



GROUP QUARTERLY REPORT
of CENTROTEC Hochleistungskunststoffe AG, Brilon
as of June 30, 2003
Report of the Board of Directors

Highlights

- Increase in revenue by 8%
- EBIT (pre-goodwill) rose more than average by 11.1%
- Profit after tax rose more than average by 21.5%
- EPS (pre-goodwill) rose more than average by 17%
- Initial consolidation of Ned Air in June 2003

Outlook

- Based on the intact organic growth positive expectations for the second half of the year 2003
- Sales revenue forecast remains stable at more than EUR 110 million profit forecast stable at EPS (pre-goodwill) EUR 1.00 – 1.05 focus on systems and environmental products
- Integration Ned Air launched successfully, however still just slight contribution to the profits this year
- Medium term growth by 25-30% p.a.

1. Sales revenue: Increase by 8% in the continued difficult market environment

In the first six months of 2003 Centrotec AG recorded a significant increase in sales revenue from EUR 48.0 million to EUR 51.8 million, which represented an 8% increase compared with the same period of the previous year. Very few new impulses could be derived from the macro-economic situation. The organic growth, which could nevertheless be generated once again, confirmed the strategy of concentrating on the market segments of energy savings technology. When the economy stops falling Centrotec begins to grow again already. This is due to the consistently increasing market penetration of the new Centrotec energy saving systems.

The growth was mainly organic. After organic growth still amounted to EUR 0.4 million or 1.6% in the first three months of the year it rose in the second quarter to EUR 2.3 million or 10% already (including the Ned Air revenue growth was even 14% of EUR 3.4 million in the second quarter). Thus, this confirms the forecast in the last report that the difference to the previous year will be even higher in the course of the year.

On the level of the segments of Centrotec AG the segment Systems as the biggest generator of revenue recorded a more than average increase in sales revenue from EUR 37.0 million to approx. EUR 41.0 million (+ 10.8%). The customary stronger development of revenue in the second of the half of the year is expected once again in this year, too. We anticipate therefore an even higher contribution to profits in the second half of the year. This applies both to the field of Gas Flue Systems as well as to the field of Climate Systems. An economic recovery of the market as a whole would further strengthen this trend.

In the significantly smaller segment Engineering Plastics there was an increase in revenue of EUR 8.0 million to EUR 8.8 million (approx. 9%). This success is the result of the increased sales efforts and the re-commissioning of a larger machine, which had broken down in the previous year. Unfortunately, however, the demand from the market continued to be weak in the last quarter.

2. Results: Increase in the EBIT pre-GW by 11.1%; Net results rose by 22%

As a provider of energy savings products Centrotec has despite a weakness in macro-economic demand to once again record a higher than average increase in profit running into double figures. In the case of EBIT pre-goodwill profits rose by 11.1% to approx. EUR 6.2 million (previous year EUR 5.5 million). The profits after interest and tax even rose by approx. 22% to EUR 2.4 million (previous year EUR 1.9 million). The earnings per share (EPS) pre-goodwill rose by approx. 17% from EUR 0.36 in the previous year to an actual EUR 0.42.

The increase in earnings was generated in the segment systems. The considerably smaller segment Engineering Plastics could not generate any improvement in results. This did not, however, have a negative impact on the overall success of the company. Altogether, the profit situation continued to improve from the first to the second quarter. In the first quarter a considerable increase in profit before tax was recorded (caused by lower debts), however no increase in EBIT is to be recorded yet.

Now the EBIT has also – as expected – gained in momentum once again in the second quarter. Therefore, the expectations for the second half of the year 2003 remain positive. The plans have a strong basis so that an increase in the EPS pre-goodwill is expected to be approx. EUR 1.00 – 1.05.

3. Balance sheet: Level of debt even after Ned Air acquisition to a large extent unchanged

As a result of the Ned Air acquisition the balance sheet total rose from EUR 87.9 million to EUR 103.3 million.

The Working Capital (accounts receivable from deliveries and services + stocks – liabilities from deliveries and services) rose seasonally and acquisition-adjusted from Euro 21.4 million (31 December 2002) to Euro 26.9 million. The net-bank-liabilities (short term and long term loans minus liquid funds) increased from EUR 37.1 million to EUR 47.4 million. This is essentially caused by the Ned Air acquisition and the increase in Working Capital.

Similar to the acquisitions of the past years the equity ratio fell during the year slightly below the 30% mark in comparison to the balance sheet closing date. By the end of the year we are again expecting a ratio of more than 30%. The ratio of the dynamic level of debts (net financial liabilities /EBITDA), which is more customary today, has hardly changed over the previous year. As of December 31, 2002 this value was 2.4. At the end of 2003 it is expected to be around 2.2 – 2.3. The customary bank threshold value for this is around 4.0 for companies with steady earnings.

The “cash flow I” (profit plus depreciations) on the other hand improved from EUR 4.8 million to EUR 5.1 million. The cash flow from the current business activity (including the increased Working Capital) doubled from EUR 1.8 million to EUR 3.8 million. The negative development in capital holdings is mainly due to the acquisition of Ned Air. Owing to the favourable conditions for current accounts in the Netherlands, part of the acquisition was financed through current account.

The EBIT margins of the acquiring subsidiaries which continue to run well into double percentage figures underpin the goodwill shown with substance.

4. Systems: Increase in revenue by approx. 11%

The considerable increase in revenue by approx. 11% in the segment systems in the first half of year 2003 is extremely pleasing considering the weak economy in Germany and Europe. Both the Gas-Flue systems unit as well as the Climate Systems unit have made a contribution to this clear increase in revenue. The growth in revenue led to a considerable increase in profits. Important growth drivers were the innovative air conditioning systems with heat recovery. Stricter energy savings regulations result in the Netherlands but also in Germany to a further growth in market penetration. The improved capacity utilization and the continuing improvement of the manufacturing process led to a more than average growth. With segment profits before tax in the amount of approx. EUR 5.1 million this unit is a solid profit generator in the Group as a whole. After the second quarter, measured in revenue, was stronger than the first already it is reasonable to assume that the second half of the year both with regards to revenue as well as profits will be even better. The

second half of the year 2002 was relatively weak as a result of economy. In addition to this, there is the fact that it was possible to strengthen the Group portfolio through

the new acquisition of the Dutch company Ned Air whereby the contribution to the profits by Ned Air is expected to be small in the first year due to the integration costs.

Acquisition Ned Air: Expansion of the market leadership in energy saving air conditioning

At the beginning of June, Centrotec took over Ned Air B.V., Kampen, Netherlands. With this strategic acquisition Centrotec is continuing to expand its leading position in Europe in the fast growing market for energy saving air conditioning further. Ned Air, that generated a profitable revenue of EUR 9.8 million in the past year has been a cooperation partner of the Centrotec subsidiary Brink Climate Systems B.V., Staphorst, NL for many years. While Brink is the European market leader for heat recovery systems for private low energy houses, the strengths of Ned Air are in heat recovery systems for larger residential houses and smaller public buildings (offices, hospitals, schools etc.). Both market segments are marked by high growth through the stricter energy savings regulations. Moreover, Ned Air supplements the product portfolio of the Centrotec Group by new solutions for cooling. With the integration of Ned Air, Centrotec gains complementary technology and market shares and therefore further expands its leadership in this growth market.

5. Engineering Plastics – Increase in revenue by approx. 9%

It was possible to record a pleasing increasing in revenue of 9% compared with the same period of the previous year. Unfortunately it was not possible to improve the profits. The reason for this is a fall in gross margin. This has once again compensated for the cost reductions in the field of personnel and with the other operating expenses and has led to a small loss in the amount of EUR 0.2 million before tax. The expenses for materials rose due to the higher prices for raw materials. It was only possible to pass these price increases onto the end customers with a slight delay in time. In the second half of the year however the price increases will have a positive effect on the part of the end customers. The gross margin should profit from this. The cost reductions will therefore be able to lead to an improvement in profits in the second half of the year. Nevertheless, really satisfactory results are not expected until the economy is able to recover again. In addition to this, following the change of management in this segment the company is pursuing the strategy of making the segment less dependent on influences from the economy by concentrating on up-market fields of application (e.g. medical technology).

Material, product and project development are continuing in the field of innovative Advanced Composites. There are good prospects in the various development projects for further attractive orders in the forthcoming quarters.

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6. Positive expectations for the year as a whole – forecast steady

The core business Systems has once again proved its strength in growth. Both revenue as well as profits recorded significant increases in the second quarter. The organically generated improvements in the second quarter boost the positive estimate for the year as a whole. According to present estimates it will certainly be possible to achieve the revenue forecast with more than 10% growth compared with the previous year. The increase in profit by around 30% to 1.00 – 1.05 (previous year 0.76) EPS pre-Goodwill has also been secured by the profit of the second quarter. With regards to profit the difference compared with the previous year will also continue to grow, especially as special effects have reduced the comparable profits to the end of the year 2002. The second half of the year which by experience is normally stronger from an operational point of view will also provide a further basis for the positive overall expectations.

As the experienced Centrotec M&A-team is continuing to look for attractive and profitable companies in the fast-growing niches it may even be possible to even exceed the revenue and profit targets through acquisitions and accelerate the total growth once again in the medium term.

Brilon, in August 2003

The Board of Directors

KEY FIGURES GROUP

of CENTROTEC Hochleistungskunststoffe AG, Brilon

as of June 30, 2003

in thousand EUR

	30.06.2003	Previous Year**	Change
Total sales	51.733	47.966	7,9%
Engineering Plastics	8.760	8.047	8,9%
Plastic Systems	40.980	36.983	10,8%
Others	1.993	2.936	-32,1%
Earnings			
Cash flow I (net income and depreciation/amortization)	5.085	4.765	6,7%
EBIT (adjusted*)	6.159	5.543	11,1%
EBIT	5.287	4.698	12,5%
Net income (adjusted*)	3.221	2.777	16,0%
Net income	2.349	1.932	21,5%
Earnings per share (basic, adjusted*)	0,42	0,36	16,8%
Earnings per share (basic)	0,31	0,25	22,8%
Earnings per share (diluted)	0,31	0,25	22,8%
Weighted average shares outstanding (basic)	7.661.935	7.659.471	0,0%
Weighted average shares outstanding (diluted)	7.661.935	7.659.471	0,0%
Employees			
Total (FTE)	687	590	16,4%
Personnel expenses	12.808	12.233	4,7%
Capital structure			
Equity	29.918	27.703	8,0%
Total capital	103.280	87.859	17,6%
Equity ratio	29,0%	31,5%	-8,1%
Investments/depreciation and amortization			
Investments in tangible assets	3.018	1.845	63,5%
Depreciation of tangible assets and intangible assets (excluding goodwill)	1.864	1.988	-6,2%
Amortization of goodwill	873	845	3,3%

* Amortization of goodwill eliminated

** Category sales, net income, employees and investments/depreciations for the period from January 1 to June 30, 2002;
Category capital structure per December 31, 2002

CONSOLIDATED BALANCE SHEET

of CENTROTEC Hochleistungskunststoffe AG, Brilon

as of June 30, 2003

in EUR

ASSETS

	30.06.2003	31.12.2002
Current assets		
Cash and cash equivalents	1.902.001,39	3.172.134,99
Trade account receivables	18.341.892,28	13.535.280,25
Inventories	15.682.805,92	13.931.078,20
Prepaid expenses and other current assets	2.188.208,04	2.114.356,46
Income tax receivables	449.538,56	443.768,89
	38.564.446,19	33.196.618,79
Noncurrent assets		
Property, plant and equipment	30.263.545,30	27.163.023,29
Intangible assets	400.494,37	450.511,40
Financial investments	35.176,07	33.576,07
Notes receivable / loans	45.922,56	45.922,56
Goodwill	32.893.601,28	26.091.245,71
Deferred tax	1.076.850,84	877.773,73
	64.715.590,42	54.662.052,76
	103.280.036,61	87.858.671,55

CONSOLIDATED BALANCE SHEET

of CENTROTEC Hochleistungskunststoffe AG, Brilon

as of June 30, 2003

in EUR

EQUITY AND LIABILITIES

	30.06.2003	31.12.2002
Current liabilities		
Current portion of capital lease obligation	93.904,97	104.343,44
Short term debt and current portion of long-term debt	20.094.116,12	15.426.493,88
Trade accounts payable	7.102.078,29	6.095.962,46
Accrued expenses	2.710.486,93	2.702.232,58
Income tax payable	1.743.865,70	1.451.371,34
Other current liabilities	9.766.467,03	6.849.940,35
	41.510.919,04	32.630.344,05
Noncurrent liabilities		
Long-term debt less current portion	29.243.181,15	24.828.333,02
Capital lease obligations less current portion	138.139,15	187.726,30
Deferred tax	2.107.464,34	2.152.395,85
Pension accrual	361.844,49	356.510,19
	31.850.629,13	27.524.965,36
Shareholders' equity		
Share capital	7.667.975,00	7.667.975,00
Additional paid-in-capital	10.127.858,32	10.127.858,32
Treasury stock	(112.394,90)	(112.394,90)
Currency translation reserve	(269.535,92)	(136.110,36)
Retained earnings / accumulated deficit	10.156.034,08	6.007.789,89
Accumulated consolidated income / loss	2.348.551,86	4.148.244,19
	29.918.488,44	27.703.362,14
	103.280.036,61	87.858.671,55

SHAREHOLDERS' EQUITY

in thousand EUR

	Share capital	Addid. paid-in capital	Treasury stock	Curr. translation diff. in shareholders' equity	Retained earnings	Accumulated income	Consolidated-equity
December 31, 2001/							
January 1, 2002	7.222	6.036	(112)	33	6.008	0	19.187
Consolidated income / loss						4.148	4.148
Changes in cause of the exercise of acquisition Brink	446	4.092					4.538
Currency translation				(169)			(169)
December 31, 2002	7.668	10.128	(112)	(136)	6.008	4.148	27.703
Allocation to retained earnings					4.148	(4.148)	0
January 1, 2003	7.668	10.128	(112)	(136)	10.156	0	27.703
Consolidated income / loss						2.349	2.349
Currency translation				(133)			(133)
June 30, 2003	7.668	10.128	(112)	(270)	10.156	2.349	29.918

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Hochleistungskunststoffe AG, Brilon

for the period from January 1 to June 30, 2003

in EUR

INCOME STATEMENT

	01.01.2003 30.06.2003	01.01.2002 30.06.2002
Revenues	51.732.929,35	47.965.700,84
Other operating income	265.270,91	120.578,89
Changes in inventories of finished goods and work in progress	1.053.037,12	1.053.869,24
Production for own fixed assets capitalized	9.828,73	20.614,43
Cost of purchased materials and services	(23.814.254,55)	(21.724.352,40)
Personnel expenses	(12.808.233,99)	(12.233.334,65)
Depreciation and amortization	(1.863.879,52)	(1.987.772,31)
Amortization (and impairment) of goodwill	(872.814,46)	(844.622,56)
Other operating expenses	(8.415.202,60)	(7.672.477,57)
Operating income/loss	5.286.680,99	4.698.203,91
Interest income and expenses	(1.119.751,29)	(1.247.251,59)
Result before income taxes (and minority interest)	4.166.929,70	3.450.952,32
Income tax	(1.818.377,84)	(1.518.586,74)
Net income / loss	2.348.551,86	1.932.365,58

EARNINGS PER SHARE

Earnings per share (basic, adjusted*)	0,42	0,36
Earnings per share (basic)	0,31	0,25
Earnings per share (diluted)	0,31	0,25
Weighted average shares outstanding (basic)	7.661.935	7.659.471
Weighted average shares outstanding (diluted)	7.661.935	7.659.471

* Amortization of goodwill eliminated