
Balance per 12/31/2008	**8,000**	**29,764**	**9,707**
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 12/31/2009	**8,000**	**29,764**	**9,707**

Profit carried forward	Accumulated other comprehensive result	Total	Non-controlling interests	Consolidated equity
2,194	**−486**	**49,179**	**−1,850**	**47,329**
	249	**249**	−165	**84**
–	−697	**−697**	−683	**−1,380**
–	**−448**	**−448**	**−848**	**−1,296**
1,126	–	1,126	−1,308	−182
1,126	**−448**	**678**	**−2,156**	**−1,478**
−800	–	**−800**	–	**−800**
2,520	**−934**	**49,057**	**−4,006**	**45,051**
2,520	**−934**	**49,057**	**−4,006**	**45,051**
	−176	**−176**	113	**−63**
	212	**212**	208	**420**
	36	**36**	**321**	**357**
−5,047		**−5,047**	−318	**−5,365**
−5,047	**36**	**−5,011**	**3**	**−5,008**
−2,527	**−898**	**44,046**	**−4,003**	**40,043**

Consolidated Statement of Changes in noncurrent Assets

for the financial year from January 1, 2009 through December 31, 2009

	Historical Cost					
in EUR 000	**Balance per 01/01/2009**	Additions	Disposals	Transfers	Foreign Exchange Rate Differences	**Balance per 12/31/2009**
Intangible assets	**2,137**	8	**73**	–	–	**2,072**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	**1,999**	8	–	–	–	**2,007**
Advance payments	**138**	–	73	–	–	**65**
Property, plant and equipment	**122,546**	**18,497**	**78**	–	**–689**	**140,276**
Land, leasehold rights and buildings on non-freehold land	**29,280**	2,489	–	2,128	–200	**33,697**
Technical equipment, plant and machinery	**76,114**	15,205	43	8,832	–471	**99,637**
Other fixtures, fittings and equipment	**5,904**	322	35	71	–18	**6,244**
Advance payments as well as plants and machinery under construction	**11,248**	481	–	–11,031	–	**698**
Total noncurrent assets	**124,683**	**18,505**	**151**	–	**–689**	**142,348**

for the financial year from January 1, 2008 through December 31, 2008

	Historical Cost					
in EUR 000	**Balance per 01/01/2008**	Additions	Disposals	Transfers	Foreign Exchange Rate Differences	**Balance per 12/31/2008**
Intangible assets	**1,982**	117	–	**38**	–	**2,137**
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	**1,864**	97	–	38	–	**1,999**
Advance payments	**118**	20	–	–	–	**138**
Property, plant and equipment	**103,173**	**18,641**	**361**	**–38**	**1,131**	**122,546**
Land, leasehold rights and buildings on non-freehold land	**25,203**	1,043	–	2,724	310	**29,280**
Technical equipment, plant and machinery	**57,362**	4,860	175	13,275	792	**76,114**
Other fixtures, fittings and equipment	**5,225**	771	186	65	29	**5,904**
Advance payments as well as plants and machinery under construction	**15,383**	11,967	–	–16,102	–	**11,248**
Total noncurrent assets	**105,155**	**18,758**	**361**	**0**	**1,131**	**124,683**

Cumulative Depreciation/Amortization					Book Value	
Balance per 01/01/2009	Additions	Disposals	Foreign Exchange Rate Differences	**Balance per 12/31/2009**	**Balance per 12/31/2009**	Balance per 12/31/2008
1,773	**66**	**–**	**–**	**1,839**	**233**	**364**
1,773	66	–	–	**1,839**	**168**	226
–	–	–	–	**–**	**65**	138
25,618	**6,375**	**65**	**–121**	**31,807**	**108,469**	**96,928**
2,030	1,017	–	–26	**3,021**	**30,676**	27,250
20,057	4,842	35	–83	**24,781**	**74,856**	56,057
3,531	516	30	–12	**4,005**	**2,239**	2,373
–	–	–	–	**–**	**698**	11,248
27,391	**6,441**	**65**	**–121**	**33,646**	**108,702**	**97,292**

Cumulative Depreciation/Amortization					Book Value	
Balance per 01/01/2008	Additions	Disposals	Foreign Exchange Rate Differences	**Balance per 12/31/2008**	**Balance per 12/31/2008**	Balance per 12/31/2007
1,717	**56**	**–**	**–**	**1,773**	**364**	**265**
1,717	56	–	–	**1,773**	**226**	147
	–	–	–	**–**	**138**	118
20,653	**5,134**	**294**	**125**	**25,618**	**96,928**	**82,520**
1,046	956	–	28	**2,030**	**27,250**	24,157
16,387	3,703	118	85	**20,057**	**56,057**	40,975
3,220	475	176	12	**3,531**	**2,373**	2,005
–	–	–	–	**–**	**11,248**	15,383
22,370	**5,190**	**294**	**125**	**27,391**	**97,292**	**82,785**

Notes to the Consolidated Financial Statements

for the financial year from January 1, 2009 to December 31, 2009

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 December 14, 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 November 24, 2006, the shares of Nabaltec AG are listed on the Open Market (Entry Standard) segment of the Frankfurt Stock Exchange.

The consolidated financial statements at hand were approved for publication by the Management Board and the Supervisory Board on March 5, 2010.

2. Basic principles, methods and significant accounting policies

The accounting policies and valuation principles described below have been applied uniformly in all the reporting periods presented herein.

2.1. Statement of compliance and basis of preparation

The consolidated financial statements as at December 31, 2009 (including the prior year figures at December 31, 2008) were prepared in accordance with International Financial Reporting Standards (IFRS) as well as with the regulations under commercial law as set forth in Section 315a Paragraph 1 of the German Commercial Code (Handelsgesetzbuch – HGB). The IFRS issued by the International Accounting Standards Board comprise the International Accounting Standards (IAS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

These are the consolidated financial statements of Nabaltec AG. All EU-compliant standards applicable to the financial year 2009 were applied.

The consolidated financial statements present a true and fair view of the net asset position, financial position and earnings of Nabaltec AG. As described below, in some cases, standards were applied prior to their effective date.

The financial year of Nabaltec AG comprises the period from January 1 through December 31 of every year.

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

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 by presenting expenses by nature.

2.2. Adopted International Financial Reporting Standards (IFRSs)

All accounting standards and interpretations required to be applied for financial years starting January 1, 2009 were applied in the financial year 2009. These also include the following standards and interpretations that had to be adopted for the first time, in particular:

- 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 shall improve the clarity and application of IFRS 1. The revised

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IFRS 1 replaces the current IFRS 1 and is applicable to annual periods beginning on or after January 1, 2009. The amended standard does not affect the amounts reported in the consolidated financial statements.

- IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements: The revisions allow companies adopting IFRS for the first time to measure the acquisition costs of interests in its subsidiaries based either on fair value or the book value determined on the basis of the previously applied national accounting standards. This regulation applies to joint ventures, affiliated companies as well as subsidiaries. Furthermore, the requirement to write-down acquisition costs upon the distribution of retained earnings that were accumulated prior to the acquisition was deleted in IAS 27. The revisions are applicable to annual periods beginning on or after January 1, 2009. The amended standard does not affect the amounts reported in the consolidated financial statements.

- IFRS 2 Share-based Payment: The revised version of IFRS 2 is applicable to annual periods beginning on or after January 1, 2009. The amendments principally relate to a change in the definition of vesting conditions and the regulations regarding the cancellation of a scheme by a party other than the company. The amended Standard does not affect the presentation of the net asset position, financial position and earnings as reported in the consolidated financial statements.

- IFRS 7 Financial Instruments: Disclosures: Amendments and enhancements of IFRS 7 disclosures relate mainly to the disclosure of fair values and liquidity risk. The revisions are applicable to annual periods on or after January 1, 2009. The adoption has lead to enhanced disclosures. We refer to Section 7.2 Disclosures on financial instruments.

- IFRS 8 Operating Segments: The Standard prescribes the application of the 'management approach' for reporting the economic performance of operating segments. Accordingly, operating segments are components of a company whose operating results are reviewed regularly by the company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The segment information reported should correspond to the company's internal reporting system. The revisions are applicable to annual periods beginning on or after January 1, 2009. Since Nabaltec AG adopted this Standard earlier, the amendments do not affect the amounts reported in the consolidated financial statements.

- IAS 1 Presentation of Financial Statements: The amendments deal mainly with the presentation of direct changes in equity and uniform titles of elements of the financial statements in order to simplify the analysis and comparability of financial statements. The amended Standard is applicable to annual periods on or after January 1, 2009. The adoption of the revised Standard has resulted in an enhanced and changed presentation of the consolidated financial statements.

- IAS 23 Borrowing Costs: The revised Standard is applicable to annual periods beginning on or after January 1, 2009. In the new version of IAS 23, the requirement to expense borrowing costs relating to qualifying assets has been eliminated in favor of the capitalization of such borrowing costs. For the first time, interest during construction period has been capitalized in the amount of EUR 813 thousand in 2009.

- IAS 32 Financial Instruments: Presentation: Amendments to IAS 32 were published in February 2008 and are effective January 1, 2009. Certain instruments have been removed from the definition of a financial liability. The amended Standard does not affect the presentation of the net asset position, financial position and earnings as reported in the consolidated financial statements.

- IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures: In October and November 2008, the IASB published two revisions of IAS 39/IFRS 7 Reclassification of Financial Instruments. The revisions are applicable to annual periods beginning on or after July 1, 2008. The amendments do not affect the amounts reported in the consolidated financial statements.

- IFRIC 13 Customer Loyalty Programs: The Interpretation addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. The Interpretation is applicable to annual periods beginning on or after July 1, 2008. It does not affect the amounts reported in the consolidated financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: IFRIC describes how to determine the maximum amount exceeding a pension fund that can be recognized as an asset according to IAS 19. The Interpretation is applicable to annual periods beginning on or after July 1, 2008. It does not affect the amounts reported in the consolidated financial statements.

- IFRIC 15 Agreements for the Construction of Real Estate: This Interpretation is applicable to annual periods beginning on or after January 1, 2009. This Interpretation standardizes accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, 'off plan' – that is, before construction is complete. It does not affect the amounts reported in the consolidated financial statements.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation: This Interpretation is applicable to annual periods beginning on or after October 1, 2008. The Interpretation clarifies two issues arising from IAS 21 The 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. It does not affect the amounts reported in the consolidated financial statements.

- The IASB issued the so called 'Improvements of IFRSs' as of May 22, 2008 – a summarized standard with the purpose of changing several International Financial Reporting Standards. This Standard is the result of the first Annual Improvement Process Project (AIP Project) and compass the amendment of 25 IFRSs including consequential amendments. Amendments are divided into two parts: (1) amendments to Standards resulting in accounting changes, i.e. changes regarding presentation, recognition and measurement issues (among others relating to IFRS 5, IAS 1, IAS 16, IAS 17 and IAS 19) and (2) amendments to definitions or editorial changes that have a minimal affect on accounting. As far as not specified else wise, this Standard is applicable to annual periods beginning on or after January 1, 2009. It does not affect the amounts reported in the consolidated financial statements.

Additionally, the following issued standards have been applied in the consolidated financial statements as of December 31, 2008, due to the fact that an early application is permitted and an endorsement on short notice by the EU has been expected:

- IFRS 3 R Business Combinations: The revised Standard was issued in January 2008 effective for annual periods beginning on or after July 1, 2009. Since the Group will prospectively continue to apply the acquisition method for future business combinations, the amendments to IFRS 3 R will have no effect. Remeasuring of business acquisitions achieved in stages and the obligation to take into account contingent consideration as at the acquisition date will tend to result in higher goodwill.

- IAS 27 Consolidated and Separated Financial Statements: The revised Standard was issued in January 2008 effective for annual periods beginning on or after July 1, 2009. In particular, the first-time adoption affected the treatment of losses attributed to the non-controlling interests. Existing regulations concerning losses attributed to the non-controlling interests were replaced (see Section 2.4). Therefore, following the concept of a group being a unity funded by several shareholders, the exceptional position of non-controlling interests is done away with. That means, that prospectively – in the case that losses attributable to non-controlling interests would result in a negative recognition on the face of the balance sheet – losses are not further attributable to the shareholders of the parent company but to the minority to the same extent as profits (see Section 6.8).

The following published, but not required Standards and Interpretations have not been applied by Nabaltec AG:

- IFRS 1 First-time Adoption of IFRS: On November 26, 2009, the IASB published a revision of IFRS 1 ('Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters [Proposed amendment to IFRS 1]'). The amendments mainly grant first-time adopters the same exemption regarding the disclosures required by IFRS 7 that are applicable to those adopting changes to financial instruments made in March 2009 ('Improving Disclosures about Financial Instruments Amendments to IFRS 7 Financial Instruments: Disclosures') earlier. Thus, first-time adopters do not have to provide comparative figures for prior periods such as the changes in March 2009 require, if the first IFRS reporting period begun prior to January 1, 2010. The first-time adoption will not affect the amounts reported in the consolidated financial statements.

- IFRS 1 First-time Adoption of IFRS: Amendments were published July 23, 2009. The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. The amendments:

- exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets.

- exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.

The revised Standard is effective for annual periods beginning on or after January 1, 2010. The first-time adoption will not affect the amounts reported in the consolidated financial statements.

- IFRS 2 Share-based Payment: On June 18, 2009, the IASB published amendments to IFRS 2 on the recognition of share-based payment with a cash settlement. The amendments consist mainly of the following:

- Scope of application of IFRS 2: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

- Interaction of IFRS 2 with other Standards: In IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

The amendments are retrospectively effective for annual periods beginning on or after June 10, 2010. The first-time adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- IFRS 9 Financial Instruments: Classification and Measurement: On November 12, 2009, the IASB published IFRS 9 introducing new requirements for classifying and measuring financial assets. This Standard is Phase 1 of the new Standard to replace IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The effects that the first-time adoption will have on the amounts reported in the consolidated financial statements are currently in the process of being verified.

- IAS 24 Related Party Disclosures: On November 4, 2009, the IASB issued amendments to IAS 24. These changes shall facilitate a more simple application in practice. IAS 24's existing basic principle of disclosing information on related party transactions remained unchanged. Amendments are effective for annual periods beginning on or after January 1, 2011. The first-time adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- IAS 32 Financial Instruments: Presentation: On September 8, 2009, the IASB published amendments to IAS 32 dealing with the classification of rights issues. The Standard clarifies cases in which rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The new amendments only deal with such rights issues upon which a fixed amount of instruments and fixed amount of foreign currency were previously agreed on and if this right is granted to all existing equity holders of the same class proportionally. Changes are effective February 1, 2010. The first-time adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- IAS 39 Financial Instruments: Recognition and Measurement: On July 31, 2008, the IASB issued an IAS 39 supplement. It deals with the regulation under which an entity can hedge all, a part or only certain risks relating to an underlying transaction. In order to simplify the application of the unchanged basic principles, the application principles of the designation of inflation risk as underlying transaction and the designation of a one-sided risk as underlying transaction were supplemented. Regarding the designation of inflation risk as underlying transaction, the supplement clarifies that this risk cannot be classified as a hedged risk. A hedge is possible to the extent that inflation components are contractually fixed elements of a financial asset's cash flows. A one-sided risk is given, if the entity can only change the cash flow or the fair value of an underlying transaction in excess of or below a fixed prices or another designated variable. The supplement clarifies that only the internal option value and not the entire option value (consisting of internal value and fair value) can be designated. If the entire option value would be designated as a hedging instrument for a one-sided risk of a prospective transaction, this would represent an ineffective hedge, since only the hedge instrument has a fair value component. The supplement is applicable for annual periods beginning on or after July 1, 2009. The supplement does not affect the presentation of the net asset position, financial position and earnings as reported in the consolidated financial statements.

- IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives: On March 12, 2009, the IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement and to the Interpretation IFRIC 9 Reassessment of Embedded Derivatives to 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. Amendments are applicable to annual periods beginning on or after June 30, 2009. The adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- IAS 39 Financial Instruments: Recognition and Measurement: On July 31, 2008, the IASB amended to clarify two hedge accounting issues:

  - inflation risk in a financial hedged item
  - the one-sided risk in a hedged item

  These amendments are based on the proposed amendment to IAS 39 for exposures qualifying for hedge accounting issued in September 2007, but are restricted to the two issues stated above. The changes neither clarify which risk position can be designated as a hedged item under IAS 39, nor does it deal with the European carve-out option adopted by a few European companies. These topics will be dealt with separately. The amendments to IAS 39 are applicable to annual periods beginning on or after July 1, 2009. The changes are not expected to affect the presentation of the net asset position, financial position and earnings as reported in the consolidated financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and IAS 19 Employee Benefits: On November 26, 2009, the IASB amended IFRIC 14 to clarify the accounting of pensions. Without the amendments, in some circumstances entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendments are effective for annual periods beginning January 1, 2011, with earlier application permitted. The amendments must be applied retrospectively to the earliest comparative period presented. The amendments will prospectively not affect the amounts reported in the consolidated financial statements.

- IFRIC 17 Distributions of Non-cash Assets to Owners: This Interpretation was issued November 2008 and addresses how an entity should measure distributions of assets other than cash when it pays dividends to its owners. The Interpretation is effective for annual periods beginning on or after 1 July 2009. The adoption of this Interpretation will not affect the presentation of the net asset position, financial position and earnings as reported in the consolidated financial statements.

- IFRIC 18 Transfers of Assets from Customers: On January 29, 2009, the IASB issued IFRIC 18. In particular, IFRIC 18 applies to utility entities (e.g. energy providers). IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 applicable to transfers received on or after July 1, 2009. The adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: This Interpretation was issued November 26, 2009. IFRIC 19 addresses the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is applicable for annual periods beginning on or after July 1, 2010. The adoption will prospectively not affect the amounts reported in the consolidated financial statements.

- 'Improvements of IFRSs' – a summarized Standard with the purpose of changing several International Financial Reporting Standards. In April 2009, the IASB issued the 'Annual Improvements 2007–2009', a collection of amendments to ten IFRSs and two IFRICs. In addition to the amendments in the Exposure Draft 'Proposed Amendments to IFRS' dated August 2008, the Annual Improvements issued on April 16, 2009 also includes proposed amendments in Exposure Draft 'Proposed Amendments to IFRS' dated October 2007 and partially those published in Exposure Draft 'ED 2009/01'. Summarizing these amendments in a single document shall reduce adjustment efforts. Most of the amendments are effective for annual periods beginning on or after January 1, 2010. These amendments will prospectively not affect the amounts reported in the consolidated financial statements.

The following Standards have not been applied because they are not relevant to Nabaltec AG:

- IFRS 4 Insurance Contracts
- IFRS 6 Exploration for and Evaluation of Mineral Assets
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interests in Joint Ventures
- IAS 40 Investment Property
- IAS 41 Agriculture

2.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Nabaltec AG, as the parent company, and that of its subsidiary controlled by the Company.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities; usually evidenced by holding more than 50% of the voting rights in the entity. In determining whether the Group has control, the existence and effects of voting rights that can currently be exercised or converted are also taken into consideration. Entities are included in the consolidated financial statements (full consolidation) from the date at which the Company effectively obtains control over them. They are deconsolidated from the effective date on which such control ends.

The composition of the Group is detailed in the table below:

Number of companies	2009	2008
Nabaltec AG and fully consolidated entity		
Domestic	1	1
Foreign	1	1

The following entity is included in the consolidated financial statements of Nabaltec AG:

Entity	Interest held	
	EUR 000	%
Nashtec L.P., Corpus Christi (USA)	161	50.49

Nashtec L.P. was founded as a joint venture with Sherwin Alumina in 2005.

Nashtec Management Corporation was not included in the consolidated financial statements for lack of materiality.

All separate financial statements of entities included in the consolidated financial statements that were prepared under national laws and regulations were converted to IFRS and adapted to reflect accounting policies and valuation principles of the Group.

The balance sheet date of all the entities included in the consolidated financial statements is respectively December 31.

Shareholdings according to Section 313 Paragraph 2 of the German Commercial Code (HGB)						
	Share of equity		Prior year equity *)		Prior year earnings *)	
	in %	in USD	in USD	in EUR	in USD	in EUR
Direct Participation						
Nashtec Management Corporation, Texas (USA)	51.0	2,102.65	**)	**)	**)	**)
Nashtec L.P., Texas (USA)	50.5	208,163.26	–11,668,099	–8,066,000.69	–894,338	–641,838.67
Indirect Participation						
Stake in Nashtec Management Corporation:						
Nashtec L.P., Texas (USA)	0.5	2,102.65	–11,668,099	–8,066,000.69	–894,338	–641,838.67

*) Prior year shareholders' equity denominated in foreign currency was translated at the Group's internal exchange rate valid as of the balance sheet date. Prior year earnings in foreign currency were translated using the Group's internal annual average exchange rate.

**) Disclosures relating to prior year shareholders' equity and earnings has been omitted in accordance with Section 313 Paragraph 2 Sentence 4 Sub sentence 3 of the German Commercial Code due to subordinated importance

2.4. Consolidation methods

The capital consolidation of the entity is performed in accordance with IAS 27 Separate and Consolidated Financial Statements in conjunction with IFRS 3 R Business Combinations. For this purpose, the carrying amount of the investment is set off against the remeasured equity of the entity at the acquisition date (revaluation method). The cost of the acquisition is equal to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus the costs allocated directly to the acquisition. Upon initial consolidation, the identifiable assets, liabilities and contingent liabilities associated with a business combination are measured at their fair value at the acquisition date, regardless of the extent of non-controlling interests. The excess of the acquisition cost over the Group's share of the net assets measured at fair value is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired entity, the difference is recognized directly in the consolidated comprehensive income, after a subsequent review. Additionally, exemptions allowed by IFRS 1.13 have been partly adopted.

The effects of all material intragroup transactions, including expenses and income and receivables and payables between the Group entities, are eliminated. Likewise, intermediate profits from intragroup sales of assets that have not yet been resold to third parties are eliminated. Deferred taxes required by IAS 12 are recognized in respect of temporary differences arising from consolidation measures.

The profits and losses of entities acquired or sold during the course of the year are included in the consolidated comprehensive income from the date when the power to control those entities becomes effective, respectively, until the power to control ends.

Shares of consolidated equity and of consolidated profit or loss for the year attributable to non-controlling interests are presented separately from the shares attributable to the parent company. To the extent that the value of non-controlling interests is negative, they are presented as a negative position in consolidated equity and earnings for the period in accordance with IAS 27 Consolidated and Separate Financial Statements as amended in 2008. Thus, an attribution to the equity and earnings for the period of the parent company, as required by the former IAS 27 Consolidated and Separate Financial Statements is no longer presented.

2.5. Foreign currency translation

The consolidated financial statements are denominated in Euro, as the functional and reporting currency of the Group.

In the separate financial statements of the consolidated entities denominated in local currencies, monetary items in foreign currency (cash and cash equivalents, receivables, liabilities) are translated using the exchange rate as of the balance sheet date. Currency translation differences are recognized through profit or loss. Non-monetary items in foreign currency are translated at the historical exchange rates.

The financial statements of the consolidated entity denominated in foreign currency are translated on the basis of the functional currency concept defined in IAS 21 The Effects of Changes in Foreign Exchange Rates by applying the modified closing rate method. As the entity generally conducts its business independently in all financial, economic and organizational respects, the functional currency is identical to the national currency of the respective entity.

Accordingly, assets and liabilities are translated at the closing rate, equity is translated at the historical exchange rate and expenses and income are translated at the average exchange rate for the year. The difference arising on currency translation is recognized directly in equity and presented in a separate item of equity titled 'accumulated other comprehensive result'.

Currency differences arising in relation to the prior year currency translation of the Group are recognized directly in equity under the item of 'accumulated other comprehensive result'.

The opening balances of historical acquisition and production costs and of cumulative depreciation and amortization charges on noncurrent assets are translated at the exchange rate of the prior year balance sheet date; the depreciation and amortization charges and all other movements in the financial year are translated at the average exchange rate for the reporting period. The translation of the noncurrent assets of the foreign subsidiary gives rise to currency translation differences, which are presented in separate columns of the consolidated statement of changes in noncurrent assets.

3. Use of assumptions and estimates

The preparation of the consolidated financial statements according to IFRS requires Management to make certain assumptions that have an impact on the stated values of the assets and liabilities and on the disclosure of contingent assets and contingent liabilities as at the balance sheet date, as well as the stated amounts of income and expenses.

The assumptions and estimates consisted mainly of the following:

- **Economic useful lives** of property, plant and equipment and intangible assets: The applied economic lives of noncurrent assets are based on Management estimates. The Group reviews the estimated economic useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. During the current financial year, however, no changes were made to the estimates pertaining to economic useful lives.

- **Land and buildings:** The fair value option for measurement at the date of the IFRS opening balance sheet allowed by IFRS 1.16 in conjunction with IFRS 1.18 was exercised. Land and buildings were revalued at January 1, 2007 on the basis of independent expert appraisals.

- **Pensions** and other **post-employment benefits:** Pension plans are measured on the basis of actuarial calculations. The actuarial valuation is based on assumptions regarding discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension benefit increases. As a result of the long term horizon of these plans, such estimates are subject to considerable uncertainties. As at December 31, 2009, the provision for pensions and similar benefits amounts to EUR 11,078 thousand (PY: EUR 9,643 thousand). Further details are provided in Section 6.9 Current and noncurrent provisions.

- Provisions for **ecological and decommissioning obligations:** Such provisions are recognized if it is considered probable that ecological and decommissioning obligations will result in future outflows of economic benefits, if the costs can be reliably estimated and the measures in question are not expected to result in future inflows of economic benefits. The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations, and with uncertainties regarding the actual conditions in the different countries and operating locations. In particular, estimates of costs are based on earlier experiences in similar cases, the conclusions of expert opinions commissioned by the Group, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future results of the Group. As at December 31, 2009, the carrying amount of recognized provisions is EUR 247 thousand (PY: EUR 237 thousand).

- **Provisions for contingent losses:** Such provisions result from pending operations whose expected revenues after payment reduction and selling costs do not cover the cost of sales. As of December 31, 2009, the carrying amount of the provisions for contingent losses amount to EUR 0 thousand (PY: EUR 63 thousand).

- Measurement of **other provisions:** Other provisions are measured on the basis of the best possible Management estimate of the amount required to settle the current obligation at the balance sheet date. As at December 31, 2009, the carrying amount of the recognized other provisions was EUR 76 thousand (PY: EUR 97 thousand). Further details are provided in Section 6.9 'Current and noncurrent provisions'.

- Recognition of **deferred tax assets:** In determining whether deferred taxes can be realized, the Management Board examines whether it is probable that all deferred tax assets can be recovered. The final recoverability of deferred tax assets depends on whether there will be sufficient taxable income available in those periods in which the temporary differences are deductible. If this is not the case, deferred tax assets cannot be used and consequently cannot be recognized in the balance sheet. The carrying amount as of December 31, 2009 (before netting with deferred tax liabilities) is EUR 4,699 thousand (PY: EUR 2,641 thousand).

- **Impairment** of non-financial assets: Impairment tests of other intangible assets as well as property, plant and equipment are generally based on the estimated discounted future net cash flows expected from the continued use of an asset and from its disposal at the end of its useful life. Factors such as lower revenues and the resulting lower net cash flows and changes in the discount factors applied can lead to the recognition of an impairment loss or, to the extent permitted, also to the reversal of an earlier impairment loss.

- Investments in **jointly controlled entities:** The Company holds a direct investment in a joint venture with a share of 50.49%. Taking into consideration all the legal and economic factors, Nabaltec AG has the power to govern the financial and operating policies of the company so as to obtain benefits from its activities. The controlled entity is therefore fully consolidated as a subsidiary in the consolidated financial statements.

- Obligations arising from a **sale-and-lease-back transaction:** In financial year 2008, the Group sold and leased-back certain assets in connection with a sale-and-lease-back transaction. Based on an analysis of the contractual terms and conditions, it was determined that the Group is no longer the economic owner of the leased assets. Thus, the respective lease agreement is treated as an operating lease.

- **Asset impairment tests:** Such tests are based on a discounted cash flow model (DCF-model). The underlying forecasts provided by the entity required for this model are based on the going concern principle as well as on the ability to generate internally expected revenue and earnings objectives and the corresponding positive free cash flows within the intermediate and long term. The forecasts contain revenue and earnings margins based on current assumptions and targets concerning the business development in the course of the coming years.

Actual results may differ from these estimates. Revisions to accounting estimates are recognized through the income statement in the period in which the estimate is revised.

4. Significant accounting policies

4.1. Revenue recognition

In accordance with the criteria of IAS 18, revenues on the sale of goods are recognized if the significant risks and rewards of ownership have been completely transferred to the buyer, a price has been agreed on or is determinable and payment is considered probable.

Revenues are presented net of discounts and other deductions.

4.2. Expense recognition

The expenses are allocable to income in the period to which they relate. Hence, operating expenses are recognized when they are incurred.

4.3. Research & development costs

Nabaltec AG invests a portion of its financial resources in research and development activities. In addition to internal development activities aimed at the customization of purchased software, these activities also comprise research and development activities to enhance existing products and processes and to develop new products and processes.

Research costs are recognized as expenses in the period in which they are incurred. An intangible asset created in the process of development for a single project is recognized as an asset only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or for sale, and the intention to complete the intangible asset and to use or sell it. Furthermore, the Group must demonstrate that the asset in question will generate future economic benefits, that resources are available to complete the asset and that the expenditures allocable to the intangible asset during the development phase can be measured reliably.

Subsequent to initial capitalization of development costs, the cost model is applied, under which the asset is carried at cost less accumulated amortization and accumulated impairments. The acquisition or production costs include the directly allocable labor costs and other direct costs as well as an appropriate share of the overhead costs. The capitalized amounts are amortized over the economic useful life of the asset, starting from the date of intended use.

The capitalized amount of development costs is subject to an annual impairment test if the asset is not yet ready for being used, or also during the year if there are indications of an impairment.

At Nabaltec AG, all significant development costs incurred in connection with internally developed software in the application development phase are capitalized, in principle. These costs are amortized over the expected useful life starting from the date the software is initially taken into service.

As internal development projects are often subject to governmental approval procedures and other imponderability's, the criteria for capitalizing the costs incurred prior to approval are usually not met or such costs incurred in the brief phase between research and market introduction are considered immaterial.

4.4. Intangible assets

Purchased intangible assets are measured at cost less straight-line amortization. As a rule, intangible assets are amortized systematically over the economic useful life by applying the straight-line method.

The amortization periods are as follows:

- Data processing software 4 to 5 years

The residual carrying amounts, economic useful lives and amortization methods are reviewed at the end of each annual period and adjusted if necessary.

The Group does not carry any intangible assets with indefinite economic useful lives.

With regard to the capitalization of development costs of internally generated assets, please refer to Section 4.3 Research & development costs.

4.5. Property, Plant and Equipment
Property, plant and equipment are measured at acquisition or production cost, less scheduled depreciation based on the expected economic useful life. In addition to directly allocable costs, the acquisition costs also include appropriate shares of overhead costs.

Property, plant and equipment are depreciated by applying the straight-line method.

The depreciation periods are as follows:

- Land, leasehold rights and buildings on non-freehold land
  20 to 50 years

- Technical equipment, plant and machinery
  5 to 22 years

- Other fixtures, fittings and equipment
  3 to 20 years

The residual carrying amounts, economic useful lives and amortization methods are reviewed at the end of every financial year and adjusted if necessary.

4.6. Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. assets that take a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset and, therefore, should be capitalized. Refer to Section 6.2 Property, plant and equipment.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Other borrowing costs are recognized as an expense as incurred.

4.7. Governmental grants and other similar subsidies
Government grants are accounted for as a deduction from the acquisition or production costs of the respective asset (IAS 20.24). These deductions are released over the economic useful life of the asset in the form of reduced depreciation charges. See Section 6.10 Current and noncurrent liabilities.

4.8. Lease Arrangements – the Group as Lessee
Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. The assessment requires the evaluation of whether the performance of the contractual agreement depends on the use of a given asset or assets and whether the agreement conveys a right to use the asset.

Finance leases under which substantially all the risks and rewards incident to ownership of the leased asset are transferred to the Group are recognized as an asset and a liability at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized immediately as expenses in the income statement. If the transfer of ownership to the Group at the end of the lease term is not sufficiently certain, the capitalized leased assets are depreciated completely over the shorter of the lease term and the economic useful life of the asset.

Rental and lease agreements under which the Group does not acquire economic ownership of the underlying assets are classified as operating leases. The expenses of operating leases are recognized as expenses in the consolidated statement of comprehensive income incrementally over the term of the lease on a straight-line basis. The corresponding future obligation is presented under other financial liabilities.

Under sale-and-leaseback transactions that constitute an operating lease, the profit to be recognized on the sale depends on the relationship of the sales price to the fair value. If the sale price is equal to the fair value, the profit is recognized immediately. Under sale-and-leaseback transactions that constitute a finance lease, the entire profit is generally recognized as deferred income and released over the term of the lease.

4.9. Impairment of non-financial assets
The value of the capitalized carrying amount of intangible assets with finite useful lives and property, plant and equipment is reviewed with reference to the future cash flows (discounted by the current market risk-free rate of interest) expected to arise from the use of that asset and with reference to the fair value less costs to sell (impairment test) if particular events or market developments are indicative of a need to correct the estimated economic useful life or an impairment. Furthermore, an impairment test of intangible assets not yet ready for use is conducted annually. If the net carrying amount of an asset exceeds the recoverable amount (higher of the value in use and the fair value less costs to sell), an impairment loss is recognized. The factors considered in determining the expected future cash flows include the current and expected future profits and developments specific to the business segment as well as technological, economic and general developments. If the reason for an earlier impairment is no longer in effect, that impairment loss is reversed, to the extent permitted, up to the depreciated historical cost would have been if the impairment had not been recognized.

4.10. Financial assets
According to IAS 39, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets.

Upon initial recognition, financial assets are measured at fair value. In the case of financial assets that are not measured at fair value through profit and loss, the recognized amount also includes transaction costs that are directly attributable to the purchase of the financial asset or the issuance of the financial liability.

The Group determines the classification of its financial assets upon initial recognition and reviews this classification at the end of each financial year, to the extent permitted and appropriate. As at the balance sheet date, the Group did not carry any financial assets classified as held-to-maturity investments.

All arm's length transactions are recognized at the trade date, i.e. the date on which the sales or purchase of the asset, respectively, the liability becomes effective. An arm's length transaction is a purchase or sale of a financial asset, respectively, liability under the delivery terms require in general by the regulation of or convention within the market concerned.

Financial assets measured at fair value through profit or loss
The group of financial assets measured at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as being measured at fair value through profit or loss. Such designation has not been applied within the Group in the reporting period.

Financial assets are classified as held-for-trading when they were acquired for the purpose of selling them in the short term. Derivatives are also classified as held-for-trading, with the exception of those derivatives that constitute a financial guarantee or have been designated as hedging instruments and are effective as such. Gains or losses on financial assets held for trading are recognized in profit or loss.

On the date upon which the Group enters into a contract, it determines whether embedded derivatives need to be presented separately from the host contract. The initial decision is reviewed only in the event of substantial changes in the contractual terms and conditions that give rise to a significant change in the cash flows that would have otherwise resulted from the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In particular, they consist of trade receivables, other assets as well as cash and cash equivalents.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Gains and losses are recognized in the profit or loss for the period when the loans and receivables are derecognized or impaired and in connection with installment payment plans.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as held-for-sale and not classified as belonging to another category of financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value based on their stock market or market prices, with unrealized gains or losses recognized directly in equity, less deferred taxes, as unrealized losses or gains from the fair value measurement of financial instruments. If no active market exists and the fair value cannot be determined reliably, they are recognized at amortized cost. The cumulative gain or loss recognized in equity is transferred to the consolidated statement of comprehensive income when the financial asset is derecognized.

Derecognition of financial assets

A financial asset is derecognized when the Group loses the power of disposal over the contractual rights relating to cash flows that constitute the financial asset concerned.

If the Group transfers its contractual rights to receive cash flows from an asset and substantially all the risks and rewards incident to ownership of that asset have neither been transferred nor retained and the Group retains the power of disposal over the transferred asset, the Group continues to recognize the transferred asset to the extent to which it has a continuing involvement in the asset.

4.11. Impairment of financial assets

Financial assets and groups of financial assets are subject to an impairment test at each balance sheet date. Any impairment loss is recognized in profit or loss immediately.

Trade receivables are carried at amortized cost less appropriate valuation allowances. Valuation allowances on receivables are measured with reference to the probability of default.

Other financial assets and receivables are carried at amortized cost. In case of doubt as to the recoverability of other assets, individual valuation allowances are recognized.

4.12. Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

Upon initial recognition, raw materials and supplies are measured at acquisition cost plus costs of conversion and incurred in bringing the inventories to their present location and condition, net of trade discounts received. For determining the cost of inventories the weighted average method is applied.

Finished and unfinished goods are measured at production cost. Production costs include the directly allocable production costs and an appropriate share of allocable fixed and variable production overheads. The overhead cost shares are determined on the basis of normal capacity utilization. Selling expenses, general administrative expenses and borrowing costs are not capitalized.

Finished goods are aggregated into measurement units for valuation purposes.

Any write-downs for inventory risks arising from increased storage lives or reduced salability are recognized as an expense when they occur, reducing the inventory value to the net realizable value at the balance sheet date.

4.13. Cash and cash equivalents
The cash and cash equivalents presented in the balance sheet comprise petty cash, cash in banks and short term deposits with original maturities of less than three months. The same definition is applied for purposes of the cash flow statement. Subsequent measurement is at amortized cost.

4.14. Taxes
Current income taxes
Current tax refund claims and tax liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. These amounts are calculated on the basis of the tax rates and tax laws applicable at the balance sheet date.

Deferred taxes
Deferred tax assets and liabilities are recognized in accordance with IAS 12 Income Taxes in respect of all temporary differences between the tax bases and the IFRS carrying amounts and in respect of consolidation measures recognized in profit or loss by applying the balance sheet-oriented liability method. IAS 12.34 prescribes that deferred tax assets in respect of tax loss carry forwards can be recognized only to the extent that it is considered probable that sufficient taxable profits will be available in the future against which these tax loss carry forwards can be off set.

Deferred taxes are at tax rates expected to apply to the period in which the asset is realized or the liability settled, according to the current status of the law. Tax rate changes are applied only such changes are considered as being sufficiently probable.

Deferred tax assets and deferred tax liabilities are offset on the balance sheet only if the entity has the right to settle on a net basis.

4.15. Derivative financial instruments and hedging
The Group employs derivative financial instruments to hedge against interest rate and currency risks arising from operations. Financial instruments are measured at fair value at the balance sheet date. Measurement gains and losses are recognized through the income statement unless the conditions for hedge accounting are met. Changes in the market value of derivative financial instruments that meet the conditions of hedge accounting are recognized either through the income statement (fair value hedge) or directly in equity (cash flow hedge). In the reporting periods, hedge accounting has been applied for cash flow hedges against interest rate risk only.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading financial assets, if their fair value is positive, or as held-for-trading liabilities, if their fair value is negative. Derivative financial instruments are measured at fair value; changes in their fair value are recognized through the income statement for the period.

4.16. Equity
The capital contributions and other payments made by shareholders to the capital reserve are presented after deducting transaction costs directly related to the acquisition of equity and in consideration of any resulting tax effects.

4.17. Other provisions
In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes provisions if, and only if a present obligation (legal or constructive) has arisen toward a third party as a result of a past event (the obligating event), the payment is probable ('more likely than not') and will lead to an outflow of economic resources in the future, and the amount can be estimated reliably. This implies that 'probable' means a probability of more than 50%. Estimated provisions take into account discernible risks and uncertain obligations in the amount that will probably be required to settle those obligations without deduction of any reimbursement claims. Noncurrent other provisions are discounted to present value. The settlement amount also includes the rate of inflation valid at the balance sheet date.

4.18. Pension provisions

Pension provisions are measured based on the projected unit credit method according to IAS 19. Calculations performed under this method take into account the pension benefits and vested rights known at the balance sheet date as well as future expected increases of pension benefits and salaries based on conservative estimates of the relevant parameters. Calculations are performed on the basis of an expert actuarial opinion, which includes biometric data.

4.19. Financial liabilities

According to IAS 39, financial liabilities are designated either as 'financial liabilities at fair value through profit or loss' or as 'other financial liabilities'.

The Group classifies the financial liabilities upon initial recognition and reviews the classification at the end of each annual period, to the extent permissible and appropriate.

Financial liabilities measured at fair value through profit or loss

Upon initial recognition, the financial liabilities measured at fair value through profit or loss are measured at fair value. The gains or losses resulting from fair value changes are recognized immediately in income. This category includes derivative financial instruments with negative market values (Hft). As in prior year, no financial liabilities (FVtPL) were classified by the Group as financial liabilities at fair value through profit or loss at the balance sheet date. Gains or losses resulting from the subsequent measurement of financial liabilities are recognized through profit or loss.

Profit participation capital

Profit participation rights represent a financial liability according to IAS 32, which is not measured at fair value through profit and loss. Initial recognition is measured at fair value less transaction costs. The fair value is equal to the cash consideration received (face value) less transaction costs paid. In subsequent periods, the difference between the initially measured value and the redemption amount (face value) is distributed over the term of these instruments using the effective interest method through the income statement.

Interest-bearing loans

Upon initial recognition, loans are measured at fair value less the transaction costs directly related to the loan. They are not designated as being measured at fair value through profit or loss.

In subsequent periods, the interest-bearing loans are measured at amortized cost using the effective interest method. Differences between amortized cost and the repayments amount are recognized through profit or loss according to the effective interest method.

Financial liabilities, all of which are therefore classified as other liabilities, are measured at the fair value of the consideration received less the transaction costs related to the loan upon initial recognition. In subsequent periods, financial liabilities are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the underlying obligation has been settled, cancelled or has expired.

5. Notes to the consolidated statement comprehensive income

5.1. Revenue

Refer to segment information and the respective notes in Section 7.7 Segment information for reporting on the distribution of revenues among the product segments.

5.2. Other own services capitalized

In 2009, EUR 1,161 thousand (PY: EUR 253 thousand) were capitalized as other own services for various technical equipment and machinery, thereof EUR 813 thousand (PY: EUR 0 thousand) for construction period interest.

5.3. Other operating income

Other operating income is specified as below:

in EUR 000	**2009**	2008
Foreign currency translation gains	**238**	519
Delivery of process water	**153**	117
Services provided by laboratory	**105**	127
Income from reversal of provisions	**105**	24
Payments in kind	**102**	92
Gain from sale of warehouse and scrap	**34**	70
Reimbursements from insurances	**39**	519
Government grants and similar grants	**17**	20
Gains on disposal of property, plant and equipment	**5**	69
Routing and tracking services	**2**	124
Other	**227**	254
Total	**1.027**	**1.935**

Government grants relate to subsidies for expenses. The conditions attached to these grants were fully met; no uncertainties remain.

5.4. Cost of materials

Cost of materials is specified as follows:

in EUR 000	**2009**	2008
Raw materials, supplies and merchandise	**37,450**	56,797
Cost of purchased services	**611**	731
Total	**38,061**	**57,528**

5.5. Personnel expenses

Personnel expenses are specified in the table below:

in EUR 000	**2009**	2008
Wages and salaries	**11,543**	14,197
Social security	**2,211**	2,516
Expenses for pension provisions	**1,758**	321
Other pension expenses	**83**	75
Total	**15,595**	**17,109**

Expenses for pension provisions fulfill the criteria of the so-called 'Defined Benefit Plans' as specified by IAS 19.

Other pension expenses relate to contributions made by the employer for pension plans of the employees that fulfill the criteria of the so-called 'Defined Contribution Plans' as described by IAS 19.

In addition, the Company's contributions toward the social pension fund in the amount of EUR 1,199 thousand (PY: EUR 1,182 thousand) are included in the balance sheet item 'Social Securities', which are withheld once a month.

5.6. Employees

The average number of employees in the Group developed as follows:

	2009	2008
Blue-collar workers	176	179
White-collar workers	118	115
Part-time employees	18	12
Total	**312**	**306**

In additional, an average of 35 trainees (PY: 31) were employed in the course of the financial year.

5.7. Depreciation, amortization and impairment

The depreciation, amortization and impairment charged against noncurrent assets are presented in the statement of changes in fixed assets.

Intangible as well as tangible assets are assessed for indicators of impairment at the end of each reporting period as well as during the year if such indicators arise. Impairment tests were performed as per December 31, 2009 and per September 30, 2008. The impairment amount is determined as the difference between the carrying amount and the recoverable amount for the asset's cash-generating unit (CGU). The recoverable amount of the CGUs was determined on the basis of the recoverable amount and the value in use, using the discounted cash flow method. The discounted cash flows are based on three-year forecasts, which in turn are based on financial budgets approved by Management. The cash flow forecasts, which take past experience into account, are based on Management's best estimate of the Company's future development. Cash flows beyond the planning period were extrapolated by a growth rate of 2.0% (PY: 2.0%). To determine the recoverable amount and the value in use, risk-weighted discount rates after taxes of 8.38% (PY: 9.49%) and 6.70% (PY: 7.60%) were applied, respectively.

The following assumptions applied in calculating the recoverable amount of the cash-generating units are subject to estimation uncertainties:

- Profit from ordinary activities
- Discount rates
- Growth rate applied for extrapolating the cash flow forecasts beyond the budget period

Profit from ordinary activities: Profit from ordinary activities was determined on the basis of the latest business plans of the individual CGUs, which were approved by Management.

Discount rates: Discount rates reflect the estimates of Management regarding the specific risks attributable to the individual CGUs. Maturity-specific, risk-adjusted interest rates were used for the purpose of determining appropriate discount rates for the individual CGUs.

Estimates of growth rates: Based on Management expectations, a moderate growth rate of 2.0% (PY: 2.0%) was applied for calculating the respective revenue perpetuities.

As a result of the asset impairment tests conducted, Management concluded that there was no need to recognize impairment losses in the financial years 2009 and 2008.

5.8. Other operating expenses

Other operating expenses are specified as follows:

in EUR 000	2009	2008
Transportation charges	**4,810**	7,144
Services from third parties not attributable to the process of production	**2,998**	4,807
Minimum lease payments (rent and lease)	**2,127**	1,093
Sales commission	**1,520**	1,822
Other administration expenses	**724**	652
Insurances	**601**	609
Legal and advisory fees	**484**	385
Employee benefit costs	**340**	344
Foreign currency translation losses	**282**	711
Travel expenses	**271**	384
Other taxes	**177**	330
Advertising expenses	**166**	165
Bad debt allowance	**44**	11
Losses from sale of fixed assets	**1**	57
Losses from currency futures	**0**	6
Other	**447**	105
Total	**14,992**	**18,625**

5.9. Research & development costs

In 2009, various research & development costs of EUR 1,491 thousand (PY: EUR 1,468 thousand) were recognized as expenses.

5.10. Interest and similar income

Interest and similar income are presented in the table below:

in EUR 000	2009	2008
Return on plan assets (liability insurance)	**112**	105
Interest income from bank balances	**7**	24
Gains from interest rate swaps	**0**	453
Other	**0**	5
Total	**119**	**587**

5.11. Interest and similar expenses

Interest and similar expenses are presented in the table below:

in EUR 000	2009	2008
Interest expenses paid to banks	**2,721**	1,782
Interest expenses profit participation right	**405**	405
Accrued interest	**365**	24
Losses from interest rate swaps	**190**	0
Interest expenses from factoring	**260**	796
Commission on bank guaranty	**136**	104
Expenses from finance lease	**131**	205
Other	**234**	358
Total	**4,442**	**3,674**

5.12. Income taxes

Income taxes are specified as follows:

in EUR 000	2009	2008
Current income taxes:		
Current tax expenses	**0**	673
Adjustments to current income taxes incurred in prior year	**202**	−9
Deferred taxes:		
Origination and reversal of temporary differences	**−1,868**	559
Total	**−1,666**	**1,223**

Current tax expenses for 2009 in the amount of EUR 355 thousand relate to back duties (corporate income tax, solidarity surcharge and trade tax) arising from a tax audit performed by the revenue office for the years 2005 through 2007. These are offset by an amount of EUR 74 thousand relating to tax refunds resulting from the tax audit of 2008 as well as a corporate income tax refund of EUR 81 thousand resulting from the loss carry back of 2009 to 2008. The remaining amount of EUR 2 thousand represents normal back duties for foregone years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. For the calculation of deferred taxes in Germany, a tax rate of 28.08% (PY: 28.08%) is applied. It comprises the unchanged currently valid corporate income tax rate of 15%, the unchanged solidarity surcharge of 5.5% and the Group's average trade tax rate of 12.6% (PY: 12.6%). The respective domestic tax rates are applied for foreign entities.

The table below presents the reconciliation between the expected income tax expense in each annual period and the income tax expense actually presented in the consolidated statement of comprehensive income:

in EUR 000	2009	2008
Tax rate	**28.08%**	28.08%
Earnings before tax (EBT)	**−7,031**	1,041
Expected tax expense	**−1,974**	292
Deviations		
1. Non-recognizable deferred tax assets related to loss carry forwards from foreign entities	**180**	742
2. Adjustments to actual income tax prior years	**121**	−9
3. Non-deductible expenses	**110**	81
4. Tax effects from currency translation differences recognized directly in equity	**−93**	130
5. Other	**−10**	−13
Tax expenses presented in the consolidated statement of comprehensive income	**−1,666**	**1,223**

Deferred tax assets and liabilities are specified as follows:

	Consolidated Balance Sheet		Consolidated Statement of Comprehensive Income	
in EUR 000	**12/31/2009**	12/31/2008	**2009**	2008
Deferred tax assets				
Financial assets	**204**	0	**204**	0
Prepaid expenses	**95**	0	**95**	0
Pension provisions	**984**	921	**63**	–115
Other provisions	**413**	344	**69**	180
Liabilities from financial leasing	**358**	663	**–305**	–292
Liabilities from profit participation	**898**	0	**898**	0
Loss carry forward	**2,862**	1,840	**1,022**	702
Other	**0**	0	**0**	0
Total deferred tax assets – gross	**5,814**	3,768	**2,046**	475
Deferred tax assets not recognized	**1,115**	1,127	**–12**	631
Total deferred tax assets – net	**4,699**	2,641	**2,058**	–156
Deferred tax liabilities				
Noncurrent assets	**6,254**	5,998	**–256**	–427
Inventories	**281**	266	**–15**	54
Other	**240**	320	**81**	–29
Total deferred tax liabilities	**6,775**	6,584	**–190**	–402
	–2,076	**–3,943**	**1,868**	**–558**

The deferred tax asset arising from the loss carryforwad relates to Nashtec L.P. in the amount of EUR 2,051 thousand. Nashtec L.P. is not regarded as a taxable entity according to US tax law for federal tax and state tax. The proportion of the US tax loss carry forward allocable to Nabaltec AG as shareholder amounts to EUR 6,032 thousand (PY: EUR 5,413 thousand) and, generally, tax losses can be applied retroactively for two years and carried forward for no more than 20 years on the federal level in the United States. Deferred tax assets and liabilities in the USA are set off against deferred tax assets from tax loss carry forwards. The remaining deferred tax assets on tax loss carry forwards have not been recognized as up to now the Company in the USA could not show positive taxable result and does not anticipate such positive taxable result in the coming years. Due to advantageous tax-related depreciation rules, the tax loss carry forwards in the USA are significantly higher than the actual losses.

Tax losses not utilized and therefore not recognized as part of the deferred tax asset in the consolidated balance sheet can be carried forward as follows:

in EUR 000	**2009**	2008
Expiration within		
1 year	**0**	0
2–5 years	**0**	0
6–10 years	**0**	0
11–20 years	**6,032**	5,413

Dividend distributions by Nabaltec AG to shareholders do result in income tax effects on the level of Nabaltec AG in 2009 or in 2008 .

6. Notes to the balance sheet

6.1. Intangible assets

Please refer to the statement of changes in noncurrent assets for more information on the changes in intangible assets.

Intangible assets consist mainly of data processing software and industrial property rights.

As in prior year, intangible assets were not assigned by way of collateral as of December 31, 2009.

There were no significant obligations for the acquisition of intangible assets.

6.2. Property, plant and equipment

The changes in property, plant and equipment are presented in the statement of changes in noncurrent assets.

The Company has entered into lease and hire-purchase agreements relating to various technical equipment and part of other fixtures, fittings and equipment. These agreements are classified as finance leases in accordance with IAS 17. Contract terms comply with those commonly applied in the industry. The lease agreements originally had a contract term of 3–6 years and do not include price adjustment clauses. Some of the lease agreements include purchase options. As of December 31, 2009, the carrying amounts of technical equipment and of other fixtures, fittings and equipment held in connection with finance lease agreements amounted to EUR 3,528 thousand (PY: EUR 4,634 thousand). Likewise with prior year, no additions were made in the course of the financial year. The leased assets serve as collateral for the respective obligations under the finance leases and hire-purchase agreements.

Assets amounting to EUR 59,486 thousand (PY: EUR 44,661 thousand) are pledged as securities for bank loans.

Land charges in favor of the owner amounting to EUR 10,440 thousand as of December 31, 2009

(PY: EUR 10,440 thousand) were assigned by way of collateral for bank loans.

Borrowing costs in the amount of EUR 813 thousand (PY: EUR 0 thousand) were capitalized in the annual period 2009 in connection with the long term construction of various technical equipment, buildings and fixtures, which were largely completed in Q4: 2009. The option to capitalize borrowing costs for existing installations under IAS 23 was applied effective January 1, 2009. The average interest rate that was used to determine the borrowing costs eligible for recognition in the balance sheet was 6.25%.

6.3. Inventories
Inventories are specified as follows:

in EUR 000	**12/31/2009**	12/31/2008
Raw materials and supplies	**10,180**	16,552
Unfinished goods	**187**	569
Finished products and merchandise	**8,846**	11,287
Total	**19,213**	**28,408**

All inventory items were assigned by way of collateral for liabilities to banks.

Inventory write-downs in the amount of EUR 332 thousand (PY: EUR 145 thousand) were recognized as expenses.

6.4. Trade receivables
Trade receivables are specified in the table below:

in EUR 000	**12/31/2009**	12/31/2008
Trade receivables – gross	**831**	1.591
Bad debt allowance	**–332**	–288
Total	**499**	**1,303**

At the balance sheet date, all trade receivables are non-interest-bearing and are receivable in less than one year.

Please refer to Section 7.2 Disclosures on financial instruments for more information on the development of the bad debt allowance account and the age structure of receivables.

6.5. Income tax claims
Income tax claims with a carrying amount of EUR 248 thousand consist of tax refund claims receivable from German tax authorities and from Stadtkasse Schwandorf, resulting from corporate income tax, the solidarity surcharge and trade tax.

6.6. Other assets
Other assets consist of the following financial and non-financial assets:

in EUR 000	**12/31/2009**	12/31/2008
Receivables from factoring	**1,030**	833
Positive fair value of interest rate swap	**0**	453
Other	**371**	425
Other financial assets	**1,401**	**1,711**

in EUR 000	**12/31/2009**	12/31/2008
VAT (value added tax) receivables	**1,168**	1,330
Prepaid expenses	**83**	175
Other non-financial assets	**1,251**	1,505
Total	**2,652**	**3,216**

The receivables from factoring in the amount of EUR 1,030 thousand (PY: EUR 833 thousand) presented at December 31, 2009, consist of the purchase price retention related to factoring arrangements.

Other assets are receivable in less than one year.

6.7. Cash and cash equivalents
Cash and cash equivalents at the balance sheet date are presented in the table below:

in EUR 000	12/31/2009	12/31/2008
Cash in banks	494	1,941
Petty cash	3	1
Total	**497**	**1,942**

Bank balances bear interest at variable interest rates for overnight call money. The short term deposits range from one day to three months, depending on the Group's cash requirements. These deposits bear interest at the respective interest rates for short term deposits.

For purposes of the consolidated cash flow statement, there were no differences in the holdings of cash and cash equivalents as of December 31.

The cash and cash equivalents are not subject to restrictions.

6.8. Equity
Changes in equity of Nabaltec AG are presented in the consolidated statement of changes in equity.

Subscribed capital
At the balance sheet date, the fully paid-in capital (capital stock) amounted to EUR 8,000 thousand (PY: EUR 8,000 thousand). It consisted of 8,000,000 non-par bearer shares, each representing an imputed proportion of capital stock in the amount of EUR 1.00. Each share bears a voting right.

Authorized capital
By resolution of the annual shareholders' meeting of October 23, 2006, the Management Board is authorized to increase the capital stock, with the consent of the Supervisory Board, by issuing new shares against cash and/or in-kind contributions on one or more occasions October 22, 2011, by up to EUR 3,000 thousand through the issuance up to 3,000,000 non-par bearer shares (non-par shares) and also to decide on any exclusion of subscription rights in connection with such issues (Authorized Capital 2006/I).

Conditional capital
By resolution of the annual shareholders' meeting of October 23, 2006, the capital stock was increased conditionally by the issuance of up to 3,000,000 non-par bearer shares (non-par shares) (Conditional Capital 2006/I). The Conditional Capital only serves the purpose of granting shares to the holders of convertible bonds and/or bonds with warrants that were issued by the Company with the authorization of the annual shareholders' meeting of October 23, 2006.

Capital reserve

At December 31, 2009, the capital reserve amounted to EUR 29,764 thousand (PY: EUR 29,764 thousand). The capital reserve basically resulted from the issuance of 2,000,000 non-par bearer shares at a price of EUR 15.50 per non-par share holding an interest of EUR 1.00 per non-par share in subscribed capital causing a premium of EUR 14.50 per non-par share or rather EUR 29,000 thousand in total.

Earnings reserves

At December 31, 2009, earnings reserves amounted to EUR 9,707 thousand (PY: EUR 9,707 thousand). The earnings reserves result from the first time adoption of IFRS. No dividend distributions were authorized nor are any distributions anticipated for the annual periods 2009 and 2008.

Regarding the changes in profit/loss carried forward, please refer to the consolidated statement of changes in equity.

Accumulated other comprehensive expenses

Any differences arising on currency translation and any changes in the market value of derivative financial instruments for which hedge accounting is applied as well as arising tax effects in this context are recognized directly in equity and presented separately in equity within the item of accumulated other comprehensive income/expenses. As of December 31, 2009, accumulated other comprehensive expenses amounted to EUR –898 thousand (PY: EUR –934 thousand).

Non-controlling interests

The non-controlling interests consist of the non-controlling interests amounting to EUR –4,003 thousand (PY: EUR –4,006 thousand) in the equity of Nashtec L.P.

Given that the amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements, issued in 2008, were already applied in the consolidated financial statements as of December 31, 2008, negative non-controlling interests were presented in the consolidated statement of comprehensive income as well as in equity on the face of the balance sheet.

As the endorsement process was not yet finalized at the time of preparing the Group’s financial statements, the negative non-controlling interests in the amount of EUR –4,006 thousand as of December 31, 2008 had to be off set with the profit carried forward, respectively, with the Group’s net result for the period after tax. The Company’s total amount of equity remained unchanged. Thus, the result after tax attributable to shareholders amounted to EUR –182 thousand (actual presentation: EUR 1,126 thousand) or, respectively, profit/loss carried forward attributable to the shareholders of the parent company amounting to EUR –1,304 thousand (actual presentation: EUR 1,394 thousand). Finally earnings per share amounted to EUR –0.02 (actual presentation: EUR 0.14) .

6.9. Current and noncurrent provisions

Changes in provisions are presented in the tables below:

Financial year 2009 in EUR 000	Opening Balance 01/01/2009	Additions	Write-downs	Reversal	Closing Balance 12/31/2009
Provisions for personnel	533	121	109	0	**545**
Provisions related to ecological/ decommissioning obligations	237	141	26	105	**247**
Provisions for contingent losses	63		63	0	**0**
Other	97	75	96	0	**76**
Total	**930**	**337**	**294**	**105**	**868**

Financial year 2008 in EUR 000	Opening Balance 01/01/2008	Additions	Write-downs	Reversal	Closing Balance 12/31/2008
Provisions for personnel	416	187	70	0	**533**
Provisions related to ecological/ decommissioning obligations	694	78	511	24	**237**
Provisions for contingent losses	327	63	327	0	**63**
Other	91	96	90	0	**97**
Total	**1,528**	**424**	**998**	**24**	**930**

Pension provisions

The Group has set up defined benefit pension plans. Based on these plans, pension benefits are promised to a major part of the employees for the time after retirement. These are final pay plans issued to Management and employees based on the pension scheme. Part of contributions to the pension plans are paid to liability insurances.

The specification of pension benefit expenses recognized in the consolidated statement of comprehensive income and the amounts recognized for the respective pension plans in the consolidated balance sheet are presented in the tables below:

Expenses for pension benefits in EUR 000	**2009**	2008
Current service cost	**348**	349
Interest expenses	**541**	534
Expected return from plan assets	**–18**	–12
Actuarial gains (–) and losses (+)	**869**	–506
Other	**0**	–55
Expenses for pension benefits	**1,740**	**310**
Actual return from plan assets	**18**	12

Actuarial gains and losses are immediately fully recognized in the income statement. All expenses for pension obligations are presented in the total sum of personnel expenses.

Assets/liabilities under defined benefit obligations in EUR 000	**12/31/2009**	12/31/2008
Defined benefit obligation	**11,942**	10,395
Fair value of plan assets	**–864**	–752
	11,078	**9,643**
Unrecognized actuarial gains/losses	**0**	0
Unrecognized past service cost	**0**	0
Defined benefit obligation	**11,078**	**9,643**

Changes in the present value of the defined benefit obligations are presented in the table below:

in EUR 000	
Defined benefit obligations at January 1, 2008	10,253
Interest expenses	534
Current service cost	349
Benefits paid	–179
Actuarial gains/losses	–507
Other	–55
Defined benefit obligations at December 31, 2008	**10,395**
Interest expenses	541
Current service cost	348
Benefits paid	–211
Actuarial losses	869
Other	0
Defined benefit obligations at December 31, 2009	**11,942**

Of the total defined benefit obligation (EUR 11,942 thousand) as per December 31, 2009, an amount of EUR 3,510 thousand (PY: EUR 2,060 thousand) is covered by liability insurances.

For 2010, benefit payments are expected to amount to approximately EUR 213 thousand.

Changes in the fair value of plan assets are presented in the table below:

in EUR 000	
Fair value of plan assets at January 1, 2008	647
Expected return	11
Employer contributions	94
Benefits paid	0
Actuarial gains/losses	0
Fair value of plan assets at December 31, 2008	**752**
Expected return	18
Employer contributions	94
Benefits paid	0
Actuarial gains/losses	0
Fair value of plan assets at December 31, 2009	**864**

Plan assets recognized in the balance sheet comprise the positive value of a liability insurance, which falls under the scope of IAS 19.7 (b) and thus has to be accounted for as a plan asset.

The reconciliation of the recognized pension provision with the present value of the defined benefit obligation is presented below:

in EUR 000	**12/31/2009**	12/31/2008	12/31/2007
Present value of the defined benefit obligation	**11,942**	10,395	10,253
Fair value of plan assets	**864**	752	647
Pension provision	**11,078**	9,643	9,606

The Group anticipates defined benefit plan contributions of EUR 213 thousand in the annual period 2010.

In the following table, the underlying assumptions used for determining post-employment pension obligations are summarized:

in %	**2009**	2008
Discount rate	5.50	5.25
Salary trend	2.75	3.00
Pension trend	2.00	2.00
Fluctuation rate	1.00	0.56

Mortality rates after retirement of pensioners aged 65 according to Heubeck-Richttafeln 2005G.

6.10. Current and noncurrent liabilities

Carrying amounts in EUR 000		Carrying amount	thereof due within < 1 year	thereof due within 1–5 years	thereof due within > 5 years
Payable to banks	**12/31/2009**	**51,934**	**4,737**	**32,338**	**14,859**
	12/31/2008	37,613	10,236	15,551	11,826
Profit participation capital	**12/31/2009**	**4,927**		**4,927**	
	12/31/2008	4,902		4,902	
Trade payables	**12/31/2009**	**6,066**	**6,066**		
	12/31/2008	9,497	9,497		
Liabilities from finance lease	**12/31/2009**	**1,277**	**958**	**319**	
	12/31/2008	2,362	1,093	1,269	
Income taxes payable	**12/31/2009**	**480**	**480**		
	12/31/2008	608	608		
Other liabilities	**12/31/2009**	**13,062**	**10,393**	**2,669**	
	12/31/2008	17,612	13,245	4,367	
	12/31/2009	**77,746**	**22,634**	**40,253**	**14,859**
Total	**12/31/2008**	**72,594**	**34,679**	**26,089**	**11,826**

Payables to banks

Payables to banks mainly comprise long term loans borrowed under prevailing market interest rates. Their fair value equals the sum of the inherent carrying amounts.

Loan agreements of Nabaltec AG are partly subject to covenants, which are partially based on leverage coverage ratios as well as on the equity ratio. In the case of non-compliance, the lender is eligible to increase the interest margin or make use of his extraordinary right to terminate the contract. In the reporting period 2009, covenants were not adhered to. The Management Board is currently in negotiations with the respective banks.

Profit participation capital

As per December 31, 2009, the Company has a liability pertaining to profit participation capital in the amount of EUR 4,927 thousand (PY: EUR 4,902 thousand). The scheduled term of the profit participation capital with an amount of EUR 5,000 thousand ends in 2012. Prior to this time, there is no ordinary call right. The profit participation right grants only creditor claims against the Company and no shareholder rights are constituted. The Company is obliged to pay interest of 8.10% p.a. on the nominal amount by the end of the term; quarterly advance payments are made on the interest obligation. Under certain conditions, due advance payments can be deferred; in such cases, the interest rate would increase. At the end of the term, the profit participation right must be repaid at the nominal amount, less any participation in the Company's losses.

The difference arising from changes in the carrying value of the profit participation capital (compounding due to applying the effective interest method) in comparison to prior year was recognized as an interest expense through the income statement.

According to the contract governing profit participation capital, the redemption amount shall be reduced by the audited net annual loss to the extent that this loss is covered by committed equity. The right to redemption payments is not effective, should such rights only be covered by committed equity. This could result in prospective cash flows deviating from contractual cash flows. Nabaltec will meet the profit participation rights as contractually agreed. According to the intermediate budget, there will be sufficient fund will be available so as to fully pay the redemption amount upon maturity. Correspondingly, the contractual cash flows are anticipated.

Trade payables

Trade payables are due within 90 days.

The carrying amounts of trade payables are equal to their fair values.

Liabilities from finance lease

The minimum lease payments for 2009 as well as future minimum lease payments from finance leasing can be reconciled to their present values as follows:

in EUR 000	Lease payments	Interest portion	Present value of minimum lease payments
< 1 year	1,017	59	958
1–5 years	325	6	319
Total	**1,342**	**65**	**1,277**

With regards to rental and lease expenses in financial years 2009 and 2008, please refer to the specification of other operating expenses in Section 5.8 Other operating expenses.

Income tax payables

Those comprise outstanding trade tax and corporate income tax (including solidarity surcharge) liabilities in Germany for prior years.

Other liabilities

Current other liabilities consist of the following financial and non-financial liabilities:

in EUR 000	12/31/2009	12/31/2008
Loan due to non-controlling shareholder	8,102	8,835
Negative fair value of interest rate swap	657	1,076
Employer's Liability Insurance Association	243	266
Preparation and audit of the annual financial statements	90	112
Excess payment factor	0	1,323
Negative fair value of foreign exchange contract	0	6
Other	205	235
Other current financial liabilities	**9,297**	**11,853**

in EUR 000	12/31/2009	12/31/2008
Outstanding vacation claims	442	528
Bonuses and performance-based pay	338	500
Payables to tax authorities	152	166
Other consumption tax	147	182
Social securities payable	17	16
Other current non-financial liabilities	**1,096**	**1,392**
Total other current liabilities	**10,393**	**13,245**

Liabilities arising from bonuses and performance-based pay depend on the fulfillment of the underlying objectives. Liabilities for outstanding vacation claims were recognized on the basis of individual employees.

Payables tax authorities result primarily from payroll and church taxes for the past financial year outstanding as at the balance sheet date.

Due to their short term maturity, the carrying amounts of current other liabilities are approximately equal to their fair values.

Other noncurrent liabilities with a carrying amount of EUR 2,669 thousand (PY: EUR 4,367 thousand) comprise a fixed assets investment grant already received from the government of Upper Palatinate (Oberpfalz) for prospectively planned investments. This investment grant has not been allocated to a specific investment as yet. These items consisted exclusively of other financial liabilities. The carrying amount is approximately equal to its fair value. In the current financial year EUR 3,331 thousand (PY: EUR 1,633 thousand) of the received grants were deducted in arriving at the carrying amount of the respective noncurrent assets.

7. Other disclosures

7.1. Other financial obligations

Obligations under operating leases – the Group as lessee

The Group is subject to financial obligations under rental and lease agreements. In particular, Nabaltec AG sold several technical equipment and machinery under the terms of a sale-and-leaseback transaction. The remaining terms of the contracts are between 1–5 years. The contracts' original terms were from 3–6 years and do not contain any price adjustment clauses or call options.

In the current financial year, an amount of EUR 2,127 thousand (PY: EUR 1,093 thousand) was recognized as expenses under rental and operating lease agreements.

The total amount of future minimum lease payments under operating leases by maturities is specified as follows:

in EUR 000	**12/31/2009**	12/31/2008
Minimum lease payments due in < 1 year	**2,191**	2,183
Minimum lease payments due 1–5 years	**6,097**	7,273
Minimum lease payments due > 5 years	**187**	0
Total	**8,475**	**9,456**

Contingent liabilities

At the balance sheet date, there were no significant contingent liabilities or pending litigation for which provisions had to be recognized. At December 31, 2009, the Company was subject to open purchase orders for capital expenditure projects in the amount of EUR 1,821 thousand (PY: EUR 8,476 thousand).

7.2. Disclosures on financial instruments

Carrying amounts, valuation, fair values by measurement categories

The carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements are presented in the table below.

in EUR 000	Category in accordance with IAS 39	Carrying amount 2009	Carrying amount 2008	Fair value 2009	Fair value 2008
Financial assets					
Trade receivables	LaR	**499**	1,303	**499**	1,303
Other receivables					
Other non-derivative and financial assets	LaR	**1,401**	1,258	**1,401**	1,258
Positive fair value interest rate derivatives (without a hedging relationship)	HfT / FVtPL	**0**	453	**0**	453
Positive fair value interest rate derivatives (designated in an effective cash flow hedging relationship)	–	**0**	0	**0**	0
Cash and cash equivalents	LaR	**497**	1,942	**497**	1,942
Financial liabilities					
Financial liabilities at amortized cost					
Payables to banks	FLaC	**51,934**	37,613	**51,934**	37,613
Profit participation capital	FLaC	**4,927**	4,902	**4,927**	4,902
Trade payables	FLaC	**6,066**	9,497	**6,066**	9,497
Liabilities from finance lease	–	**1,277**	2,362	**1,277**	2,362
Other financial liabilities					
Other non-derivative financial liabilities	FLaC	**8,640**	10,771	**8,640**	10,771
Negative fair value interest rate derivatives (without a hedging relationship)	HfT / FVtPL	**0**	0	**0**	0
Negative fair value interest rate derivatives (designated in an effective cash flow hedging relationship)	–	**657**	1,076	**657**	1,076
Negative fair value forward foreign exchange derivatives (without a hedging relationship)	HfT / FVtPL	**0**	6	**0**	6

The following abbreviations were used for the valuation categories according to IAS 39:

LaR	Loans and Receivables
HfT	Held for Trading
FVtPL	Fair Value through Profit and Loss
FLaC	Financial Liabilities Measured at amortized Cost

The fair values of derivative financial instruments and loans were determined by discounting the expected future cash flows to their present values using prevailing market interest rates. The fair values of other financial assets were determined using prevailing market interest rates.

The cash and cash equivalents, trade receivables and other receivables are receivable in less than one year. Therefore, their carrying amounts are approximately equal to their fair values.

Net gain/loss by measurement categories

The following table presents income and expenses from financial instruments according to measurement categories as defined by IAS 39:

Measurement categories in accordance with IAS 39		From interest	From subsequent measurement			**Net gain/loss 2009**
			At Fair Value	Currency translation	Impairment/ allowance	
Loans and Receivables	LaR	7	–	38	–44	**1**
Held for Trading	HfT	–	–184	–	–	**–184**
Other Liabilities	FLaC	–4,176	–	–82	–	**–4,258**
Total 2009		**–4,169**	**–184**	**–44**	**–44**	**–4,441**

Measurement categories in accordance with IAS 39		From interest	From subsequent measurement			**Net gain/loss 2008**
			At Fair Value	Currency translation	Impairment/ allowance	
Loans and Receivables	LaR	24	–	–23	–11	**–10**
Held for Trading	HfT	–	447	–	–	**447**
Other Liabilities	FLaC	–3,365	–	–169	–	**–3,534**
Total 2008		**–3,341**	**447**	**–192**	**–11**	**–3,097**

Interest income and expenses from financial instruments are presented in the consolidated statement of comprehensive income within the positions interest and similar income and, respectively, expenses. Interest income from financial assets classified as loans and receivables mainly comprise interest income from current accounts and short term deposits. Interest expenses from financial liabilities in the category other liabilities primarily comprise interest expenses due to banks and, respectively, profit participation capital.

Net gains/losses arising from subsequent measurement of derivative financial instruments classified as held for trading include interest as well as foreign currency translation effects. The related amounts are presented within the positions interest and similar income, respectively, expenses. Effects, however, arising from subsequent measurements of interest rate derivatives in an effective cash flow hedging relationship are recorded directly in equity. Recognition through profit or loss of an ineffective portion was not required.

Net gains/losses arising from foreign currency translation of financial assets classified as loans and receivables as well as liabilities classified as other liabilities mainly comprise trade receivables and payables nominated in foreign currency and is presented within the positions other operating income and expenses.

Net gains/losses from impairment mainly include additions and reversals of individual bad debt allowances relating to trade receivables. The respective amounts are recorded within the positions other operating income and expenses.

Fair Value Hierarchy

Effective January 1, 2009, a hierarchy for the measurement of fair value was introduced for financial assets and liabilities valued at fair value through profit or loss. The valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value based on their observable or unobservable nature.

The three-level hierarchy is summarized as follows:

Level 1: On the first level of the 'Fair Value Hierarchy', quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument.

Level 2: If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Level 3: Valuation methods applied on this level are based on parameters and assumptions not readily available from an active market.

Group financial instruments measured at fair value were assigned to the following hierarchy levels:

12/31/2009				
in EUR 000	Level 1	Level 2	Level 3	**Total**
Assets				
Positive fair value interest rate swap	0	0	0	**0**
Liabilities				
Negative fair value interest rate swap	0	657	0	**657**

12/31/2008				
in EUR 000	Level 1	Level 2	Level 3	**Total**
Assets				
Positive fair value interest rate swap	0	453	0	**453**
Liabilities				
Negative fair value interest rate swap	0	1,076	0	**1,076**

In 2009, there were no reclassifications between the different levels.

Hedging relationships

Interest rate swaps are used to limit currency and interest rate risk exposures resulting from changes in market interest level and changes of future cash outflows due to variable interest loans. The designated effective hedging relationships are accounted for in compliance with the regulations set out by IAS 39 for hedge accounting. As a result interest rate risk can be controlled and volatilities of results reduced.

At the inception of the hedge, the hedging relationship is formally designated and documented, including the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness. The hedging relationship is assessed on an ongoing basis (i.e. over the entire hedge term) and it is determined whether the hedging relationship was highly effective.

For hedging relationships accounted for under the regulations as set out in hedge accounting, IAS 39 requires, among others, that the designated hedging relationship is effective. The changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%. The effective portion of a hedge within the above presented range is recorded directly in equity whereas the ineffective portion is immediately recognized the consolidated statement of comprehensive income.

In the financial year, a cash flow hedge was designated in compliance with the risk management strategy consisting of a variable interest bearing loan and an interest rate swap. Based on the interest rate swap, the variable interest bearing loan is effectively converted into a fixed interest bearing loan. Thus, monthly interest payments until maturity of the loan as of May 31, 2016 are effectively fixed.

As summarized in the table on the fair values of financial liabilities, the Company recognized an interest rate swap as per December 31, 2009, in the amount of EUR –657 thousand (PY: EUR –1,076 thousand) as hedge instrument as part of a cash flow hedge. Changes in the fair value of the interest swap resulted in a gain in 2009 of EUR 420 thousand (PY: loss of EUR 1,380) that was directly recognized in equity. Furthermore, an additional interest rate swap with a positive fair value of EUR 453 thousand as per December 31, 2008, was paid off in 2009 resulting in a loss of EUR 190 thousand, recognized in the item interest and similar expenses.

Default risk

The Group is exposed to default risks primarily through its trade receivables. In order to reduce these risks, receivables are factored. Debtors' default risks are transferred by way of contractual agreements to the factor, except for a security deposit. The respective carrying amounts are therefore completely derecognized and are no longer carried as trade receivables. This does not include trade receivables which are not accepted by the factor e.g. because of exceeding a credit limit. As of December 31, 2009, trade receivables amounting to EUR 1,030 thousand (PY: EUR 833 thousand) were sold in the scope of factoring. Due to overpayments by the factor, a payable is recognized at an amount of EUR 0 thousand (PY: EUR 1,323 thousand).

The amounts presented in the balance sheet are net of bad debt allowances for prospectively uncollectible receivables, which are estimated by Management on the basis of past experience and the current economic environment. Individual bad debt allowances are charged as soon as there is an indication that those receivables may be uncollectible. Such indications are based on intensive contacts maintained through the Company's credit management.

In case of counterparty default, the maximum default risk of the Group's financial assets, which comprise trade receivables, cash and cash equivalents and other assets, is equal to the carrying amounts of the corresponding instruments.

The Group is not subject to any significant concentration of default risks because they are well spread over a large number of counterparties and customers. As in prior year, the Group's assets are not subject to any restrictions on title or disposal.

The following table summarizes the changes in bad debt allowances on trade receivables:

in EUR 000	2009	2008
Balance per 01/01	**288**	277
Additions recognized as expenses in the income statement	**44**	11
Reversal	**0**	
Balance per 12/31	**332**	288

The age structure of trade receivables is presented in the table below:

in EUR 000	Carrying amount	neither past due nor value-adjusted	past due, but not value-adjusted < 3 months	3 to 6 months	6 to 12 months	> 12 months
12/31/2009	**499**	**499**	**0**	**0**	**0**	**0**
12/31/2008	1,303	1,220	0	0	0	0

With regard to the trade receivables which are neither value-adjusted nor past due, there were no indications at the balance sheet date that would suggest that debtors will not fulfill their payment obligations.

The amount of trade receivables neither past due nor impaired does not include any amounts of trade receivables, whose terms have been renegotiated.

No value adjustments were charged against the remaining other financial assets. At the balance sheet date, there were no past-due claims in this category.

Liquidity risk

The Group continually monitors the risk of liquidity shortfalls. For this purpose, the Group monitors the maturities of financial assets and liabilities and the expected cash flows from operating activities, among others. The objective of the Group is to ensure the supply of sufficient financial resources as well as to maintain a maximum flexibility by disposing of current accounts, loans and financial leases.

The following table presents the contractually agreed (not discounted) cash outflows of financial liabilities. All financial liabilities for which payments have been already contractually agreed on were included. Budget data for prospective, new liabilities are not included. Amounts denominated in foreign currencies have been translated using the spot rate as of the balance sheet date. The variable interest payments arising from financial instruments were calculated using the last interest rates fixed before the balance sheet date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Cash outflows (not discounted) in EUR 000		Total	thereof < 1 year	thereof 1–5 years	thereof > 5 years
Payables to banks	**12/31/2009**	**51,981**	**4,737**	**32,385**	**14,859**
	12/31/2008	38,000	10,236	15,551	12,213
Profit participation capital	**12/31/2009**	**5,000**		**5,000**	
	12/31/2008	5,000		5,000	
Trade payables	**12/31/2009**	**6,066**	**6,066**		
	12/31/2008	9,497	9,497		
Liabilities from finance lease	**12/31/2009**	**1,342**	**1,017**	**325**	
	12/31/2008	2,557	1,223	1,334	
Other financial liabilities	**12/31/2009**	**11,966**	**9,297**	**2,669**	
	12/31/2008	16,220	11,853	4,367	
Total (financial liabilities)	**12/31/2009**	**76,355**	**21,117**	**40,379**	**14,859**
	12/31/2008	**71,274**	**32,809**	**26,252**	**12,213**

Foreign currency risk

Foreign currency risk that the Group is exposed to result, on the one hand, from its operating activities. Although Group companies mainly operate in their individual functional currency, some Group companies are exposed to foreign currency risks based on planned payments in a currency other than their functional currency.

Foreign currency risks are presented by means of sensitivity analyses as required by IFRS 7. These show the effects of hypothetical changes of relevant risk parameters on profit before taxes and shareholders' equity as a consequence of upward revaluation and devaluation of the Euro against all other foreign currencies. Financial instruments denominated in a currency that is not the functional currency and of monetary nature are included within the scope of these analyses. According to the requirements of IFRS 7, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. No effects resulted on shareholders' equity.

	Rate change in %	Effect on profit before tax in EUR 000
2009		
USD	**+5%**	**107**
USD	**–5%**	**–107**
2008		
USD	+5%	63
USD	–5%	–63

Interest rate risk

Interest rate risk that the Group is exposed to results mainly from interest rate fluctuations and the related financial variable interest-bearing liabilities due to banks. The Group's interest expenses are managed through a combination of fixed interest-bearing liabilities and variable interest-bearing liabilities. For hedging purposes of the interest rate risk inherent from noncurrent variable interest-bearing positions, interest rate swaps are applied that switch the differences between payments subject to variable interest and payments subject to fixed interest regarding a nominal amount within agreed time intervals to the contracting party.

Interest rate risks are risks are presented by means of sensitivity analyses as required by IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity (from subsequent measurement of designated interest rate derivatives in an effective cash flow hedging relationship) as follows:

	Increase/decrease in basis points	Effect on profit before taxes in EUR 000	Effect on shareholders' equity* in EUR 000
2009			
Europe	**+10**	**–13**	**0**
USA	**+10**	**–15**	**27**
Europe	**–10**	**13**	**0**
USA	**–10**	**15**	**–27**
2008			
Europe	+10	–76	0
USA	+10	–49	38
Europe	–10	76	0
USA	–10	49	–38

* Disregarding the effects on profit before taxes

Besides the risk of a parallel shifting of the yield curve, the Nabaltec Group is exposed to a risk resulting from an increase or, respectively, flattening of the yield curve. This risk is above all caused by a spread swap. An extension of the spread between the 2-year and the 30-year rate by 10 basis points would have an effect on profit of EUR 0 thousand (PY: EUR 141 thousand). The spread swap was cancelled in Q2: 2009 and charged to the consolidated statement of comprehensive income.

7.3. Additional disclosures on capital management
Nabaltec AG conducts sound capital management enabling the Group to continue on a growth path as well as ensuring solvency. In this regard, particular emphasis is given to preserving a balanced ratio of equity to debt over the long term.

The equity and debt positions of Nabaltec AG at December 31, 2009 and 2008, monitored for purposes of the Group's capital management, are presented in the table below:

	12/31/2009 in EUR 000	12/31/2008 in EUR 000	Change in %
Equity	**40,043**	**45,051**	**– 11.12**
in % of total capital	**37.68**	45.62	– 17.41
Noncurrent financial liabilities	**52,443**	33,548	56.32
Current financial liabilities	**13,797**	20,164	– 31.58
Debt [2]	**66,240**	**53,712**	**23.32**
as % of total capital	**62.32**	54.38	14.60
Total capital for capital management purposes	**106,283**	**98,763**	**7.61**

2 The Group defines debt as payables to banks, liabilities from profit participation capital, liabilities from finance leases, and liabilities due to non-controlling shareholders.

In the financial year, equity was reduced by EUR 5,008 thousand to EUR 40,043 thousand in principle due to the loss incurred by Nabaltec AG, Schwandorf.

Borrowed capital increased by EUR 12,528 thousand to EUR 66,240 thousand in the financial year due to borrowings of noncurrent loan (EUR 22,699 thousand).

In total, the capital measures conducted in 2009 reduced the equity ratio (as a percentage of total capital) to 37.68% compared to prior year 45.62%. The ratio of debt to total capital, according to the definition applied for capital management purposes, rose from 54.38% as of December 31, 2008 to 62.32% as of December 31, 2009.

Within the Company's continued development, the Group optimizes its financial management, accompanied by continuous monitoring and management of its equity ratio.

The objective of this financial management is to improve the Company's solvency in regards to Nabaltec AG's business partners and optimize its capital costs.

Nabaltec AG is not subject to any capital requirements imposed by its Articles of Association. Regarding covenants from loan agreements, please refer to Section 6.10 Current and noncurrent liabilities.

7.4. Related party transactions

According to IAS 24 Related Party Disclosures, related parties are composed of those companies and persons that possess the ability directly or indirectly to control the other party or to exercise significant influence or joint control over the other party.

The following persons and companies have been identified as related parties:

- Members of the Management Board (see Section 7.8 Governing bodies of the Company) and their family members;
- Members of the Supervisory Board (see Section 7.8 Governing bodies of the Company) and their family members;
- Companies that are controlled directly or indirectly by members of the Management Board or Supervisory Board.

The members of the Management Board received short term compensation of EUR 825 thousand (PY: EUR 873 thousand) in the financial year 2009. In addition, post-employment expenditures of EUR 1,432 thousand (PY: EUR 137 thousand) were incurred.

Members of the Supervisory Board received short term compensation of EUR 42 thousand (PY: EUR 45 thousand) in the financial year 2009.

At December 31, 2009 and 2008, there were receivables due from and payables due to related parties as follows:

	Receivables		Payables	
in EUR 000	**12/31/2009**	12/31/2008	**12/31/2009**	12/31/2008
Entities controlled by members of the Supervisory Board	**0**	0	**0**	0
Entities controlled by members of the Management Board	**9**	4	**0**	0

At December 31, 2009 or in the course of 2009 as well as at December 31, 2008 or in the course of 2008, there were neither allowances for bad debt nor expenses for uncollectible receivables or bad debt due from related parties.

In 2009 and 2008, the following expenses and income with related parties were recognized in addition to compensation granted to the members of the Management Board:

	Income		Expenses	
in EUR 000	**2009**	2008	**2009**	2008
Entities controlled by members of the Supervisory Board	**0**	0	**5**	5
Entities controlled by members of the Management Board	**92**	34	**3**	153

Transactions with entities controlled by members of the Management Board comprise services related to human resources management (income amounting to EUR 92 thousand; PY: EUR 34 thousand), engineering services (expenses amounting to EUR 0 thousand; PY: EUR 25 thousand), investment in sewage works (expenses amounting to EUR 0 thousand; PY: EUR 124 thousand), and IT services (expenses amounting to EUR 3 thousand; PY: EUR 4 thousand).

Expenses incurred for members of the Supervisory Board resulted from the research and development activities regarding ceramic process engineering performed by one member.

7.5. Earnings per share

The number of shares outstanding showed the following changes during the financial year:

	2009	2008
Common shares outstanding at 01/01	**8,000,000**	8,000,000
There were no transactions in the financial year.		
Common shares outstanding at 12/31	**8,000,000**	8,000,000
Undiluted weighted average number of common shares outstanding	**8,000,000**	8,000,000

For calculating the undiluted earnings per share, the profit or loss attributable to the holders of the Company's common shares are divided by the weighted average number of common shares in circulation during the financial year.

In accordance with IAS 33 Earnings Per Share, the effects of potential common shares are also taken into account for determining the diluted earnings per share. No dilutive effects apply for Nabaltec AG. Thereby, the undiluted earnings per share are equal to the diluted earnings per share for 2009 and 2008.

Earnings per share, so calculated, are presented in the table below:

	2009	2008
Consolidated earnings after tax – Shareholders of Nabaltec AG in EUR 000	**–5,047**	1,126
Undiluted weighted average number of common shares outstanding	**8,000,000**	8,000,000
Earnings per share in EUR	**–0.63**	0.14

For additional information, we refer to Section 6.8 Equity.

7.6. Notes to the cash flow statement
The cash flow statement indicates the sources and uses of funds. In accordance with IAS 7 Statement of Cash Flows, the cash flows from operating activities, investing and financing activities are presented separately.

The net funds presented in the cash flow statement comprise the item of cash and cash equivalents presented in Section 6.7 Cash and cash equivalents.

Deviations between additions shown in the consolidated statement of changes in noncurrent assets and cash expenditures for investments in technical equipment, plant and machinery result from unsettled invoices due to related purchases and the offsetting of received investment grants with the additions shown in the consolidated statement of changes in noncurrent assets.

7.7. Segment information
Business segments represent the primary format for the Group's segment reporting. Risks and the internal organizational and reporting structure of the Group are determined mainly by the distinctions between the products produced.

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.

The column 'other' includes assets and liabilities that cannot be matched to the individual segments.

Transfer prices applied between the business segments are fundamentally determined on the basis of the prevailing market terms that would be charged in an arm's-length transaction. The segment income, expenses and result include transfers between the business divisions, which are eliminated as part of the consolidation process. In the financial years 2009 and 2008, no inter-segment transactions between the business divisions were incurred.

Financial year ended December 31, 2009 in EUR 000	Functional Fillers	Technical Ceramics	Other	Nabaltec Group
Revenues				
Third party revenue	50,193	22,867		73,060
Segment result				
EBITDA	2,788	945		3,733
EBIT	–1,616	–1,092		–2,708
Assets and liabilities				
Segment assets	94,955	36,112	744	131,811
Segment liabilities	8,457	3,430	79,881	91,768
Other segment information				
Capital expenditures				
– Property, plant and equipment	17,217	1,280		18,497
– Intangible assets	7	1		8
Depreciation and amortization				
– Property, plant and equipment	4,374	2,001		6,375
– Intangible assets	30	36		66

Financial year ended December 31, 2008 in EUR 000	Functional Fillers	Technical Ceramics	Other	Nabaltec Group
Revenues				
Third party revenue	61,608	34,669		96,277
Segment result				
EBITDA	3,729	5,589		9,318
EBIT	330	3,798		4,128
Assets and liabilities				
Segment assets	89,295	40,924	1,942	132,161
Segment liabilities	13,199	6,004	67,908	87,111
Other segment information				
Capital expenditures				
– Property, plant and equipment	14,022	4,619		18,641
– Intangible assets	48	69		117
Depreciation and amortization				
– Property, plant and equipment	3,373	1,761		5,134
– Intangible assets	26	30		56

Information by region

The geographical regions are defined as Germany, Rest of Europe, USA and Rest of World (RoW).

Financial year ended December 31, 2009 in EUR 000	Germany	Rest of Europe	USA	RoW	Total
Revenues					
Third party revenue	21,987	37,267	7,805	6,001	73,060
Other segment information					
Segment assets	111,737		20,074		131,811
Capital expenditures					
– Property, plant and equipment	18,324		173		18,497
– Intangible assets	8				8

Financial year ended December 31, 2008 in EUR 000	Germany	Rest of Europe	USA	RoW	Total
Revenues					
Third party revenue	33,717	48,854	7,757	5,949	96,277
Other segment information					
Segment assets	109,729		22,432		132,161
Capital expenditures					
– Property, plant and equipment	18,581		60		18,641
– Intangible assets	117				117

In 2009, one customer accounted for more than 10% of total revenues. Revenue from this customer amounts to EUR 8,089 thousand and is included in the 'Functional Fillers' segment. In 2008, no customer accounted for more than 10% of total revenues.

The noncurrent assets of the Group are located in Germany and the United States. Noncurrent assets are defined as assets that are used for operating activities and are expected to remain within the Company for longer than 12 months. The location of the respective assets determined the allocation.

7.8. Governing bodies of the Company

Management Board
- Mr. Johannes Heckmann (Engineering)
- Mr. Gerhard Witzany (Business Administration)

Supervisory Board
- Mr. Dr. Leopold von Heimendahl (Chairman)
- Mr. Dr. Dieter J. Braun (Vice Chairman)
- Mr. Prof. Dr.-Ing. Jürgen G. Heinrich

7.9. Voluntary Declaration pursuant to Section 161 of the German Stock Corporation Act regarding the German Corporate Governance Code

The Management Board and the Supervisory Board of Nabaltec AG have voluntarily issued and made available to shareholders the Declaration on the German Corporate Governance Code in compliance with Section 161 of the German Stock Corporation Act required from listed entities. The declaration is published on the Company's website www.nabaltec.de under 'Investors Relation/ Corporate Governance'.

7.10. Significant events after the reporting period

Thus far, Nabaltec AG held 51% of the shares in Nashtec Management Corp. and 51% of the shares in Nashtec L.P. (USA) (directly 50.49% and indirectly 1% via Nashtec Management Corp., as general partner) in the form of a joint venture. Effective January 1, 2010, the corporate structure was amended. Nashtec Management Corp. was liquidated; Nashtec L.P. was transformed into an LLC so that Nabaltec AG now directly owns 51% of the shares in Nashtec LLC. The remaining 49% are directly held by Sherwin Alumina.

No further events took place subsequent to December 31, 2009.

7.11. Auditors' fees and services pursuant to Section 314 of the German Commercial Code

The fee for the audit of the 2009 financial statements amounts of EUR 80 thousand (including the fee for the audit of the Company's consolidated financial statements). For other assurance services, the auditor received a fee of EUR 3 thousand. The fee for tax advisory services amounts to EUR 18 thousand.

Schwandorf, March 5, 2010

Nabaltec AG
The Management Board

Johannes Heckmann Gerhard Witzany

Independent Auditor's Report

We have audited the consolidated financial statements comprising the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, statement of changes in noncurrent assets, and notes, as well as the group management report of Nabaltec AG, Schwandorf, for the business year from January 1, 2009 through December 31, 2009. Preparation of the consolidated financial statements and group management report in accordance with the IFRS, as endorsed by the EU, and the additional provisions of German commercial law pursuant to Section 315a Paragraph 1 HGB ("German Commercial Code") and supplementary provisions of the articles of association are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit. Additionally, we were engaged to assess whether the consolidated financial statements have been prepared in accordance with the IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, Incorporated Association – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, earnings and financial position in the consolidated financial statements in accordance with 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 group management report are examined primarily on a test basis in the course of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles applied by the Group and significant estimates made by the Company's Management Board 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 our audit findings, the consolidated financial statements of Nabaltec AG, Schwandorf, comply with the IFRS as adopted by the EU, the additional provisions of German commercial law pursuant to Section 315a Paragraph 1 HGB and supplementary provisions of the articles of association and give a true and fair view of the Group's net assets, earnings and financial position in accordance with these requirements. The group management report is consistent with the consolidated financial statements and, as a whole, provides a suitable view of the Group's position, as well as the opportunities and risks of future development.

Nuremberg, March 8, 2010

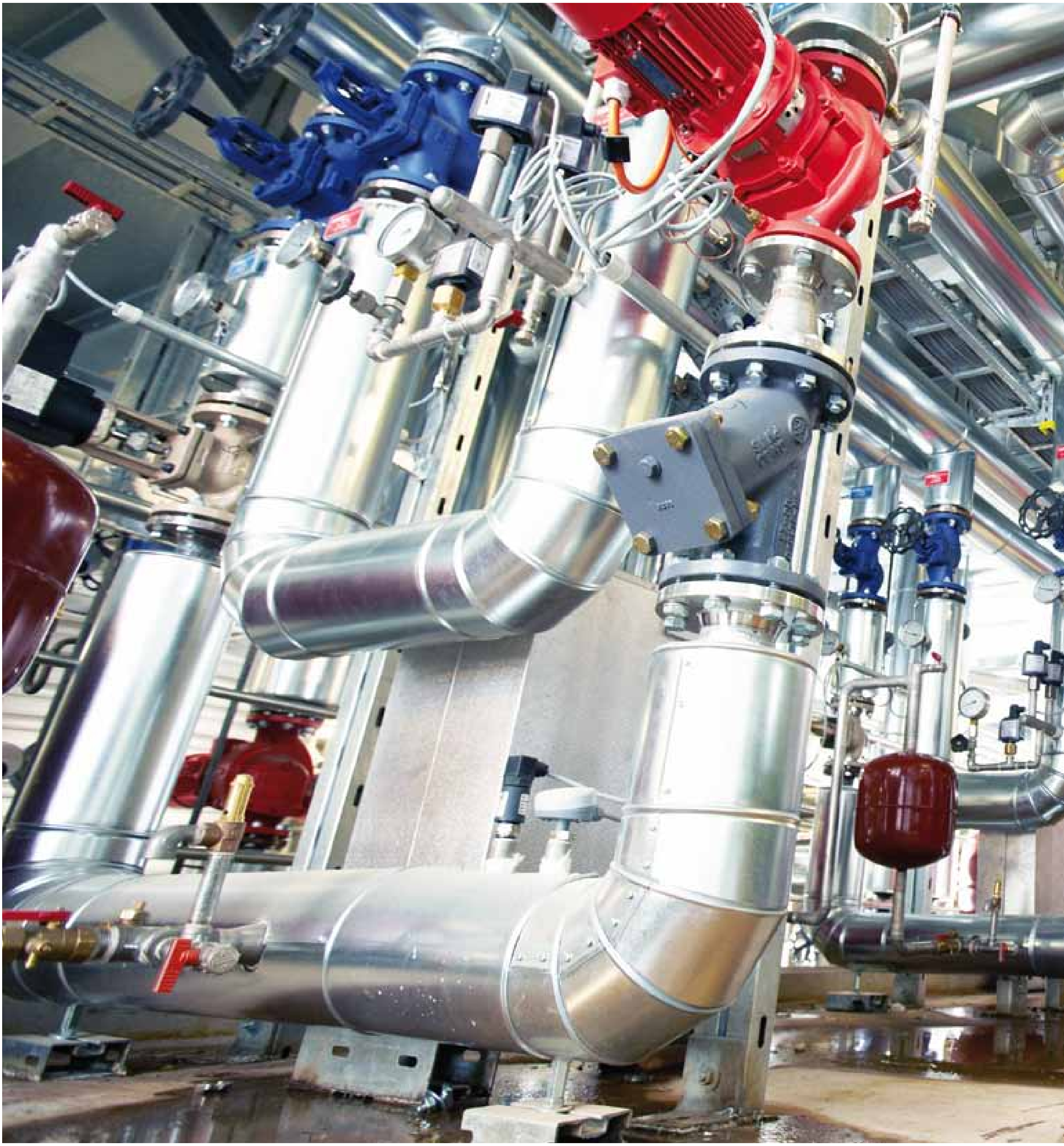
Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Thiermann)
Auditor

(ppa. Sauer)
Auditor

ANNUAL FINANCIAL STATEMENTS

as of December 31, 2009




Nabaltec

Balance Sheet of Nabaltec AG, Schwandorf

as of December 31, 2009

ASSETS

in EUR 000	31/12/2009	31/12/2008
A. Fixed Assets		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights and assests as well as licenses for such rights and assets	**141**	212
2. Advance payments	**65**	138
	206	**350**
II. Property, Plant and Equipment		
1. Land, leasehold rights and buildings, including buildings on non-owned land	**15,660**	11,539
2. Technical equipment and machinery	**52,757**	33,417
3. Other fixtures, fittings and equipment	**1,797**	1,798
4. Advance payements as well as plant and machinery under construction	**698**	11,248
	70,912	**58,002**
III. Financial Assets		
1. Shares in affiliated companies	**163**	163
2. Loans to affiliated companies	**8,382**	7,067
3. Other loans	**864**	752
	9,409	**7,982**
	80,527	**66,334**
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	**8,896**	15,355
2. Finished goods and purchased products	**8,707**	10,875
	17,603	**26,230**
II. Accounts Receivable and other Assets		
1. Trade receivables	**416**	1,282
2. Other assets	**2,816**	2,565
	3,232	**3,847**
III. Cash and cash equivalents		
1. Bank Balances	**278**	**1,674**
	21,113	**31,751**
C. Prepaid Expenses	**389**	**529**
	102,029	**98,614**

EQUITY AND LIABILITIES

in EUR 000	31/12/2009	31/12/2008
A. Shareholders' Equity		
I. Subscribed capital – thereof conditional capital 3,000 (PY: 3,000)	**8,000**	8,000
II. Capital reserve	**30,824**	30,824
III. Profit participation capital	**1,730**	5,000
IV. Net result	**0**	3,876
	40,554	**47,700**
B. Fixed Assets Investment Grants	**177**	**300**
C. Provisions		
1. Provisions for pensions and similar obligations	**8,440**	7,118
2. Accrued taxes	**487**	608
3. Other provisions and accrued liabilities	**2,595**	3,667
	11,522	**11,393**
D. Accounts Payable		
1. Payables to banks	**41,433**	25,471
2. Trade payables	**5,019**	7,620
3. Payables to affiliated companies	**287**	23
4. Other payables – thereof relating to taxes 145 (PY: 166) – thereof relating to social securitiest: 17 (PY: 16)	**3,037**	6,107
	49,776	**39,221**
	102,029	**98,614**

Income Statement of Nabaltec AG, Schwandorf

for the financial year from January 1, 2009 through December 31, 2009

in EUR 000		**01/01 – 31/12/2009**		01/01 – 31/12/2008
1. Revenue		**73,060**		96,277
2. Change in finished goods		**– 2,183**		3,676
3. Other capitalized own services		**1,161**		253
Total performance		**72,038**		**100,206**
4. Other operating income		**1,199**		2,439
		73,237		**102,645**
5. Cost of materials:				
a) Cost of raw materials and supplies and purchased goods	**41,319**		57,850	
b) Cost of purchased services	**611**	**41,930**	731	58,581
Gross profit		**31,307**		**44,064**
6. Personnel expenses:				
a) Wages and salaries	**11,427**		14,087	
b) Social security and other pension costs – thereof for pension costs: 1,617 (PY: 809)	**3,826**		3,324	
7. Amortization/Depreciation of intangible assets and property, plant and equipment	**5,480**		4,129	
8. Other operating expenses	**14,824**	**35,557**	18,137	39,677
		– 4,250		**4,387**
9. Income from long term financial investments – thereof from affiliated companies: 198 (PY: 323)	**198**		323	
10. Interest and similar income	**270**		29	
11. Amortization of financial assets and marketable securities	**254**		0	
12. Interest and similar expenses – thereof for profit participation rights capital: 405 (PY: 405)	**2,853**		2,282	
Financial result		**– 2,639**		**– 1,930**
13. Result from ordinary operating activities		**– 6,889**		**2,457**
		– 6,889		**2,457**
14. Income taxes	**202**		664	
15. Other taxes	**55**	**257**	**40**	**704**
16. Net loss for the year (PY: net income for the year)		**– 7,146**		**1,753**
17. Profit carried forward		**3,876**		2,123
18. Withdrawal profit participation capital		**3,270**		0
19. Net profit		**0**		**3,876**

Financial Calendar

25 May 2010	**Interim Report 1/2010**
10 June 2010	**Annual General Meeting**
24 August 2010	**Interim Report 2/2010**
23 November 2010	**Interim Report 3/2010**

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Text, concept & realization
better value, Munich/Berlin

Photo p. 23
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This Nabaltec AG Annual Report was published in German and English.

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