FINANCIAL STATEMENTS (HGB)
OF NABALTEC GMBH
AS AT 31 DECEMBER 2004

Balance Sheet (HGB) as at 31 December 2004

ASSETS	31.12.2004		31.12.2003	
	€	€	€	€
A. FIXED ASSETS				
I. Intangible Assets				
Industrial and Similar Rights and Assets		339,385.99		655,077.84
II. Property, Plant and Equipment				
1. Land and Buildings	5,633,950.68		5,804,182.46	
2. Technical Equipment and Machines	10,198,480.10		11,421,554.38	
3. Other Equipment, Operating and Office Equipment	558,551.46		665,564.38	
4. Payments on Account and Assets under Construction	3,378,641.51	19,769,623.75	273,584.07	18,164,885.29
III. Financial Assets				
Other Loans		906.36		10,098.60
		20,109,916.10		18,830,061.73
B. CURRENT ASSETS				
I. Inventories				
1. Raw Materials and Supplies	4,634,218.73		4,614,695.46	
2. Finished Goods and Merchandise	3,870,135.91	8,504,354.64	4,740,977.21	9,355,672.67
II. Receivables and Other Assets				
1. Trade Receivables	2,627,258.93		1,827,426.82	
2. Other Assets	2,174,234.53		2,192,236.21	
- thereof from shareholders € 162,093.75 (PY. € 182,310.68)-		4,801,493.46		4,019,663.03
III. Cash in Hand and Cash at Banks		1,486,596.82		99,908.74
		14,792,444.92		13,475,244.44
C. PREPAID EXPENSES		14,052.09		6,035.87
		34,916,413.11		32,311,342.04

EQUITY AND LIABILITIES	31.12.2004	31.12.2003
	€	€
A. EQUITY		
I. Subscribed Capital	6,000,000.00	6,000,000.00
II. Capital Reserve	1,824,219.38	1,824,219.38
III. Unappropriated Retained Profit	1,595,187.56	620,262.71
	9,419,406.94	8,444,482.09
B. SPECIAL ITEM FOR FIXED ASSETS INVESTMENT GRANTS	1,051,592.50	1,278,874.13
C. ACCRUALS		
1. Accruals for Pensions	4,850,860.00	4,485,458.00
2. Tax Accruals	638,600.00	74,600.00
3. Other Accruals	3,280,662.70	4,619,263.91
	8,770,122.70	9,179,321.91
D. LIABILITIES		
1. Liabilities to Banks	10,493,238.28	9,121,078.96
2. Trade Payables	4,619,791.25	3,739,589.38
3. Other Liabilities	553,825.56	541,301.74
• thereof from Taxes € 211,466.29 (PY. € 123,362.32)		
• thereof in the framework of Social Serurity € 264,715.18 (PY. € 257,454.83)		
	15,666,855.09	13,401,970.08
E. DEFERRED INCOME	8,435.88	6,693.83
	34,916,413.11	32,311,342.04

Income Statement (HGB) for the Financial Year 2004

	2004		2003	
	€	€	€	€
1. Sales Revenues		56,499,085.55		50,064,108.50
2. Decline on Finished Goods Inventories		-879,039.79		-561,740.25
3. Own Work Capitalized		154,590.77		157,548.44
4. Other Operating Income		1,745,326.39		1,426,230.37
5. Cost of Materials				
a) Cost of Raw Materials, Consumables and Supplies and Purchased Merchandise	-28,880,792.83		-25,771,930.36	
b) Cost of Purchased Services	-85,433.26	-28,966,226.09	-123,447.72	-25,895,378.08
6. Personnel Expenses:				
a) Wages and Salaries	-9,567,550.55		-9,239,130.24	
b) Social Security and other Pension Costs	-2,468,168.87	-12,035,719.42	-2,590,673.23	-11,829,803.47
• thereof for Pension Costs € 487,431.10 (PY. € 592,488.80)				
7. Amortization /Depreciation of Intangible Assets and Property, Plant and Equipment		-2,726,476.49		-2,414,846.96
8. Other Operating Expenses		-11,019,724.49		-9,398,346.66
9. Income from Long Term Financial Investments		358.34		886.98
10. Other Interest and Similar Income		8,042.32		5,491.18
11. Interest and Similar Expenses		-718,898.34		-835,923.66
12. **Income from Ordinary Activities**		2,061,318.75		718,226.39
13. Income Taxes		-750,168.38		-153,706.34
14. Other Taxes		-36,225.52		-35,522.52
15. **Net Income for the Year**		1,274,924.85		528,997.53

Notes to the Financial Statements of Nabaltec GmbH (HGB) for the Financial Year 2004

General Disclosures on the Annual Financial Statements

The annual financial statements were prepared in accordance with the accounting provisions of the German Commercial Code (HGB). The provisions of the German Limited Liability Company Act (GmbH-Gesetz) were also observed. The type of expenditure format was used to classify the income statement.

Nabaltec GmbH, Schwandorf, is a large corporation pursuant to Section 267 (3) HGB.

Accounting and Valuation Policies

The following accounting and valuation policies were applied to the balance sheet and income statement items in a manner consistent with the previous year.

Intangible Assets are stated at acquisition cost, less scheduled straight-line amortization. Amortization recorded in the year of acquisition is on a pro rata basis.

Property, Plant and Equipment are stated at acquisition or production cost, less scheduled depreciation.

Scheduled depreciation is recorded straight-line in accordance with the estimated useful lives established in the business which are oriented towards the highest admissible tax rates. Assets capable of independent use with a value of up to € 410.00 were written down in full in the year of acquisition in accordance with Section 6 (2) EStG. Pro-rata depreciation is recorded in the year of acquisition. Production cost does not include interest on borrowings.

Financial Assets are reported at continued acquisition costs.

Raw Materials and Supplies and **Merchandise** are stated at acquisition costs, taking the strict lower of cost or market principle into account. Acquisition costs are calculated using the average cost method. Slow-moving items were written down on the basis of the length of storage.

Finished Goods are recorded at production cost taking the strict lower of cost or market principle into account. Production costs include direct materials and manufacturing costs, as well as appropriate shares of materials and manufacturing overhead costs. Interest on borrowings and general administration costs were not included in production costs.

Receivables and Other Assets are stated at face value. Individual discernible risks are provided for by specific valuation allowances.

The general default and credit risk for trade receivables was accounted for by a general allowance for doubtful accounts.

Foreign currency receivables are stated at the lower of the buying rate applicable on the transaction date or the buying rate applicable at the balance sheet date.

Liquid Assets are stated at their nominal amounts. Cash holdings denominated in foreign currencies are measured at the lower of the buying rate on the transaction date or the buying rate applicable at the balance sheet date.

Prepaid Expenses are stated at face value. The disagio is amortized over the term of the loans.

Subscribed Capital is carried at face value.

The **Special Item for Fixed Assets Investment Grants** was reported under equity at the amount of the grant and released over the useful life of subsidized investments on a pro-rata basis.

Accruals for Pensions and Similar Obligations are recorded in accordance with actuarial principles at accrued values applying an interest rate of 6 %.

Tax Accruals correspond to expected payments.

Other Accruals are recorded for all identifiable risks and uncertain obligations at the amount required by prudent business judgment.

Liabilities are stated at their repayment or settlement amounts.

Liabilities denominated in foreign currency are stated at the higher of the selling rate applicable on the transaction date or the selling rate applicable at the balance sheet date.

Disclosures to the Balance Sheet

Fixed Assets

The development of individual items of fixed assets is presented in the appendix to the Notes.

Receivables and Other assets

Other assets consist mainly of receivables from a factoring company relating to purchase price retentions and blocked amounts from sold customer receivables (k€ 792), an asset value from a re-insurance policy (k€ 380), VAT refund claims (k€ 345), credit balances with suppliers (k€ 321). Receivables of k€ 380 have a remaining term of more than one year.

Prepaid Expenses

Prepaid expenses include a disagio of k€ 2.

Shareholders' Equity

The subscribed capital of Nabaltec GmbH, Schwandorf, amounts to k€ 6,000 and is fully paid in.

Special Item for Fixed Assets Investment Grants

The special item is released in accordance with the useful life of the subsidized investments.

Accruals

Tax accruals comprise corporate income tax including solidarity surcharge (k€ 380) and trade tax (k€ 258).

Other accruals relate mainly to personnel commitments (k€ 1,436), cleanup and waste disposal costs (k€ 1,173), and anticipated losses from incomplete contracts (k€ 187).

Liabilities

The classification of liabilities and residual maturities with disclosure of collateral provided is shown in the following schedule of liabilities:

		With Residual Maturities			
	Total Amount	up to 1 Year	1 to 5 Years	Collateral Provided	Type of Collateral
	k€	k€	k€	k€	
Liabilities to Banks	10,493	8,540	1,953	10,493	Mortgage, Assigment as a Security
	(9,121)	(5,362)	(3,759)	(9,121)	
Trade Payables	4,620	4,620	0.00	0.00	
	(3,740)	(3,740)	(0.00)	(0.00)	
Other Liabilities	554	554	0.00	0.00	
	(541)	(541)	(0.00)	(0.00)	
	15,667	13,714	1,953	10,493	
	(13,402)	(9,643)	(3,759)	(9,121)	

(In parentheses: previous year)

Other Financial Commitments

The following financial commitments significant for the assessment of financial position are in existence:

		31.12.2004	31.12.2003
		€	€
a)	Commitments from Rental-, Lease-, Service- and Consulting Agreements	3,243	2,123
	thereof with a term of		
	- up to 1 year	623	462
	- from 1 to 5 years	2,491	1,406
	- of more than 5 years	129	255
b)	Commitments (Outstanding purchases) from Investment Orders	867	111
	- thereof due up to 1 year	867	111

Disclosures to the Net Income Statement

Sales Revenues

The classification of sales revenues presented in accordance with the respective activity areas and geographic markets was as follows:

	2004		2003	
	k€	%	k€	%
Germany	18,279	32.4	15,886	31.7
Rest of Europe	28,814	51.0	23,174	46.3
North America	4,749	8.4	8,288	16.6
South America	140	0.2	135	0.3
Asia	4,303	7.6	2,868	5.7
Africa	686	1.2	279	0.5
Australia	0	0.0	3	0.0
	56,971	100.8	50,633	101.1
Less				
Discounts and Bonuses	-472	-0.8	-569	-1.1
	56,499	100.0	50,064	100.0

Other Operating Income

Other operating income of k€ 360 is attributable to other financial years. It principally comprises the release of accruals (k€ 339) and income from the disposal of fixed assets (k€ 21).

Income from the release of the special item for fixed assets investment grants amounts to k€ 227 (previous year: k€ 220).

Income Taxes

The income tax adversely affects income from ordinary activities to the amount of k€ 750 (previous year: k€ 154).

Other Disclosures

Derivative Financial Instruments

The Company uses derivatives as part of its risk management activities to hedge risks arising from fluctuations in interest rates and exchange rates.

As of 31 December 2004, the Company had the following derivatives (interest rate swaps) in its portfolio for interest rate hedging:

Description	Currency	Face value	Maturity	Fair value
Interest Swap	EUR	894,760.79	30 June 2006	-5,013.31
Interest Swap	CHF	2,250,000.00	30 June 2005	-19,563.38

The derivative interest rate swaps serve to hedge the interest rate risk. In this respect, there are reporting units with corresponding loan and current account liabilities on the interest rate swaps, making it unnecessary to recognize an accrual for anticipated losses from incomplete contracts.

Human Resources

The average number of personnel employed in the financial year was as follows:

	31.12.2004	31.12.2003
	Number	Number
Industrial Employees	147	143
Salaried employees	79	75
Trainees	29	29
Persons under Minor Employment Contracts	13	16
	268	263

Management

Mr. Johannes Heckmann, Technical Managing Director
Mr. Gerhard Witzany, Commercial Managing Director

The Managing Partner, Mr. Gerhard Witzany, was granted a loan of k€ 150 with an Agreement dated 22 May 2003. The loan bears annual interest of 5.0% and is repayable at equal instalments of k€ 30 each year starting from 30 June 2005. The loan may also be repaid early.

The disclosure of the total remuneration of the Company's managing directors was omitted pursuant to Section 286 (4) HGB.

Profit Appropriation Proposal

A proposal has been submitted to the Annual Meeting of the Shareholders to distribute an amount of € 1,000,000.00 from the net income for 2004 and the profit carried forward from the previous year totaling € 1,595,187.56 and to carry forward the remaining amount of € 595,187.56 to the new accounting period.

Schwandorf, 15 April 2005

Nabaltec GmbH

The Management

Johannes Heckmann Gerhard Witzany

Schedule of Fixed Assets in the 2004 Financial Year
(Appendix to the Notes)

	Acquisition/Production Cost					Accumulated Depreciation/Amortization				Book Values	
	01.01.2004	**Additions**	**Reclassifications**	**Disposals**	**31.12.2004**	**01.01.2004**	**Depreciation for the Financial Year**	**Disposals**	**31.12.2004**	**31.12.2004**	**31.12.2003**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
I. Intangible Assets											
Industrial and Similar Rights and Assets	1,702,399.67	15,093.26	0.00	0.00	1,717,492.93	1,047,321.83	330,785.11	0.00	1,378,106.94	339,385.99	655,077.84
II. Property, Plant and Equipment											
1. Land and Buildings . . .	7,249,070.19	26,615.39	0.00	0.00	7,275,685.58	1,444,887.73	196,847.17	0.00	1,641,734.90	5,633,950.68	5,804,182.46
2. Technical Equipment and Machines	23,210,690.94	410,093.89	243,038.57	0.00	23,863,823.40	11,789,136.56	1,876,206.74	0.00	13,665,343.30	10,198,480.10	11,421,554.38
3. Other Equipment, Operating and Office Equipment	3,047,600.29	224,190.33	0.00	45,729.91	3,226,060.71	2,382,035.91	322,637.47	37,164.13	2,667,509.25	558,551.46	665,564.38
4. Payments on Account and Assets under Construction	273,584.07	3,348,096.01	-243,038.57	0.00	3,378,641.51	0.00	0.00	0.00	0.00	3,378,641.51	273,584.07
	33,780,945.49	4,008,995.62	0.00	45,729.91	37,744,211.20	15,616,060.20	2,395,691.38	37,164.13	17,974,587.45	19,769,623.75	18,164,885.29
III. Financial Assets											
Other Loans	10,098.60	0.00	0.00	9,192.24	906.36	0.00	0.00	0.00	0.00	906.36	10,098.60
	35,493,443.76	4,024,088.88	0.00	54,922.15	39,462,610.49	16,663,382.03	2,726,476.49	37,164.13	19,352,694.39	20,109,916.10	18,830,061.73

Management Report for the Financial Year 2004

General Economic Situation

The anticipated global economic recovery did not occur as expected during the reporting year. Domestic demand showed a slight recovery compared with the previous year. A steady positive trend was evident in foreign demand, particularly in the area of cable compounds for telecommunication and data processing systems. The strong demand for steel set a positive trend in the international ceramic and refractory industry.

The growing strength of the Euro against the US Dollar and British Pound led to further deterioration of revenues from sales invoiced in these currencies (USA, Great Britain, Asia). Due to the weak economic situation and the competitive environment, price increases that would completely offset the exchange rate changes could not be implemented.

Situation in the Industry

The reorganization of the industry continues. Rhone Capital took over Alcoa Specialty Chemicals with 9 plants worldwide. The global leader in special aluminum oxides now operates independently under the name of Almatis. Alcan's acquisition of Pechiney will have long-term effects on the presence of Pechiney plants within the specialty sector.

Prices of primary materials (smelter grade oxide, aluminum hydroxide) continued to increase due to strong demand. Shortages, however, are not expected.

The growing demand for non-halogenated free, flame retardant fillers (aluminum hydroxide) continues and will be supported on a global level by new fire protection regulations. High utilization levels of existing capacities will stabilize price levels.

Sales Revenues and Results

In the **"Flame Retardant Fillers"** business unit, Nabaltec is focusing on the following market segments with the APYRAL® product range:

- with granular crystalline hydroxides and mixed hydroxides as sealing compounds in the electro-technical area on the cast resins market, and in the area of constructive elements on the market for resins
- with fine hydroxides on the market for cable coatings and insulation
- with boehmite qualities on the market for catalytic raw materials.

This concentration is undertaken with the aim of achieving quality leadership in the respective areas and maintaining the Company's global market position among the three leading suppliers.

In the area of **granular crystalline hydroxide** products, revenue was up by 13 %, while revenues concerning fine hydroxide products exceeded the revenues achieved in the previous year by 27 %. The **boehmite** product area was characterized by the loss of our main customer and did not make a significant contribution to revenues in 2004.

This business unit closed the year with a 13 % revenue increase. It holds a 59 % share in total revenue.

In the **Ceramic Materials** business unit, conversion of the primary material basis to smelter grade oxide was completed. The revised raw materials base required a comprehensive development effort, due to the resampling of many products and subsequent new releases by customers. Improving our qualities further accommodated the focus on more refined products.

While **Oxides** revenue grew slightly and the continually weak economic situation could only support minor price increases, the leading market position in polishing oxides could still be maintained with NABALOX® through reformulation of product qualities. In the Refractory market segment, revenue for **SYMULOX®** increased by 34 %; sales volumes were limited by plant availability.

In the **Ceramic Masses** business unit, Nabaltec holds the leading market position worldwide with the GRANALOX® product range in over-the-counter ceramic masses for technical ceramics. This position was expanded further through collaborative developments with customers, which has lead to very close customer/supplier relationships. A volume increase of 20 % was achieved in this area; revenues grew by 33 % following the portfolio shiftings toward high value products.

Overall, **Nabaltec GmbH** posted sales revenues of k€ 56,499, thus exceeding the previous year's level by 13 %. Earnings before tax, which totaled k€ 2,061 further established the positive earnings trend despite the significant expenditures for the Nashtec project and infrastructural improvements.

Assets under construction rose to k€ 3,379 and liabilities to banks also increased due to the advance financing of plant expansion for fine hydroxides prior to its takeover as a leasing item. A lease agreement is available for the project which will enter into effect upon completion of the plant in 2005. Bank balances also include USD holdings required as an equity contribution for the Nashtec commitment, which are to be released in the first half of 2005. Despite the higher reserves resulting from factors, which contributed to a temporary balance sheet extension, the capital ratio could be kept low. The capital tied-up in inventories was reduced further.

Sourcing and Production

Medium-term supply contracts ensured the supply of primary materials and energy at all times. Because of development projects carried out in the past, dependence upon individual raw material qualities no longer exists.

Capacity for fine hydroxides was once again increased by 10,000 t to 50,000 t with the investment in a third production line of APYRAL® 40 CD. The plant was ready for operation from the beginning of January, 2005, and has been fully utilized since the start of production. Our qualitative market leadership in this product area has been continually confirmed by customers.

The long term perspective in the area of ceramic raw materials led Nabaltec to undertake a conversion to the use of smelter grade oxides in oxide production last year. This conversion involves significantly lower energy requirements. Further developments in production engineering are geared towards the optimization of plant availability.

The project for introduction of an integrated data processing system designed for the data management and recording in production areas was further implemented and partially launched according to plan.

Organization and Human Resources

Since 1 January 2003, Nabaltec GmbH is classified into three business units and three service areas:

Business Units

- Fillers
- Ceramic Raw Materials
- Ceramic Masses

Service Areas

- Commercial Services
- Technical Services
- Analysis Center

The implementation of this organizational structure has significantly improved internal cost control and earnings responsibility, and facilitated an even more precise market presentation.

With a rate of 11 %, Nabaltec ensures the qualification of young people at above average rates through training programs for commercial and IT staff as well as chemical laboratory assistants and chemical experts. Last year, graduates of Nabaltec's training programs were again represented in the district chamber of commerce best of class.

The personnel increased slightly to 270 employees as at 31 December 2004.

Environmental Protection

With the successful completion of the repeat audit in accordance with ISO 14001 by the Technical Inspection Agency [TÜV] of Bavaria, Nabaltec GmbH underscores its commitment to active environmental protection.

ISO 17025 accreditation of the analysis center underscores the capabilities of this area, while also presenting opportunities to acquire external contracts for waste water analyses.

Quality Management

With the successful completion of the repeat audit in accordance with ISO 9001 by the Technical Inspection Agency [TÜV] of Bavaria, Nabaltec GmbH can defend its claim to high quality in all areas of operation.

Periodic internal audits ensure the improvement and maintenance of the quality management system.

Research and Development

Our activities in the area of research and development are focused on the areas of

- process development,
- further development of the existing product range and
- new product development.

In addition to product quality improvements, process development is targeted toward the efficient use of various primary materials and the most targeted production of our special products with the smallest amount of commodity products.

Following the successful conversion to the use of smelter grade oxide as primary material for the entire oxide production, further qualification of oxide suppliers will bolster our independence from single suppliers of primary materials.

Initial customer contracts were gained from the development of zirconium mullite (SYMULOX® Z) as a complement to our synthetic mullite initiated in the previous year. This facilitated the development of previously closed market segments in the fire resistant industry.

Further developments in the ceramic mass product range in combination with important key customers continued to contribute to volume expansion of this business. Independence from single primary material suppliers is an important developmental goal in this product area as well.

Together with our customers and in cooperation with institutes and equipment manufacturers, the further development of the product range is pushed forward in all areas, with a view to offering customers quality and processing advantages through the materials produced by Nabaltec.

Nabaltec’s innovation capability is underscored, among other things, by participation in the “NEREFITE” EU research project. The project aims at developing highly technical textile fibers based on non-halogenated mineral flame retardant.

Moreover, within the scope of a Federal Ministry of Education and Research [BMBF] project conducted jointly with the University of Bayreuth, Nabaltec is developing a new mineral filler based on boehmite for non-halogenated fire protection.

Outlook

Public discussions are in favor of equipping plastics and synthetic resins with non-halogenated, flame retardant fillers, a practice which is ever more frequently becoming the standard in EU legislation, in the USA and also in Asia. In particular, this development contributes to increased use of aluminum hydroxide, which today is already the dominant non-halogenated, flame retardant filler in terms of quantity. For this reason, continuing dynamic growth is expected for the future as well. A high level of capacity utilization was achieved through the introduction of APYRAL® 40 CD quality, leading to further targeted investments in the fine hydroxide area, in order to maintain the balance between supply and demand.

Together with the partner, Sherwin Alumina, the “Nashtec” joint venture was established in the USA with the objective of building a production facility in Corpus Christi (TX), which borders on the partner’s aluminum hydroxide plant, for the manufacture of 25,000 t fine hydroxide per year. The plant is to commence operations in the second quarter of 2006. In 2004, contractual and approval prerequisites were met and pre-planning were begun. This enabled commencement of construction in early 2005 following signing of the total set of contracts. As a consequence, Nabaltec will further improve its position as the number 2 in this market and become the sole provider offering production locations at both consumption centers.

Following volume stabilization, the economic situation allows for expectations of higher growth in 2004 within the ceramics and refractory industries whereby revenue improvements can be expected due to the industry situation. The significantly improved cost position following conversion to use of oxide supports expectations of long-term profitability improvements.

Given the developments in 2004, Nabaltec GmbH anticipates further growth in 2005 supported by both volume and revenue increases. This will be accompanied by renewed improvement and stabilization of income levels. Primary material supply continues to be ensured on the basis of medium-term contracts.

Risk Management

Global innovative activities in the highly competitive markets entail business risks. Consistent risk management and ongoing development of risk management instruments in all fields are a means to ensure that significant risks can be recognized and eliminated. The starting point for risk management is the identification and evaluation of various types and profiles of risks which are monitored and reviewed by the controlling function. Reports on business risks and current status reports are prepared for Management and discussed at management level. Comprehensive operational planning with target agreements including regular forecast calculations is an important element of this.

Nabaltec introduced a strategic planning system in order to take advantage of medium- and long-term opportunities and to recognize risks. The strategy determination process includes all relevant areas. Through the involvement of experts, Nabaltec counteracts any risks arising from competition, antitrust, fiscal and environmental regulations and guidelines from the outset. The product and environmental risks are curtailed by quality assurance measures, such as certification of our activities under international standards, ongoing improvement of facilities and procedures, development of new products and further development on existing products, as well as involvement in international expert panels.

Risk management also includes periodic reviews of the efficiency of hedging tools used and the reliability of control systems. Damage and liability risks are covered by appropriate insurance policies aimed at limiting the financial impact on liquidity, the financial position and results of operations and at ruling out the possibility of endangering the going concern assumption.

With the introduction of factoring in 2002, the share of insured receivables was increased further and the Company’s liquidity was significantly improved. Exchange rate risks are limited through specific exchange rate hedging measures in USD and GBP holdings. Within the framework of medium-term financing, interest swaps are used to hedge against the interest rate risk, or credit lines with fixed interest rates are agreed upon.

Demand fluctuations and working requirement fluctuations in the service areas are counteracted as required in close coordination with employee representatives within the scope of flexible work time regulations as stipulated in the chemical industry’s collective wage agreements.

At present, risks of future developments do not exist due to ongoing observations of markets relevant to us as described above, continuous development of our products and adjustment to the needs of existing and potential customers.

The Company is not exposed to any discernible risks that would endanger the going concern assumption during the reporting period or in the future.

Events of Special Significance after the Balance Sheet Date

No events of special significance occurred after the balance sheet date.

Schwandorf, 31 March 2005

Nabaltec GmbH

The Management

Johannes Heckmann Gerhard Witzany

AUDITOR'S REPORT

We have audited the annual financial statements of Nabaltec GmbH, Schwandorf, including the accounting system and the management report for the financial year from 1 January to 31 December 2004. The accounting system and preparation of the annual financial statements and the management report in accordance with the provisions defined in the German Commercial Code is the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual financial statements including the accounting system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with the provisions of Section 317 HGB in conformity with German auditing standards promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer / IDW). These German audit standards require that we plan and perform the audit to obtain reasonable assurance that misstatements and irregularities, which could significantly affect the fair presentation of net assets, financial position and results of operation in the Company's annual financial statements in accordance with generally accepted accounting principles and the management report, are detected. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of 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 annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes an evaluation of the accounting principles applied and significant management estimates, as well as an assessment of the overall presentation of the annual financial statements and 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, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with generally accepted accounting principles. As a whole, the management report provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future developments.

Regensburg, 15 April 2005

Bayerische Treuhandgesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rupprecht	Merz
Wirtschaftsprüfer	Wirtschaftsprüferin

Cash Flow Statement (HGB) for the Financial Year 2004

	01.01. - 31.12.2004	01.01. - 31.12.2003
	k€	k€
Period Result	1,275	529
Depreciation of (+) /Write-Ups (-) on Fixed Assets	2,726	2,415
Increase (+) / Decrease (-) in Accruals	- 409	1,143
Other Non-Cash Expenses (+) / Income (-)	- 227	- 220
Income (-) / Loss (+) from Disposal of Fixed Assets	- 21	- 75
Increase (-) / Decrease (+) in Inventories, Trade Receivables and Other Assets not attributable to Investing or Financing activities	62	2,257
Increase (+) / Decrease (-) in Trade Payables and Other Liabilities not attributable to Investing or Financing Activities	2,096	- 2,835
Cash Flow from Operating Activities	**5,502**	**3,214**
Payments received from Disposal of Property, Plant and Equipment Items	29	75
Payments made for Investments in Property, Plant and Equipment	- 4,009	- 2,907
Payments made for Investments in Intangible Assets	- 15	- 29
Payments received from the Disposal of Financial Assets	9	10
Cash Flow from Investing Activities	**- 3,986**	**- 2,851**
Payments to Company Owners	- 300	0
Payments received from Raising of Finance Loans	3,853	1,706
Payments for Repayment of Finance Loans	- 3,682	- 2,056
Cash Flow from Financing Activities	**- 129**	**- 350**
Change in Cash and Cash Equivalents	1,387	13
Cash and Cash Equivalents at Beginning of Period	100	87
Cash and Cash Equivalents at End of Period	**1,487**	**100**

Cash and Cash Equivalents are comprised of cash at banks and cash in hand.

Segment Reporting (HGB) for the Financial Year 2004

In accordance with its internal organization and reporting structure, Nabaltec is comprised of the business units Functional Fillers and Technical Ceramics. The segment results selected for reporting purposes are Earnings before Interest and Taxes (EBIT) and Earning before Interest, Taxes and Depreciation/Amortization (EBITDA).

In addition a representation according to regions for the segments Functional Fillers and Technical Ceramic is shown. Regions were defined for Germany, Rest of Europe, USA and Rest of World (RoW).

	Fillers 2004	Ceramics 2004	Nabaltec 2004	Fillers 2003	Ceramics 2003	Nabaltec 2003
Segments according to Units in k€						
Sales Revenues	33,536	22,963	56,499	29,599	20,465	50,064
Segment Results						
EBITDA	3,327	2,171	5,498	2,429	1,535	3,964
EBIT	1,751	1,021	2,772	1,107	442	1,549
Depreciation/Amortization	1,576	1,150	2,726	1,322	1,093	2,415
Other Non-Cash Items	- 378	- 258	- 636	546	377	923
Assets*)	21,826	11,589	33,415	19,252	12,954	32,206
Investments in Fixed Assets	3,688	336	4,024	2,238	697	2,935
Liabilities	10,264	5,403	15,667	8,381	5,021	13,402
Segments according to Regions in k€						
Sales Revenues						
Germany	5,936	12,002	17,938	4,558	10,959	15,517
Rest of Europe	21,037	7,656	28,693	15,011	7,794	22,805
USA	2,733	1,885	4,618	7,108	1,165	8,273
RoW	3,830	1,420	5,250	2,922	547	3,469
Total	33,536	22,963	56,499	29,599	20,465	50,064
Assets*)						
Germany	21,826	11,589	33,415	19,252	12,954	32,206
Rest of Europe	0	0	0	0	0	0
USA	0	0	0	0	0	0
RoW	0	0	0	0	0	0
Total	21,826	11,589	33,415	19,252	12,954	32,206
Investments in Fixed Assets						
Germany	3,688	336	4,024	2,238	697	2,935
Rest of Europe	0	0	0	0	0	0
USA	0	0	0	0	0	0
RoW	0	0	0	0	0	0
Total	3,688	336	4,024	2,238	697	2,935

*) Fixed and current assets, exclusive of liquid assets.

Statement of Changes in Shareholders' Equity (HGB) for the Financial Year 2004

	Subscribed Capital	Capital Reserve	Result Balance Carried Forward	Equity
	€	€	€	€
Balance at 1 January 2003	6,000,000.00	1,824,219.38	91,265.18	7,915,484.56
Period Result			528,997.53	528,997.53
Balance at 31 December 2003	6,000,000.00	1,824,219.38	620,262.71	8,444,482.09
Balance at 1 January 2004	6,000,000.00	1,824,219.38	620,262.71	8,444,482.09
Distribution			-300,000.00	-300,000.00
Period Result			1,274,924.85	1,274,924.85
Balance at 31 December 2004	6,000,000.00	1,824,219.38	1,595,187.56	9,419,406.94

AUDIT CERTIFICATE

We audited the Statement of Changes in Shareholders' Equity, Cash Flow Statement and Segment Reporting of Nabaltec GmbH, Schwandorf for the financial year from 1 January 2004 to 31 December 2004, derived from the annual financial statements and related accounting records for the financial year from 1 January 2004 to 31 December 2004. The Statement of Changes in Shareholders' Equity, the Cash Flow Statement and Segment Reporting supplement the annual financial statements of Nabaltec GmbH, Schwandorf, for the financial year from 1 January 2004 to 31 December 2004, prepared in accordance with the provisions of the German Commercial Code.

The preparation of the Statement of Changes in Shareholders' Equity, Cash Flow Statement and Segment Reporting for the financial year from 1 January 2004 to 31 December 2004 in accordance with the provisions of the German Commercial Code are the responsibility of the Company's Management.

Our responsibility is to express an opinion as to whether the Statement of Changes in Shareholders' Equity, Cash Flow Statement and Segment Reporting for the financial year from 1 January 2004 to 31 December 2004 were appropriately derived from the annual financial statements for the financial year from 1 January 2004 to 31 December 2004 and the underlying accounting records in accordance with generally accepted accounting principles in Germany. The scope of our engagement did not extend to the audit of the underlying annual financial statements and accounting records.

We planned and performed our audit in conformity with IDW Auditing Instruction: Audit of Additional Financial Statement Elements *(Prüfung von zusätzlichen Abschlusselementen)* (IDW PH 9.960.2) to obtain reasonable assurance that material errors in the derivation of the Statement of Changes in Shareholders' Equity, Cash Flow Statement and Segment Reporting from the annual financial statements and the underlying accounting records could be detected.

In our opinion, based on the findings of the audit, the Statement of Changes in Shareholders' Equity, Cash Flow Statement and Segment Reporting for the financial year from 1 January 2004 to 31 December 2004 were appropriately derived from the annual financial statements for the financial year from 1 January 2004 to 31 December 2004 and the underlying accounting records in accordance with German accounting principles.

Munich, 15 September 2006

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

M. Rauchfuss	ppa. Chr. Bayer
Wirtschaftsprüfer	Wirtschaftsprüfer