FINANCIAL STATEMENTS (HGB)
OF NABALTEC GMBH
AS AT 31 DECEMBER 2005

Balance Sheet (HGB) as at 31 December 2005

ASSETS	31.12.2005		31.12.2004	
	€	€	€	€
A. FIXED ASSETS				
I. Intangible Assets				
Concessions, Industrial and Similar Rights and Assets		42,070.49		339,385.99
II. Property, Plant and Equipment				
1. Land and Buildings	5,829,155.18		5,633,950.68	
2. Technical Equipment and Machines	9,506,586.41		10,198,480.10	
3. Other Equipment, Operating and Office Equipment	637,584.12		558,551.46	
4. Payments on Account and Assets under Construction	1,688,800.36	17,662,126.07	3,378,641.51	19,769,623.75
III. Financial assets				
1. Shares in Affiliated Companies	162,930.73		0.00	
2. Loans to Affiliated Companies	1,531,618.40		0.00	
3. Other Loans	0.00	1,694,549.13	906.36	906.36
		19,398,745.69		20,109,916.10
B. CURRENT ASSETS				
I. Inventories				
1. Raw Materials and Supplies	5,797,875.97		4,634,218.73	
2. Finished Goods and Merchandise	5,365,985.36	11,163,861.33	3,870,135.91	8,504,354.64
II. Receivables and other Assets				
1. Trade Receivables	2,671,695.01		2,627,258.93	
2. Other Assets	2,675,740.97		2,174,234.53	
• thereof from shareholders € 139,444.27 (PY. € 162,093.75)		5,347,435.98		4,801,493.46
III. Cash in Hand and Cash at Banks		760,013.09		1,486,596.82
		17,271,310.40		14,792,444.92
C. PREPAID EXPENSES		18,990.75		14,052.09
		36,689,046.84		34,916,413.11

EQUITY AND LIABILITIES	31.12.2005	31.12.2004
	€	€
A. EQUITY		
I. Subscribed Capital	6,000,000.00	6,000,000.00
II. Capital from Profit Participation Rights	5,000,000.00	0.00
III. Capital Reserve	1,824,219.38	1,824,219.38
IV. Profit Carried Forward	595,187.56	320,262.71
V. Net income for the year	1,460,867.62	1,274,924.85
	14,880,274.56	9,419,406.94
B. SPECIAL ITEM FOR FIXED ASSETS INVESTMENT GRANTS	769,415.41	1,051,592.50
C. ACCRUALS		
1. Accruals for Pensions and Similar Obligations	5,271,141.00	4,850,860.00
2. Tax Accruals	719,600.00	638,600.00
3. Other Accruals	3,095,062.67	3,280,662.70
	9,085,803.67	8,770,122.70
D. LIABILITIES		
1. Liabilities to Banks	5,453,928.55	10,493,238.28
2. Trade Payables	5,226,536.19	4,619,791.25
3. Other Liabilities	1,273,088.46	553,825.56
• of which for Taxes € 699,371.01 (PY. € 211,466.29)		
• thereof for Social Security € 324,481.18 PY. € 264,715.18)		
	11,953,553.20	15,666,855.09
E. DEFERRED INCOME	0.00	8,435.88
	36,689,046.84	34,916,413.11

Income Statement (HGB) for the Financial Year 2005

		2005		2004	
		€	€	€	€
1.	Sales Revenues		61,318,937.69		56,499,085.55
2.	Increase (PY. Decline) in Finished Goods Inventories		1,509,297.94		-879,039.79
3.	Own Work Capitalized		262,615.54		154,590.77
4.	Other Operating Income		2,552,146.83		1,745,326.39
5.	Cost of Materials:				
	a) Cost of Raw Materials, Consumables and Supplies and Purchased Merchandise	-34,702,503.48		-28,880,792.83	
	b) Cost of Purchased Services	-113,272.73	-34,815,776.21	-85,433.26	-28,966,226.09
6.	Personnel Expenses:				
	a) Wages and Salaries	-10,251,381.18		-9,567,550.55	
	b) Social Security and Other Pension Costs	-2,565,946.08	-12,817,327.26	-2,468,168.87	-12,035,719.42
	• thereof for Pension Costs € 567,327.61 (PY. € 487,431.10)				
7.	Amortization /Depreciation of Intangible Assets and Property, Plant and Equipment		-2,466,236.08		-2,726,476.49
8.	Other Operating Expenses		-12,209,211.89		-11,019,724.49
9.	Income from Long Term Financial Investments		15.96		358.34
10.	Other Interest and Similar Income		49,881.77		8,042.32
11.	Interest and Similar Expenses		-965,112.88		-718,898.34
12.	**Income from Ordinary Activities**		2,419,231.41		2,061,318.75
13.	Income Taxes		-921,737.27		-750,168.38
14.	Other Taxes		-36,626.52		-36,225.52
15.	**Net Income for the year**		1,460,867.62		1,274,924.85

Notes to the Financial Statements of Nabaltec GmbH (HGB) for the Financial Year 2005

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 income statement was prepared in accordance with the type of expenditure format.

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 costs less scheduled, straight-line amortization. Amortization for the year of acquisition is recorded on a pro rata temporis basis.

Property, Plant and Equipment are stated at acquisition or production costs, 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 values of up to € 410.00 are written down in full in the year of acquisition pursuant to Section 6 (2) EStG. Depreciation during the year of acquisition is effected on a pro rata temporis basis. Production costs do not include any interest on borrowed capital.

Financial Assets are stated at continued acquisition cost.

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

Finished Goods are stated at acquisition costs taking the strict lower of cost or market principle into account. Production cost includes direct materials and manufacturing costs, as well as adequate shares of materials and manufacturing overhead costs. Interest on borrowings and general administration costs were not included under production cost. Finished goods are aggregated into valuation units for group valuation purposes in accordance with Section 240 (4) HGB. The production cost of items of similar type or approximately equal value is not assigned to the individual items but calculated using the weighted average value of the respective group.

Receivables and Other Assets are stated at face value. Individual discernible risks are accounted for by recording individual value adjustments. The general default and credit risk for trade receivables was accounted for by a general allowance for doubtful accounts. Foreign currency receivables are measured at the buying rate applicable on the transaction date or the lower buying rate applicable at the balance sheet date.

Liquid Assets are stated at face value. Liquid assets denominated in foreign currencies are recorded at the buying rate on the transaction date or the lower 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 reported 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 pursuant to Section 6a EStG using an interest rate of 6 % and Dr. Klaus Heubeck’s “2005 G” Mortality Tables (previous year: 1998 Mortality Tables).

Tax Accruals reflect the expected payments.

Other Accruals are recorded for all discernible risks and uncertain liabilities in the amounts required by prudential business judgment.

Liabilities are carried at their repayment or settlement amounts.

Foreign currency liabilities are stated at the higher of the selling rate at the transaction date or the selling rate applicable at the balance sheet date.

Disclosures on the Balance Sheet

Fixed Assets

The development of individual fixed asset positions is presented in the Appendix to the Notes.

Receivables and Other Assets

Other assets are comprised mainly of receivables from a factoring company concerning purchase price retentions and blocked amounts of customer receivables sold (k€ 1,158), an asset value from reinsurance (k€ 450), VAT refund claims (k€ 565), and a claim for the refund of mineral oil tax (k€ 206). The receivable from the asset value from reinsurance of k€ 450 has a remaining term of more than one year.

Prepaid Expenses

Prepaid expenses include a disagio of k€ 1.

Shareholders' Equity

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

Equity includes a profit participation capital of k€ 5,000. It is due to expire in 2012. Ordinary termination of the agreement prior to this date is not provided for. The profit participation capital satisfies the criteria of IDW HFA 1/1994 respecting the disclosure as equity.

Special Item for Fixed Assets Investment Grants

The Special Item is released in accordance with the estimated useful life of the subsidized investments.

Accruals

Tax accruals include accruals for corporation tax and solidarity surcharge (k€ 434) and municipal trade tax (k€ 285).

Other accruals relate mainly to personnel commitments (k€ 1,206), cleanup and waste disposal costs (k€ 983) and accruals to account for anticipated losses from incomplete contracts (k€ 207).

Liabilities

The classification of liabilities and residual maturities including disclosure of collateral provided is presented in the liabilities schedule below:

		Total With Residual Maturities			
	Amount	up to 1 Year	1 to 5 Years	Collateral Provided	Type of Collateral
	k€	k€	k€	k€	
Liabilities to Banks	5,454 (10,493)	3,204 (8,540)	2,250 (1,953)	5,454 (10,493)	Mortgage, Assignment as Security
Trade Payables	5,227 (4,620)	5,227 (4,620)	0 (0)	0 (0)	
Other Liabilities	1,273 (554)	1,273 (554)	0 (0)	0 (0)	
	11,954 (15,667)	9,704 (13,714)	2,250 (1,953)	5,454 (10,493)	

(In parentheses: previous year)

Other Financial Commitments

The following other financial commitments which are significant for the evaluation of financial position are in existence:

		31.12.2005	31.12.2004
		k€	k€
a)	Commitments from Rental, Lease, Service and Consulting Agreements		
	thereof with remaining terms of	7,371	2,650
	- up to 1 year	1,689	623
	- from 1 to 5 years	5,681	1,868
	- of more than 5 years	1	129
b)	Commitments (outstanding purchases) from Investment Orders	130	867
	- thereof due in up to 1 year	130	867

Disclosures on the Income Statement

Sales Revenues

The classification of sales revenues according to activity areas and geographic markets is as follows:

	2005		2004	
	k€	%	k€	%
Germany	21,339	34.8	18,279	32.4
Rest of Europe	34,297	55.9	28,814	51.0
North America	2,858	4.7	4,749	8.4
South America	123	0.2	140	0.2
Asia	2,720	4.4	4,303	7.6
Africa	346	0.6	686	1.2
Australia	0	0.0	0	0.0
	61,683	100.6	56,971	100.8
Less				
Discounts and Bonuses	-364	-0.6	-472	-0.8
	61,319	100.0	56,499	100.0

Other Operating Income

Other operating income included off-period income in the amount of k€ 683, comprised mainly of income from a court settlement (k€ 293) and income from the release of accruals (k€ 198).

Income from the release of the Special Items for Fixed Asset Investment Grants amounted to k€ 175 (previous year: k€ 227).

Other Operating Expenses

Other operating expenses included off-period expenses in the amount of k€ 192, comprised of expenses from the correction of the investment grant (k€ 148) and losses from disposals of fixed assets (k€ 45).

Income Taxes

The income tax burden adversely affects the result of ordinary business activity to the amount of k€ 922 (previous year: k€ 750).

Other Disclosures

Shareholdings pursuant to Section 285 No. 11 HGB:

The Company holds a 51 % stake in Nashtec Management Corporation, Texas, USA, which performs the management of Nashtec L. P., Texas, USA. The equity capital of Nashtec Management Corporation, Texas, USA, amounted to USD 4,122.86 as at 31 December 2005.

Annual financial statements have not been presented to date.

Moreover, the Company holds a 50.5 % direct interest in the production company Nashtec L. P., Texas, USA and 0.5 % indirect interest in the same company via Nashtec Management Corporation, Texas, USA. The equity capital of Nashtec L. P., Texas, USA, as at 31 December 2005 amounted to USD 412,286.12.

Annual financial statements have not been presented to date.

Derivative Financial Instruments

Within the framework of the Company's risk management system, derivative financial instruments are employed with a view to minimizing interest-rate and currency exchange fluctuations.

Fair values are determined by independent financial services companies.

Face values and fair values of financial instruments as at 31 December 2005 are structured as follows:

Interest Rate Contracts

		31.12.2005		31.12.2004	
Description	**Currency**	**Face value**	**Fair value**	**Fair value**	**Maturity**
Interest Swap	EUR	894,760.79	-718.85	-5,013.31	30 June 2006

Derivative interest rate swaps are used to limit the interest rate risk. In this respect the interest rate swaps are based on valuation units with corresponding loan and current account liabilities, so that an accrual for anticipated losses from incomplete contracts was not required to be recorded.

Currency Hedging Contracts

	31.12.2005		31.12.2004	
	Face value	**Market value**	**Face value**	**Market value**
	€	€	€	€
Currency forward transactions USD	912,810.11	926,302.43	0.00	0.00
Currency forward transactions GBP	697,836.71	724,313.73	0.00	0.00

The currency hedging contracts are valued on the basis of the reference exchange rates in consideration of the respective price premiums and mark-downs.

Human Resources

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

	2005	2004
	Number	**Number**
Industrial employees	150	147
Salaried employees	80	79
Trainees	34	29
Persons under Minor Employment Contracts	12	13
	276	268

Management

Mr. Johannes Heckmann, Technical Managing Director

Mr. Gerhard Witzany, Commercial Managing Director

The Managing Partner, Mr. Gerhard Witzany, was granted a loan in the amount of k€ 150 with an Agreement dated 22 May 2003. The loan principal bears an interest rate of 5.0 % p. a. and is payable in equal annual instalments of k€ 30 beginning from 30 June 2005. A provision for early repayment at any time was agreed. The outstanding loan amount as at 31 December 2005 was k€ 139.

Disclosure of the total remuneration of the Company's Management Directors was omitted pursuant to Section 286 (4) HGB.

Profit Appropriation Proposal

It is proposed to the Annual Meeting of the Shareholders to distribute an amount of € 1,000,000.00 from the net income for 2005 and the profit carried forward from the previous year totaling € 2,056,055.18 and to carry forward the remaining amount of € 1,056,055.18 to the new accounting period.

Schwandorf, 24 April 2006

Nabaltec GmbH

The Management

Johannes Heckmann　　Gerhard Witzany

Schedule of Fixed Assets in the Financial Year 2005

	Acquisition/Production Cost					Accumulated Depreciation/ Amortization				Book Values	
	Balance Carried Forward 01.01.2005 EUR	Additions EUR	Reclassifications EUR	Disposals EUR	31.12.2005 EUR	Balance Carried Forward 01.01.2005 EUR	Depreciation for the Financial Year EUR	Disposals EUR	31.12.2005 EUR	31.12.2005 EUR	31.12.2004 EUR
I. Fixed Assets											
Industrial Rights and Similar Rights and Assets	1,717,492.93	15,621.88	0.00	0.00	1,733,114.81	1,378,106.94	312,937.38	0.00	1,691,044.32	42,070.49	339,385.99
II, Property, Plant and Equipment											
1. Land and Buildings	7,275,685.58	353,351.79	40,090.51	26,266.08	7,642,861.80	1,641,734.90	183,913.92	11,942.20	1,813,706.62	5,829,155.18	5,633,950.68
2. Technical Equipment and Machines	23,863,823.40	921,816.01	116,269.94	83,459.00	24,818,450.35	13,665,343.30	1,693,744.39	47,223.75	15,311,863.94	9,506,586.41	10,198,480.10
3. Other Equipment, Operating and Office Equipment	3,226,060.71	360,172.09	0.00	29,465.75	3,556,767.05	2,667,509.25	275,640.39	23,966.71	2,919,182.93	637,584.12	558,551.46
4. Payments on Account and Assets under Construction	3,378,641.51	2,862,568.03	-156,360.45	4,396,048.73	1,688,800.36	0.00	0.00	0.00	0.00	1,688,800.36	3,378,641.51
	37,744,211.20	4,497,907.92	0.00	4,535,239.56	37,706,879.56	17,974,587.45	2,153,298.70	83,132.66	20,044,753.49	17,662,126.07	19,769,623.75
III. Financial Assets											
1. Shares in Affiliated Companies	0.00	162,930.73	0.00	0.00	162,930.73	0.00	0.00	0.00	0.00	162,930.73	0.00
2. Loans to Affiliated Companies	0.00	1,531,618.40	0.00	0.00	1,531,618.40	0.00	0.00	0.00	0.00	1,531,618.40	0.00
3. Other Loans	906.36	0.00	0.00	906.36	0.00	0.00	0.00	0.00	0.00	0.00	906.36
	906.36	1,694,549.13	0.00	906.36	1,694,549.13	0.00	0.00	0.00	0.00	1,694,549.13	906.36
	39,462,610.49	6,208,078.93	0.00	4,536,145.92	41,134,543.50	19,352,694.39	2,466,236.08	83,132.66	21,735,797.81	19,398,745.69	20,109,916.10

Management Report for the Financial Year 2005

General Economic Situation

The anticipated global economic recovery did not materialize to the extent expected during the reporting year. Domestic demand was up only slightly compared with the previous year, while foreign demand showed a continuing positive trend, particularly in the area of cable compounds for telecommunication and data processing systems. The strong demand for steel pointed to a positive trend in the international ceramic and refractory industry.

The strength of the Euro in comparison with the US Dollar generated cost- and, consequently, competitive advantage for competitors from these currency regions (USA, Asia), which, however, materialized only in part due to qualitative limitations.

Situation in the Industry

In an industry environment stabilized by acquisitions over the past years, the essential competitors, Almatis, Albemarle, Alcan, MAL, operate with partly differing product and marketing emphases. New competitive influences can be expected in the less specialized areas, particularly from India and China.

Prices of primary materials (smelter grade oxide, aluminum hydroxide) continued to increase due to strong demand in the market. However, shortages are not to be expected as extensive new capacities are entering the market in the years to come.

The demand for non-halogenated, flame retardant fillers (aluminum hydroxide) continues to rise, and is supported on a global level through revised fire protection regulations. Medium-term market forecasts project annual growth of 6 % in global demand. The price level was further stabilized by a high level of capacity utilization; it was possible to realize price increases at the level of average cost increases.

The market in the area of special oxides and reactive alumina continues to be characterized by a surplus of free capacity for less refined products, while capacity limits for highly refined products are evident. To this extent, the development of prices in the product areas is dependent on the competitive environment.

Sales Revenues and Results

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

- 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 aluminum hydroxides (fine hydroxides) on the market for cable coating and insulation
- with boehmite qualities on the market for catalytic raw materials

The objective of this concentration is to achieve quality leadership in the areas concerned and to maintain a global market position among the three leading suppliers.

In the **granular crystalline hydroxide** product area, revenue decreased by 2 %; in the **fine hydroxides** product area, revenue achieved in the previous year was exceeded by 16 %. In the **boehmite** product area, an important customer was regained in the third quarter, the product area once again provided a satisfactory revenue and profit contribution.

This business unit ended the year with a 14 % revenue increase and holds a 63 % share in total revenues (59 % in previous year).

In the **"ceramic materials"** business unit, conversion of the primary material basis to smelter grade oxide was completed. A comprehensive development effort was necessitated by this revised raw materials basis, as many products had to be re-sampled and released by customers. Improving our qualities served to further accommodate the focus on more refined products.

Quantities decreased somewhat for NABALOX® **oxides** and the competitive situation permitted only slight price increases, so that revenues increased by 4 %. The leading market position in polishing alumina could only be partially maintained through necessary reformulation due to a change in raw materials. In the refractory market segment, revenue for **SYMULOX®** fell by 45 % due to cyclical demand fluctuations for large contracts from within the glass industry.

In the **"ceramic masses"** business unit, Nabaltec holds the leading market position worldwide in over-the-counter ceramic masses for technical ceramics with the GRANALOX® product range, a position which was expanded further through collaborative developments with customers. This results in a very close customer/supplier relationship. Revenues increased here by 12 % (33 % in the previous year), also corresponding to volume increases.

Overall, the Nabaltec Group attained revenues of k€ 61,319 thousand, thereby exceeding the previous year amount by approx. 9 %.

Net Assets and Financial Position

The positive trend in the development of earnings was evidenced once again with a 17 % increase in pre-tax earnings, which totaled k€ 2,419 despite the additional expenses incurred for the Nashtec Project and infrastructural improvements. Provisions for expected expenses related to environmental clean-up measures, waste disposal and infrastructural improvements were recorded at sufficient amounts.

In October, Nabaltec GmbH subscribed for a € 5.0 million mezzanine equity tranche with equiNotes. As a result, the capital ratio can be maintained at a level significantly above 30 %, even in the phase of high capital expenditures aimed at improving the Group's competitiveness and bolstering its market position.

The credit commitments were repaid according to schedule and total liabilities could be reduced by 24 % to k€ 11,954. The Company's liquidity was sufficiently secured at all times.

The currency hedges in GBP and USD, which were in existence as at 31 December 2005, will hedge incoming payments on existing orders in 2006.

Sourcing and Production

Medium-term supply contracts ensured the supply of primary materials and energy at all times. Dependence upon individual raw material qualities does not exist because of development projects carried out in the past.

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 operational from the beginning of January, 2005, and has been fully utilized since start of production. The customers have continued to confirm our qualitative market leadership in this product area.

Quality consistency was further improved following the conversion of oxide production to the use of smelter grade oxides. The continued development of production technology with the help of a test rotary tube furnace is aimed at determining in advance the processing parameters in the use of various primary material qualities and, consequently, reducing the time and testing requirements for primary material conversions.

Following reconstruction measures for technical improvements and adaptations to development objectives, the technical plant at Kelheim entered into operation in the second quarter as planned. The plant offers Nabaltec the possibility of developing new products and processes, particularly in the area of catalytic raw materials. Initial successes have been recorded in the development of new boehmites and pseudo-boehmites, which have already achieved a high level of market acceptance and are being produced in a small series in Kelheim.

The project for introduction of an integrated data processing system designed for data management and recording in the production areas was further implemented within the time stipulated and was introduced in other areas

Organization und Human Resources

The organization of Nabaltec GmbH, which is classified into three business units and three service areas managed as profit or cost centers, contributes significantly to the precision of our market entry:

Business Units

- Fillers
- Ceramic Materials
- Ceramic Masses

Service Areas

- Commercial Services
- Technical Services
- Analysis Center

This organizational structure allows for a high level of profit responsibility among the employees and effective cost control.

The introduction of team work models is progressing. It optimizes employee responsibility concerning working time flexibility and team management.

At a rate of 13 %, Nabaltec provides for the training and qualification of young people at a higher than average rate through training programs for industry and IT engineers as well as chemical laboratory assistants and chemical technicians. Last year, too, graduates were again represented among the district chamber of commerce best of class.

With 275 employees in Schwandorf and 2 employees at Nashtec, personnel increased slightly to 277 employees as of 31 December 2005

Environmental Protection

With the successful completion of the repeat audit and upgrade in accordance with ISO 14001:2004 through the Technical Inspection Agency [TÜV] of Bavaria, Nabaltec GmbH emphasizes their obligation to active environmental protection.

DIN EN ISO/IEC 17025:2000 accreditation of the analysis center underscores the capabilities of this area, presenting the opportunity of also acquiring external contracts for waste water analyses.

Quality Management

With the successful completion of the repeat audit in accordance with ISO 9001:2000 through the Technical Inspection Agency [TÜV] of Bavaria, Nabaltec GmbH supports its claim to a high level of quality in all areas of operation.

The improvement and maintenance of the quality management system are ensured through internal audits carried out at regular intervals.

Research and Development

Activities in the area of research and development are focused on the areas

- process development and energy optimization
- development of range of existing products and
- development of new products.

In addition to quality improvements concerning our own products, process development is targeted towards efficient use of various primary materials and the most targeted production of our special products with the smallest requirement for commodity products.

Due to the very energy-intensive production, which is associated with continually growing energy costs, Nabaltec has entered into cooperation with Shell Energy Efficiency to review all thermal and electrical processes for savings potential on a performance basis, and to accompany the respective implementation.

Further developments in the ceramic mass product range in combination with important key customers once again contributed to the volume expansion of this business. During this process, projects from the *Arbeitsgemeinschaft industrieller Forschungsvereinigungen* [work group of industrial research associations] were initiated with various industrial partners.

Further development of the product range is being pushed forward in all areas through collaboration with customers as well as institutes and plant manufacturers with a view to providing customers with quality and processing advantages through Nabaltec's products.

Nabaltec's innovation capability is underscored, inter alia, by its participation in the EU research project "FLEXIFUNBAR." The objective of this project is the development of highly technical textile fibers based on non-halogenated, mineral flame retardants.

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.

Nashtec

Together with the Sherwin Alumina partner, the "Nashtec" joint venture was established in the USA with the objective of building a production facility in Corpus Christi (Texas, USA), on the site of the partner's aluminum oxide plant, for the manufacture of 25,000 t fine aluminum hydroxide - APYRAL® 40 CD - per year.

In 2005, the outstanding contractual and approval prerequisites were met to enable the start of construction in September 2005. The plant is scheduled to begin operations in the third quarter of 2006.

The project financing is provided by the Bank of America and the partners. The total investment volume is approximately USD 25 million, of which 80 % is financed by Bank of America and the remainder is financed by the partners in proportion of their shareholdings.

According to the contractual provisions, Nabaltec will operate as sole marketer of production volumes from Nashtec. Invoicing will occur through Nabaltec and sales revenues will be integrated into the existing factoring arrangements.

This will enable Nabaltec to further improve its position as Number 2 in the fine hydroxide market and become the only provider with production locations in both consumption centers.

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.

The economic situation allows for expectations of further growth within the ceramics and fire resistant sectors of industry; revenue improvements can be expected because of the industry situation. Customer development is moving towards increased use of fine, reactive aluminum oxide, which

Nabaltec accommodates through targeted expansion investments in this product area and by the development of new products. The cost advantages gained from the conversion to use of oxide, cost effective and the positioning concerning reactive, low-alkali aluminum oxides encourage expectations of long-term income improvements.

Following the development in 2005, the Nabaltec GmbH expects significant revenue growth in 2006, supported by both volume increases and value increases. Orders on hand as of 31 December 2005 were higher than planned at k€ 12,122, in line with the expectations of continued strong demand. This will be accompanied by the renewed improvement and stabilization of income levels. The supply of primary materials continues to be secured by medium-term contracts.

Risk Management

Global, innovative activities in the highly competitive markets are associated with business risks. Consistent risk management and ongoing development of risk management instruments within all fields can ensure profound dangers to the company are recognized and eliminated. Point of origin 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 risk management.

Nabaltec introduced a strategic planning system in order to take advantage of medium- and long-term opportunities and to recognize risks. The strategy formulation 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 and reliability of control systems. Damage and liability risks are covered by appropriate insurance coverage to limit financial effects to liquidity, the financial condition and results and income situation, and to rule out the possibility of situations that endanger the Company's existence as a going concern.

With the introduction of factoring in 2002, the share of insured receivables was further increased and the Company's liquidity was significantly improved. Exchange rate risks are limited through specific currency hedging measures in the USD and GBP currency area. Within the scope of medium-term financing, swaps are used to secure interest rates, or credit agreements based on fixed interest rates are concluded.

Demand fluctuations and fluctuating labor requirements in the service areas are counteracted in close coordination with employee representatives within the scope of flexible work time regulations as stipulated in the chemical industry's collective wage agreements.

Risks of future development are not in existence at this time due to our continued observation of our relevant markets, the ongoing development of our products, and adaptations 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, 24 April 2006

NABALTEC GMBH

The Management

Johannes Heckmann Gerhard Witzany

AUDITOR'S REPORT

We have audited the annual financial statements of Nabaltec GmbH, Schwandorf, consisting of the balance sheet, income statement and notes to the annual financial statements, including the accounting system and the management report for the financial year from 1 January 2005 to 31 December 2005. 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 and based on the information gained during or audit, the annual financial statements comply with the legal provisions. 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 German accounting principles. The management report is consistent with the annual financial statements. As a whole, it provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future developments.

Regensburg, 25 April 2006

Bayerische Treuhandgesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rupprecht	Schmalzl
Wirtschaftsprüfer	Wirtschaftsprüferin

Cash Flow Statement (HGB) for the Financial Year 2005

	01.01. - 31.12.2005	01.01. - 31.12.2004
	k€	k€
Period Result	1,461	1,275
Depreciation of (+) /Write-Ups (-) on Fixed Assets	2,466	2,726
Increase (+) / Decrease (-) in Accruals	316	- 409
Other Non-Cash Expenses (+) / Income (-)	- 27	- 227
Income (-) / Loss (+) from Disposal of Fixed Assets	45	- 21
Increase (-) / Decrease (+) in Inventories, Trade Receivables and Other Assets not attributable to Investing or Financing Activities	- 3,210	62
Increase (+) / Decrease (-) in Trade Payables and Other Liabilities not attributable to Investing or Financing Activities	- 403	2,096
Cash Flow from Operating Activities	**648**	**5,502**
Payments received from Disposal of Property, Plant and Equipment Items	12	29
Payments made for Investments in Property, Plant and Equipment	- 4,498	- 4,009
Payments made for Investments in Intangible Assets	- 16	- 15
Payments received from Disposal of Financial Assets	1	9
Payments made for Investments in Financial Assets	- 1,695	0
Payments made due to Repayment of Obligation for Investment Grant	- 255	0
Cash Flow from Investing Activities	**- 6,451**	**- 3,986**
Payments received from Additions to Equity	5,000	0
Payments to Company Owners	- 1,000	- 300
Payments received from Disposal of Fixed Assets within the Scope of Sale-and-Lease-Back Transactions	4,396	0
Payments received from Raising of Finance Loans	1,500	3,853
Payments for Repayment of Finance Loans	- 4,820	- 3,682
Cash Flow from Financing Activities	**5,076**	**- 129**
Cash-effective Changes in Finance Fund	- 727	1,387
Cash and Cash Equivalents at Beginning of Period	1,487	100
Cash and Cash Equivalents at End of Period	**760**	**1,487**

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

Segment Reporting (HGB) for the Financial Year 2005

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 2005	Ceramics 2005	Nabaltec 2005	Fillers 2004	Ceramics 2004	Nabaltec 2004
Segments according to Units						
in k€						
Sales Revenues	38,351	22,968	61,319	33,536	22,963	56,499
Segment Results						
EBITDA	3,515	2,285	5,800	3,327	2,171	5,498
EBIT	2,146	1,188	3,334	1,751	1,021	2,772
Depreciation/Amortization	1,369	1,097	2,466	1,576	1,150	2,726
Other Non-Cash Items	181	108	289	- 378	- 258	- 636
Assets*)	22,894	13,016	35,910	21,826	11,589	33,415
Investments in Fixed Assets	4,341	1,867	6,208	3,688	336	4,024
Liabilities	7,688	4,266	11,954	10,264	5,403	15,667
Segments according to Regions						
in k€						
Sales Revenues						
Germany	7,959	13,163	21,122	5,936	12,002	17,938
Rest of Europe	26,090	8,075	34,165	21,037	7,656	28,693
USA	1,884	877	2,761	2,733	1,885	4,618
RoW	2,418	853	3,271	3,830	1,420	5,250
Total	38,351	22,968	61,319	33,536	22,963	56,499
Assets*)						
Germany	22,894	13,016	35,910	21,826	11,589	33,415
Rest of Europe	0	0	0	0	0	0
USA	0	0	0	0	0	0
RoW	0	0	0	0	0	0
Total	22,894	13,016	35,910	21,826	11,589	33,415
Investments in Fixed Assets						
Germany	4,341	1,867	6,208	3,688	336	4,024
Rest of Europe	0	0	0	0	0	0
USA	0	0	0	0	0	0
RoW	0	0	0	0	0	0
Total	4,341	1,867	6,208	3,688	336	4,024

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

Statement of Changes in Shareholders' Equity (HGB) for the Financial Year 2005

	Subscribed Capital	Profit Participation Capital	Capital Reserve	Result Balance Carried Forward	Equity
	€	€	€	€	€
Balance at 1 January 2004	6,000,000.00	0.00	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	0.00	1,824,219.38	1,595,187.56	9,419,406.94
Balance at 1 January 2005	6,000,000.00	0.00	1,824,219.38	1,595,187.56	9,419,406.94
Addition to Profit Participation Capital		5,000,000.00			5,000,000.00
Distribution				- 1,000,000.00	- 1,000,000.00
Period Result				1,460,867.62	1,460,867.62
Balance at 31 December 2005	6,000,000.00	5,000,000.00	1,824,219.38	2,056,055.18	14,880,274.56

AUDIT CERTIFICATE

To Nabaltec GmbH, Schwandorf:

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 2005 to 31 December 2005, derived from the annual financial statements and related accounting records for the financial year from 1 January 2005 to 31 December 2005. 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 2005 to 31 December 2005, 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 2005 to 31 December 2005 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 2005 to 31 December 2005 were appropriately derived from the annual financial statements for the financial year from 1 January 2005 to 31 December 2005 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 2005 to 31 December 2005 were appropriately derived from the annual financial statements for the financial year from 1 January 2005 to 31 December 2005 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