2000 Annual Report

CENTROTEC
HOCHLEISTUNGSKUNSTSTOFFE AG

KEY FIGURES

Group

in '000 Euro

	31.12.2000	31.12.1999	Change in percent
Total sales	64,778	17,552	269.1%
Engineering Plastics	13,463	11,333	18.8%
Plastic Systems	48,380	6,893	601.9%
Others	4,143	0	100.0%
Less intercompany sales	– 1,207	-673	79.3%
Earnings			
Cash flow I (earnings & depreciation/amortization)	7,704	2,359	226.5%
EBIT (adjusted*)	8,638	2,040	323.5%
Net income (adjusted*)	4,744	1,763	169.2%
Net income	4,034	1,763	128.9%
Earnings per share (adjusted*)	0.66	0.24	–
Earnings per share	0.56	0.24	–
Employees			
Total (average)	340	101	236.6%
Personnel expenses	13,052	3,909	233.9%
Capital structure			
Equity and subordinated funds with an equity character	18,626	10,095	84.5%
Total capital	52,758	20,340	159.4%
Equity ratio	35%	50%	– 28.9%
Investments/depreciation and amortization			
Investments in tangible assets	5,627	1,315	327.9%
Depreciation of tangible assets and			
intangible assets (excluding goodwill)	2,959	597	395.9%
Amortization of goodwill	711	0	100.0%

* Amortization of goodwill eliminated

HIGHLIGHTS

Success is the ideal in business life

Highlights 2000

- Rise in sales and profits outstrips expectations
- Integration of major acquisition UBBINK successfully concluded
- Participation in composites specialist BOND-LAMINATES the basis for the next success story
- European market lead for gas flue systems extended
- New sales markets in the semiconductor and solar technology sectors developed
- Share price drawn into the general downward trend on the stock market, but fell much less sharply than the NEMAX index

Objectives for 2000

- Accumulating expertise in the key technologies of high-temperature polymers
- Developing the industrial-scale processing of fibre-reinforced composites
- Extending the market lead in Europe for plastic gas flue systems
- Expanding system solutions for the low-energy house

INTRODUCTION BY THE MANAGEMENT BOARD

Hans-Lothar Hagen
Chairman
Engineering Plastics

Martin Beijer
Plastic Systems

The **CENTROTEC** Hochleistungskunststoffe AG Group is once again able to look back on a highly successful fiscal year 2000, in which even our optimistic forecasts were exceeded. The company's operating output rose by 245%, and its EBITA by all of 320%.

The high increases in profits and sales are an impressive reflection of the success of our business strategy in the past financial year: growth through innovation and intelligent plastics concepts. For the next few years, too, we are planning a high rate of organic growth through an ongoing stream of innovations and by focusing on our principal customer groups. Sales by the present-day business areas will rise by 50 % by 2003, from a present EUR 64.8 million to over EUR 90 million.

The results for companies joining us through our acquisitions strategy will add to this. We will continue to expand and acquire an interest in profitable companies which are leaders in high-end techniques of plastics processing and which usefully extend the group's product range.

As one of the top five suppliers and processors of high-temperature and special polymers in Europe, **CENTROTEC** is in an ideal position to implement these ambitious plans. For the immediate future, we are planning to continue concentrating on those materials and methods that offer the brightest future prospects. The participating interest in the composites experts ***BOND-LAMINATES*** acquired during the 2000 fiscal year is to be seen this connection. Our entry into this innovative market of the future promises to be a similar success story to gas flue systems.

As an innovative partner for individually designed structural elements for aviation and aerospace, the food industry, plant engineering and mechanical engineering, we have continued to reap the dividends of focusing our production on pilot or small lots. The growth rate

Dr. Gert-Jan Huisman

Finance

Dr. Alexander Kirsch

Strategy und Expansion

for this sector has far exceeded our forecasts and provided an endorsement of our decision to invest in additional, ultramodern 5-axial processing machinery for this sector.

Now that our plastic gas flue systems have achieved a market breakthrough in Germany, this market segment is proving exceptionally successful elsewhere. Particularly thanks to an exclusive supply agreement with a leading boiler manufacturer in Great Britain, **CENTROTEC** has been able to build significantly on its competitive lead. Increasing demand in this business sector will guarantee rising sales and profits for our company in 2001 and 2002.

Our sales, service and information network, which was expanded in 2000, now covers all core European countries, enabling us to tap additional regional sales potential. The opening of our new Logistics Centre for all of Europe enables us to guarantee even swifter processing of orders.

2000 was a year of disappointments and setbacks for technology stocks. Our shares likewise suffered from the generally cautious attitude to the growth forecasts of technology companies.

The third set of financial statements since our flotation nevertheless once again demonstrate that our predictions are reliable. Our fundamentally sustained growth will therefore ensure that those with the prudence to invest in our shares will enjoy a long-term, substantial rise in value.

The Management Board

INTRODUCTION BY THE SUPERVISORY BOARD

The Supervisory Board was once again able to oversee a highly successful financial year in 2000. The record figures of 1999 were once again bettered: sales rose by 269 % and profits by 324 %. The rates of increase for all business areas were above the industry averages. As a result of its increased market shares, **CENTROTEC** is now one of the five largest suppliers of engineering plastics in Europe. In the gas flue systems sector, the company has moreover become the largest supplier.

We congratulate the Managing Board and the management of the operative companies on this success, and in particular all employees, who have once again shown exceptional commitment.

During the 2000 fiscal year, the Supervisory Board was informed regularly and comprehensively of the company's business progress, and in particular of the development in its sales, orders, earnings, net worth and financial situation and of the company's discernible risks and opportunities, through both written and oral reports. The Supervisory Board has, in accordance with legal requirements and the articles of incorporation, performed the tasks which fall due to it, and has in particular regularly monitored and advised the Management Board.
On the basis of the Management Board's reports, the commercial position and progress of the company, together with its risks, were regularly discussed with the Management Board. Wherever ratification by the Supervisory Board was required, the proposals of the Management Board were studied and approved by the members of the Supervisory Board. The topics discussed at the meetings of the Supervisory Board focused on the fundamental business policies of the parent company and its subsidiaries.

The accounts, annual financial statements, management report, consolidated financial statements and group management report for **CENTROTEC Hochleistungskunststoffe AG**

as at December 31, 2000 have been examined by the auditors, Arthur Andersen Wirtschaftsprüfungsgesellschaft, Hanover, who have given their unqualified certification thereof.
The auditors' report, a copy of which was sent to each member of the Supervisory Board, was discussed at length in the meeting of the Supervisory Board. One of the auditors attended this meeting and reported on the principal findings of the audit.
The Supervisory Board examined the annual financial statements, management report and consolidated financial statements, including group management report, as drawn up by the Management Board, as well as the dependence report. The examination by the Supervisory Board revealed no cause for objection. The annual financial statements issued by the Management Board were granted the unqualified approval of the Supervisory Board, and are thus established pursuant to § 172 Sentence 1 of AktG (German Stock Corporation Law).

The Management Board and Supervisory Board have, in accordance with the articles of incorporation, resolved to allocate Euro 417,178.68 of the net income for the year of EUR 926,165.37 to the revenue reserves.
The Supervisory Board endorses the proposal by the Management Board to allocate the distributable profit to the revenue reserves.
We would like to thank all employees and the Management Board for their deep commitment throughout in fiscal year 2000.

Marsberg, March 2001

The Supervisory Board

Guido A. Krass
(Chairman)

GROUP MANAGEMENT REPORT

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

European stock markets, in particular the Frankfurt-based Neuer Markt, experienced a downturn in 2000, the year under review. By contrast, the fundamental growth of our company continues unabated.

The *CENTROTEC*-Group expanded by 269% in 2000. This rate of growth therefore even outstrips our forecast at the end of 1999. Earnings per share are likewise higher than our expectations, at EUR 0.66 (result after taxes adjusted for goodwill and step-up depreciation). The reasons for this are that plastic gas flue systems have grown rapidly, the *"Engineering Plastics"* division has once again posted record earnings and the integration of *UBBINK Systemtechnik,* Doesburg, The Netherlands, progressed outstandingly. In the first year after its takeover, we were immediately able to boost the sales and earnings of this group of companies, despite the fact that the cost of integration measures was rising at a double-digit rate.

For 2001 too, we anticipate that the existing fields of business will produce an overall rise in earnings of around 30%. More important still, however, we have succeeded in paving the way for fresh long-term growth.

Examples:

- In acquiring a 24.95% participation in *BOND LAMINATES* GmbH, Trossingen, we have secured access to the pioneering field of carbon composites. This technology will enable us to produce high-strength super-lightweight materials, which have hitherto been prohibitively expensive due to the manual processes involved, on an industrial scale and use them universally. On the basis of this technology, we will establish our own processing centres to manufacture systems using this high-tech material for the end user.

- We have also rendered solar energy systems affordable thanks to a patented plastic frame structure. This intelligent system halves the installation work, thus making this environmentally advantageous technology an attractive proposition for wider groups of users.

- Now that heating technology and insulation have already been optimised, the next major trend in the low-energy house will be "intelligent ventilation". Each time a window is opened, precious energy is lost. Here too, we have secured a highly promising position in the starting line-up with *UBBINK* climate control technology.

Business progress

Branch and general economy – expansion of non-cyclical niche markets

In all six European countries in which we are represented, the economic situation was largely positive throughout 2000. More importantly for our company, however, our market segments are enjoying growth trends that are relatively independent of the varying fortunes of the general economy.

The most important driving force behind our organic growth in 2000 was once again the continuing rise in demand for plastic gas flue systems, above all in Germany. This growth materialised even though the overall market for heating systems remained flat. This development is attributable to two trends:

1. Within the heating systems market, gas condensing boilers have enjoyed a high rate of growth. This is because modern gas condensing boilers are between 30% and 40% more economical than traditional heating systems.

2. Within the growth sector of gas condensing boilers, there is an ongoing process of substitution of plastic gas flue systems for aluminium gas flue systems. This is generating additional growth in plastic gas flue systems.

We anticipate that the aforementioned growth trend will be sustained with similar intensity in Germany throughout 2001 and 2002. A new federal energy-saving ordinance, which has currently reached the stage of a draft statute, could provide additional momentum. This ordinance demands further-reaching energy-saving measures in new buildings, which will be very difficult to fulfil without the use of modern condensing devices.

In the medium term, growth in plastic gas flue systems will come from neighbouring countries. In these countries, condensing technology is still very uncommon and/or the plastic gas flue systems for them have not yet been granted a construction supervision permit. Along with rising production batches in Germany, the prices of condensing boilers will come down, increasing their appeal in other countries too. There is moreover a discernible trend in neighbouring European countries to tax the use of non-regenerable energy more highly and to impose tougher environmental and energy-saving requirements. This will help economical condensing boilers to achieve a breakthrough in those countries, too, and in turn aid the spread of plastic gas flue technology.

We have secured access to these growth markets through the acquisition of *UBBINK Systemtechnik,* Doesburg, The Netherlands. We now have teams of technicians in Great Britain, The Netherlands, Belgium, France, and latterly also in Italy. Only by establishing a local presence will it be possible to secure construction supervision permits in each country and exploit the opportunities that these markets offer. We were able to report a major contract from Great Britain at the start of 2000, worth around EUR 2.5 million. This volume is expected to rise to EUR 3.5 million in 2001. We also recorded sharp growth for gas flue technology in France; the systems sold there were, however, predominantly of the "closed system" type, which in technical terms is a fore-runner of plastic gas flue systems for condensing technology. The condensing technology on which we depend is already widespread in the Netherlands, but plastic systems are not yet permitted there. We have concertedly been pressing for a permit since the start of 2000. The issuing process, which depends largely on the speed at which various government bodies work, has unfortunately taken longer than we would have wished. However, as soon as the permit is issued, our plastic systems will enjoy an additional surge in growth.

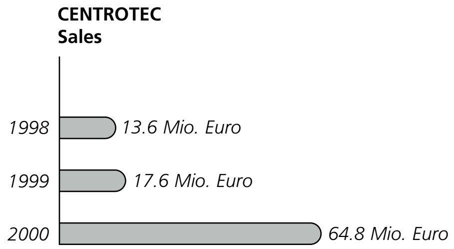
We moreover took up a position in further growth sectors within the "Plastic Systems" division in the year under review. We regard climate control in the low-energy house as an important trend of the future. Building on existing expertise within *UBBINK*, we have succeeded in establishing our position here with various innovative products. In the field of solar energy systems, we processed an initial order worth approx. EUR 0.5 in 2000. This volume is likely to quadruple in 2001. A government programme in the Netherlands which subsidises every solar energy system to the tune of approx. EUR 750 is moreover highly beneficial to us. The limiting factor on growth will, for the time being, be capacity.

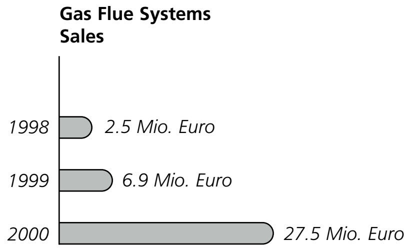
The European market for engineering plastics also grew by almost 20% last year. As we have expanded faster than the market as a whole in recent years thanks to our focused sales policy and are operating at virtually full capacity, the company's growth in 2000 was actually slightly lower than that of the market itself. This situation is set to change in 2001 and 2002, as we are increasing our capacity. We intend to place even greater emphasis on special-grade materials of a high technical standard. We will also be building on our expertise in the production of finished parts. The high-end plastics sector grew significantly yet again in 2000. In the second half of the year, we were able to report a major order worth around EUR 0.5 million for components for the semiconductor and medical technology sector.

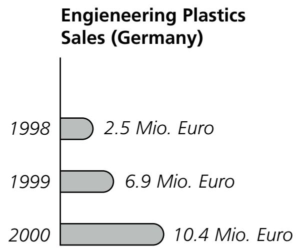
Sales and orders – high organic growth plus successful acquisition

Sales by the *CENTROTEC* Group rose by 269% in 2000, from EUR 17.6 million to EUR 64,8 million. Sales including change in inventory rose by 245%, from EUR 19.3 million to EUR 66.4 million.

This leap in the growth rate is based on the one hand on the successful integration of Ubbink Systemtechnik, acquired at the end of 1999, and on the other hand on exceptionally high organic growth. Sales of plastic gas flue systems in Germany rose by 51% in the year under review, from EUR 6.9 million to EUR 10.4 million. The rate of increase was even higher for individual periods within the year; however, the very high figure for the final quarter of 1999 somewhat moderates the rate of expansion for the year as a whole. Including the acquired business, sales for gas flue systems rose from EUR 6.9 million to EUR 27.5 million, equivalent to an increase of 299%. Sales for the entire "Systems" division, which covers the areas of flue gas technology, climate control, roof/light and solar, rose to a volume of EUR 48 million.







The Engineering Plastics Division expanded from EUR 11.4 million to EUR 13.4 million in the year in question. This represents an 18% growth rate. Our production capacity restricted growth here; on the basis of market demand, higher growth would have been possible.

Production – systematic internal optimisation

For all our market success, we have not overlooked the fact that we must continue improving our internal organisation.

Various optimisation programmes were held in the year under review in the production departments in Marsberg, Brilon and Doesburg (NL). In Marsberg, the production plant for engineering plastics, the focus in 2000 was on optimising throughput in the Extrusion Department and on extending capacity for finished parts.

The Plastic Gas Flue Systems Division relocated from Marsberg to a newly erected Logistics Centre in Brilon during 2000. The modern Logistics Centre now places us in a position to supply products to customers throughout Germany within 24 hours. After the move was completed, the "peak season" for sales started much earlier than in previous years, with the result that very high quantities needed to be dispatched very shortly after the new premises were occupied. This resulted in delays to deliveries in late summer 2000, though the bottleneck was overcome by the autumn. Business processes were reviewed as part of a special project, and brought in line with the rapid growth of the business area.

While preparing for the takeover of *UBBINK Systemtechnik*, we devised the "Grow Together Programme" before the acquisition, during the due diligence phase. In addition to exploiting synergy benefits in the market and in the R&D sector, this programme also includes measures to optimise production. The final assembly line, together with all work processes, was for example restructured in a newly erected hall, a central electronic machine control system introduced for the production of injection mouldings, and internal logistics optimised.

There were a total of 195 production employees (FTE) in the year under review (including warehouse).

Procurement–optimising through electronic purchasing platforms and new sources

By participating in the Internet platform *"clickplastics.com"*, we have been able to locate new sources for our principal raw material, plastic granulate. *clickplastics.com* on the one hand electronically combines the demand of various plastics processors, and on the other hand the new medium enables international suppliers who have previously been poorly represented in Germany due to the lack of a sales network to gain better access to the German market. Electronic processing moreover benefits the ordering process.

It should be borne in mind that savings on plastic granulate are always considered in the context of market prices. The market prices for plastic granulate on the whole rose during 2000, in some cases considerably. The Engineering Plastics Division passes on these price increases to customers, in the same way that it passes on price reductions, with the result that the "processing margin" remains constant.

Improvements were also achieved for other groups of materials, not least as a result of the pooling of suppliers as part of the "Grow Together Programme".

Investments – new Logistics Centre

The most significant investment during the year under review was the new Logistics Centre in Brilon, as described above. This measure, without which the steep growth in plastic gas flue systems would not have been possible, simultaneously constitutes the logistical basis of our continuing sustained growth. A total of around EUR 3.5 million was invested in the new location. Over 20 jobs were moreover created in the town of Brilon. The project was aided by the Reconstruction Loan Corporation ("KfW").

Further focal areas of investment activity were the extensions to finished parts capacity and the construction of new assembly lines at *UBBINK*. Plant investments totalling EUR 6.1 million were made in the year under review.

Financing – programme of expansion handled without capital increase

The takeover of *UBBINK* Systemtechnik – a group which, at the time of the takeover, was twice as large as *CENTROTEC* itself – represented a significant financial move for *CENTROTEC*. As the takeover was financed without a capital increase and considerable operative investments were made at the same time, the equity ratio (including subordinated funds; this concerns in particular a subordinated loan from the seller of *UBBINK* at EUR 4.5 million, shown under 'other liabilities') fell to around 25% of the balance sheet total for certain periods of the year.
The takeover was nevertheless intensively assessed as part of a comprehensive due diligence process and the "Grow Together Programme" was carefully prepared. Our forecasts have materialised in entirety, and target results have actually been exceeded. At the end of the year under review, the equity ratio (including subordinated funds) for the group had consequently risen to over 35% again.

Personnel and welfare – "now recruiting!"

As in previous years, the personnel sector needed to recruit new employees. The total number of employees within the group rose from 101 FTE in the previous year to 340 FTE in 2000. Of this total, 202 joined the group along with the acquisition, and 37 FTE were new recruits.

Of our 340 FTE, around 55 % are employed in the production sector, some 35% in research & development and sales and approx. 10 % in purchasing and administration.

Environmental protection–scheduled energy-saving ordinance to generate extra business

Increasing environmental awareness is one of the key factors behind our growth in products for gas flue, solar and climate control technology.

We have high hopes of benefiting from the energy-saving ordinance which was presented as a draft statute on November 29, 2000. This legislation plans to enforce the low-energy house standard for all new buildings. The requirement to save a further 30% thermal energy compared with the current specifications can scarcely be fulfilled without condensing boilers. The ordinance moreover seeks to promote other forms of saving energy, such as

the use of solar energy and optimised climate control.

The requirements for existing buildings will also be toughened up. For example, boilers which were fitted before October 1, 1978 must be renewed. Public subsidies are to be made available to aid the implementation of the energy-saving ordinance.

We have also implemented environmental protection measures within the company. In the second half of the year, we introduced a new recycling and waste disposal concept for our plastics processing operations. The concept ensures that a higher proportion of production waste (such as plastic shavings and “start-up” waste) can be reused.

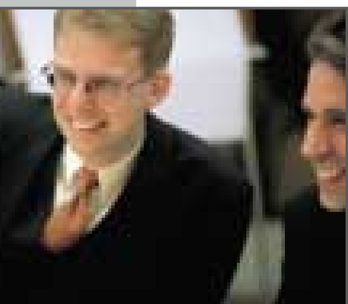
Research and development – pioneering concepts in environmental technology

The key to our profitable, above-average growth is our carefully focused development work.

Complex technology that is susceptible to hitches and high costs are major obstacles to the adoption of environment-friendly technologies. By using plastic in a focused manner and thanks to intelligent designs, our developers were once again able to produce pioneering concepts in the year under review.

The solar energy system was extended by a version for flat roofs. This version likewise has a patented plastic frame structure (of a modified design) which drastically cuts installation costs compared with conventional systems. Thanks to an ingenious folding mechanism, no transit packaging is required for this solar energy system. This, too, helps the environment. The special feature of this system, however, is that it can be adjusted in line with the sun’s position, at an angle that minimises shadows when several solar panels are erected side by side. This enables the panels to make maximum use of the sunlight.

In the field of climate control for low-energy houses, *UBBINK* is currently working together with partner companies and research institutes on a prototype for heat recovery. This system extracts stale air from a room and recovers the heat from it, using it to heat up the fresh air that is introduced in its place.
We have systematically refined our plastic gas flue systems. One recent development is a system to which several boilers can be connected simultaneously. This option is important for buildings where there are several units, or in areas of application covering a wide performance spectrum where it is necessary to switch individual devices on or off in line with demand. Our system incorporates patented valves to prevent flue gases from upstream boilers penetrating downstream devices.
We have also applied for various patents and



made preparations for concepts which will radically improve the ease of installation of our systems. As the cost of installation again constitutes a significant portion of the overall cost of gas flue systems, these improvements will render our systems an even more attractive proposition. We will report on this in greater detail once development work has been completed.

Important developments in the fiscal year – entry into pioneering field of composites

CENTROTEC acquired a 24.95% participation in *BOND LAMINATES* GmbH, Trossingen, on November 21, 2000. Although this participation in a company with sales of EUR 1.5 million is on the face of it a minor one, in the long term it could become one of the most significant driving forces behind the value of our company.

Through this participation, we have secured a foothold in the topically relevant pioneering technology of "fibre reinforced composites". These are high-strength, ultra-light plastic materials reinforced with carbon, aramide ("Kevlar"®; registered trademark of DuPont) or other fibres. Until now, it has only been possible to process these materials manually; this is the main reason why their use is currently limited to a small number of high-end applications (e.g. Formula 1 monocoque).
BOND Laminates GmbH, Trossingen, Germany, has developed an exclusive technique for producing these composites in an industrial process. This drastically reduces the processing costs compared with the previous technique. Another aspect that is undoubtedly just as important is the fact that the technique permits larger production batches which are not feasible with the manual method for practical reasons.
The participation means that we will not only share in the growth of a company that is already operating at close to break-even; it will above all give us priority access to a material of the future. *CENTROTEC* is independently creating a processing centre at which the high-strength panels will be given their final appearance by a high-temperature forming process.

Potential areas of application range from the leisure industry, through the aviation and automotive industries, to electronics. We anticipate that composites will prove to enjoy even greater growth and success than plastic gas flue systems. This nevertheless entails performing preparatory work over a period of several years.

Situation

Net worth position – sharp rise in fixed assets

The fixed and current assets rose sharply in the year under review, in line with the company's size. Tangible assets increased from EUR 3.5 million to EUR 18.7 million. In addition to the effect of the first-time consolidation of *UBBINK SYSTEMTECHNIK*, the high level of capital investment in the year under review prompted this rise.

Current assets also rose. Inventories went up by 176 %, from EUR 4.0 to EUR 11.1 million. Receivables and other assets rose from EUR 3.8 million to EUR 10.1 million, representing an increase of 165%. Current assets therefore rose less sharply than sales revenues.

Financial situation – growth boosts equity ratio by 40%

The group's equity was boosted by 40% as a result of accumulated profits, from EUR 10.1 million to EUR 14.1 million. The equity ratio (incl. subordinated funds) at the end of the fiscal year was slightly above 35% of the balance sheet total. Straightforward equity represented 27% of the balance sheet total. Amounts owed to banks accounted for 39% of the balance sheet total.

The company has thus efficiently integrated the major acquisition of *UBBINK* and has a healthy capital base. Our objective, including for the longer term, is to maintain borrowings at a healthy level in order to achieve an optimum return on the capital employed by our shareholders.

Associated companies – arm's length principle

Legal transactions with companies in which members of the Supervisory Board and management hold an interest or might hold an interest were conducted in the fiscal year. As a precautionary measure, a dependence report was therefore issued by the Managing Board.

Concluding remark from the dependence report: "Pursuant to § 312 Para. 3 of German Stock Corporation Law, we declare that, on the basis of the circumstances known at the time when legal transactions with associated companies were conducted, our company received adequate consideration for each legal transaction and was not placed at a disadvantage."

GROUP MANAGEMENT REPORT

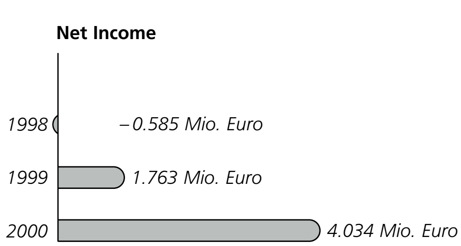
of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

Earnings situation – above-average rise in profitability

Over and above the leap in sales, the company's profitability has risen by a disproportionately high degree. The reference value earnings before interest, taxes and amortisation of goodwill – EBIT-A – is usually used as a measure of the profitability of a company. All effects which are attributable to the financing structure or tax legislation, and not to the company itself, are eliminated from this reference value. Whereas sales rose by 269%, EBIT-A was up by 324%.

As a result of the higher level of borrowed capital employed and the higher tax load ratio, the net profit for the year (after taxes and interest) showed a disproportionately high increase of 129%. However, this figure is to be considered in the context of the equity employed. The return on consolidated equity rose from 17% to an impressive 29%. If the depreciation on goodwill and step-up resulting from the accounting difference between the equity and purchase price of acquisitions is eliminated from the net profit for the year, the return on the consolidated equity is even higher, at 34%.



The cost of materials rose by 256%, at a slightly slower rate than sales, from EUR 8.9 million to EUR 31.6 million. The increase in personnel expenses of 234% was likewise slightly slower than the rise in sales; this item rose from EUR 3.9 million to EUR 13.1 million.

Depreciation increased more sharply than sales, rising from EUR 0.6 million to EUR 3.7 million. This figure includes depreciation of goodwill and step-up to the tune of EUR 0.7 million which resulted from the acquisition. "Operative" depreciation therefore rose to only EUR 3.0 million. This increase of 396% is attributable to forward-looking investments and the higher level of depreciation for the *UBBINK* Group. Other operating expenses rose by a below-average 165%, from EUR 3.8 million to EUR 10.1 million.

The financial result changed from EUR –0.04 million in the previous year to EUR –1.5 million in the year under review in consequence of the higher level of borrowed capital employed.

Key risks

Our expansion and the progress of our business have been very successful. We have moreover successfully integrated the major acquisition of *UBBINK* Systemtechnik. We are therefore able to look to the future with distinct optimism. During the past fiscal year, we nevertheless considered in depth the risks to which our company is exposed.

Our dependence on major accounts deserves particular attention. Our largest customer represents 12% of consolidated sales. The second-largest customer contributes 3% of sales. Our customer structure as a whole is therefore very balanced. The loss of major accounts can of course nevertheless significantly diminish earnings.

Our market niches are growing more or less independently of fluctuations in the overall economy. All the same, we too are not immune to general economic trends. Our past experience of both the traditional companies in which *CENTROTEC* holds the shares and the *UBBINK* Group none the less shows that we have operated profitably even in times of economic slackness, thanks to the highly diverse range of applications and the fact that sales are spread among more than six countries.

Thanks to our technology, quality and value for money, we have attained a solid market position in all business segments. It is nevertheless conceivable that new market entrants, more intense competition, increased customer power and substitute products could impair our operational efficiency.

Internally, we perceive potential risks in the production sector. We implement suitable safety regulations and take precautionary measures to prevent possible accidents and plant breakdowns. All plant is moreover insured in line with its value. However, the failure of critical plant could result in noticeable losses.

A further risk exists at the supply end. The loss of critical suppliers could result in our experiencing delivery bottlenecks. We tackle this risk by providing close technical support for important suppliers and maintaining at least two sources of supply for all important groups of materials.

In the IT sector, the possibility cannot be excluded that problems that have not yet been identified will arise, or that previously solved problems will recur. Next year sees in particular the changeover to the euro, though according to our IT suppliers the necessary preparatory work has already been done. Likewise we cannot exclude the possibility that a problem in the IT sector could lead to a loss of data, despite ongoing data safeguarding, and cause considerable damage.

The company is moreover exposed to a degree of dependence on certain key employees. However, as we expand so will our base of highly qualified employees, with the result that this risk will gradually dwindle.

Minority interests in the relatively new companies *"Clickplastics AG"* and *"Bond Laminates* GmbH" were acquired in the past fiscal year. These companies are already able to boast impressive operative achievements; a loss of value or even a total loss can none the less never be entirely ruled out in the case of such fledgling companies. The capital employed for these two participations was, however, very modest (totalling less than EUR 1.5 million). Both participations are moreover structured in such a way that we will "recoup" our employed capital through operative synergy benefits (purchasing advantages, scope for using Bond's machines for jobbing orders from Centrotec) even if the companies themselves do not develop as well as expected.

Now that we have invested the funds received as a result of the initial public offering, our lower equity ratio makes us more susceptible to fluctuations in our earnings. Models of various scenarios have indicated that it would only be necessary to increase equity if sales were to slump sharply, in contrast to the forecast growth. In the first year following the acquisition of Ubbink, sales and earnings both rose, rather than fell. The expansive trend continued in the first two months of 2001.

Finally, our vigorous growth itself harbours risks. Internal structures in particular must be repeatedly and rapidly adjusted to the requirements of a growing organisation. Through the reorganisation projects conducted in Marsberg, Brilon and Doesburg in the past year, we have established a workable basis which we will nevertheless have to keep refining.

Outlook

In contrast to various other technology companies, we not only met our growth forecasts in the past fiscal year; we actually bettered them. The first two months of 2001 have likewise brought sustained growth. For this reason, we anticipate that earnings per share will rise by a further 30% in 2001 compared with 2000, as a result of our organic growth. This rate of organic growth may even be exceeded significantly in the medium term through prospective acquisitions.

We were consequently unaffected by the cooling-down of the economy towards the end of 2000 and at the start of 2001. This once again demonstrates that our market niches are relatively immune to fluctuations in the general economy. Our products will therefore in all probability continue to grow.

The driving force behind this growth, our plastic gas flue systems, will again enjoy a sharp rise in sales next year. Even though the overall market for heating systems is stagnant, more efficient condensing devices continue to post double-digit growth. Within this growth trend itself, the process of substitution of plastic gas flue systems for metal systems continues. For our part, this will yield growth of around 40 % in sales to existing customers. As we succeeded in securing a further major contract towards the end of 2000, this field of business is likely to expand by more than 50% in 2001. Business in Germany could receive a further boost from the new energy-saving ordinance, which has currently reached the stage of draft statute.

Plastic gas flue systems are currently in widespread use only in Germany, Austria and Switzerland. Neighbouring European countries are lagging behind because awareness of environmental issues there has been less pronounced in the past. However, as the higher production batches in Germany will bring the prices of these devices down and thus make this technology all the more appealing, these countries will be the main source of growth over the next five years. The principal markets over the next few years will initially be Northern Italy and The Netherlands. Great Britain and France will follow later on.
Last year our Engineering Plastics Division expanded less than the market as a whole due to capacity shortages. We will be extending our capacity in a market segment that is both technically and commercially very attractive, with the focus on high-end materials.

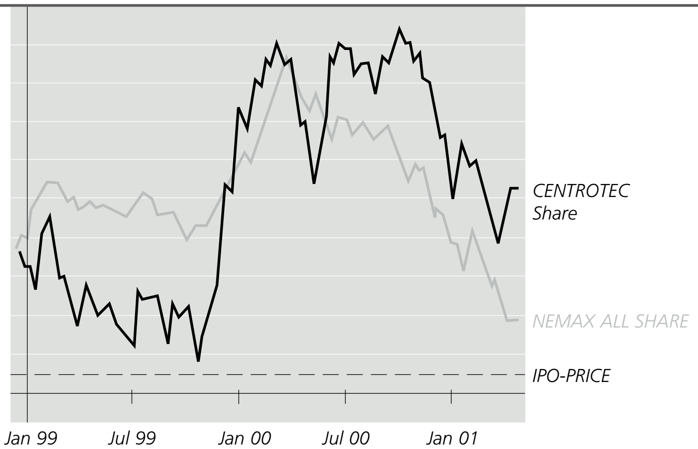
The newly acquired composites area of activity will likewise slowly develop in 2001. In view of the lead times involved in customer projects, however, no significant level of sales will be generated until after 2002. The emphasis of this business area is on securing our long-term growth.

Finally, we are endeavouring to unveil further positive “surprise” moves by focused making strategic acquisitions.

Even if the mood on the stock markets is currently not particularly positive, not least because of the disappointing growth rates in the technology sector, we are convinced that investors taking a long-term view will profit from buying our shares. Our internal growth trend is absolutely intact, and sooner or later the market will reflect that our predictions have materialised.

Marsberg, February 28, 2001
The board of directors

Hans-Lothar Hagen, CEO
Martin Beijer, Systems Division
Dr. Alexander Kirsch, Strategy
Dr. Gert-Jan Huisman, CFO



Share price developments

CENTROTEC Hochleistungskunststoffe AG is the first plastics company to have its shares listed on the Neuer Markt segment of Deutsche Börse, Frankfurt. CENTROTEC's shares have been renowned for their high substance ever since the IPO on December 8, 1998.
Its shares are characterised by a combination of reliable substance and high growth. This sound mixture is proving highly attractive to investors, particularly at a time of volatility on the stock markets. It is complemented by the high potential of CENTROTEC's active acquisitions policy. Compared with the issue price, the shares have risen by 82.9% in slightly more than two years (reporting date March 28, 2001).

Following a rise in the share price of 39.5 % in 1998 and 80.8 % in 1999, the share price fell only slightly by 1.4 % in 2000, at a time when other shares were being hit much more severely. The movements in the share price followed no consistent pattern in 2000. In parallel with the company's satisfying business progress, the shares rose steadily until mid-September, peaking at EUR 24.49. However, they took a downturn in the fourth quarter in the context of the bear market, despite the fact that the company's operating results remained positive.

CENTROTEC shares nevertheless proved more resistant to the general downward trend than many other technology stocks. Within the NEMAX All Share, which on December 31 was 65.5 % down on its record high, CENTROTEC shares were a positive exception in that the decrease was only 34.3 %.

CENTROTEC and the financial community

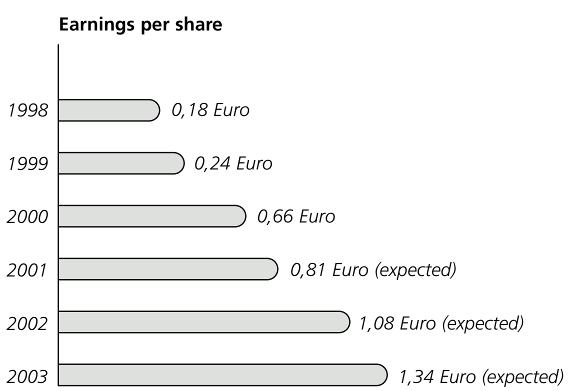
Recommendations by analysts and the business press helped to underpin the share price. The company's high level of innovation, the bright future prospects of the product portfolio of engineering plastics, the per capita sales, the high margins, the profit expectations for the coming years and the management's successful acquisitions policy were singled out for praise.
The systematic, lucid reporting of events and business developments within the company will remain a central aspect of our corporate culture. In view of the surge in the number of companies listed on the Neuer Markt, this open-handed information policy has become an important competitive factor which helps to draw the attention of the financial community to CENTROTEC's shares.

Share profitability

CENTROTEC shares (securities identification number 540750) are traded on the Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart Stock Exchanges and by the electronic XETRA system. Market capitalization totalled EUR 116 million at the end of the 2000 financial year. Earnings per share before the depreciation of goodwill, based on 7.2 million shares, rose to the new record level of EUR 0.66 in 2000, compared with EUR 0.24 per share in 1999. This figure is well above the target of EUR 0.40 announced at the time of the IPO. On the basis of organic growth, we expect to see a continuation in steady growth over the next few years to EUR 1.34 in 2003. This will entail an average rate of increase of 65 % per year between the IPO and 2003, which will place our shares among the most profitable on the Neuer Markt. The net income per share after the depreciation of goodwill rose by 133 % and has already exceeded the forecasts, which have already been revised upwards, in reaching EUR 0.56. The current price earnings ratio, on the basis of the forecast for 2001, is 14.6.

Developments after the period under review

Despite the successes of recent financial years and the very bright prospects for the new financial year, the shares were unable to stave off the general deterioration in prices on the Neuer Markt at the start of 2001. Financial experts nevertheless refer to CENTROTEC's highly positive market and company data in classifying its shares as a definite "buy". Their general view is that the current price earnings ratio indicates ample potential for the company's shares to gain in value.



CONSOLIDATED BALANCE SHEET

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

at Dezember 31, 2000

in Euro

ASSETS

	31.12.00 Euro	**31.12.99** Euro
A. Fixed Assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets		
and licences in such rights and assets	462,299.58	110,006.49
2. Goodwill	10,189,360.39	0.00
	10,651,659.97	**110,006.49**
II. Property, plant and equipment		
1. Land, land rights and buildings	12,707,443.85	1,758,851.00
2. Technical equipment and machines	4,532,246.10	1,146,892.12
3. Other equipment, factory and office equipment	1,419,752.84	315,717.62
4. Payments on account and assets under construction	16,697.72	301,841.34
	18,676,140.51	**3,523,302.08**
III. Financial assets		
1. Shares in affiliated companies	0.00	8,196,084.63
2. Long term investments	406,813.51	0.00
3. Other loans	663,175.28	0.00
	1,069,988.79	**8,196,084.63**
	30,397,789.27	**11,829,393.20**
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	2,451,852.14	491,229.59
2. Work in process	1,697,283.00	1,105,447.19
3. Finished goods and merchandise	6,939,581.55	2,427,187.31
	11,088,716.69	**4,023,864.09**
II. Receivables and other assets		
1. Trade receivables	8,614,693.00	2,024,252.50
2. Receivables from affiliated companies	0.00	1,650,259.91
3. Other assets	1,488,818.50	131,538.40
	10,103,511.50	**3,806,050.81**
III. Securities		
Treasury stock	91,808.00	0.00
IV. Cash in hand, bank balances and checks	792,450.10	677,995.50
	22,076,486.29	**8,507,910.40**
C. Prepaid Expenses	283,306.67	2,422.50
	52,757,582.23	**20,339,726.10**

EQUITY AND LIABILITIES

	31.12.00 Euro	31.12.99 Euro
A. Equity		
I. Subscribed capital	7,200,000.00	3,600,000.00
II. Capital reserve	6,758,268.36	10,358,268.36
III. Revenue reserves		
1. Reserve for treasury stock	91,808.00	0.00
2. Other revenue reserves	1,477,368.19	541,099.77
IV. Translation reserve	–39,853.25	0.00
V. Accumulated loss	–1,399,093.43	–4,404,716.07
	14,088,497.87	**10,094,652.06**
B. Provisions and accruals		
1. Tax accruals	1,852,169.97	132,831.88
2. Other provisions and accruals	1,520,203.43	500,810.40
	3,372,373.40	**633,642.28**
C. Liabilities		
1. Liabilities to banks	20,383,431.83	7,107,713.88
2. Trade payables	5,084,427.16	1,954,453.35
3. Other liabilities	9,828,851.97	549,264.53
of which taxes: EUR 526,868.63 (1999: EUR 133,708.74)		
of which for social security:		
EUR 145,523.00 (1999: EUR 94,278.42)		
	35,296,710.96	**9,611,431.76**
	52,757,582.23	**20,339,726.10**

CONSOLIDATED INCOME STATEMENT

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

in Euro

	31.12.00 Euro	**31.12.99** Euro
1. Sales	**64,778,614.58**	**17,552,197.85**
2. Increase or decrease in finished goods inventories		
and work in process	812,270.76	473,146.96
3. Own work capitalised	33,185.40	16,673.23
4. Other operating income	754,885.60	1,215,495.05
5. Cost of materials		
Cost of raw materials, consumables, supplies		
and of purchased merchandise	–31,312,308.91	–8,584,036.24
Cost of purchased services	–273,056.34	–297,593.69
6. Personnel expenses		
Wages and salaries	–9,718,044.86	–3,209,136.48
Social security costs	–3,333,905.20	–699,890.21
7. Depreciation on intangible assets and property,		
plant and equipment	–3,670,434.51	–596,832.99
8. Other operating expenses	–10,143,885.86	–3,830,436.06
9. Other interest and similar income	94,441.15	166,696.88
10. Depreciation on treasury stock	–20,586.90	0,00
11. Interest and similar expenses	–1,545,053.62	–203,282.50
12. Result from ordinary activites	**6,456,121.29**	**2,003,001.80**
13. Income taxes	–2,371,885.15	–234,165.57
14. Other taxes	–50,537.08	–6,258.89
15. Net income for the year	**4,033,699.06**	**1,762,577.34**

16. Loss brought forward from prior year	–4,404,716.07	–5,648,203.68
17. Allocations to revenue reserves	–936,268.42	–519,089.73
18. Allocations to revenue reserves for treasury stock	–91,808.00	0.00
19. Accumulated loss	–1,399,093.43	–4,404,716.07

CASH-FLOW- STATEMENT

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

in Euro

	31.12.00 Euro '000	**31.12.99** Euro '000
Net income before income taxes and interest	7,857	2,033
Depreciation	3,670	597
Gain/ loss on disposal of non-current assets	-8	0
Other non-cash items	78	0
Increase/ decrease in provisions	– 580	– 70
Increase/ decrease in inventories, trade receivables and other		
assets that cannot be allocated to investing or financing activities	– 3,134	– 3,053
Increase/ decrease in trade payables and other liabilities that		
cannot be allocated to investing or financing activities	2,455	1,378
Interest paid	– 1,451	– 37
Income taxes paid	– 2,907	– 110
Cash Flows from operating activities	**5,980**	**738**
Acquisition of share in Bond Laminates GmbH - net of cash acquired	– 261	0
Portion of acquisition costs of sub-group Ubbink Systemtechnik		
paid in 2000	– 56	0
Purchase of property, plant and equipment/		
intangible assets	– 5,698	– 1,315
Proceeds from disposal of property, plant and		
equipment/ intangible assets	123	0
Investments in financial assets	– 407	– 8,196
Receipts from repayments of loans originated by the Group	304	0
Cash Flows from investing activities	**– 5,995**	**– 9,511**
. Proceeds from borrowings/ repayment of borrowings	– 2,549	4,607
Acquisition of treasury shares	– 113	0
Cash Flows from financing activities	**– 2,662**	**4,607**
Change in cash and cash equivalents	**– 2,677**	**– 4,166**
Increase in cash on hand and bank balances in the course of the		
consolidation of sub-group Ubbink Systemtechnik	1,726	
Change in currency translation reserve	– 23	
Cash and cash equivalents at beginning of financial year	678	4,844
Cash and cash equivalents at end of financial year	**– 296**	**678**
Composition of cash and cash equivalents at end of fiscal year		
Cash on hand and bank balances	792	678
Bank overdrafts repayable on demand	– 1,088	
	– 296	**678**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

The consolidated financial statements and the notes to the consolidated financial statements are set up under the regulations of the German commercial code (HGB). In order to comply with the regulations of the "Neuer Markt" Segment of the Frankfurt Stock Exchange the notes are expanded so as to provide an extent of disclosures that is adjusted to that of notes drawn up under International Accounting Standards (IAS). However, these notes are a component of HGB consolidated financial statements and do not represent IAS financial statements or a component thereof.

A. Structure and business activities of the group

Centrotec Group ("Centrotec") is a specialist supplier for systems and components of high performance plastics. Centrotec has two major business lines. (1) "Engineering Plastics" is the supply of semi-finished and finished products for small series in machinery, construction, transportation and other applications. The production is specialized on the processing of technical and high temperature plastics. Being specialized on small series and prototyping, this business line also functions as an idea generator for the second business line (2) "Systems". Here plastics based systems for diverse applications are developed, produced and marketed. Major systems are plastic gas flue systems (for heatings), ventilation systems and roof/light systems. Besides the use of plastics, the business line systems focuses on the idea to offer integrated, completed units and create a competitive edge by innovative developments. In addition to the existing businesses, Centrotec defines its business also as creating and acquiring new businesses and new companies, tied together through their competence in innovative plastics.

As of the balance sheet date December 31, 2000, Centrotec is an international group with subsidiaries in 6 European countries, with an annual turnover of about Euro 65 million and about 340 employees. Centrotec was listed as public limited liability company in 1998, whereby the plastics activities of its subsidiaries have a longer tradition. It is registered in the commercial register of the local court of Marsberg, Germany under the number HRB 331. The Group's head office is located at Unterm Ohmberg 1, D-34431 Marsberg. The Group's parent, Centrotec Hochleistungskunststoffe AG, Marsberg ("Centrotec AG"), is listed at the Frankfurt Stock Exchange, Segment "Neuer Markt" since December 8, 1998 under the codes CEV and WKN 540750. Centrotec AG is not part of a super ordinate group, but the ultimate parent of the Group reported herein.

B. Consolidation, accounting and valuation policies applied in the consolidated financial statements

Consolidation

Background

When preparing the consolidated financial statements as of December 31, 1999 and 2000, Centrotec AG complies with the provisions of German Commercial Code (HGB), German Stock Corporation Law (AktG) and the principles of adequate and orderly accounting and consolidation as regards accounting, valuation and disclosure.

The consolidated financial statements have been prepared in Euro. The level of precision used for the amounts in the financial statements and the notes is thousand Euro, unless stated differently.

The balance sheet date of the consolidated companies is December 31. The income statement covers the period from January 1 to December 31.

Consolidated companies

The consolidated financial statements of Centrotec AG include all direct and indirect subsidiaries of the parent pursuant to Secs. 294 to 296 of the German Commercial Code (HGB). Thus, in addition to the parent Centrotec AG, the following companies were consolidated in 2000:

Company	Place and country of incorporation	Share of capital	Capital Stock/limited liability capital	currency	Founded/ acquired
Comprehensive consolidation					
Centroplast Kunststoff-erzeugnisse GmbH	Marsberg, D	100 %	250.000,00	EUR	01. 08. 1990
Centrotherm Abgassystem-technik GmbH	Brilon, D	100 %	102.258,40	EUR	15. 12. 1993
Centroplast Kunststoff-erzeugnisse Verwaltungs GmbH	Marsberg, D	100 %	26.075,89	EUR	01. 08. 1990
Ubbink Holding B.V.	Doesburg, NL	100 %	20.000,00	EUR	01. 11. 1999
Ubbink Nederland B.V.	Doesburg, NL	100 %	46.285,58	EUR	21. 12. 1999
Ubbink N.V./S. A.	Mariakerke, B	100 %	139.986,66	EUR	21. 12. 1999
Ubbink UK Ltd.	Brackley, UK	100%	55.588,08	EUR	21. 12. 1999
Ubbink Distribution S.a.r.l.	Nantes, F	100%	152.470,15	EUR	21. 12. 1999
Centrotherm gas flue technology Italy S.R.L.	Milano, I	100 %	10.000,00	EUR	19. 10. 2000
Proportionate consolidation					
Bond Laminates GmbH	Trossingen, D	24,95 %	93.800,00	EUR	21. 11. 2000

The capital stock of Bond Laminates GmbH, Trossingen, Germany ("Bond Laminates"), is disclosed including capital increases which have not been registered at the balance sheet date. They will become effective upon registration.

The interest in the joint venture Bond Laminates is reported using proportionate consolidation. Joint control is established by a cooperation agreement between Bond Laminates, Centrotec AG, and the other shareholders in conjunction with a participation contract pertaining to the acquisition of the stake in Bond Laminates.

Centrotec is committed to grant Bond Laminates a subordinate loan of '000 Euro 256, of which at reporting date nothing has been drawn. This loan is repayable in yearly instalments of '000 Euro 64 from December 31, 2002 until December 31, 2005. The loan bears an interest of one-year Euribor + 2%.

The following table shows aggregate amounts related to the joint venture which are included in the consolidated financial statements:

in '000 Euro	*2000*
Assets	
Current assets	149
Non-current assets	42
Liabilities	
Current liabilities	103
Non-current liabilities	115
Net assets	**–27**
Income	65
Expenses	63
Net profit	**2**
Contingent liabilities	0

The Group acquired its interest in Bond Laminates in 2000. Thus, comparative figures for 1999 are not declared.

Changes in the group

First consolidation of the sub-group Ubbink Systemtechnik

By notarial deed of December 22, 1999, the subgroup Ubbink Systemtechnik (Ubbink Nederland B.V., Ubbink UK Ltd., Ubbink Distribution S.a.r.l. and Ubbink Belgium N.V./S.A.) was acquired by the intermediate holding company Ubbink Holding B.V., the latter being a 100% subsidiary of Centrotec. Pursuant to Scs. 296 para 1 No. 2 of German commercial code

(HGB) the Ubbink sub-group has been integrated into the group consolidation by January 1, 2000. The acquisition has been consolidated using the purchase method according Sec. 301 (3) HGB. The companies of the Ubbink sub-group are listed among the "consolidated companies" stated above. Ubbink Systemtechnik is a supplier of plastics systems with a production and sales facility in Doesburg, NL, and subsidaries in Belgium, the United Kingdom, and France. Ubbink Systemtechnik has been acquired at total cost of Euro 27.3 mn (including repayment of loans within Ubbink Systemtechnik), of which a vendor note of Euro 4.5 mn has to be paid in six half year instalments after a grace period of two years. The remainder of the purchase consideration was paid in cash. The excess of purchase price over the fair values of the net assets acquired was '000 Euro 10,055 (including capitalised acquisition costs) and has been recorded as goodwill that is being amortised on a straight-line basis over 15 years. A provision for restructuring of '000 Euro 489 has been made.

The effect of acquisition on the financial position and the results of the Group as on the balance sheet date are as follows:

iin '000 Euro	*2000*
Assets	
Current assets	13,555
Non-current assets	21,875
Liabilities	
Current liabilities	10,231
Non-current liabilities	12,581
Net assets	**12,618**
Income	42,727
Expenses	39,502
Net profit	**3,225**
Contingent liabilities	751

The contingent liability is derived from a signed contract on building activities in Doesburg, The Netherlands. The activities started in January 2001.

Founding of Centrotherm gas flue technology Italy s.r.l.

Centrotherm gas flue technology Italy s.r.l. has been founded by notarial deed of October 19, 2000 and consolidated as from that date. Its purpose is to acquire the business of our current Italian sales partner Sitec s.a.s. As of balance sheet date, the company has not conducted any business yet.

Sale of Rega Ubbink Ltd.

Together with the Ubbink sub-group mentioned above, Centrotec directly acquired 100% of the shares of Rega Ubbink Ltd. Rega Ubbink Ltd. was not integrated into the consolidation, since it had been intended to be divested, since it does not belong to the core business of the Centrotec Group. Rega Ubbink Ltd. has been sold by deed of July 10, 2000.

Participation in the joint venture Bond Laminates

By notarial deed of November 21, 2000, Centrotec AG acquired a share of 24,95% in Bond Laminates in form of a cash capital increase amounting to Euro 767,000, of which Euro 23,000 have been added to the share capital and Euro 744,000 have been added to the reserves of Bond Laminates. The acquisition was funded with existing cash and by incurring liabilities. Bond Laminates is an engineering plastics company. The excess of purchase price over the fair values of the net assets acquired was Euro 727,000 and has been recorded as goodwill that is being amortised on a straight-line basis over 15 years. Bond Laminates has been consolidated as from November 21, 2000, using proportionate consolidation.

Consolidation Methods

The financial statements of the domestic and foreign subsidiaries included in consolidation have been prepared with uniform accounting and valuation policies corresponding with those of the parent company in accordance with Sec. 300 Para 2 of German Commercial Code (HGB).

The cost of acquisition is offset against the acquirer's interest in the acquiree's net equity. The acquiree's net equity is the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction. Any excess of the cost of acquisition over the acquiree's net equity is recognised as goodwill. It is amortized with effect on income over its useful live, which ranges from 5 to 15 years**.**

Intra-group expenses and revenues as well as accounts receivable and payable between consolidated companies have been eliminated (Sec. 304 German Commercial Code, HGB). For consolidation measures with effect on income, the effects on income taxes are accounted for and deferred taxes are recognized.

Interests in joint ventures are reported in the consolidated financial statements using proportionate consolidation. The consolidated balance sheet includes the Group's share of the joint venture's assets and liabilities and the consolidated income statement includes the Group's share of the income and expenses of the joint venture. Each of the assets, liabilities, income and expenses of the joint venture is combined with the similar items in the consolidated financial statements on a line-by-line basis.

Associated companies upon which a significant influence can be had on the associate's financial and strategic decision-making processes are consolidated at equity. As of December 31, 2000, no such companies are part of the Centrotec group.

Any inter-company profits from trade have been eliminated on a pro rata basis if the companies concerned had not left the group as of the balance sheet date.

Foreign Currency Translation

Financial statements of foreign group companies are translated to Euro. The functional currency of the investments is the national currency as these companies operate their business as an independent foreign entity in financial, economic and organizational terms. Assets and liabilities are translated at closing rates, expense and income items are translated at exchange rates at the dates of the transactions. Any currency translation differences are recognized in equity with no effect on income.

Any goodwill arising on the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are treated as assets and liabilities of the reporting entity which either are already expressed in the reporting currency or are non-monetary foreign currency items which are reported using the exchange rate at the date of the transaction.

Accounting and Valuation Methods

(1) Purchased <u>intangible assets</u> are capitalised at cost and depreciated according to schedule over their expected useful lives of 3 to 5 years. Any goodwill arising in the single financial statements from the acquisition of assets in an asset deal is amortized over the useful life of the goodwill. Internally generated intangible assets are not capitalised. The goodwill and step-up depreciation are included in the depreciation expense in the income statement.

(2) <u>Property, plant and equipment</u> are stated at cost less regular depreciation. Depreciation is charged according to the straight-line method. Buildings are depreciated over a period of 20 to 33 years and factory and office equipment over a period of 3 to 10 years. Additions of assets in the course of the financial year are depreciated at half the depreciation rate. Also, where necessary, the carrying amount of an asset is reduced to its lower recoverable amount and the related impairment loss is recognised as an expense in the income statement. If the reasons for an impairment loss recognised for an asset in prior years no longer exist or have decreased, that impairment loss is reversed accordingly. Low-value items are fully expensed in the year of acquisition.

(3) <u>Long term financial assets</u> are recorded at cost including transaction costs, subject to impairment tests. Long term financial assets include shares in affiliated undertakings, participations and loans originated by the Group.

(4) <u>Inventories</u> are stated at the lower of cost and net realizable value on the balance sheet date. The cost is computed using the weighted average cost method. As soon as the market value falls below the cost of in-

ventories their carrying amount is written down to their net realisable value.
The cost of conversion for work in progress and finished goods consists of direct costs of materials, direct labour as well as appropriate shares of both fixed and variable production and general overheads. For inventory assets which are stored for a longer period of time, appropriate markdowns are made for inventory risks resulting from the period of storage.

(5) Accounts receivable and other assets are stated at nominal value. Adequate provisions for losses on accounts receivable have been made to cover identified risks.

(6) Cash and cash equivalents are recorded at their nominal value and comprise cash on hand, demand deposits, and deposits with a maturity of one month or less. Cash and cash equivalents denominated in a foreign currency are translated using the exchange rate on the balance sheet date. Cash and cash equivalents are also stated in the cash flow statement. Bank overdrafts repayable on demand form an integral part of the Group's cash management. Therefore, bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement. In the balance sheet, however, those overdrafts are included in the liabilities to banks.

(7) Marketable securities consist of investment in securities that are traded in liquid markets, are held for the purpose of investing in liquid funds and are not generally intended to be retained on a long-term basis. Marketable securities are stated at the lower of cost or market value. Adjustments in valuation are included in the income statement. Interest and dividents received on marketable securities is reported as other interest and similar income. On a disposal of an investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement. On all reporting dates Centrotec did not hold any marketable securities other then treasury shares.
Treasury shares are subject to the same valuation method as marketable securities. However, no dividends are paid on treasury shares.

(8) Prepaid expenses comprise expenditures prior to the balance sheet date that pertain to and are recognised as a expense for a determinable period after that date.

(9) Provision for pensions have been computed according to the net present value of the future obligations. This method takes into account only the pensions and vested pension rights, but not the expected future increases in salaries. Service cost is shown as personnel expenses, the interest portion of the provision to the accrual is reported in the financial result. At the balance sheet date, the group had no pension liabilities according to the German commercial code (HGB).

(10) Other accruals and provisions take all identified risks and contingent liabilities into account. They are stated in the amount necessary according to prudent business judgment if it is likely that they will be used by the Group in the future.

(11) Liabilities are stated at the amount repayable. Transaction costs are recognised as an expense in the period in which they are incurred. Discounts on loans are capitalised as prepaid expenses and amortised over the term of the loan.

(12) Deferred income records revenues for the following financial year/s received prior to the balance sheet date

(13) Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Dividends are recognised when the shareholder's right to receive payment is established.

(14) Interest is recognised on a time proportion basis that reflects the yield on the asset or liability.

(15) Exchange differences resulting from transactions in foreign currencies or exchange rate related losses from remeasurement of assets and liabilities denominated in foreign currencies to their lower or higher value, respectively, at the balance sheet date are recognised as income or expense.

Financial risk management objectives and policies

The Centrotec Group does operate internationally, but largely restricted to Euro-countries. A small portion of the activities takes place in the United Kingdom. This gives rise to a limited exposure to market risks from changes in interest and foreign exchange rates. As it is small, Centrotec has up to now followed a policy not to use any derivative financial instruments to mitigate those risks.

Credit risk is the risk of failures by counterparties to discharge their obligations. The maximum credit risk is the aggregate of the carrying amounts of financial assets in the balance sheet which are recognised net of any applicable provisions for loss. The counterparties to financial assets mainly consist of customers in Germany, France, Belgium, UK and The Netherlands.

Credit risks regarding accounts receivable is controlled by the application of credit approvals, limits and monitoring procedures. The level of a credit limit reflects the creditworthiness of a counterparty and the typical size of transaction volume with that counterparty. Centrotec has no significant concentration of credit risk with any single customer. The largest customer, accounting for around 12% of sales, is a prompt and reliable payer of outstanding invoices. It furthermore is a public company, so that its financial condition can be closely observed.

Long term financial assets comprise investments and loans with a long term character. The total amount of the position 'Investments' ('000 Euro 407) relates to an interest in ClickPlastics AG, Munich ("ClickPlastics"), a stock corporation. Other loans have been granted entirely to Rega Ubbink Ltd., an entity that was disposed of after the purchase of the Ubbink Systemtechnik sub-group (we refer to "Changes in the Group").

Other assets essentially comprise receivables due from a number of wide range of different counterparties.

C. Explanations to the consolidated financial statements

Explantations to the consolidated balance sheet

(1) Intangible Assets

The classifications and movements of intangible assets are shown in the asset movement table stated below.

An amount of '000 Euro 321 of the industrial and similar rights in 2000 concerns not fully amortized software licenses for the ERP system that was acquired in 1999. The remaining amortization period is 1.5 years.

The goodwill of Euro 10,189 shown as of December 31, 2000 derives from the acquisition of Ubbink Systemtechnik (Ubbink Holding B.V., Ubbink Nederland B.V., Ubbink (UK) Ltd., Ubbink N.V./S.A. and Ubbink Distribution S.a.r.l. - '000 Euro 9,430) and the acquisition of Bond Laminates ('000 Euro 727). It reflects the amount by which the acquisition cost exceeded the fair value of the net assets. The goodwill is being amortized according to schedule over its useful life of 15 years using the straight-line method. The goodwill amortization is included in the income statement in the line "Depreciation and amortization".
No commitments exist for the acquisition of intangible assets.

The group has carried out mainly internal research and development efforts at a cost of '000 Euro 1,062 in the reporting period. These cost have not been capitalised according Scs. 248 para 2 of German commercial code (HGB). The development efforts were mainly focused on new plastic gas flue components, ventilation and solar systems. The results of these efforts can be used for a variety of customers. In addition, research was carried out to better understand and control gas and air flow in the plastic systems as well as the impact of heat, water and air on plastics material and –components.

(2) Tangible Assets

The classifications and movements of tangible assets are shown in the following asset movement table:

	Acquisition and manufacturing costs						
	Dec 31, 1999	1st Consolid.	Additions	Disposals	Currency	Transfers	Dec 31, 2000
in '000 Euro		Acquisition			differences		
Intangible assets							
1. Industrial rights and similar rights	223	692	57	2	0	40	1,010
2. Goodwill from capital consolidation	1,788	10,823	56	0	0	0	12,667
	2,011	**11,515**	**113**	**2**	**0**	**40**	**13,677**
Tangible assets							
1. Land and buildings	3,299	11,044	3,609	13	– 0	1,176	19,115
2. Technical equipment and machinery	5,549	17,741	1,335	63	– 0	617	25,179
3. Other equipment, operating and office equipment	1,000	5,064	680	227	– 1	179	6,695
4. Payments on account and tangible assets in course of construction	302	1,798	17	89	0	– 2,011	17
	10,150	**35,647**	**5,641**	**392**	**– 1**	**– 39**	**51,006**
Financial assets							
1. Shares in afiliated untertakings	8,196	– 8,196	0	0	0	0	0
2. Participation	0	0	407	0	0	0	407
3. Other loans	0	967	0	304	0	0	663
	8,196	**– 7,229**	**407**	**304**	**0**	**0**	**1,070**
	20,357	**39,933**	**6,161**	**698**	**– 1**	**1**	**65,753**

	Accumulated depreciation						
	Dec 31, 1999	1st Consolid.	Additions	Disposals	Currency	Transfers	Dec 31, 2000
in' 000 Euro		Acquisition			differences		
Intangible assets							
1. Industrial rights and similar rights	113	140	283	2	1	13	548
2. Goodwill from capital consolidation	1,788	9	681	0	0	0	2,478
	1,901	**149**	**964**	**2**	**1**	**13**	**3,026**
Tangible assets							
1. Land and buildings	1,540	4,351	528	12	– 0	0	6,407
2. Technical equipment and machinery	4,402	14,701	1,586	42	– 0	0	20,647
3. Other equipment, operating and office equipment	684	4,237	592	224	– 1	– 13	5,275
4. Payments on account and tangible assets in course of construction	0	0	0	0	0	0	0
	6,626	**23,289**	**2,706**	**278**	**– 1**	**– 13**	**32,329**
Financial assets							
1. Shares in afiliated untertakings	0	0	0	0	0	0	0
2. Participation	0	0	0	0	0	0	0
3. Other loans	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**
	8,527	**23,438**	**3,670**	**280**	**0**	**0**	**35,355**

	Net book value		
	Dec 31, 2000	Jan 1, 2000	Dec 31, 1999
in '000 Euro		(including Ubbink)	
Intangible assets			
1. Industrial rights and similar rights	462	662	110
2. Goodwill from capital consolidation	10,189	10,055	0
3. Payments on account and tangible assets in course of construction	0	0	0
	10,652	**10,716**	**110**
Tangible assets			
1. Land and buildings	12,707	8,452	1,759
2. Technical equipment and machinery	4,532	4,188	1,147
3. Other equipment, operating and office equipment	1,420	1,135	316
4. Payments on account and tangible assets in course of construction	17	2,100	302
	18,676	**15,874**	**3,523**
Financial assets			
1. Shares in afiliated untertakings	0	20	8,196
2. Participation	407	0	0
3. Other loans	663	967	0
	1,070	**987**	**8,196**
	30,398	**27,578**	**11,829**

Land and buildings consist mainly of production and office facilities in Marsberg, Brilon and Doesburg. In June 2000 a new logistics centre has been opened. Due to the newly built centre, the value of land and buildings has increased accordingly. The technical equipment and machinery of both production sites in Marsberg and Doesburg has been extended and technologically developed further. Other equipment, operating and office equipment consist of various items in production, warehouses and offices. Payments on account are at balance sheet date merely machinery and equipment items.

(3) Long term financial Assets

The largest financial asset is a loan of '000 Euro 663 to Rega Ubbink Ltd. It has been recognized at book value, which represents a proper estimate of fair value. Rega Ubbink Ltd. has been sold off in August under a management buyout arrangement. It is a former Ubbink subsidiary with own production facilities and a product range of more traditional gas flue products, which do not fit into the Centrotec strategy. The loan has a remaining maturity of 55 months and a market conform interest rate of 7.3125%. The new owners of Rega have accepted a partial personal liability for the loan.

The other financial assets to the largest part are a 9.99999 % participation in ClickPlastics. This participation has been recognized at its historic costs. ClickPlastics is an internet market place for business-to-business transactions in plastic granulates. It has been initiated by granulate-processing companies. The fair value for this investment in an equity instrument cannot be reliably determined because there is no quoted market price in an active market for these instruments.

(4) Inventory

For inventory see split-up given in the balance sheet.

The following table gives a breakdown of the total carrying amount of inventory and, where the cost of inventory may not be recoverable, the carrying amount of inventories carried at net realisable value.

In '000 Euro	2000	2000	1999
		without acquisitions	
Inventory at historic costs	6,263	4,663	3,854
Inventory at net realisable value			
Original value at historic costs	5,612	440	350
Provision for obsolescence	– 786	– 240	– 180
Net realisable value	**4,826**	**200**	**170**
	11,089	**4,863**	**4,024**

(5) Receivables and Other Assets

As of December 31, 2000 and December 31, 1999 the vast majority of the accounts receivable and other assets were due within one year. The durations are explained in the following table:

The nominal value as carrying amount of receivables is subject to normal trade credit terms thus approximating fair value.

In '000 Euro	2000	2000	1999
		without acquisitions	
Due <1 year	10,104	3,194	3,806
Due 1-5 year	0	0	0
Due >5 year	0	0	0
Total	**10,104**	**3,194**	**3,806**

(6) Prepaid expenses

Prepaid expenses include capitalised debt discounts of Euro 68,000 (1999: Euro 0).

(7) Consolidated Equity

The development of consolidated equity is shown in the following table:

in '000 Euro	Subscribed Capital	Capital-reserve	Reserve for treasury shares	Revenue reserves	Currency differences-	Retained-Earnings	Consolidated net equityl	Number of shares	Subscribed Capital per share
January 1st, 1999	**3,068**	**10,891**	**22**	**0**	**0**	**– 5,648**	**8,332**	**1,200,000**	**5.00 DM**
Capital increase from capital reserve	532	– 532	0	0	0	0	0	0	0.44 Euro
Consolidated net-income	0	0	0	0	0	1,762	1,762		
Transfer to reserves	0	0	519	0	0	– 519	0	0	0
December 31st, 1999/ January 1st, 2000	**3,600**	**10,358**	**541**	**0**	**0**	**– 4,405**	**10,094**	**1,200,000**	**3.00 Euro**
Share split	0	0	0	0	0	0	0	2,400,000	– 2.00 Euro
Capital increase from capital reserve	3,600	– 3,600	0	0	0	0	0	3,600,000	– 2.00 Euro
Change in treasury Shares	0	0	0	92	0	– 92	0	– 6,040	0
Changes from currency-differences	0	0	0	0	– 40	0	– 40	0	0
Consolidated net income	0	0	0	0	0	4,034	4,034	0	
Transfer to reserves	0	0	936	0	0	– 936	0	0	0
December 31st, 2000	**7,200**	**6,758**	**1,477**	**92**	**– 40**	**– 1,339**	**14,088**	**7,193,960**	**1.00 Euro**

The Company's capital stock came to '000 Euro 7,200 on December 31, 2000 and was divided into 7,200,000 no-par shares. The no-par shares each represent 1 Euro of capital stock. All shares have been fully paid in.

The share split and the issue of bonus shares in form of a transfer from the capital reserve to the share capital have been applied retrospectively for the purpose of calculating earnings per share (see "Earnings per share" below).

The Company also has approved capital. The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock by up to Euro 3,600,000 (approved capital) until August 31, 2003 by issuing new no-par bearer shares in return for cash or non-cash contributions on one or more occasions. Banks are to underwrite the new shares, having undertaken to offer them to the shareholders. However, the Management Board is entitled to exclude fractional amounts from the shareholders' right of subscription. The Management Board is also authorized to exclude the right of subscription in order to issue new shares in return for non-cash contributions. Moreover, the Management Board is entitled pursuant to Sec. 186 (3), fourth sentence of the Stock Corporation Act (AktG) to exclude the shareholders' right of subscription for up to '000 Euro 720 of the approved capital on one or more occasions if the issuing price of the new shares is not significantly lower, in any case no more than 5% lower than the market price of the shares already listed at the time when the issuing price is finally fixed by the Management Board, which should be as close as possible to the placement of the shares.

The Company has conditional capital of '000 Euro 540 to increase its capital stock. The conditional increase will only take effect if the stock options are exercised as provided for by the resolution adopted by the shareholders' meeting on September 9, 1998. The new shares pay dividends from the beginning of the financial year in which the options are exercised.
The conditional capital is divided into 540,000 no-par shares.

With effect from July 1, 1999 192,780 options were issued to employees, executive staff and Management Board members at an exercise price of Euro 7.38. The options can be exercised from July 1, 2001 to July 1, 2006. With effect from January 10, 2000, 193,500 options were issued to employees, executive staff and Management Board members at an exercise price of Euro 14.35. The options can be exercised from January 10, 2002 to January 10, 2007. Exercise of the options is linked to the fulfillment of certain conditions and objectives. The options can only be exercised when the market price at the Frankfurt Stock Exchange is at least 30% higher than the market price at the time of issue of the options. Exercise of the options is also linked to the achievement of individual objectives by employees, executive staff and Management Board members. It is therefore uncertain how many of the option rights issued will actually be exercised.

The capital reserve consists of a premium paid in connection with the capital increases. The reserve for treasury shares represents the treasury shares held by the company. The revenue reserves are made up of the accumulated earnings previously transferred to the reserves. The retained earnings are condensed from consolidated accumulated loss/profits carried forward from prior years and consolidated net income/loss for the year less minority interests. The consolidated accumulated exchange differences involve differences resulting from the translation of financial statements drawn up in a foreign currency. The company concerned is Ubbink (UK) Ltd. The financial statements are translated according to the functional currency concept set out in IAS 21. Exchange differences are recognized in equity without affecting the consolidated net income. The balance sheet is translated at the closing rate of the financial year, the income statement at the average rate for the financial year.

In accordance with the resolution adopted by the shareholders' meeting on May 11, 1999, which was extended and amended by the resolution adopted by the shareholders' meeting on May 18, 2000, the Company is entitled to buy back shares of its own representing up to 10% of capital stock. This authorization is effective until November 18, 2001. The price for the acquisition of these shares may not be more than 15% higher or more than 15% lower than the average cash settlement price of shares of the same class and features at the Frankfurt Stock Exchange on the ten business days preceding the acquisition. The Management Board is authorized to offer the shares thus acquired to third parties as (partial) payment for the acquisition of companies or investments in companies, excluding the shareholders' right of subscription. The Management Board is also authorized to retire the Company's own shares without the need for a further resolution to be adopted by the shareholders' meeting. The retirement may be restricted to part of the purchased shares.

In the financial year the company bought a total of 6,040 treasury shares at Euro 17.29 to Euro 20.76 at the stock exchange. The shares were purchased with a view to reducing market liquidity. These shares were held at the parent as treasury stock as of the balance sheet date.

The Management Board has not been notified of any change in the shareholder structure from the structure published in the listing prospectus.

(8) Provisions for taxes

Provisions for taxes relate to corporate income tax and trade tax as well as deferred tax liabilities. Individual tax rates for each country involved are applied.

(9) Other Provisions

The other provisions have developed as follows:

In '000 Euro	2000	2000	1999
		without acquisitions	
Provisions acc. HGB and IAS			
Warranty obligations	317	123	83
Restructuring	196	0	0
Claims and court processes	11	0	0
Miscellaneous other provisions	84	68	111
Provisions acc. HGB, liabilities acc. IAS			
Repayment obligations,			
Vacation and overtime	531	198	153
Outstanding invoices, fees,			
commissions	360	315	126
Employers 'liability insurance	21	21	28
Total	**1.520**	**726**	**501**

The warranty provision is calculated for each type of business in proportion to the respective turnover according to historic patterns for warranty cases.

The provision for restructuring has been made after the purchase of the Ubbink subgroup. Derived from the results of the due diligence, an improvement program in the group had been started at the end of the year 1999. In the course of this program restructuring measures, such as changes in the layout of production facilities, training measures, use of external consultants and outplacement of staff have been defined. For these measures the expected cost have been calculated and provided for. During the year 2000 these measures have been implemented whereby the provision has been reduced accordingly.

The provision for outstanding invoices is calculated along the material and services received but not yet invoiced. This provision is expected to be used within the following months.

The provision for vacation is calculated along the number of vacation days per employee, which has not been taken until the reporting date.

The movement in the major provisions is presented in the following table:

In '000 Euro	Warranty	Restructuring-	Other	Total
Balance at 31.12.99	83	0	418	501
Consolidation	452	649	616	1.717
Balance at 01.01.2000	535	649	1.034	2.218
Provisions made during the year	42	0	1.335	1.377
Provisions reversed during				
the year	146	89	5	240
Provisions used during the year	114	364	1.357	1.835
Balance at 31.12.2000	**317**	**196**	**1.007**	**1.520**

(10) Liabilities

The liabilities are comprised as follows:

In '000 Euro	2000	2000	1999
		without acquisitions	
Liabilities to banks	20,384	9,819	7,108
– thereof with a residual term of			
– up to one year	6,304	3,783	4,658
– between one and five years	6,278	1,150	219
– more than five years	7,802	4,887	2,231
Payments received on account of order	0	0	0
Trade accounts payable	5,084	1,081	1,954
– thereof with a residual term of			
– up to one year	5,084	1,081	1,954
– between one and five years	0	0	0
Liabilities to associated companies	0	0	0
Other liabilities	9,829	1,385	549
– thereof with a residual term of			
– up to one year	5,234	1,328	549
– between one and five years	4,595	57	0
Total	**35,297**	**12,284**	**9,611**

The terms and conditions of significant liabilities to banks and other interest bearing liabilities are described in the following table.

Bank/ Creditor	Original loan amount/ credit line '000 Euro	Interest rate	Interest fixed until	Outstanding amount 31. 12. 2000	31. 12. 1999	without acqusitions 31. 12. 2000	Repayment conditions
Vereins- und Westbank AG, Hamburg	2,556	5.6 %	2008	2,485	2,501	2,485	Fixes repayment schedule of EUR 4,300 every month until November 2003, afterwards EUR 19,200 every month until November 2013
Vereins- und Westbank AG, Hamburg	7,669	Euribor (period optional) + 1 – 1.2 %	n. a.	3,579	4,607	3,579	Credit line; no repayment schedule; merely refinanced at Euro market
Volksbank Marsberg eG	256	6.25 %	n. a.	111	0	111	Credit line; no repayment schedule
Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main/ WGZ-Bank Münster	2,684	6.1 %	2010	2,684	0	2,684	Fixed repayment schedule in 34 half year installments of EUR 79,000 starting September 30, 2003
Deutsche Ausgleichs-bank, Bonn/WGZ-Bank Münster	895	5.9 %	2009	895	0	895	Fixed repayment schedule in 16 half year installments of EUR 56,000 starting March 30, 2002
M. M. Warburg & CO, KGaA, Hamburg	–	10.4 %	n. a.	6	0	6	Floating bank balance; no material credit line
Fortis Bank, Arnheim	7,261	Euribor (one month) + 1 %	n.a.	971	0	0	Credit line, no repayment schedule, adjusted to working capital

Bank/ Creditor	Original loan amount/ credit line '000 Euro	Interest rate	Interest fixed until	Outstanding amount 31. 12. 2000	31. 12. 1999	without acqusitions 31. 12. 2000	Repayment conditions
Fortis Bank, Arnheim	2,269	6.2%	2001	2,042	0	0	Half year repayments of EUR 227,000 for 5 years, starting June 30, 2000
Fortis Bank, Arnheim	2,723	6.7 %	2001	2,382	0	0	Half year repayments of EUR 340,000 for 4 years, starting June 30, 2000
Fortis Bank, Arnheim	4,992	6.7 %	2009	4,727	0	0	Half year repayments of EUR 216,000 for 4 years, starting June 30, 2000 after-wards repayments of EUR 95,000 for further 15 years
Fortis Bank, Arnheim	454	6.7 %	2009	443	0	0	Half year repayments of EUR 11,000 for 20 years, starting June 30, 2000
Sparkasse Trossingen	–	–	–	59	0	0	
Buco N.V., Arnheim Subordinated vendor note (in "other liabilities")	4,538	4.9%	2004	4,538	0	0	Half year repayments of EUR 756,000 for 3 years, starting June 22, 2002

Land and buildings, machinery and equipment at a book value of Euro 19 million (1999: Euro 4 million), stocks and receivables at a gross book value of Euro 20 million (1999: Euro 6 million) as well as shares of several group companies at a book value of Euro 8 million (1999: Euro 0 million) have been pledged.

For the subordinate vendor note from Buco N.V. (formerly Koninklijke Ubbink N.V.) the fair value, calculated as net present value discounted by market yield for subordinate capital, is estimated at '000 Euro 3,980. For all other loans, the interest yield is on or close to market level so that a fair value calculation would not lead to material differences and was thus not computed.

The nominal value carrying amount of payables is subject to normal trade credit terms thus approximating fair value.

Explanations to the consolidated income statement

(11) Turnover and Deferred income

The turnover is split up over the business units as follows:

In '000 Euro	*2000*	*1999*
"Engineering plastics"	13,430	11,392
"Plastic systems"	50,027	7,022
Other	4,457	161
Less		
– Internal sales	– 1,207	– 673
– Siscount bonuses	– 635	– 216
– Reduction of proceeds	–1,293	–134
Total	**64,779**	**17,552**

The revenue of this table shows the gross revenues of each segment. In the segment reporting (see below) the revenues are accounted as net revenues.

Centrotec did not recognise deferred income in the financial statements for the years 1999 and 2000.

(12) Segment Reporting

In line with its internal reporting structure, the company is organized into the Engineering Plastics and Systems segments. The combined sales revenues from external customers for these two areas exceed 10 % of total external and inter-segmental sales revenues. The segment results are quoted as the net income for the year. The "Engineering Plastics" segment covers the activities in markets for semi-finished and finished products of engineering and high-temperature plastics. The "Systems" segment covers those product groups which are sold as complete systems. The segment consisted by the end of 1999 of plastic gas flue systems for heating systems. With the inclusion of Ubbink Systemtechnik, the product lines of ventilation systems and lighting/roof systems were added to this segment. The "Other" segment consists primarily of the parent's activities as a holding and supplies of garden products to a former Ubbink affiliate. These supplies, invoiced at cost price are not within our core business.
There is one customer accounting for more than 10% of sales (12%). This customer is served by the "Systems" segment. Inter-segmental business is priced according to the "arm's length principle", i.e. pricing comparable to third party transactions adjusted by cost items, especially sales cost, which do not occur in Inter-segmental transactions.

Segment reporting 2000

(All amounts in '000 Euro)	Engineering Plastics	Systems	Other	Total Segments	Consoli-dation	**Group con-solidated**
Sales to third parties	12,637	47,999	4,143	64,779	0	**64,779**
Sales to other segments	826	381	0	1.207	– 1.207	**0**
Changes in inventory levels and own work capitalised	125	735	0	860	– 14	**845**
Other operating income	249	706	406	1,361	– 606	**755**
Costs of materials, supplies and of purchased goods	– 6,324	– 22,831	– 3,364	– 32,520	1,207	**– 31,312**
Costs of purchased services	– 88	– 185	0	– 273	0	**– 273**
Personnel expenses						
Wages and Saleries	– 2,488	– 6,489	– 741	– 9,718	0	**– 9,718**
Social security and other pension costs	– 524	– 2,550	– 260	– 3,334	0	**– 3,334**
Depreciation and amortisation						
on goodwill and step-up	0	– 671	0	– 671	– 40	**– 711**
on other fixed assets	– 502	– 2,382	– 56	– 2,940	– 20	**– 2,960**
Other operating expenses						
major non-cash expenses	– 59	– 201	– 220	– 480	0	**– 480**
other	– 1,950	– 7,872	– 448	– 10,270	606	**– 9,664**
Result from affilitated companies	0	0	1,753	1,753	– 1,753	**0**
Other interest and similar income	3	89	373	466	– 371	**94**
Depreciation on treasury stocks	0	0	– 21	– 21	0	**– 21**
Interest and similar expenses	– 285	– 1,260	– 370	– 1,916	371	**– 1,545**
Gross operating result	**1,620**	**5,469**	**1,194**	**8,283**	**– 1,827**	**6,456**
Taxes on income	– 534	– 2,153	– 210	– 2,898	526	**– 2,372**
Other taxes	– 8	– 43	0	– 51	0	**– 51**
Consolidated net income	**1,078**	**3,272**	**984**	**5,335**	**– 1,301**	**4,034**
Total assets	6,349	43,634	23,839	73,823	– 21,066	**52,758**
Total Liabilities	5,569	33,013	7,343	45,925	– 7,256	**38,669**
Cost to acquire property, plant, equipment and intangibles	515	4,104	1,511	6,130	0	**6,130**

Segment reporting 2000 (without acquistions)

(All amounts in '000 Euro)	Engineering Plastics	Systems	Other	Total Segments	Consoli- dation	**Group con- solidated**
Sales to third parties	12,983	10,412	0	23,395	0	**23,395**
Sales to other segments	480	3	0	483	– 483	**0**
Changes in inventory levels and own work capitalised	125	705	0	830	2	**832**
Other operating income	249	16	406	671	– 505	**166**
Costs of materials, supplies and of purchased goods	– 6,324	– 6,525	0	– 12,849	483	**– 12,366**
Costs of purchased services	– 88	– 185	0	– 273	0	**– 273**
Personnel expenses						
Wages and Saleries	– 2,488	– 1,012	– 337	– 3,837	0	**– 3,837**
Social security and other pension costs	– 524	– 207	– 38	– 769	0	**– 769**
Depreciation and amortisation on goodwill and step-up	0	0	0	0	– 6	**– 6**
on other fixed assets	– 502	– 417	0	– 919	– 20	**– 939**
Other operating expenses						
major non-cash expenses	– 59	– 109	– 220	– 388	0	**– 388**
other	– 1,950	– 1,343	– 436	– 3,729	505	**– 3,223**
Result from affilitated companies	0	0	1,753	1,753	– 1,753	**0**
Other interest and similar income	3	12	373	389	– 350	**39**
Depreciation on treasury stocks	0	0	– 21	– 21	0	**– 21**
Interest and similar expenses	– 285	– 246	– 370	– 901	350	**– 551**
Gross operating result	**1,620**	**1,103**	**1,110**	**3,834**	**– 1,776**	**2,058**
Taxes on income	– 534	– 422	– 181	– 1,137	526	**– 611**
Other taxes	– 8	0	0	– 8	0	**– 8**
Consolidated net income	**1,078**	**681**	**930**	**2,689**	**– 1,250**	**1,439**
Total assets	6.349	8,333	23,325	38,008	– 12,289	**25,719**
Total Liabilities	5.569	7,954	7,323	20,845	– 6,660	**14,185**
Cost to acquire property, plant, equipment and intangibles	517	4,105	433	5,055	0	**5,055**

Segment reporting 1999

(All amounts in '000 Euro)	Engineering Plastics	Systems	Other	Total Segments	Consolidation	**Group consolidated**
Sales to third parties	10,659	6,893	0	17,552	0	**17,552**
Sales to other segments	673	0	0	673	– 673	**0**
Changes in inventory levels and own work capitalised	– 200	696	0	496	– 6	**490**
Other operating income	212	18	1,485	1,715	– 499	**1,215**
Costs of materials, supplies and of purchased goods	– 5,056	– 4,201	0	– 9,258	673	**– 8,584**
Costs of purchased services	– 26	– 272	0	– 298	0	**– 298**
Personnel expenses						
Wages and Saleries	– 2,245	– 704	– 260	– 3,209	0	**– 3,209**
Social security and other pension costs	– 501	– 164	– 34	– 700	0	**– 700**
Depreciation and amortisation						
on goodwill and step-up	0	0	0	0	0	**0**
on other fixed assets	– 417	– 160	0	– 577	– 20	**– 597**
Other operating expenses						
major non-cash expenses	– 69	– 81	– 30	– 180	0	**– 180**
other	– 1,880	– 1,174	– 1,095	– 4,150	499	**– 3,650**
Result from affilitated companies	0	0	693	693	– 693	**0**
Other interest and similar income	2	1	530	532	– 365	**167**
Interest and similar expenses	– 308	– 75	– 186	– 569	365	**– 203**
Gross operating result	**844**	**777**	**1,101**	**2,722**	**– 719**	**2,003**
Taxes on income	– 145	– 86	– 4	– 234	0	**– 234**
Other taxes	– 6	0	0	– 6	0	**– 6**
Consolidated net income	**693**	**691**	**1,097**	**2,482**	**– 719**	**1,763**
Total assets	6,691	3,845	23,244	33,780	– 13,440	**20,340**
Total Liabilities	6,387	3,595	8,191	18,172	– 7,927	**10,245**
Cost to acquire property, plant, equipment and intangibles	790	525	15,889	17,214	0	**17,214**

The geographical split of sales is comprised as follows:

In '000 Euro	2000	2000	1999
		without acquisition	
Euro countries	56,459	23,095	17,292
United Kingdom	8,320	300	260
Total	**64,779**	**23,395**	**17,552**

All assets are located in Euro countries, except for '000 Euro 3,434 (2000 without acquisitions '000 Euro 0; 1999 '000 Euro 0) of the assets of the Systems segment which are located in the United Kingdom. All investments in fixed assets for all segments were made in Euro countries, except for Euro 34,000 (2000 without acquisitions Euro 0; 1999 Euro 0) of investments in the United Kingdom for the Systems segment.

(13) Other operating income

Other operating income breaks down as follows:

In '000 Euro	2000	2000	1999
		without acquisition	
Exchange rates profits	226	0	0
Commissions, serve fees, rent	135	0	989
Cost refunds, allowances,			
reversal of provisions	240	106	147
Other	155	60	79
Total	**755**	**166**	**1,215**

(14) Other operating expenses

Other operating expenses breaks down as follows:

In '000 Euro	2000	2000 without acquisition	1999
Promotional costs	1,323	79	98
Freight and commissions	2,535	1,026	1,110
Maintenance	746	222	207
Other	5,540	2,284	2,415
Total	**10,144**	**3,611**	**3,830**

(15) Financial result

The financial result includes the following split-up of financial income:

In '000 Euro	2000	2000 without acquisition	1999
Dividends	0	0	38
Interest income	94	39	129
Other interest and similar income	**94**	**39**	**167**

The financial result includes the following split-up of financial expense:

In '000 Euro	2000	2000 without acquisition	1999
Interest on loans	– 1,399	– 504	– 140
Other interest expenses	– 145	– 47	– 63
Financial expense	**– 1,545**	**– 551**	**– 203**

(16) Taxes

Taxes on income are composed as follows:

In '000 Euro	2000	2000	1999
		without acquisition	
Corporate income tax including			
solidary surcharge	2,254	428	90
Trade tax	183	183	144
Current tax of prior periods	– 5	–	–
Deferred taxes relating to the origination			
and reversal of temporary difference	– 61	–	–
Effect of change in tax rate on			
deferred tax liabilities	–	–	–
	2,372	**611**	**234**

Deferred taxes are created by recognition and measurement differences between the tax balance sheet and the consolidated balance sheet. They follow from the non-deductibility of the revaluation of acquired assets at fair value (step-up).

Components of deferred tax liability are as follows:

in '000 Euro	1 January 1999	Credited/ (charged) to income statement	Credited/ (charged) to equity	31. December 1999	Credited/ (charged) to income statement	Credited/ (charged) to equity	31. December 2000
Deferred tax asset	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities							
Asset revaluations	–	–	–	–	– 61	820	759
Net deferred tax liability	**–**	**–**	**–**	**–**	**– 61**	**820**	**759**

Centrotec without acquisitions would not have any deferred tax liabilities as per December 31, 2000. The deferred tax liabilities result from the consolidation of the sub-group Ubbink Systemtechnik as of January 1, 2000.

The split up of deferred tax liabilities over countries is as follows:

In '000 Euro	2000	2000 without acquisition	1999
Netherlands	722	0	0
Belgium	37	0	0
Gesamt	**759**	**0**	**0**

The relationship between actual tax expense and expected tax expense was as follows:

In '000 Euro	2000	2000 without acquisition	1999
Pre tax result	6,506	2.050	1,997
Expected tax expense	2,596	1,055	1,027
Tax effect relating to the origination and reversal of temporary differences on assets	–35	–30	–52
Tax effect relating to non-deductible goodwill amortization	255	21	0
Tax effect relating to carry forward losses	–525	–525	–739
Tax effect relating to non-deductible costs	106	74	51
Other	–25	16	–53
Taxes on income	**2,372**	**611**	**234**

The actual tax expense differs from the expected tax expense calculated by applying the individual country tax rates to each company's pre-tax result. This effect is in particular caused by measurement differences between the tax balance sheet and the consolidated balance sheet. The corresponding deferred tax assets have not been recognized in the consolidated balance sheet. A potential deferred tax liability from the non-deductibility of goodwill-depreciation has not been recognized in the consolidated balance sheet reverted.

(17) Earnings per share

The earnings per share and diluted earnings per share are illustrated in the following table. The basic earnings per share (also for 1999) are calculated on the basis of 7.2 million issued shares, retrospectively adjusted by the share split 3:1 and the bonus issue 1:1 in the course of the year 2000 (see explanations concerning "consolidated equity" above) and after adjustment for the acquisition of treasury shares.

The diluted earnings per share assume that all issued stock options in the stock option plan that could be exercised if the balance sheet date was the end of the contingency period have been exercised. Due to the fact that the exercise of the stock options is bound to the fulfilment of individual and corporate targets, it is probable that a lower number of options will eventually be exercised. The dilutive effect is calculated assuming that proceeds from the issue of shares under the stock option plan have been received from the issue of shares at fair value which is the average quotation of the shares during the respective financial year. The difference between the number of shares issued and the number of shares that would have been issued at fair value are treated as an issue of ordinary shares for no consideration. Such ordinary shares generate no proceeds and have no effect on the net profit attributable to ordinary shares outstanding. Therefore such shares are dilutive and they are added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

For illustration purposes only, "adjusted basic earnings per share" are computed as an additional disclosure. This ratio is designed to reveal the earnings adjusted by goodwill depreciation. Goodwill depreciation is not recognised in the separate financial statements of Centrotec AG, which are the basis for potential dividends.

Earnings per Share	For the year ended December 31, 1999		
	Income (Euro)	Weighted Avg. Number of Shares	Earnings per Share (Euro)
Consolidated net profit	1,762,577		
less minority interests	0		
Ordinary shared issued		7,200,000	
less treasury shares (weighted over time)		–2,102	
Basic Earnings Per Share	**1,762,577**	**7,197,898**	**0.24**
plus assumed exercise of stock options granted (weighte)		25,126	
Diluted Earnings Per Share	**1,762,577**	**7,223,024**	**0.24**

Earnings per Share	For the year ended December 31, 2000 (without acquisitions)		
	Income (Euro)	Weighted Avg. Number of Shares	Earnings per Share (Euro)
Consolidated net profit	1,438,743		
less inority interests	0		
Ordinary shared issued		7,200,000	
less treasury shares (weighted over time)		–2,011	
Basic Earnings Per Share	**1,438,743**	**7,197,989**	**0.20**
plus assumed exercise of stock options granted (weighte)		117,883	
Diluted Earnings Per Share	**1,438,743**	**7,315,871**	**0.20**

Earnings per Share	For the year ended December 31, 2000		
	Income (Euro)	Weighted Avg. Number of Shares	Earnings per Share (Euro)
Consolidated net profit	4,033,699		
less inority interests	0		
Ordinary shared issued		7,200,000	
less treasury shares (weighted over time)		–2,011	
Basic Earnings Per Share	**4,033,699**	**7,197,989**	**0.56**
plus assumed exercise of stock options granted (weighte)		117,883	
Diluted Earnings Per Share	**4,033,699**	**7,315,871**	**0.56**

Explanations to the consolidated Cash flow statement

(18) Notes to the cash flow statement

The consolidated statement of cash flows shows how the cash and cash equivalents of the group have changed during the course of the year under review due to inflows and outflows of funds. A distinction is made between cash flows from operating, investing and financing activities. Cash and cash equivalents denominated in foreign currencies are reported using the spot exchange rate at the balance sheet date.
The cash flows from ordinary activities were determined according to the indirect method. "Cash and cash equivalents" include cash in hand, checks, demand deposits and bank overdrafts repayable on demand as recorded in the consolidated financial statements. The cash flow statement is supplemented by a reconciliation to cash and cash equivalents stated in the balance sheet.

(19) Breakdown of liquid funds

In '000 Euro	2000	2000 without acquisition	1999
Cash in hand and demand deposits	792	356	678
Bank overdrafts (included in "bank liabilities" position)	– 1,088	– 117	0
Total	**– 296**	**– 239**	**678**

(20) Cash flows from acquisition and disposal of subsidiaries and joint ventures in 2000 were the following:

In '000 Euro	2000
	Acquisition
Cash and cash equivalents	– 36
Receivables and other assets	112
Inventories	62
Property, plant and equipment	11
Intangible assets	32
Accounts payable and accrued expense	– 199
Long-term loans	– 61
Net assets acquired/disposed	**– 79**
Add: Cash of entity acquired (liability)	36
Goodwill	727
Portion of purchase price incurred as a liability (non-cash transaction)	– 423
Net cash payment on acquisition	**261**

D. Supplementary Disclosures

(1) Contingent Liabilities

The customary guarantee obligations are taken on in the context of normal business operations. As part of the takeover of the Ubbink Group, it was agreed that Centrotec AG or a subsidiary would do all in its power to help sales representatives be released from rental guarantees. The rental agreements in question are an agreement in England for annual rent of currently GBP 148,000 (DM 468 thousand), due to run until 2008, and a rental agreement in England for an annual rent of currently GBP 80,000 (DM 253 thousand), due to run until 2012. Centrotec AG moreover releases its designated sponsors, M.M. Warburg & CO KG aA, Hamburg and Dresdner Kleinwort Wasserstein AG, Frankfurt a.M. from liability in connection with their sponsoring activities, subject to this liability not resulting from gross negligence or fault on the part of the designated sponsor.

(2) Other Financial Obligations

The leasing obligations of the group are detailed below.

(3) Financial Instruments

The balance sheet shows the primary financial instruments (accounts receivable, accounts payable, cash and cash equivalents) held. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in these Notes. The financial instruments may entail credit risks, currency risks and interest risks. As of the balance sheet date there were no material risks for the primary financial instruments.

Furthermore there were no financial instruments as of the balance sheet date which were used for trading and speculative purposes. The Group has not entered into derivative instruments.

(4) Government grants and government assistance

In the Netherlands, the Group has received governments grants of ‘000 Euro 66 (1999: ‘000 Euro 0) for research and development activities. In Germany, labour related grants from the German Federal Ministry of Labour amounted to ‘000 Euro 26 (1999: ‘000 Euro 8). Conditions that were attached to these payments have been fulfilled as of the balance sheet date. In Germany the grants are subject to the continuing employment of some staff after the balance sheet date. Furthermore, the Group received two loans, in total amounting to ‘000 Euro 3,579 (1999: ‘000 Euro 0), from public financial institutions at conditions slightly below market level (see table in C (10)).

(5) Average Number of Employees

The Group employed, on average, the following numbers of full time equivalents:

	2000	2000	1999
		without acquisition	
Average Number of Employees	340	138	101

(6) Related Parties Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Intra-group transactions are not disclosed as related party transactions in consolidated financial statements.

Key management personnel, including but not limited to members of the management board and the supervisory board are "related parties". In addition, members of the family of the head of the supervisory board might be classified as related parties, although the management board has not yet been confronted with direct control from these family members.

Members of the management and the supervisory board hold indirectly minority shares in ClickPlastics. Therefore ClickPlastics might be classified as "related party", although management does not see that effective control is carried out between the parties. The Group has acquired a share of 9.99999% in ClickPlastics in form of a capital increase. This investment may constitute a related party transaction. The Group's role as a pilot customer, however, has been reflected in the acquisition price. ClickPlastics is an e-commerce platform for the purchase of plastics granulates. The Group purchases granulates via ClickPlastics. The volume of purchased material amounted to '000 Euro 2,567 for the year 2000 (1999: '000 Euro 0), whereby the purchase is only coordinated by ClickPlastics; the ultimate supplier and the prices of the ultimate suppliers as well as fees of ClickPlastics are made transparent to the Group. At reporting date, the Group had liabilities of '000 Euro 301 (1999: '000 Euro 0) against ClickPlastics. All transactions have been at arm's length. For the reason mentioned above, all those transactions may constitute related party transactions.

Members of the supervisory board hold indirectly minority shares in Pari Corporate Finance Ltd., London ("PCF"). Therefore PCF might be classified as "related party", although management does not see that effective control is carried out between the parties. A consulting agreement with PCF has been closed in 1999. PCF carries out mergers and acquisition services in connection with the search, contacting and acquisition of potential targets in the plastics industry. In case of realization of a transaction PCF receives a fee according to the "Lehman formula". In the financial period reported, PCF carried out these services. For the purchase of shares in acquired companies a fee of '000 Euro 38 has been paid to PCF in 2000 (1999: '000 Euro 703). In addition, a consulting fee for post-merger integration services of '000 Euro 7 (1999: '000 Euro 0) has been paid.

(7) Management

As members of the management board are appointed as of the reporting date:
Hans-Lothar Hagen, Altenbeken, Germany, mechanical engineer (chairman)
Martinus E. T. Beijer, Doesburg, The Netherlands, merchant
Dr. Gerrit-Johan Huisman, Nijkerk, The Netherlands, merchant
Dr. Alexander Kirsch, Mülheim an der Ruhr, Germany, merchant

Mr. Beijer and Dr. Huisman have been newly appointed as members of the management board by resolution of the supervisory board of November 9, 1999, formally approved by May 2, 2000.

As members of the supervisory board are appointed at the reporting date:
Guido A. Krass, Wadhurst, United Kingdom, entrepreneur (chairman)
Dr. Bernhard-R. Heiss, Munich, Germany, lawyer
Hans Thomas, Hofheim, Germany, consultant.

Members of the management and the supervisory board also serve on the following supervisory boards as defined in Sec. 125 (1), third sentence Stock Corporation Act (AktG):

<u>Guido A. Krass:</u>
PACT Informationstechnologie AG, Munich, Germany
pre-IPO AG, Hamburg, Germany
Pari Capital AG, Munich, Germany
Pari Capital Group AG, Steinhausen, Switzerland
Ubbink Nederland BV, Doesburg, The Netherlands

<u>Dr. Bernhard-R. Heiss:</u>
H.O.T. Networks AG, Munich, Germany
ArtMerchandising & Media AG, Munich, Germany
OPUS 1 Vermögens-Management AG, Munich, Germany

<u>Dr. Alexander Kirsch:</u>
Pari Capital AG, Munich, Germany

During the reporting period the members of the management board have received a salary of total '000 Euro 538. This amount includes fringe benefits such as the use of company cars and pensions. It does not include exercisable share options, which are bound to the fulfilment of individual and company targets. The members of the supervisory board have received a consideration of '000 Euro 12.

(8) Consultancy agreements

Group companies have concluded a variety of consultancy agreements with firms of consultants and specialists in the fields of information technology, law, auditing, financial reporting, e-commerce, advertising, financial relations with investors and the optimisation of production and logistics. All agreements relate to defined tasks.

(9) Leasing

Applying German Commercial Code, the company had at balance sheet date a capitalised net carrying amount for only three financial leases. The contracts involved are leases of BaaN software. Other leases are not capitalised. They mainly consist of machine leases for the production facilities in Germany and building leases in various countries. They are operational leases according to German Commercial Code, although some of them are financial leases according to IAS.

The minimum lease payments for financial leases are shown in the following table:

In '000 Euro	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
		without acquisition	
Software	107	53	0
	107	**53**	**0**

Discounting the total of minimum lease payments amounting to '000 Euro 160 results in a present value of '000 Euro 152.

The minimum lease payments for operational leases are shown in the following table:

In '000 Euro	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
		without acquisition	
Property	223	794	1,294
Vehicles	305	283	4
Machinery	247	712	0
Other equipment	28	46	0
	804	**1,834**	**1,298**

Operating leasing contracts all have normal contractual arrangements. The property consists of leases for premises used by subsidiaries in England, Scotland and France. The category 'other equipment' mainly consists of office supplies such as copiers.

Marsberg, February 28, 2001
The board of directors

Hans-Lothar Hagen, Engineering Plastics, CEO
Martin Beijer, Systems Division
Dr. Gert-Jan Huisman, CFO
Dr. Alexander Kirsch, Strategy

AUDIT OPINION
for the financial year 2000

We have audited the consolidated financial statements and the group management report of Centrotec Hochleistungskunststoffe AG, Marsberg, for the fiscal year from January 1 to December 31, 2000. The Company's legal representatives are responsible for preparing the consolidated financial statements and the group management report in accordance with German commercial law and the supplementary regulations in the articles of incorporation. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the group management report.

We conducted our audit of the consolidated financial statements pursuant to Sec. 317 of the Commercial Code (HGB) and in compliance with the generally accepted standards for the audit of financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit so as to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect the presentation of the net worth, financial position and results of operations as conveyed by the consolidated financial statements, in compliance with generally accepted accounting principles, and by the group management report. The scope of the audit was planned taking into account our understanding of business operations, the Group's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal accounting controls is assessed, and the disclosures in the consolidated financial statements and group management report are verified, mainly on the basis of spot checks. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

In our opinion, the consolidated financial statements are in compliance with generally accepted accounting principles and present a true and fair view of the Group's net worth, financial position and results of operations. In all material respects, the group management report accurately presents the situation of the Group and the risks to its future development.

Hannover, 28. February 2001

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Steinweg
Wirtschaftsprüfer

Nebelung
Wirtschaftsprüfer

RECONCILIATION STATEMENT

of the consolidated Equity and net income according to international Accounting Standards (IAS)

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

General

The IAS reconciliation statement reconciles consolidated net income and consolidated equity as of December 31, 2000 with the equivalent items according to International Accounting Standards (IAS) and describes the principal differences between IAS and German Commercial Code that have an impact on the consolidated financial statements of the Group. The provisions of the German Commercial and German Limited Liability Companies Law differ from IAS in certain key respects. The main differences which might be of relevance for an assessment of the group's net worth, financial position and results of operations are stated below.

A reconciliation for consolidated net income and consolidated equity to International Accounting Standards was performed for the first time as of January 1, 1997. Adjustments were made analogical to Interpretation 8 of the Standing Interpretations Committee (SIC), in the form of a "retroactive restatement" with no effect on the operating result as at January 1, 1997.

IAS reconciliation accounts for consolidated equity and income

According to IAS principles, the consolidated equity and net income at December 31, 2000 change as follows:

in '000 Euro	Notes	2000	1999
a) Consolidated equity according to HGB		**14,089**	**10,095**
leasing	(aa)	– 32	– 24
development costs	(bb)	38	51
inventory valuation	(cc)	– 231	– 58
treasury shares	(dd)	– 92	0
accruals for pensions	(ee)	– 35	0
provision for restructuring	(ff)	– 211	0
deferred taxes:			
– from HGB-IAS adjustments	(gg)	182	13
– from accumulated losses brought forward	(hh)	0	455
– from tax rate changes	(ii)	54	0
liabilities to banks	(jj)	51	0
depreciation goodwill		– 13	0
Consolidated equity according to IAS		**13,800**	**10,532**

in '000 Euro	Notes	2000	1999
b) Consolidated net income according to HGB		**4,034**	**1,763**
leasing	(aa)	– 9	– 1
development costs	(bb)	– 13	38
inventory valuation	(cc)	– 173	– 58
treasury shares	(dd)	21	
accruals for pensions	(ee)	– 35	0
provision for restructuring	(ff)	– 211	0
deferred taxes			
– from HGB-IAS adjustments	(gg)	169	9
– from accumulated losses brought forward	(hh)	– 455	– 641
– from tax rate changes	(ii)	54	
liabilities to banks	(jj)	51	
depreciation goodwill		– 13	0
Consolidated net income according to IAS		**3,420**	**1,110**

Notes to the reconciliation accounts

(aa) Leasing

Leasing is treated differently according to IAS 17 (revised 1997). A leased asset is to be capitalised by the lessee where the risks and rewards incident to ownership of the leased asset rest with the lessee. Capitalisation by the lessee is based on the undertaking to write down the leased asset according to the straight-line method and on constant interest charges on the liabilities proceeding from the leasing agreement. The difference compared with leasing expenses in the German Commercial Code (HGB) consolidated financial statements is to be adjusted with an effect on the operating result, with delimiting of deferred taxes.

(bb) Development costs

According to IAS 38, development expenses are to be capitalised as "intangible assets" insofar as the six criteria stated in IAS 38 are met cumulatively. They must be capitalised if it is probable that development activities will give rise to future economic benefits which will cover the development costs in addition to the normal costs. In addition, all of a list of criteria must be met with regard to the development project and the product or process being developed. These criteria were not met in the period under review. Capitalised development expenses are written down by the straight-line method over a useful economic life of 5 years, once market maturity has been attained. Government grants in the form of investment subsidies and grants are distinguished on the assets side from capitalised development expenses, in agreement with IAS 20 "Accounting for government grants".

(cc) Inventory valuation

According to IAS 2, inventories should not include the costs of general administration. General administration costs in the change of inventory level amounted to a cost effect of Euro 173,000.

(dd) Treasury shares

Under IAS treasury shares are presented in the balance sheet as a deduction from equity and the acquisition of treasury shares is presented in the financial statements as a change in equity. Further, no gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as a change in equity. Under the German Commercial Code treasury shares are not deducted from equity but presented as an asset. At the balance sheet date treasury shares are written down to their quoted market price if that is lower than their costs of acquisition. The related loss is included in net profit for the period. The loss for the period of Euro 21,000 was reversed for IAS purposes and consolidated equity reduced by the cost of acquisition for treasury shares amounting to Euro 92,000.

(ee) Accruals for pensions

Accruals for pensions have been computed according to the projected unit credit method pursuant to our interpretation of IAS 19. This method takes into account not only the pensions and vested pension rights (which are recognised as an expense for defined contribution plans in the HGB consolidated financial statements including contributions for insurance by means of a one-time back-service payment that is recognised as an expense), but also expected future increases in salaries and pensions, the "coming back-service liability". The amount of the accrual has been computed according to actuarial methods, based on a discount rate of 8% and the latest mortality table (for the Netherlands "G.B.M. 1990-1995"). Pension age is assumed to be 65. Salaries are expected to increase by 2% per annum for all employees and by an additional individual percentage between 0 and 5% per annum per employee. The dismissal rate is expected to be equal to the dismissal rate for the industry. The disability rate is expected to be 0%. In the fiscal year 2000 an increase for coming back-service liabilities is made of Euro 35,000.

(ff) Provision for restructuring

According to IAS 37, provisions are only allowed under a precisely defined set of criteria. In the HGB consolidated financial statement Centrotec made provisions for restructuring costs for the acquisitions that were consolidated first-time in the year 2000. These restructuring provisions partly do not meet the stricter criteria of either IAS 22.31 or IAS 37.72. For some of the projected payments for termination of employment contracts, the requirement for external communication of the plan is not met. As the provision for restructuring was partly not available according to IAS, this has led to an expense of Euro 211,000.

(gg) Deferred taxes – from HGB-IAS adjustments

Pursuant to IAS 12 deferred taxes were set up for temporary differences resulting from recognition and/or measurement differences regarding book values pursuant to IAS and the corresponding values of the HGB balance sheet items insofar as these measurement or recognition differences will disappear during the course of time, affecting the assessment basis for income taxes. They were allocated using the asset/liability method under which deferred taxes are valued with the tax rate applicable in the year in which they will be reversed. Changes in tax rates are accounted for in the year of enactment of the amendments to tax law. For each position, the individual tax rate of the country involved is applied. Taking the split in German corporate income tax rates into consideration, the assessment of corporate income tax on retained earnings was used as a basis for determining the tax rate. For the period under review, a deferred tax income of Euro 169,000 was calculated.

(hh) Deferred taxes – from accumulated losses brought forward

A substantial difference between IAS and HGB concerns the capitalisation of deferred tax assets for tax loss carry-forwards. Deferred tax assets were recognized for as yet unused loss carry-forwards because, pursuant to IAS 12, it is likely that future taxable income will be available against which these tax losses can be offset. The amount of deferred tax assets for tax loss carryforwards that has been capitalised as of December 30, 1999 und fully reversed in 2000 is Euro 455,000.

(ii) Deferred taxes – from tax rate changes

The change in tax rate in Germany effective for fiscal year 2001 has had an impact on the net profit of the period according to IAS. All deferred tax assets and liabilities as of December 31, 2000 originating from German temporary differences are remeasured to a carrying amount reflecting the enacted future tax rate. This gives rise to a tax income of Euro 54,000.

(jj) Bank liabilities

On financing facilities granted to the Group in 2000, banks withheld a loan discount, which partly has been capitalised in accordance with German Commercial Code. For IAS purposes the loans are measured at amortised cost using the effective interest rate. That is the rate that exactly discounts the expected stream of future cash payments through maturity to the current net carrying amount of the financial asset or financial liability. That computation includes all fees and points paid or received between parties to the contract. This resulted in Euro 51,000 fees recognised as expense according to the German Commercial Code being included in the computation of the effective interest rate in accordance with IAS effectively leading to a deferral of these expenses over maturity.

Attestation

We have exercised due care and attention in examining the IAS reconcillation accounts presented to us on the basis of the HGB consolidated financial statements of Centrotec Hochleistungskunststoffe AG, Marsberg, as at December 31, 2000, which were audited by us. We confirm that the net income for 2000 of Euro 3,420,000 camed in the reconcillation accounts and the equity at December 31, 2000 of Euro 13,800,000 have been calculated in accordance with IAS principles."

Hannover, February 28, 2001

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Steinweg — Wirtschaftsprüfer

Nebelung — Wirtschaftsprüfer

European stock markets, in particular the Frankfurt-based Neuer Markt, experienced a downturn in 2000, the year under review. By contrast, the fundamental growth of our group continues unabated.

The Centrotec Group expanded by 269% in 2000. This rate of growth therefore even outstrips our forecast at the end of 1999. Earnings per share are likewise higher than our expectations, at EUR 0.66 (result after taxes adjusted for goodwill and step-up depreciation at EUR 0.7 million). The reasons for this are that plastic gas flue systems have grown rapidly, the "Engineering Plastics" Division has once again posted record earnings and the integration of Ubbink Systemtechnik progressed outstandingly. In the first year after its takeover, we were immediately able to boost the sales and earnings of this group of companies, despite the fact that the cost of integration measures was rising at a double-digit rate.

For 2001 too, we anticipate that the existing fields of business will produce an overall rise in consolidated earnings of at least 30%. More important still, however, we have succeeded in paving the way for fresh long-term growth.

Examples:

- In acquiring a 24.95% participation in Bond Laminates, we have secured access to the pioneering field of carbon composites. This technology will enable us to produce high-strength super-lightweight materials, which have hitherto been prohibitively expensive due to the manual processes involved, on an industrial scale and use them universally. On the basis of this technology, we will establish our own processing centres to manufacture systems using this high-tech material for the end user.

- We have also rendered solar energy systems affordable thanks to a patented plastic frame structure. This intelligent system halves the installation work, thus making this environmentally advantageous technology an attractive proposition for wider groups of users.

- Now that heating technology and insulation have already been optimised, the next major trend in the low-energy house will be "intelligent ventilation". Each time a window is opened, precious energy is lost. Here too, we have secured a highly promising position in the starting line-up with Ubbink climate control technology.

Business progress

The companies of which Centrotec Hochleistungskunststoffe AG holds the shares operate in the markets for engineering plastics and for plastic gas flue systems, plastic climate control systems, plastic-based solar energy systems and plastic components for roof and lighting applications. These operative affiliated companies were once again highly successful in their respective market segments, in view of the growth of the market and their strong position in each case.
The activities of the stock corporation involve exercising a function as a strategic and financial holding company for the operative affiliated companies.

Investments – new participating interest

The most significant investment by the stock corporation during the fiscal year was the acquisition of a 24.95 % participating interest in Bond Laminates GmbH, Trossingen, Germany, on November 21, 2000. Although this participation in a company with sales of EUR 1.5 million is on the face of it a minor one, in the long term it could become one of the most significant driving forces behind the value of our company.

Through this participation, we have secured a foothold in the topically relevant pioneering technology of "fibre reinforced composites". These are high-strength, ultra-light plastic materials reinforced with carbon, aramide ("Kevlar"®; registered trademark of DuPont) or other fibres. Until now, it has only been possible to process these materials manually; this is the main reason why their use is currently limited to a small number of high-end applications (e.g. Formula 1 monocoque).

The Bond Laminates GmbH, Trossingen, Germany, has developed an exclusive technique for producing these composites in an industrial process. This drastically reduces the processing costs compared with the previous technique. Another aspect that is undoubtedly just as important is the fact that the technique permits larger production batches which are not feasible with the manual method for practical reasons.

The participation means that we will not only share in the growth of a company that is already operating at close to "break-even"; it will above all give us priority access to a material of the future. Centrotec Hochleistungskunststoffe AG, Marsberg, Germany, is independently creating a processing centre at which the high-strength panels will be given their final appearance by a high-temperature forming process.

Potential areas of application range from the leisure industry, through the aviation and automotive industries, to electronics. We anticipate that composites will prove to enjoy even greater growth and success than plastic gas flue systems. This nevertheless entails performing "preparatory work" over a period of several years.

Financing – programme of expansion handled without capital increase

The takeover of Ubbink Systemtechnik, Doesburg, The Netherlands, – a group which, at the time of the takeover, was twice as large as Centrotec Hochleistungskunststoffe AG, Marsberg, Germany, itself – represented a significant financial move for Centrotec Hochleistungskunststoffe AG, Marsberg, Germany. As the takeover was financed without a capital increase and considerable operative investments were made at the same time, the consolidated equity ratio (including subordinated funds; this concerns in particular a subordinated loan from the seller of Ubbink at EUR 4.5 million, shown under 'other liabilities') fell to around 25% of the balance sheet total for certain periods of the year.

The takeover was nevertheless intensively assessed as part of a comprehensive due diligence process and the "Grow Together Programme" was carefully prepared. Our forecasts have materialised in entirety, and target results have actually been exceeded. At the end of the year under review, the equity ratio (including subordinated funds) for the group had consequently risen to over 35% again.

The company-only balance sheet of the stock corporation shows an equity ratio of 67%.

Situation

Net worth position and financial situation – lower volume of borrowings

The financial assets of the stock corporation rose by 9% from EUR 14.2 million to EUR 15.4 million in the fiscal year. Accounts receivable from affiliated companies fell from EUR 8.9 million to EUR 7.2 million on account of the lower level of lending to companies in which a participating interest is held. Liabilities to banks fell by a similar degree, from EUR 7.1 million to EUR 6.1 million. The lower volume of borrowings is attributable to the satisfyingly positive cash flows for the affiliated companies, which outstrips the growth-driven level of investment required.

Associated companies – arm's length principle

Legal transactions with companies in which members of the Supervisory Board and management hold an interest or might hold an interest were conducted in the fiscal year. As a precautionary measure, a dependence report was therefore issued by the Managing Board.

Concluding remark from the dependence report: "Pursuant to § 312 Para. 3 of German Stock Corporation Law, we declare that, on the basis of the circumstances known at the time when legal transactions with associated companies were conducted, our company received adequate consideration for each legal transaction and was not placed at a disadvantage."

Earnings situation – earnings for the operative units rise

As the profits of the affiliated companies were distributed only in part to the parent company which holds their shares, the result of the latter does not adequately reflect the high operative success of the former.

Key risks

Our expansion and the progress of our business have been very successful. We have moreover successfully integrated the major acquisition of Ubbink Systemtechnik, Doesburg, The Netherlands. We are therefore able to look to the future with distinct optimism. During the past fiscal year, we nevertheless considered in depth the risks to which our company is exposed.

Our dependence on major accounts deserves particular attention. Our largest customer represents 12% of consolidated sales. The second-largest customer contributes 3% of sales. Our customer structure as a whole is therefore very balanced. The loss of major accounts can of course nevertheless significantly diminish earnings.

Our market niches are growing more or less independently of fluctuations in the overall economy. All the same, we too are not immune to general economic trends. Our past experience of both the traditional Centrotec Hochleistungskunststoffe AG, Marsberg, Germany, affiliated companies and the Ubbink Group none the less shows that we have operated profitably even in times of economic slackness, thanks to the highly diverse range of applications and the fact that sales are spread among more than six countries.

Thanks to our technology, quality and value for money, we have attained a solid market position in all business segments. It is nevertheless conceivable that new market entrants, more intense competition, increased consumer power and substitute products could impair our operational efficiency.

Internally, we perceive potential risks in the production sector. We implement suitable safety regulations and take precautionary measures to prevent possible accidents and plant breakdowns. All plant is moreover insured in line with its value. However, the failure of critical plant could result in noticeable losses.

A further risk exists at the supply end. The loss of critical suppliers could result in our experiencing delivery bottlenecks. We tackle this risk by providing close technical support for important suppliers and maintaining at least two sources of supply for all important groups of materials.

In the IT sector, the possibility cannot be excluded that problems that have not yet been identified will arise, or that previously solved problems will recur. Next year sees in particular the changeover to the euro, though according to our IT suppliers the necessary preparatory work has already been done. Likewise we cannot exclude the possibility that a problem in the IT sector could lead to a loss of data, despite ongoing data safeguarding, and cause considerable damage.

The company is moreover exposed to a degree of dependence on certain key employees. However, as we expand so will our base of highly qualified employees, with the result that this risk will gradually dwindle.

Minority interests in the relatively new companies "Clickplastics AG", Munich, Germany, and "Bond Laminates GmbH", Trossingen, Germany, were acquired in the past fiscal year. These companies are already able to boast impressive operative achievements; a loss of value or even a total loss can none the less never be entirely ruled out in the case of such fledgling companies. The capital employed for these two participations was, however, very modest (totalling less than EUR 1.5 million). Both participations are moreover structured in such a way that we will "recoup" our employed capital through operative synergy benefits (purchasing advantages, scope for using Bond's machines for jobbing orders from Centrotec) even if the companies themselves do not develop as well as expected.

Finally, our vigorous growth itself harbours risks. Internal structures in particular must be repeatedly and rapidly adjusted to the requirements of a growing organisation. Through the reorganisation projects conducted in Marsberg (Germany), Brilon (Germany) and Doesburg (The Netherlands) in the past year, we have established a workable basis which we will nevertheless have to keep refining.

Outlook

In contrast to various other technology companies, we not only met our growth forecasts in the past fiscal year; we actually bettered them. The first two months of 2001 have likewise brought sustained growth. For this reason, we anticipate that consolidated earnings per share will rise by at least a further 30% in 2001 compared with 2000, as a result of our organic growth. This rate of organic growth may even be exceeded significantly in the medium term through prospective acquisitions.

Our affiliated companies were consequently unaffected by the cooling-down of the economy towards the end of 2000 and at the start of 2001. This once again demonstrates that our market niches are relatively immune to fluctuations in the general economy. Our products will therefore in all probability continue to grow. The driving force behind this growth, our plastic gas flue systems, will again enjoy a sharp rise in sales next year. Even though the overall market for heating systems is stagnant, more efficient condensing devices continue to post double-digit growth. Within this growth trend itself, the process of substitution of plastic gas flue systems for metal systems continues. For our part, this will yield growth of around 40 %

in sales to existing customers. As we succeeded in securing a further major contract towards the end of 2000, this field of business is likely to expand by more than 50% in 2001. Business in Germany could receive a further boost from the new energy-saving ordinance, which has currently reached the stage of draft statute.

Plastic gas flue systems are currently in widespread use only in Germany, Austria and Switzerland. Neighbouring European countries are lagging behind because awareness of environmental issues there has been less pronounced in the past. However, as the higher production batches in Germany will bring the prices of these devices down and thus make this technology all the more appealing, these countries will be the main source of growth over the next five years. The principal markets over the next few years will initially be Northern Italy and The Netherlands. Great Britain and France will follow later on.

Last year our Engineering Plastics Division expanded less than the market as a whole due to capacity shortages. We will be extending our capacity in a market segment that is both technically and commercially very attractive, with the focus on high-end materials.

The newly acquired composites area of activity will likewise slowly develop in 2001. In view of the lead times involved in customer projects, however, no significant level of sales will be generated until after 2002. The emphasis of this business area is on securing our long-term growth.

Finally, we are endeavouring to unveil further positive "surprise" moves by focused making strategic acquisitions.

Even if the mood on the stock markets is currently not particularly positive, not least because of the disappointing growth rates in the technology sector, we are convinced that investors taking a long-term view will profit from buying our shares. Our internal growth trend is absolutely intact, and sooner or later the market will reflect that our predictions have materialised.

Marsberg, February 28, 2001
The board of directors

Hans-Lothar Hagen, CEO
Martin Beijer, Systems Division
Dr. Alexander Kirsch, Strategy
Dr. Gert-Jan Huisman, CFO

BALANCE SHEET

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

at Dezember 31, 2000

in Euro

ASSETS

	31.12.00 Euro	**31.12.99** Euro
A. Fixed Assets		
I. Tangible assets	0.00	0.00
II. Financial assets		
Shareholdings in affiliated companies	15,451,977.76	14,150,345.72
	15,451,977.76	**14,150,345.72**
B. Current Assets		
I. Receivables and other assets		
1. Receivables from affiliated companies of which	7,205,161.89	8,892,610.31
with a maturity of more than one year:		
EUR 0.00 (previous year EUR 0.00)		
2. Other assets	900,626.79	17,692.12
	8,105,788.68	**8,910,302.43**
II. Investments		
Own shares	91,808.00	0.00
III. Bank balances	0.00	142,275.38
	8,197,596.68	**9,052,577.81**
	23,649,574.44	**23,202,923.53**

EQUITY AND LIABILITIES

		31.12.00 Euro	31.12.99 Euro
A.	**Equity**		
	I. Subscribed capital	7,200,000.00	3,600,000.00
	II. Capital reserve	6,758,268.36	10,358,268.36
	III. Revenue reserves	1,477,368.19	541,099.77
	IV. Reserve for own shares	91,808.00	0.00
	V. Net profit	417,178.69	519,089.73
		15,944,623.23	**15,018,457.86**
B.	**Provisions**		
	1. Provisions for taxes	237,203.13	0.00
	2. Other provisions	210,907.90	115,398.58
		448,111.03	**115,398.58**
C.	**Liabilities**		
	1. Due to banks	6,070,075.30	7,107,713.88
	2. Accounts payable	0.00	863,038.10
	3. Due to affiliated companies	411,476.21	0.00
	4. Due to companies linked through participation	563,600.00	0.00
	5. Other liabilities	211,688.67	98,315.11
	thereof taxes: EUR 70,092.77		
	(previous year: EUR 93,750.51)		
	thereof relating to social security: EUR 6,683.17		
	(previous year: EUR 4,564.61)		
		7,256,840.18	**8,069,067.09**
		23,649,574.44	**23,202,923.53**

STATEMENT OF INCOME

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the fiscal year 2000

in Euro

	31.12.00 Euro	**31.12.99** Euro
1. Other operating income	405,918.36	1,478,633.55
2. Personnel expenses		
Wages and salaries	– 337,312.80	– 259,891.84
Social security costs	– 37,998.34	– 34,474.79
3. Depreciation on tangible assets	0.00	– 131.79
4. Other operating expenses	– 655,047.85	– 1,125,741.18
5. Income from shareholdings	1,753,000.74	692,938.32
of which from affiliated companies:		
EUR 1.753.000,74 (previous year: EUR 692.938,32)		
6. Other interest and similar income	371,549.57	527,992.50
of which from affiliated companies:		
EUR 371.246,48 (previous year: EUR 365.331,54)		
7. Amortisation of financial assets and investments classified	– 20,586.90	0.00
as current assets		
8. Interest and similar expenses	– 370,862.51	– 185,902.19
9. Result from ordinary operations	**1,108,660.27**	**1,093,422.58**
10. Taxes on income	– 182,494.90	0.00
11. Net income for the year	**926,165.37**	**1.093.422.58**

12. Retained profits/accumulated losses brought forward	519,089.73	– 55,243.12
13. Allocation to revenue reserves	– 936,268.41	– 519,089.73
– of which from net profit previous years	– 519,089.73	
– of which from net income for the year	– 417,178.68	– 519,089.73
14. Allocation to reserves for own shares	– 91,808.00	
15. Net profit	**417,178.69**	**519,089.73**

DEVELOPMENT OF FIXED ASSETS

Of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the fiscal year 2000

in Euro

	Acquisition cost			
	1.1.2000	Additions	Disposals	31. 12. 2000
Tangible Assets				
Other equipment, operating				
and office equipment	639.73	0.00	0.00	639.73
Financial Assets				
Shares in affiliated				
companies	14,150,345.72	1,301,632.50	0.46	15,451,977.76
	14,150,985.45	**1,301,632.50**	**0.46**	**15,452,617.49**

Accumulated depreciation				Net book values	
1.1.2000	Additions	Disposals	31. 12. 2000	31. 12. 2000	31. 12. 1999
639.73	0.00	0.00	639.73	0.00	0.00
0.00	0.00	0.00	0.00	15,451,977.76	14,150,345.72
639.73	**0.00**	**0.00**	**639.73**	**15,451,977.76**	**14,150,345.72**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the 2000 financial year

A. General information

The company is a large company as defined by § 267 Para. 3 HGB (German Commercial Code), on the strength of its stock exchange listing. The format of the balance sheet and the statement of income is based on the provisions of §§ 264 ff. HGB applicable to corporations. It applies the type of expenditure (total cost) format defined in § 275 Para. 2 HGB to the statement of income.

B. Accounting and valuation principles

(1) Fixed assets

Purchased intangible assets are capitalised at cost and depreciated according to the straight-line method in accordance with their expected useful lives.

Tangible assets are carried at their cost of acquisition or manufacture, less regular depreciation. Depreciation is performed by the straight-line method on the basis of customary useful life. The half-yearly rule for the depreciation of movable assets pursuant to Section 44 Para. 2 of German Income Tax Law is used. Low-value assets are written down in full in the year of their addition and reported as a disposal.

(2) Financial assets

The financial assets are valued at their cost of acquisition or at the lower applicable value.

(3) Receivables and other assets

The receivables and other assets are carried at their principal amount. Foreign currency receivables are valued at the historical rate or at the lower rate prevailing at the closing date.

(4) Cash and cash equivalents

These amounts exist exclusively in domestic currency (EUR) and are carried at their principal amount.

(5) Provisions

The other provisions are formed for contingent liabilities and take account of all identified risks. They are carried at the amount dictated by sound business judgement.

(6) Liabilities

The liabilities are carried at their redemption amount. Foreign currency liabilities are valued at the historical rate or at the higher rate prevailing at the closing date.

C. Special information and notes

(1) Balance sheet

1.1 Assets

1.1.1 Fixed assets
The classification and movements of fixed assets are shown in the Assets Movement Schedule at side 84/85.

1.1.2 Current assets
Receivables and other assets
The receivables and other assets do not contain any items with more than one year to maturity.

1.2 Equity and liabilities

1.2.1 Equity
On the basis of the resolution adopted by the shareholders' meeting of May 18, 2000, the capital stock was raised by EUR 3,600,000 from company funds, from EUR 3,600,000 to EUR 7,200,000.

At December 31, 2000 the capital stock of the company is divided into 7,200,000 individual share certificates. The individual share certificates have no par value. The no-par shares each represent EUR 1 of capital stock. The capital stock is fully paid in.

Approved capital in addition exists. The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock by up to EUR 3,600,000.00 (approved capital) until August 31, 2003 by issuing new no-par bearer shares in return for cash or non-cash contributions on one or more occasions. The new shares are to be accepted by banks, with the obligation to offer them for subscription to the shareholders. The Management Board is, however, authorized to exclude residual amounts from the shareholders' subscription right. The Management Board is also authorized to exclude the right of subscription in order to issue new shares in return for non-cash contributions. Moreover, the Management Board is entitled pursuant to Sec. 186 (3), fourth sentence of the Stock Corporation Act (AktG) to exclude the shareholders' right of subscription for up to EUR 720,000.00 of the approved capital on one or more occasions if the issuing price of the new shares is not significantly lower, in any case no more than 5% lower than the market price of the shares already listed at the time when the issuing price is finally fixed by the Management Board, which should be as close as possible to the placement of the shares.

The Company has conditional capital of EUR 540,000 to increase its capital stock. The conditional increase will only take effect if the stock options are exercised as provided for by the resolution adopted by the shareholders' meeting on September 9, 1998. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The conditional capital is divided into 540,000 no-par shares.

With effect from July 1, 1999 192,780 options were issued to employees, executive staff and Management Board members at an exercise price of EUR 7.38. The options can be exercised from July 1, 2001 to July 1, 2006. With effect from January 10, 2000, 193,500 options were issued to employees, executive staff and Management Board members at an exercise price of EUR 14.35. The options can be exercised from January 10, 2002 to January 10, 2007.

Exercise of the options is linked to the fulfilment of certain conditions and objectives. The options can only be exercised when the market price at the Frankfurt Stock Exchange is at least 30% higher than the market price at the time of issue of the options. Exercise of the options is also linked to the achievement of individual objectives by employees, executive staff and Management Board members. It is therefore uncertain how many of the option rights issued will actually be exercised.

In accordance with the resolution adopted by the shareholders' meeting on May 11, 1999, which was extended and amended by the resolution adopted by the shareholders' meeting on May 18, 2000, the Company is entitled to buy back shares of its own representing up to 10% of capital stock. This authorization is effective until November 18, 2001. The price for the acquisition of these shares may not be more than 15% higher or more than 15% lower than the average cash settlement price of shares of the same class and features at the Frankfurt Stock Exchange on the ten business days preceding the acquisition. The Management Board is authorized to offer the shares thus acquired to third parties as (partial) payment for the acquisition of companies or investments in companies, excluding the shareholders' right of subscription. The Management Board is also authorized to retire the Company's own shares without the need for a further resolution to be adopted by the shareholders' meeting. The retirement may be restricted to part of the purchased shares.

In the financial year the company bought a total of 6,040 treasury shares (3,340 on August 8 at EUR 17.29, 2,000 on September 20 at EUR 20.76, 500 on November 1 at EUR 18.70 and 200 on November 2 at EUR 19,00) at the stock exchange. These shares represent 0.083% of share capital. The shares were purchased with a view to reducing market liquidity. These shares were held at the parent as treasury stock as of the balance sheet date.

The individual financial statements are prepared in EUR.

The capital stock of Centrotec Hochleistungskunststoffe AG, Marsberg, totals '000 EUR 7,200 the capital reserve '000 EUR 6,758 and the revenue reserves '000 EUR 1,477. As a result of a profit carryforward of '000 EUR 519 and a net income of '000 EUR 926, the company's equity at December 31, 2000 totals '000 EUR 15,945.

The calculation of distributable profit is shown in the following table:

	in Euro
Net income	926,165.37
Profit carryforward	519,089.73
Allocation to revenue reserves	
– of which from net profit previous years	– 519,089.73
– of which from net income for the year	– 417,178.68
Allocation to the reserve for treasury shares	– 91,808.00
Distributable profit	**417,178.69**

1.2.2 Other provisions

The other provisions primarily include amounts for covering legal and consultancy costs, claims for outstanding vacation entitlements, costs of the Shareholders' Meeting, industrial accident insurance contributions and purchase invoices outstanding.

1.2.3 Liabilities

The remaining maturities are shown in the following table: *Management and supervisory bodies*

	Stand		thereof with a residual term of up to one year		between 1 and 5 years		over 5 years	
in '000 Euro	31.12.00	31.12.99	31.12.00	31.12.99	31.12.00	31.12.99	31.12.00	31.12.99
Liabilities to banks	6,070	7,108	3,671	4,659	577	219	1,822	2,230
Verbindlichkeiten aus								
Trade accounts payable	0	863	0	863	0	0	0	0
Liabilities to								
associated companies	411	0	412	0	0	0	0	0
Liabilities to companies linked								
through participation	564	0	563	0	0	0	0	0
Other liabilities	212	98	212	98	0	0	0	0
	7,257	**8,069**	**4,858**	**5,620**	**577**	**219**	**1,822**	**2,230**

The collateral provided for liabilities to banks consists principally of global assignments of receivables, storage assignments of inventories, assignments of technical equipment and machinery as security, and a mortgage on the site of the Centroplast GmbH plant in Marsberg, amounting to '000 EUR 2,556. At the closing date, '000 EUR 6,070 of the liabilities were covered by collateral.

D. Other particulars

(1) Contingent liabilities

As part of the takeover of the Ubbink Group, it was agreed that a group company of Centrotec Hochleistungskunststoffe AG would do all in its power to help sales representatives be released from rental guarantees. The rental agreements in question are an agreement in England for annual rent of currently GBP 148,000 (‘000 EUR 239 thousand), due to run until 2008, and a rental agreement in England for an annual rent of currently GBP 80,000 (EUR 129,000), due to run until 2012. Centrotec Hochleistungskunststoffe AG moreover releases its designated sponsors, M.M. Warburg & CO KG aA, Hamburg and Dresdner Kleinwort Wasserstein AG, Frankfurt a.M (as well as Gontard & Metallbank AG, Frankfurt a.M., until 31.12.2000) from liability in connection with their sponsoring activities, subject to this liability not resulting from gross negligence or fault on the part of the designated sponsor.

(2) Other financial obligations

No significant financial obligations existed at the balance sheet date.

(3) Average number of employees

Over the period from January 1 to December 31, 2000, the company had an average of five employees, four of whom were board members.

(4) Management and supervisory bodies

The members of the Management Board in the financial year were Dipl.-Ing. Hans-Lothar Hagen, engineer, Altenbeken, Germany (chairman), Mr Martin Beijer, merchant, Doesburg, The Netherlands, Dr. Alexander Kirsch, merchant, Mülheim an der Ruhr, Germany and Dr. Gert-Jan Huisman, merchant, Nijkerk, The Netherlands. Mr Hagen is entitled to act as sole representative of the company and is exempt from the restrictions of § 181 of German Civil Code (BGB). Dr. Kirsch is entitled to act as sole representative of the company; Mr. Beijer and Dr. Huisman may each represent the company in conjunction with one other board member.

The members of the Supervisory Board were Guido A. Krass, entrepreneur (chairman), London, United Kingdom, Dr. Bernhard Heiss, lawyer, Munich, Germany, and Dipl.-Kfm. Hans Thomas, consultant businessman, Hofheim, Germany.
In addition to belonging to the corporate bodies of Centrotec Hochleistungskunststoffe AG, the following members of the Managing and Supervisory Boards also sit on other supervisory boards of stock corporations:
G.A. Krass: PACT Informationstechnologie AG, Munich, Germany; pre-IPO AG, Hamburg, Germany; Pari Capital AG, Munich, Germany; Pari Capital Group AG, Steinhausen, Switzerland; Ubbink Nederland B.V., Doesburg, The Netherlands.
Dr. B. Heiss: H.O.T. Networks AG, Munich,

Germany; ArtMerchandising & Media AG, Munich, Germany; OPUS 1 Vermögens-Management AG, Munich, Germany; Dr. A. Kirsch: Pari Capital AG, Munich, Germany.
Dr. Gerrit- Johan Huisman and Martinus E.T. Beijer were appointed to the Management Board on May 2, 2000.

(5) Total remuneration of corporate bodies

The members of the supervisory board have received a consideration of ’000 EUR 8 in the financial year. The total salaries of the four board members was ’000 EUR 524, with part of these salaries being paid by the subsidiaries.

(6) Shareholdings

The company owned holdings in the following companies at the balance sheet date:

Name/registered office	*Holding %*
Centroplast Kunststoff-erzeugnisse GmbH, Marsberg	100.00
Centrotherm Abgas-systemtechnik GmbH, Marsberg	100.00
Centroplast Verwaltungs-GmbH, Marsberg	100.00
Ubbink Holding B.V., Doesburg, Niederlande	100.00
Ubbink International B.V., Amstelveen, Niederlande	100.00
Centrotherm Gasflue Technologies Italy, Mailand, Italien	100.00
Bond Laminates GmbH, Trossingen-Schura	24.95

The equity of these subsidiaries and their result for the past financial year are not indicated here, on the basis of § 286 Para. 3 No. 2 German Commercial Code (HGB).

Marsberg, February 28, 2001
CENTROTEC Hochleistungskunststoffe AG

Hans-Lothar Hagen, CEO
Martin Beijer, Systems Division
Dr. Alexander Kirsch, Strategy
Dr. Gert-Jan Huisman, CFO

AUDIT OPINION

of **CENTROTEC** Hochleistungskunststoffe AG, Marsberg

for the financial year 2000

We have audited the financial statements, including the accounting system, and the management report of Centrotec Hochleistungskunststoffe AG, Marsberg, for the fiscal year from January 1, 2000 to December 31, 2000. The Company's legal representatives are responsible for the accounting and preparation of the financial statements and management report in compliance with German commercial law and the supplementary regulations in the articles of incorporation. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting system, and on the management report.

We conducted our audit of the financial statements pursuant to Sec. 317 of the Commercial Code (HGB) and in compliance with the generally accepted standards for the audit of financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect the presentation of the net worth, financial position and results of operations as conveyed by the financial statements, in compliance with generally accepted accounting principles, and by the management report. The scope of the audit was planned taking into account our understanding of business operations, the Company's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal accounting controls was assessed, and the disclosures made in the books and records, financial statements and management report were verified, mainly on a test basis. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

In our opinion, the financial statements present a true and fair view of the Company's net worth, financial position and results of operations in accordance with generally accepted accounting principles. In all material respects, the management report accurately presents the situation of the Company and the risks to its future development.

Hannover, 28. February 2001

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Steinweg	Nebelung
Wirtschaftsprüfer	Wirtschaftsprüfer

Supervisory board:

Guido A. Krass (president)

Dr. Bernhard-R. Heiss

Dipl.-Kfm. Hans Thomas

Board of managing directors:

Dipl.-Ing. Hans-Lothar Hagen (president, 43) is chief executive officer of Centrotec AG since its foundation. He is responsible for the business line engineering plastics. Prior to that he has been sole managing director of Centroplast Kunststofferzeugnisse GmbH and managing director of Centrotherm Abgassystemtechnik GmbH. After his studies of engineering, specialising on plastics technology, he joined Centroplast in 1981. One year later, he took over the technical department. From 1985 he was responsible for both the technical and sales department.

Dr. Alexander Kirsch (34), holding a doctorate in business administration, had been chief financial officer of Centrotec AG since 1998. Reflecting the growth strategy of Centrotec, he took over the new function of strategy and expansion in 2000. After being a management trainer, Dr. Kirsch had been with McKinsey & Company for several years.

Ing. Martin Beijer (54), successful managing director of the newly acquired Ubbink Systems group since 1997, is responsible for the business line systems within the Centrotec group. Mr. Beijer formed Ubbink from an merely traditional plastics supplier to a growing and innovative specialist for plastic gas flue and climate control systems.

Dr. Gert-Jan Huisman (33), holding a doctorate in business-administration, is chief financial officer since the beginning of 2000. Being native Dutch, he contributes a long year management experience in Germany. He had been head of a branch office of Commerzbank for four years. After that he joined McKinsey & Company as senior consultant and later on project manager, working for five years in several countries.

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