

# *Nabaltec*

Know-how for improved safety

INTERIM REPORT 1/2008



**KEY FIGURES (IFRS)**

<b>Group</b>		<b>31/03/2008</b>	<b>31/03/2007</b>
Revenue	EUR million	25.4	20.4
Foreign share	%	64.6	68.1
EBITDA	EUR million	2.9	2.4
EBIT	EUR million	1.7	1.2
Earnings *	EUR million	0.8	1.0
Earnings per share	EUR	0.10	0.13
Operating cash flow	EUR million	0.5	-0.5
Investments	EUR million	4.2	5.5
Employees **		296	256
Trainees ***		29	28

\* after minority interests

\*\* as of the cutoff date without trainees

\*\*\* as of the cutoff date

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*The Management Board: Johannes Heckmann and Gerhard Witzany*

*Dear Shareholders,*

With a 24.5% gain in revenue, Nabaltec AG was able to further accelerate growth in the first quarter of 2008.

Although demand on the U.S. market for halogen-free, flame retardant fillers was below our expectations in the reporting period as a result of the real estate crisis, the utilization of capacity at our Nashtec joint venture managed to be further stabilized. The increase in revenue was borne by heavier deliveries in Europe and Germany, the share of exports thus slightly decreasing in the reporting period. Demand for products in the "Technical Ceramics" division (ceramic raw materials and ceramic bodies) continues to grow, enabling an increasing utilization of our production capacities.

Renovation work on the evaporation facility was completed to the extent that the existing production capacities for fine precipitated hydroxide in Schwandorf will be fully available as of the second quarter of 2008, making it possible to implement these additional capacities and accelerate growth even further.

Fire prevention in the plastics and cable industry will continue to grow sharply in the years to come. In this context, halogenated flame retardants and antimony trioxide in PVC are being replaced more and more by halogen-free systems. This trend is being promoted by legal regulations and increased public awareness. Some renowned product manufacturers (e.g. Nokia, Sony Ericsson and Dell), for instance, have published waivers regarding halogenated, flame retardant fillers. In order to profit disproportionately from this development and become the market leader in this specialized segment, we are deliberately expanding our production capacities for ATH-based, flame retardant fillers. We intend to pursue this development even further, and have begun to expand the production facilities for halogen-free, flame retardant fillers, particularly for fine precipitated hydroxide, so that further additional capacities will be available at the start of 2009.

Investments are also being made in the "Technical Ceramics" division to extend and upgrade production facilities with the goal of further expanding capacities for highly refined products.

Nabaltec plans to invest over EUR 35 million in 2008. The financing of the capital requirement not covered by equity is secured by long-term bank loans.

The market introduction of our new PVC additives ACTILOX® CAHC has been highly successful. Work is now underway at full speed on plans for a new production facility at the Schwandorf site so as to start construction of the plant in the second half of 2008 and to make the first deliveries at the end of 2009.

This quarterly report has been prepared for the first time in accordance with IFRS, the quarterly figures from 2007 also having been adjusted to IFRS for comparative purposes. The accounting transition from German Commercial Code (HGB) is presented in the overview contained in this quarterly report. By reporting in accordance with IFRS, a further step has been taken towards greater transparency, thus assuring better international comparability.

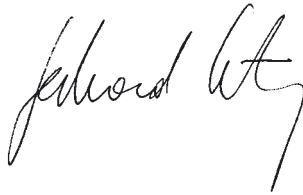
For 2008 as a whole, Nabaltec AG is assuming a consolidated revenue of EUR 110 million, thus further accelerating the growth from the previous years. As a result of the well-known cost situation, Nabaltec AG is also anticipating a sharp improvement in consolidated earnings over the previous year.

Yours,

**Nabaltec** AG  
The Management Board



Johannes Heckmann



Gerhard Witzany

**NABALTEC**  
**GROUP INTERIM MANAGEMENT**  
**REPORT FOR 1ST QUARTER 2008**



## SHARE

Prices and turnover (Xetra trading)		1st quarter 2008	Fiscal year 2007
Average price	Euro	6.75	14.87
Maximum price	Euro	8.20	19.80
Closing price (cutoff date)	Euro	5.82	7.80
Average daily turnover	per share	8,028	3,756

At the end of the first day of Xetra trading in 2008, the Nabaltec share listed at EUR 7.46. On 7 January 2008 the year's provisional high was reached at EUR 8.20. On 31 March 2008 the stock listed at EUR 5.82, resulting in a performance of -22.0% for the reporting period as a whole.

Already before the IPO, Nabaltec AG voluntarily undertook to meet the highest possible communication standards on the capital market. This includes most of the recommendations of the German Corporate Governance Code. Accordingly, IR work in the period from January to March focused particularly on preparing the Annual Report 2007, which was published within the recommended 90-day period after the closing of the fiscal year.

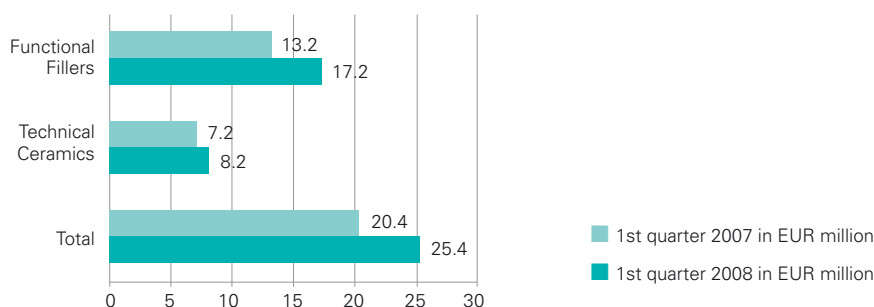
Detailed information on Nabaltec AG may be found at the website [www.nabaltec.de](http://www.nabaltec.de).

## EARNINGS, FINANCIAL AND LIQUIDITY SITUATION

### REVENUE AND EARNINGS PERFORMANCE

The Nabaltec Group managed to earn revenue of EUR 25.4 million in the reporting period 2008. Compared to the previous year's value of EUR 20.4 million, this represents an improvement of 24.5%, which is also reflected in both business divisions: "Functional Fillers" achieved an increase from EUR 13.2 million to EUR 17.2 million, while "Technical Ceramics" increased revenue from EUR 7.2 million to EUR 8.2 million. As of 31 March 2008 the foreign share in total revenue was 64.6% (31 March 2007: 68.1%).

### Revenue by business divisions



In terms of earnings, Nabaltec was able to increase earnings before interest, taxes, depreciation and amortization (EBITDA) from EUR 2.4 million to EUR 2.9 million. In this regard, it was possible to reduce the share of cost of materials from 55.5% in total performance in Q1/2007 (including the Nashtec startup costs) to 53.5% in the



reporting period. The share of personnel expenses (in total performance) was able to be lowered further, amounting to 16.8% in the first quarter of 2008. Other operating expenses increased from 17.2% in total performance to 19.9% on a quarterly comparison, essentially the effect of a disproportionate rise in freight costs and exchange losses. After depreciation of EUR 1.2 million, this resulting in a positive EBIT for the first quarter of 2008 of EUR 1.7 million (Q1/2007: EUR 1.2 million). This led to an EBIT margin in relation to total performance of 6.6% (Q1/2007: 5.7%). After minority interests, earnings for the period reached EUR 0.8 million as of the cutoff date compared to EUR 1.0 million in the first quarter of last year.

#### FINANCIAL AND LIQUIDITY SITUATION

Total assets of the Nabaltec Group slightly decreased from EUR 119.7 million as of 31 December 2007 to EUR 118.0 million on 31 March 2008.

In terms of assets, technical equipment, plant and machinery increased by EUR 1.7 million. Land, leasehold rights and buildings, including buildings on non-owned land likewise increased by EUR 1.1 million. In contrast, advance payments and plant and machinery in process of construction decreased by EUR 2.4 million. With respect to current assets, inventories managed to be decreased by EUR 2.0 million; this was nearly completely attributable to a scheduled reduction of raw materials. Finally, cash and cash equivalents increased by EUR 1.0 million.

In terms of liabilities, equity slightly decreased from EUR 47.2 million to EUR 46.8 million. As a result, the equity ratio was 39.7% as of the cutoff date, thus above the value of 39.4% on 31 December 2007. Retained earnings as of 31 March 2008 amounted to EUR 2.3 million. Net income from the period of EUR 0.8 million was moreover transferred to equity. Shares of other shareholders amounted as of the cutoff date to EUR -2.4 million after EUR -1.9 million on 31 December 2007.

With respect to non-current liabilities, Nabaltec generally managed to lower the liabilities due to banks by EUR 1.3 million to EUR 19.9 million. Current liabilities remained nearly constant at EUR 23.0 million after EUR 22.5 million at the close of the previous financial year.

The consolidated cash-flow statement shows cash flow from operating activity of EUR 0.5 million for the first quarter of 2008 (Q1/2007: EUR -0.5 million). In the first quarter, inventories were reduced by EUR 2.0 million, which was nearly entirely attributable to the scheduled reduction in raw materials. Cash flow from investment activity decreased from EUR -5.5 million to EUR -4.2 million on a quarterly comparison. In contrast, cash flow from financing activity sharply increased from EUR -0.4 million to EUR 4.7 million due on the one hand to deposits of EUR 2.4 million from the disposal of assets within the framework of sale and lease back transactions in the reporting period. On the other hand, additional financial loans of EUR 3.1 million were borrowed. As of 31 March 2008 cash and cash equivalents amounted to EUR 2.7 million.

#### ORDER PERFORMANCE

In the period from January to March 2008, Nabaltec received orders totaling EUR 26.3 million. As of 31 March 2008 orders on hand amounted to EUR 37.7 million.

## INVESTMENTS

Nabaltec invested a total of EUR 4.2 million during the reporting period after EUR 5.5 million in the previous year's quarter. At EUR 3.0 million, the main focus of investments was the expansion of the production capacities for fine precipitated hydroxide. EUR 0.6 million were allocated to ceramic bodies, while EUR 0.3 million was used to optimize the oxide facilities and EUR 0.3 million to improve infrastructure.

## EMPLOYEES

As of 31 March 2008, Nabaltec Group had a total of 296 employees (31 March 2007: 256), of which 295 (31 March 2007: 255) were domestic employees. In addition, 29 trainees (31 March 2007: 28) worked for the company on the balance sheet date.

## EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

Nabaltec AG plans to invest a total of over EUR 60 million in further business growth by 2010. The company already managed to successfully conclude a financing agreement for the capital requirement not covered by equity after the close of the reporting period.

## RISK REPORT

No material changes arose in the first quarter of 2008 compared to the opportunities and risks presented in the Group management report 2007.

## OUTLOOK

Despite the economic slowdown in the U.S. and parts of Europe and the resulting lower consumption of cables and insulating materials for buildings, the trend towards halogen-free flame retardants continues, leaving our expectations for sales increases unchanged. In view of the anticipated demand, Nabaltec began to implement a further capacity expansion in two stages via a total of 26,000 t of fine precipitated ATH. These additional capacities will be available at the start of 2009.

We are also introducing our newly developed product ACTILOX® CAHC to the market for environmentally friendly stabilizers. ACTILOX® CAHC is being used in PVC together with heavy-metal-free systems (e.g. based on calcium-zinc) as a co-stabilizer or acid scavenger. ACTILOX® CAHC helps to replace toxic heavy-metal compounds. Apart from the current voluntary commitment to replace lead, legal regulations are being tightened with the introduction of REACH, making lead compounds prohibited as of 2012. Our aim is to develop new, environmentally friendly functional fillers with other functionalities. The positive resonance from the market after the presentation of our new additive for PVC processing has led to preparations for a new production facility. Construction on the plant will begin in the second half of 2008, thus ensuring customers a regular supply of large volumes as of the end of 2009.

Based on the continued heavy demand for the products from the "Technical Ceramics" division, optimization of the calcination aggregate has begun so as to keep pace with the rising demand.

After the positive business performance in the first quarter of 2008 and considering the planned investment measures, the management board anticipates an approximately 25% increase in revenue for financial year 2008 over the previous year. This improvement corresponds to consolidated revenue of EUR 110 million, and should be associated with a substantial boost in consolidated earnings.

**NABALTEC**  
**CONSOLIDATED INTERIM**  
**FINANCIAL STATEMENTS FOR**  
**1ST QUARTER 2008**

CONSOLIDATED INCOME STATEMENT OF NABALTEC AG, SCHWANDORF,  
FOR THE PERIOD FROM 01/01/2008 - 31/03/2008 IN ACCORDANCE WITH IFRS

	<b>01/01/2008 - 31/03/2008</b>	<b>01/01/2007 - 31/03/2007</b>
	KEUR	KEUR
1. Revenue	25,375	20,427
2. Increase in finished products	116	368
3. Other own work capitalized	59	81
<b>Total performance</b>	<b>25,550</b>	<b>20,876</b>
4. Other operating income	402	384
5. Cost of materials	13,701	11,587
<b>Gross profit</b>	<b>12,251</b>	<b>9,673</b>
6. Personnel expenses	4,265	3,616
7. Depreciation, amortization and other write-offs	1,192	1,236
8. Other operating expenses	5,128	3,611
<b>Operating result (EBIT)</b>	<b>1,666</b>	<b>1,210</b>
9. Financial result	-814	-601
<b>Result from ordinary operations (EBT)</b>	<b>852</b>	<b>609</b>
10. Taxes on income	283	263
<b>Consolidated result after taxes</b>	<b>569</b>	<b>346</b>
11. Profit/loss attributable to other shareholders	-230	-665
<b>Consolidated income</b>	<b>799</b>	<b>1,011</b>

CONSOLIDATED BALANCE SHEET OF NABALTEC AG, SCHWANDORF, AS OF 31/03/2008  
IN ACCORDANCE WITH IFRS

**A S S E T S**

	<b>31/03/2008</b>	<b>31/12/2007</b>
	KEUR	KEUR
<b>A. NON-CURRENT ASSETS</b>		
<b>I. Intangible assets</b>		
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	290	265
<b>II. Property, plant and equipment</b>		
1. Land, leasehold rights and buildings including buildings on non-owned land	25,309	24,157
2. Technical equipment, plant and machinery	42,690	40,975
3. Other fixtures, fittings and equipment	2,139	2,005
4. Advance payments and plant and machinery in process of construction	13,023	15,383
	<b>83,161</b>	<b>82,520</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	2	2
2. Other loans	673	647
	<b>675</b>	<b>649</b>
<b>IV. Deferred taxes</b>		
	2,093	2,155
	<b>86,219</b>	<b>85,589</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	8,029	10,003
2. Finished products and merchandise	7,818	7,846
	<b>15,847</b>	<b>17,849</b>
<b>II. Accounts receivable and other assets</b>		
1. Trade receivables	2,491	2,783
2. Income tax claims	103	174
3. Other assets	10,650	11,589
	<b>13,244</b>	<b>14,546</b>
<b>III. Cash and cash equivalents</b>		
	2,707	1,676
	<b>31,798</b>	<b>34,071</b>
	<b>118,017</b>	<b>119,660</b>

**LIABILITIES**

	31/03/2008	31/12/2007
	KEUR	KEUR
<b>A. SHAREHOLDERS' EQUITY</b>		
I. Subscribed capital	8,000	8,000
II. Capital reserve	29,507	29,507
III. Earnings reserves	9,805	9,805
IV. Compensatory item for currency translation	-881	-639
V. Profit/loss carried forward	2,265	-169
VI. Net income	799	2,434
VII. Other reserves	-308	153
VIII. Shares of other shareholders	-2,383	-1,850
	<b>46,804</b>	<b>47,241</b>
<b>B. NON-CURRENT LIABILITIES</b>		
1. Pension provisions	10,431	10,253
2. Liabilities due to banks	19,949	21,231
3. Profit participation capital	5,000	5,000
4. Liabilities from financial leasing	2,086	2,362
5. Deferred taxes	5,474	5,505
6. Other liabilities	5,286	5,594
	<b>48,226</b>	<b>49,945</b>
<b>C. CURRENT LIABILITIES</b>		
1. Accrued taxes	575	439
2. Other provisions and accrued liabilities	1,319	1,527
3. Liabilities due to banks	5,314	5,933
4. Trade payables	11,988	11,401
5. Liabilities from financial leasing	1,061	1,038
6. Other liabilities	2,730	2,136
	<b>22,987</b>	<b>22,474</b>
	<b>118,017</b>	<b>119,660</b>



CONSOLIDATED CASH FLOW STATEMENT OF NABALTEC AG, SCHWANDORF,  
AS OF 31/03/2008 IN ACCORDANCE WITH IFRS

	31/03/2008	31/03/2007
	KEUR	KEUR
EBT from period	852	609
Depreciation (+)/write-ups (-) on non-current assets	1,192	1,236
Gain (-)/loss (+) from asset disposals	-4	0
Interest income (-)	-14	-70
Interest expenses (+)	828	671
<b>Subtotal</b>	<b>2,854</b>	<b>2,446</b>
Increase (+)/decrease (-) in provisions and accrued liabilities	-30	213
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activity	-305	-2,250
Decrease (+ )/increase in inventories (-)	2,003	1,192
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activity	-3,052	-1,218
paid (-)/received (+) interest	-887	-629
paid (-)/received (+) taxes on income	-47	-241
<b>Cash flow from operating activity</b>	<b>536</b>	<b>-487</b>
Payments received from disposal of plant, property and equipment	4	0
Payments rendered for investments in plant, property and equipment	-3,261	-5,461
Payments rendered for investments in intangible non-current assets	-36	-3
Payments rendered for investments in assets within the framework of sale and lease back transactions	-875	0
Payments rendered for investments in financial assets	-26	-25
<b>Cash flow from investment activity</b>	<b>-4,194</b>	<b>-5,489</b>
Payments received from disposal of assets within the framework of sale and lease back transactions	2,411	0
Payments received from borrowed financial loans	3,084	717
Payments rendered for redemption of financial loans	-587	-854
Payment of liabilities from financial leasing	-253	-258
<b>Cash flow from financing activity</b>	<b>4,655</b>	<b>-395</b>
<b>Net change in cash and cash equivalents</b>	<b>997</b>	<b>-6,371</b>
Change in cash and cash equivalents due to exchange rates, changes in consolidated companies and valuation	34	186
<b>Cash and cash equivalents at start of period</b>	<b>1,676</b>	<b>11,076</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,707</b>	<b>4,891</b>

Cash and cash equivalents are composed of cash at bank and on hand.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY OF NABALTEC AG, SCHWANDORF,  
AS OF 31/03/2008 IN ACCORDANCE WITH IFRS

	Parent company								Shares of other shareholders equity	Consolidated shareholders' equity
	Subscribed capital	Profit participation capital	Capital reserve	Earnings reserves	Profit/loss carried forward	Compensatory item for currency translation	Other reserves	Equity		
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR		
<b>As of 01/01/2007 HGB</b>	<b>8,000</b>	<b>5,000</b>	<b>30,824</b>	<b>0</b>	<b>630</b>	<b>47</b>		<b>44,501</b>	<b>-842</b>	<b>43,659</b>
Initial adoption of IFRS		-5,000	-1,317	9,805		-183	39	3,344	419	3,763
<b>As of 01/01/2007</b>	<b>8,000</b>	<b>0</b>	<b>29,507</b>	<b>9,805</b>	<b>630</b>	<b>-136</b>	<b>39</b>	<b>47,845</b>	<b>-423</b>	<b>47,422</b>
Consolidated earnings for the period					1,010			1,010	-665	345
Other changes						-75	-36	-111	-21	-132
<b>As of 31/03/2007</b>	<b>8,000</b>		<b>29,507</b>	<b>9,805</b>	<b>1,640</b>	<b>-211</b>	<b>3</b>	<b>48,744</b>	<b>-1,109</b>	<b>47,635</b>
<b>As of 01/04/2007</b>	<b>8,000</b>	<b>0</b>	<b>29,507</b>	<b>9,805</b>	<b>1,640</b>	<b>-211</b>	<b>3</b>	<b>48,744</b>	<b>-1,109</b>	<b>47,635</b>
Dividends					-800			-800		-800
Consolidated earnings for the period					1,425			1,425	-1,039	386
Other changes						-428	150	-278	298	20
<b>As of 31/12/2007</b>	<b>8,000</b>	<b>0</b>	<b>29,507</b>	<b>9,805</b>	<b>2,265</b>	<b>-639</b>	<b>153</b>	<b>49,091</b>	<b>-1,850</b>	<b>47,241</b>
<b>As of 01/01/2008</b>	<b>8,000</b>	<b>0</b>	<b>29,507</b>	<b>9,805</b>	<b>2,265</b>	<b>-639</b>	<b>153</b>	<b>49,091</b>	<b>-1,850</b>	<b>47,241</b>
Consolidated earnings for the period					799			799	-230	569
Other changes						-242	-461	-703	-303	-1,006
<b>As of 31/03/2008</b>	<b>8,000</b>	<b>0</b>	<b>29,507</b>	<b>9,805</b>	<b>3,064</b>	<b>-881</b>	<b>-308</b>	<b>49,187</b>	<b>-2,383</b>	<b>46,804</b>

**CONSOLIDATED SEGMENT REPORT OF NABALTEC AG, SCHWANDORF, FOR THE PERIOD  
FROM 01/01/2008 - 31/03/2008 IN ACCORDANCE WITH IFRS**

In accordance with its internal organisational and reporting structure, Nabaltec is divided into the “Functional Fillers” and “Technical Ceramics” divisions. The “Functional Fillers” and “Technical Ceramics” divisions are therefore defined as the primary segment reporting format.

Earnings before interest and taxes (EBIT) and before interest, taxes, depreciation and amortisation (EBITDA) have been selected to report the segment earnings.

A presentation by region is also disclosed as a secondary reporting format for “Functional Fillers” and “Technical Ceramics”. The regions are defined for Germany, the rest of Europe, the USA and the rest of world (RoW).

	Functional Fillers 01/01/2008 - 31/03/2008 KEUR	Technical Ceramics 01/01/2008 - 31/03/2008 KEUR	Nabaltec Group 01/01/2008 - 31/03/2008 KEUR	Functional Fillers 01/01/2007 - 31/03/2007 KEUR	Technical Ceramics 01/01/2007 - 31/03/2007 KEUR	Nabaltec Group 01/01/2007 - 31/03/2007 KEUR
<b>Segments by division</b>						
Revenue	17,196	8,179	25,375	13,210	7,217	20,427
<b>Segment result</b>						
EBITDA	1,697	1,161	2,858	1,346	1,100	2,446
EBIT	903	763	1,666	418	792	1,210
<b>Segments by region</b>						
<b>Revenue</b>						
Germany	3,845	5,195	9,040	2,604	3,965	6,569
Rest of Europe	10,943	2,262	13,205	8,864	2,805	11,669
USA	1,484	445	1,929	715	160	875
RoW	924	277	1,201	1,027	287	1,314
<b>Total</b>	<b>17,196</b>	<b>8,179</b>	<b>25,375</b>	<b>13,210</b>	<b>7,217</b>	<b>20,427</b>

# NABALTEC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31/03/2008

### ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of Nabaltec AG (Nabaltec Group) as of 31 March 2008 were prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, with due regard to the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) using IFRS 1 (First-Time Adoption of International Financial Reporting Standards). All standards binding in the European Union in the reporting period were used.

The following notes include information and remarks that are to be incorporated in accordance with IFRS into the consolidated financial statements as notes in addition to the balance sheet, income statement, statement of shareholders' equity and cash flow statement.

The balance sheet was classified pursuant to IAS 1 in accordance with maturity. Accordingly, assets and debts are to be classified as long term if they remain in the Group for longer than one year. Trade receivables and payables and inventories are in principle to be disclosed as short-term items. Deferred tax claims and liabilities are generally to be presented as long term. The total expenditure format was used for the income statement.

The Group currency is the euro. All amounts are reported euros (EUR) or thousands of euros (KEUR).

### CONSOLIDATED GROUP

In addition to the parent company, Nabaltec AG, Schwandorf, Nashtec L.P., Corpus Christi (USA), was fully integrated into the consolidated group.

Enterprise	Amount of Shares in Capital	
	in	
	KEUR	%
Nashtec L.P., Corpus Christi (USA)	161	50.49

Due to its minor significance, Nashtec Management Corporation was not included in the consolidated financial statements.

## CONSOLIDATION PRINCIPLES

The capital consolidation was made pursuant to IFRS 3 (Business Combinations), in accordance with which corporate mergers are to be accounted for using the acquisition method. Acquired assets and debts are to be reported at the attributable market value. No difference arose during the purchase price calculation.

Shares in the equity of the subsidiary not allocable to the parent company have been disclosed as "Shares of other shareholders".

Accounts receivable, liabilities, provisions, income and expenses between integrated companies are to be eliminated within the framework of the consolidation.

The elimination of interim results arising from deliveries and performances within the Group was waived, because the inventories from such deliveries are of minor significance in the presentation of the Group's financial, liquidity and earnings situation.

## CURRENCY TRANSLATION

The financial statements of the integrated companies prepared in foreign currencies are to be translated based on the concept of the functional currency pursuant to IAS 21. Because the subsidiary operates its business independently in a financial, economic and organizational respect, the functional currency is in principle identical to the respective national currency of the company. Consequently, in the consolidated financial statements, assets and debts have been translated as of the cutoff date, expenses and income from the financial statements of the consolidated subsidiary at the average annual exchange rate. The resulting exchange differences are disclosed under the equity "compensatory item for currency translation" with a neutral effect on results.

In the individual financial statements of Nabaltec AG and the consolidated subsidiary, foreign currency receivables and liabilities have been valued at the exchange rate on the cutoff date with an effect on results. Non-monetary items in foreign currencies were reported at the past values.

If exchange differences arise within the framework of the capital consolidation, they are likewise to be disclosed in equity with a neutral effect on results.

Exchange differences in accordance with IAS 21.32 are likewise to be disclosed in equity with a neutral effect on results.

## ACCOUNTING AND VALUATION METHODS

The annual financial statements of Nabaltec AG and of the consolidated subsidiary were prepared pursuant to IAS 27 in accordance with uniform accounting and valuation principles. They were both prepared as of the cutoff date of the consolidated financial statements. To the extent annual financial statements prepared in accordance with national accounting provisions do not correspond to IFRS, they are to be adjusted in the case of material variations in valuations to the uniform Group accounting and valuation principles.

## INTANGIBLE ASSETS

Intangible assets acquired for compensation were capitalized pursuant to IAS 38 at the acquisition costs and subjected to normal, straight-line depreciation in accordance with their foreseeable useful life of between four to five years.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Nabaltec Group was recorded in accordance with IAS 16 at the acquisition or production costs, reduced by normal, use-related, straight-line depreciation. The production costs of the self-built facilities include prorated overhead costs in addition to directly allocable costs. Borrowing costs have in part been capitalized as acquisition or production costs.

Public subsidies are to be accounted for as a reduction in the acquisition or production cost of the relevant asset (IAS 20.24). The reversal is made over the useful life of the asset in the form of reduced depreciation amounts.

Normal depreciation is based on the following useful lives standard within the Group:

	<b>In years</b>
Operating and commercial buildings	20 to 50
Technical equipment, plant and machinery	10 to 15
Fixtures, fittings and equipment	3 to 13

## LEASING

Leasing contracts wherein the Nabaltec Group essentially bears the opportunities and risks as lessee and which are associated with financial title are to be treated as financial leasing in accordance with IAS 17 upon the closing of the leasing contract. The leased object is to be recorded in non-current assets at the attributable market value or the lower present value of the minimum leasing payments. The corresponding liabilities to the lessor are to be recorded as liabilities from financial leasing.

## FINANCIAL ASSETS

Financial assets are to be reported at the acquisition costs less extraordinary depreciation.

## DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used in the Nabaltec Group are to be implemented to hedge against interest and exchange rate risks from the operative business. The financial instruments are valued as of the cutoff date at the attributable market values. Gains and losses from the valuation were recorded with an effect on the income statement, unless the prerequisites for hedge accounting were met. With respect to the derivative financial instruments subject to hedge accounting, changes in market value were disclosed either in the results (fair value hedge) or as a component of equity (cash flow hedge).

## INVENTORIES

Inventories are in principle to be reported at their acquisition or production costs with due regard to loss-free valuation. Production costs encompass the directly allocable production costs and fixed and variable overhead production costs allocable on a prorated basis. The overhead cost shares are largely to be computed based on normal employment. Selling costs, costs of general administration and interest on borrowings are not to be capitalized. Inventory allowances are to be made for inventory risks arising from increased storage time or reduced marketability.

## ACCOUNTS RECEIVABLE AND OTHER ASSETS

Except for the derivative financial instruments, accounts receivable and other assets are assets not held for trading purposes. They are to be accounted for at the updated acquisition costs. Non-interest-bearing or low-interest accounts receivable with terms of over one year are discounted. All recognizable risks are to be taken into account in the reduction.

## DEFERRED TAXES

In accordance with IAS 12, accrued and deferred taxes are to be reported pursuant to the liability method for all temporary differences between the tax estimates and accounting estimates in accordance with IFRS and for consolidation measures with an effect on results. Deferred taxes are to be computed based on the income tax rates as of the realization date. Changes in tax rates are to be taken into account if the change is sufficiently certain. If a legal set-off is possible, deferred and accrued taxes are to be balanced out.

## PENSION PROVISIONS

Pension provisions are to be computed pursuant to IAS 19 in accordance with the projected unit credit method. In this procedure, apart from the pensions and vested rights known on the balance sheet date, increases of pensions and salaries anticipated in the future are to be considered with cautious estimates of the relevant factors of influence. The calculation is to be made based on actuarial assessments with due regard to biometric data.

## OTHER PROVISIONS AND ACCRUED LIABILITIES

In accordance with IAS 37, other provisions and accrued liabilities are to be considered to the extent a present obligation can arise vis-à-vis a third party from a past event, recourse is probable and the foreseeable amount of the necessary provision can be reliably estimated. Such provisions are valued at full cost or based on the performance amount most likely to occur.



**LIABILITIES**

In accordance with IAS 39, liabilities are either to be recorded at their repayment amount or the attributable market value.

**REVENUE**

Revenue from the sale of assets has been recorded in accordance with the criteria in IAS 18, if the opportunities and risks were fully transferred to the buyer and a price was agreed or is determinable and payment can be assumed. Revenue was disclosed less sales deductions and cash discounts.

## TRANSITION TO IFRS

<b>Transition of consolidated earnings (before minority interests)</b>	<b>31/03/2007</b>	<b>31/12/2007</b>
	KEUR	KEUR
<b>Net loss in accordance with German Commercial Code (HGB)</b>	<b>-154</b>	<b>-1,509</b>
Valuation of non-current assets	-27	49
Classification of financial leasing	152	616
Valuation of inventories	13	246
Exchange differences in accordance with IAS 21.32	90	672
Formation of deferred taxes	214	856
Valuation of pension provisions	-17	-153
Valuation of other provisions and accrued liabilities	-14	-8
Miscellaneous items	88	-39
<b>Net income in accordance with IAS/IFRS</b>	<b>345</b>	<b>730</b>

<b>Transition of shareholders' equity</b>	<b>01/01/2007</b>	<b>31/03/2007</b>	<b>31/12/2007</b>
	KEUR	KEUR	KEUR
<b>Shareholders' equity in accordance with German Commercial Code (HGB)</b>	<b>43,659</b>	<b>43,543</b>	<b>41,764</b>
Adjustment of disclosed participation capital	-5,000	-5,000	-5,000
Valuation of non-current assets	19,468	19,327	19,013
Valuation of inventories	892	904	1,137
Formation of deferred taxes	-4,206	-3,992	-3,354
Valuation of derivative financial instruments	76	4	303
Classification of financing leasing	-4,437	-4,178	-3,400
Valuation of pension provisions	-3,537	-3,554	-3,690
Valuation of other provisions and accrued liabilities	407	394	400
Miscellaneous items	100	187	68
<b>Shareholders' equity in accordance with IAS/IFRS</b>	<b>47,422</b>	<b>47,635</b>	<b>47,241</b>

## FINANCIAL CALENDAR 2008

<b>26/08/2008</b>	Interim Report 2/2008
<b>25/11/2008</b>	Interim Report 3/2008

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