



healthcomfortenergy

Annual Report 2003
of CENTROTEC Sustainable AG



*CENTROTEC since
the IPO in 1998*

	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Total revenue	115,671	98,373	74,284	64,779	17,552
Engineering Plastics	20,152	16,101	15,854	12,637	10,897
Plastic Systems	93,298	78,991	54,589	47,999	6,655
Other	2,221	3,281	3,841	4,143	0
Earnings					
Cash flow I (earnings and depreciation/amortization)	12,397	10,030	9,226	7,253	1,707
EBIT (pre-goodwill)	15,185	11,364	10,162	8,260	2,019
EBIT	13,222	9,677	9,322	7,536	2,019
Net profit for the period (pre-goodwill)	8,225	5,836	5,991	4,144	1,110
Net profit for the period	6,263	4,148	5,151	3,420	2,003
Earnings per share (basic, pre-goodwill)	1.07	0.76	0.84	0.58	0.15
Earnings per share (basic)	0.82	0.54	0.72	0.48	0.15
Earnings per share (diluted)	0.81	0.54	0.71	0.47	0.15
Average number of shares outstanding (basic)	7,661,935	7,660,713	7,201,796	7,197,989	7,200,000
Average number of shares outstanding (diluted)	7,753,317	7,660,713	7,266,264	7,315,871	7,200,000
Employees					
Total (average full time equivalents for year)	852	600	385	340	101
Personnel expenses	28,486	24,506	16,168	13,052	3,909
Capital structure					
Shareholders' equity	33,799	27,703	19,187	13,800	10,532
Total capital	115,025	87,859	59,564	54,043	20,778
Equity ratio	29.4 %	31.5 %	32.2 %	25.5 %	51.0 %
Investments/depreciation and amortization					
Investments in tangible assets	7,505	4,216	3,819	5,627	1,315
Depreciation of tangible assets and intangible assets (excluding goodwill)	4,172	4,195	3,236	3,109	597
Amortization of goodwill	1,963	1,688	840	724	0

Key Figures at a Glance

	31.12.2003 EUR '000	Previous year EUR '000	Change
Total revenue	115,671	98,373	17.6 %
Engineering Plastics	20,152	16,101	25.2 %
Plastic Systems	93,298	78,991	18.1 %
Other	2,221	3,281	- 32.3 %
Earnings			
Cash flow I (earnings and depreciation/amortization)	12,397	10,030	23.6 %
EBIT (pre-goodwill)	15,185	11,364	33.6 %
EBIT	13,222	9,677	36.6 %
Net profit for the period (pre-goodwill)	8,225	5,836	40.9 %
Net profit for the period	6,263	4,148	51.0 %
Earnings per share (basic, pre-goodwill)	1.07	0.76	40.7 %
Earnings per share (basic)	0.82	0.54	51.0 %
Earnings per share (diluted)	0.81	0.54	49.2 %
Average number of shares outstanding (basic)	7,661,935	7,660,713	0.0 %
Average number of shares outstanding (diluted)	7,753,317	7,660,713	1.2 %
Employees			
Total (average full time equivalents for year)	852	600	41.9 %
Personnel expenses	28,486	24,506	16.2 %
Capital structure			
Shareholders' equity	33,799	27,703	22.0 %
Total capital	115,025	87,859	30.9 %
Equity ratio	29.4 %	31.5 %	- 6.8 %
Investments/depreciation and amortization			
Investments in tangible assets	7,505	4,216	78.0 %
Depreciation of tangible assets and intangible assets (excluding goodwill)	4,172	4,195	- 0.5 %
Amortization of goodwill	1,963	1,688	16.3 %

• • • *Chronology of 2003*
Financial Calendar 2004

FINANCIAL CALENDAR 2004			
Date	Time	Event	Place
March 24		Publication of 2003 accounts	
March 24	2.00 p.m. – 3.30 p.m.	DVFA Analysts and Annual Press Conference	Hotel Hilton, Broadway Room Hochstrasse 4, 60313 Frankfurt am Main
May 26	11.00 a.m. – 1.00 p.m.	Annual General Meeting of Shareholders	Hotel Hilton, Liberty 1 Room Hochstrasse 4, 60313 Frankfurt am Main
May 13		Publication of I/2004 quarterly report	
August 19		Publication of II/2004 quarterly report	
November 18		Publication of III/2004 quarterly report	

JANUARY	Weak start to 2003 on stock market		
FEBRUARY	Management Board Member Dr. Kirsch takes over the Engineering Plastics Division	SEPTEMBER	Thanks to healthy earnings, stock market circulars and finance magazines forecast significant appreciation in share price
MARCH	Share price reaches year-low (EUR 3.80) Annual Press Conference and Analysts Meeting in Frankfurt	OCTOBER	Centrotherm / Ubbink (F) granted permit for their plastic gas flue systems in France
APRIL	CENTROTEC forecasts high rise in revenue (EUR 110 – 115 million) and EPS (EUR 1.00 – 1.05 pre-goodwill) for 2003	NOVEMBER	Publication of Q3 figures (revenue +13 %, net earnings + 44 %; full-year forecast confirmed)
MAY	Headquarters of parent company transferred from Marsberg to Brilon Publication of Q1 figures (revenue + 1.6 %, net earnings + 26 %)	DECEMBER	Publication of the magazine CENTROtext 03 Completion of the new building in Nantes (F) (office and logistics centre)
JUNE	Acquisition of Ned Air B.V., Kampen (NL) Publication of the magazine CENTROtext 02 Completion of extension building in Brilon (500 m ² office and 2000 m ² hall area)	JANUARY 04	CENTROTEC decides to launch a new corporate identity
JULY	CENTROTEC share price breaks through the critical EUR 7 barrier	FEBRUARY 04	CENTROTEC announces provisional figures: revenue + 18 % to EUR 115.7 million
AUGUST	Entry into field of medical technology: acquisition of Möller Medical GmbH Co. KG, Fulda (D); publication of Q2 figures (revenue + 7.9 %, net earnings + 22 %)		

Results and Objectives

Highlights of 2003

- Revenue rises by 18 %, easily breaking through the EUR 100 million barrier
- Despite weak economy, organic growth of 8 %
- Earnings per share up 41 % to EUR 1.07
- Successful acquisition and integration of Ned Air
- Successful acquisition and integration of Möller Medical
- Operative cash flow rises from EUR 6.7 million to EUR 13.0 million
- Equity ratio 29 % despite acquisitions
- European market lead extended in the field of controlled ventilation of rooms and plastic gas flue systems
- Share price rises by 80 % (from EUR 5.45 to EUR 9.85)
- "CENTROTEC goes sustainable"

Objectives for 2004

- Sustained high growth of around 15 % in revenue and 20 – 30 % in EPS
- Continuing integration of Ned Air and Möller Medical
- Start of volume production by CENTROTEC Composites
- Promotion of R&D activities (nano-coatings, advanced plastics, energy-saving cooling)
- Change of name to "CENTROTEC Sustainable AG" to reflect the shift in emphasis to sustainable energy-saving products
- Market launch of a new standard product range with integrated ventilation and cooling
- Search for further strategic takeover candidates

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• Letter to Shareholders

Dear shareholders,

Our company was notably successful in 2003, despite the adverse economic context. In contrast to the general trend, we were able to continue expanding: we witnessed an 18 % rise in revenue and a 41 % increase in EPS in 2003. The acquisition of Ned Air has strengthened the Climate Systems Division. And in acquiring Möller Medical, we have consciously tapped a new area of growth that exhibits a high level of affinity with our previous operations in the sphere of plastics. Although we completed both acquisitions without needing to increase our capital, all key figures relating to our substance developed positively in the year under review.

In parallel with our visibly positive business progress, our company likewise evolved internally. We aim to communicate this changed state of affairs by adopting a new name: subject to ratification by the Shareholders' Meeting, CENTROTEC Hochleistungskunststoffe AG has now become CENTROTEC Sustainable AG.

The new name is much more than a cosmetic change; it sets out our agenda for the future. The word "sustainable" denotes the focus of our emphasis, which is in fact the logical consequence of the direction in which we have been moving in recent years. "Sustainable" denotes not simply an approach to corporate management that takes account of ecological, social and ethical concerns, but above all the nature of the products we make.

Examples from our sustainable product range include systems for climate control with heat recovery, gas flue systems for energy-saving condensing boiler technology, super-lightweight fibre composites and components and systems for the area of medical technology. On the one hand products that save energy, preserve resources and help people and their environment, and on the other hand an ecologically sensitive approach to production and corporate management. This is what we mean by "sustainable". We are absolutely convinced that products that meet the growing need for a responsible approach to people and nature will have a bright future. We are moreover of the opinion that a corporate culture characterized by tolerance and initiative will promote a modern form of enterprise at every level.

Our systematic implementation of a strategy based on sustainability is already bearing fruit both in our business operations and on the capital market. The development in our share price over the past year was highly satisfactory. From our revenue and earnings growth to the development in our capital base and other key figures from our balance sheet, but above all in respect of the economic prospects of our business areas, everything points towards the shares of CENTROTEC Sustainable rating as a "buy" – including in the longer term. Our entrepreneurial approach based on traditional values (in the sense of preserving all that is good) will continue to be reflected by a steady rise in the value of the company.

Best wishes,
The Management Board and Employees
CENTROTEC Sustainable AG



Dr. Alexander Kirsch
Medical Technology & Engineering Plastics,
Strategy and Expansion

Martin Beijer
Gas Flue Systems

Rob Slemmer
Climate Systems

Dr. Gert-Jan Huisman
CEO and



• Why “Sustainability”?

Pending the approval of the Shareholders’ Meeting, CENTROTEC will shortly be adopting a new name: CENTROTEC Sustainable AG. So why this change? What are we aiming to convey? And what impact does this change have on the future of our company?

In the mid-1980s, two new criteria for gauging entrepreneurial success emerged: “shareholder value” and “sustainability”. The practical ramifications of “shareholder value” took capital markets worldwide by storm following the popularization of the idea by the American economics professor Alfred Rappaport in a book published in 1986 entitled “Creating Shareholder Value”.

1987, just one year after the appearance of Rappaport’s book, saw the emergence of a second philosophy aimed at those whose business it is to steer corporate strategy: “sustainability”. This was the year of the publication of the report “Our Common Future” by the World Commission on Environment and Development. That document concluded that economic success viewed from a higher perspective can only be interpreted as such if it is sustainable, i. e. if it is not secured at the expense of the livelihood of future generations. This “sustainability proviso” has ecological, social, political, ethical and economic implications. The newly coined term of “sustainable development” was thus defined for the first time (see box).

Sustainable development is ...

“Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Quoted from: “Our Common Future”, report by the World Commission on Environment and Development, 1987

It is only in recent years that these two philosophies have started to converge in the specific context of corporate management. This convergence has prompted an increasing shift from of the “shareholder” to the “stakeholder” idea as a means of gauging the success of a company. In other words, in addition to the exclusively short-term consideration of a company’s value there is now the long-term aspect, as well as its responsibility in a wider sense, i.e. not simply towards shareholders, but also to employees, clients and the public as a whole. Advocates of the sustainability approach attach importance to the belief that long-term corporate value can only be assured if the criteria for sustainable management are heeded. This brings us full circle.

The voice of the investment community

“Being proactive and innovative with regard to future sustainability challenges is increasingly regarded as a crucial success factor and, thus, as a significant lever to increase long-term shareholder value. A rising number of asset managers therefore seek to invest in sustainability leaders.”

Scott Stark, Managing Director of the index company STOXX Limited, at the launch of the Dow Jones Sustainability Indexes in September 1999

“Research has shown that incorporating social responsibility can decrease volatility and increase returns.”

Roger Cowe, Chairman of Association of British Insurers, in Risk, Returns and Responsibility, 2004

The capital market has responded to this in its own way. Major industrial companies now publish a “sustainability report” as well as their annual report. Auditors compile “environmental audits”, in other words they issue a summary of environmental impacts, though the accompanying regulatory standards are as yet still voluntary. A major new index family, the “Dow



Jones Sustainability Indexes”, was launched on the American stock market on September 17, 2001. It includes exclusively the shares of companies which satisfy the criteria of sustainable management. This is a consequence of the emergence of investors who, rather than simply wishing to maximize the value of their portfolio, adopt a “green” approach, for example.

Every company these days is effectively “two rolled into one”. That is, on the one hand a manufacturer of certain products that are sold on product markets to the users and consumers of those particular products; on the other hand, every company is also a provider of “yield services”. Shareholders provide a company with capital and want it to be managed profitably and sustainably. Our change of name is intended to serve as a statement of intent both to the capital market and to investors, and also to our clients: our products – and

our shares – can look forward to a sustainable future. We are pursuing a long-term strategy that is in every respect to the benefit of the company, its proprietors, its clients and its employees. Last but not least, we aim to prepare the way for future generations.

A question of basic outlook

There are economic but also ethical reasons for placing the emphasis on sustainable development. We are fully aware of what is going on around us. We, in other words the employees and management of CENTROTEC Sustainable AG, are likewise individuals, have families, and depend on the world in which we live. We are consequently aware that we do not have another planet Earth “up our sleeve”, and that we need to treat the resources of our planet with prudence and care.



Sustainable at the core

"We do not engage in corporate citizenship issues for publicity reasons only, but because we wish to protect existing and create new intangible assets. Investor awareness depends on whether these issues are seen as relevant to core business, financial profits and sustained growth."

Inge Hansen, CEO of Statoil, 2004

"Without profits, no private company can sustain principles. Without principles, no company deserves profits."

Mark Moody-Stuart, Chairman of Royal Dutch/Shell, 2002

CENTROTEC owes its growth to products that contribute towards greater environmental acceptability and towards the preservation of resources. Examples of these include systems for climate control with heat recovery, gas flue systems for condensing boiler technology, super-lightweight fibre composites and, to an increasing degree, components and systems that improve medical care for people. Health, comfort, energy: CENTROTEC products help create a healthy interior climate in many households. Meanwhile our products satisfy very high standards of comfort, at very low levels of energy consumption.

We are of course not a charitable institution, nor do we work in a voluntary capacity. In emphasizing the topic of sustainability, we are nevertheless dealing with a question of attitude. We believe that concentrating on making a sustainable contribution that will benefit our customers will also bring financial success. We therefore consciously set ourselves apart from other companies that regard sustainability more as a peripheral consideration. At CENTROTEC, sustainability is our core business.

So what specifically is about to change?

We associate our new name with the commitment to a corporate strategy that focuses on the criteria of sustainable management. We aim to create sustainable corporate value in the long term for our shareholders and for the society in which we live.

The enthusiasm of our clients, who increasingly share this ambition, is one means of achieving this goal. We will be helping them to shift their personal environmental position in a more beneficial direction and thus to feel more at ease with themselves. We want to play a part in developing and selling the best energy-saving products for houses and vehicles.

More specifically, we will be following the example of many major companies in publishing our first sustainability report for the 2004 financial year. According to a survey carried out by the auditors KPMG, almost half of all Fortune 250 companies published such a report in 2002. On the other hand, this practice is still rare among smaller companies such as ours.

The CENTROTEC Sustainability Report will be based on the (voluntary) guidelines of the Global Reporting Initiative (GRI). The GRI was launched in 1997 together with the United Nations and a collection of over 80 renowned investors, environmental protection groups and other pressure groups. Today, the GRI is an official body of the United Nations, performing the task of helping companies to compile their "triple bottom line" reporting, i.e. business, social and ecological corporate reports.



CENTROTEC will in addition draw up sustainability plans for all three areas. Our report will enable everyone to keep track of the principal activities, their costs and the degree to which targets have been attained. The tables in this chapter represent the principal targets and the way these are gauged in the domains of social justice, environment and market activities. The financial targets will naturally continue to exist. However, success stems not simply from the striving for a return on investment. The belief that an approach can only be “correct” if it brings economic success is ultimately immoral. Our ethical principles must consequently serve as the basis of our sustained behaviour. We do right because it is right. This entails:

- ... exploiting additional business opportunities in new markets for sustainable products,
- ... strengthening confidence in our customer, which will also be manifested in the guise of “market value”,
- ... implementing ecological criteria based around the economical use of resources and efficient production methods, and
- ... promoting responsibility and enterprise among the people who make our company what it is

Rich rewards ...

“In the marketplace, perceptions, preferences and buying decisions are increasingly based on an organization’s social contributions. ...These opinions make it clear that fostering the trust and confidence of everyone we touch is a prerequisite for long-term business success”

Douglas Daft, Chairman and CEO of Coca Cola, 2004

We are utterly convinced that focusing on sustained management is the right strategy that will bring our company economic and ethical success. This is something we firmly believe.



Sustainability Reporting

The future shape of our accountability

sustainability is an attitude

Sustainability is an attitude, not an objective

**CENTROTEC stands for sustainability in its core:
our products and the people behind them strive
to generate lasting value to customers,
employees and shareholders.**

Vision

Products help to save energy

Promoting health through products

Increasing comfort through minimal energy input

Directions

Disseminating energy-saving products

- Directly (heat recovery, photovoltaics)
- Indirectly (gas flue sys. for CBT)
- Increasing use of super-light weight composites in motor vehicles/aircraft

Disseminating health products

- Reducing radon radiation
- Reducing allergies
- Eliminating use of lead
- Increasing number of product innovations in medical technology

Developing more energy-efficient, natural cooling systems

- Adiabatic cooling
- Phase change materials (PCM)

Measurable objectives

Contributing to reduction in CO₂ [t]

Percentage weight saving through use of composites

Total indoor fans sold
Total filters sold
Total lead substitutes sold
Total new products launched

Developed, finished product

Environment

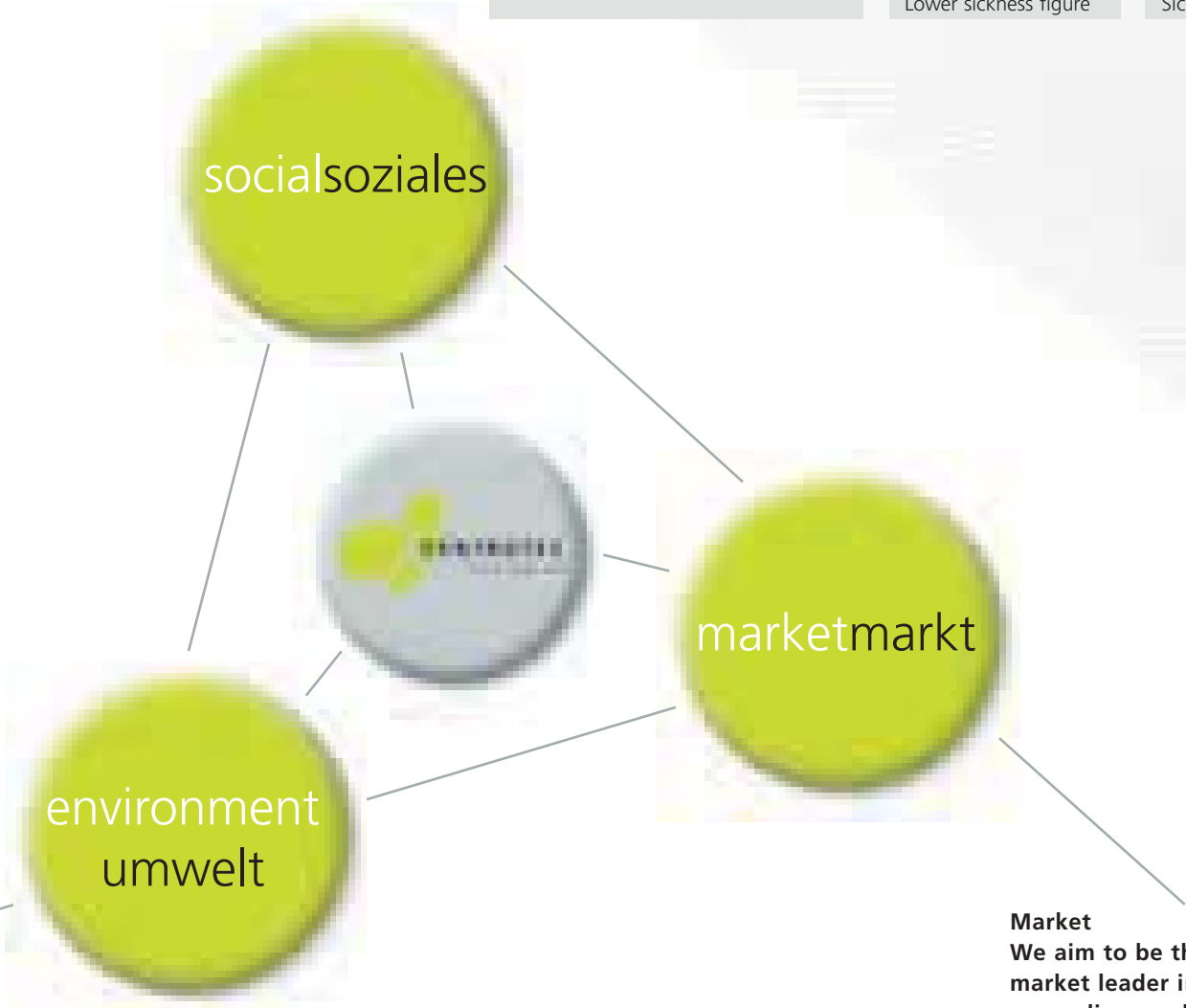
Our products are meant to promote sustainability

Social
We aim to practise enterprise

Vision
Integrating the socially marginalized through deeper added value
Long-term sense of mutual responsibility
Employees' company
Promoting enterprise
Sustained production techniques

Directions
Involving marginalized groups (handicapped, rehabilitated) in production
Ideally "lifetime employment"
Autonomy and responsibility
New products, Projects frugality
Reducing harmful substances in production
Fewer industrial accidents
Lower sickness figure

Measurable objectives
Measurable objectives
Added value in EUR (internally and externally)
Long-service awards > 10 years
Employees > 10 years with company
Organizational form of "Investment Centre"
Total new products
EBIT margin
Consumption of solvents and PVC
Total accidents
Sickness figure



Market
We aim to be the market leader in expanding market segments

Vision
Leader for energy-saving climate control
Leader for gas flue systems for condensing boiler technology
Achieving relevant market position in medical technology
Innovation leader for plastics technology

Directions
Disseminating heat recovery devices
Maintaining market share
Disseminating systems
Maintaining market share
Increasing revenue faster than market growth
Disseminating innovative materials

Measurable objectives
Total devices sold
Market share in EU
Total devices sold
Market share in EU
Medical technology revenue
Total applications or revenue for new materials

Divisions

MEDICAL TECHNOLOGY & ENGINEERING PLASTICS

- High-temperature semi-finished plastic products
- Prefabricated products and assemblies, e.g. for medical technology
- Super-lightweight, high-strength advanced composites in the form of semi-finished products and finished mouldings, as well as system solutions
- Apparatus and components for analytical procedures, medical technology and precision mechanics

High Temperature Plastics

- CENTROPLAST Kunststoffzeugnisse (D)
- Rolf Schmidt Industri Plast (DK)

Advanced Composites

- CENTROTEC Composites (D, Singapore, Indonesia)
- Bond Laminates (24.95 %; D)

Medical

- CENTROTEC Medizintechnik (D)
- MÖLLER Medical (D)

SYSTEMS

- Plastic gas flue systems for condensing boiler technology
- Climate systems with heat recovery for low-energy houses
- Solar systems (photovoltaic) and other roof products

Gas Flue Systems & Solar / Roof

- CENTROTHERM Abgassystemtechnik (D, I)
- Ubbink Systems (NL, UK, F, B)

Climate Systems

- Brink Climate Systems (NL, D)
- Ubbink Systems (NL, UK, F, B)
- Ned Air (NL)



• • • *Medical Technology & Engineering Plastics Division*

The Medical Technology & Engineering Plastics Division comprises the sub-divisions

- High-temperature plastics as semi-finished products or semi-finished components,
- Advanced composites, and
- The newly incorporated area of medical technology.

The division as a whole is CENTROTEC's powerhouse for new ideas. Here, new applications and sales markets are probed, suitable materials and products developed and put into production, then marketed.

The medium-term strategy for expansion in the restructured Medical Technology & Engineering Plastics area envisages establishing and building up complementary sales areas in technologically challenging sectors such as medical technology.

The medical technology activities of Möller Medical, which were acquired during the year under review, are a typical application within the wider Medical Technology & Engineering Plastics Division. In purchasing this company, CENTROTEC has taken the strategic step from an out-and-out plastics processor to a developer of systems and applications.

Example of composites:

Advanced composites will develop into one of CENTROTEC'S main growth areas in the next few years. Composites are plastics reinforced with woven long fibres (carbon, aramide, glass, aluminium, etc.) and exhibiting extremely high strength coupled with minimum weight.

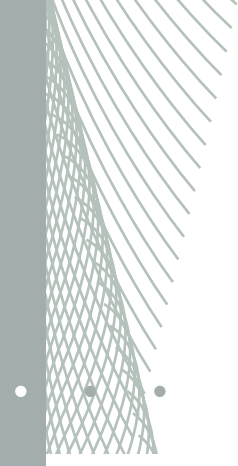
Example of nano-composite coating:

Only very few companies of our size are able to master this technology of the future. Nano-coatings are layers that

- are extremely thin,
- are high-adhesive and scratch-resistant (because they involve molecular bonds), and
- exhibit special characteristics (e. g. dirt and water repellent or wettable, insulating or conductive, temperature-resistant, with good slip properties, chemically resistant, low coefficient of friction).

The potential applications are only beginning to be exploited. Nano-technology now offers stable, extremely thin alternatives to the familiar PTFE coatings ("Teflon"). The process involved is still relatively labour-intensive and therefore costly, but the costs will fall along with increasing experience and automation.





Last year, the group acquired a significant new unit through the establishment of CENTROTEC Medizintechnik GmbH and the acquisition of Möller Medical GmbH & Co. KG, Fulda (formerly Möller Feinmechanik GmbH & Co. KG). The new subsidiary employs 150 people in the technology areas of injection moulding /tool-making, laser processing, machining/gear cutting, nano-coating, electroplating, electronics/software, assembly, clean-room production and design/development.

The company, established back in 1949 and with ISO-13485 accreditation, manufactures OEM components and systems for highly sensitive medical applications in accordance with German medical products legislation; in certain cases it has FDA (Food and Drug Administration) permits.

Examples include hose pumps and systems for dialysis treatment, DNA analysis boxes for laboratory medicine (PCR), blood blending weighers/blood donation computers for transfusion medicine, tumescence infiltration pumps and a suction system with vibrating handle for aesthetic surgery (liposuction), as well as ultra-thin hollow needles with special inner nano-coatings, e. g. for analytical medicine and urology.

Its list of clients includes most major medical technology companies in Germany, as well as many specialized medical product distributors which supply sub-markets under their own brand name. There exist long-standing relations and intensive partnerships on various

levels with most clients; the quality of the products and the technical expertise are the basis of these customer relationships. Thanks to close cooperation with clients on research and development matters, CENTROTEC's new subsidiary is constantly unveiling new products and techniques that are protected by patents and utility models.

Entirely in keeping with CENTROTEC's culture, the Medical business area will expand steadily through organic growth and acquisitions. As highly promising sub-markets of medical technology, activities in this area are focused on

- Aesthetic surgery, both for the treatment of people with metabolic or skin ailments and as a result of the steady, and in response to the increasing awareness among healthy people of their bodies.
- Analytical/laboratory medicine, where increasing automation is fuelling demand for precision-made, precision-engineered components and high-performance coatings.
- Nano-coating technology, with the aid of which ultra-thin, high-performance anti-adhesion, wettable or decorative coatings are applied.
- The development of pharmaceutical functional packaging with supplementary functions (injection, inhalation, etc.) for the OEM market of the pharmaceutical industry.



With its sheer diversity, medical technology is a long-term growth market that is outstandingly suited to CENTROTEC's fundamental outlook: it helps people, and it is at home in a market that is growing structurally. Even at a time of cutbacks in the German health system, and elsewhere, rising per capita incomes worldwide, a rising global population and, last but not least, rising life expectancy mean that medical technology can look forward to a dynamic future.





• *Climate Systems Division*

Two strands of development in customer requirements used to be directly in conflict with one another: growing environmental and health awareness on the one hand, and the need for fresh air and a pleasant climate inside buildings on the other. Intelligent ventilation systems with heat recovery are now in a position to overcome this conflict. They substitute fresh air for stale air, without any significant loss of energy (efficiency 95 %).

Three particular trends have created an environment in which the significance of this product group, of extreme importance to CENTROTEC, will continue to grow for decades:

- Improving environmental awareness which is both directly changing consumer behaviour and having an indirect effect via state controls
- Rising energy costs, with supply bottlenecks foreseeable in the longer term
- Houses are becoming more and more “airtight” for reasons of energy saving. A lack of ventilation means that many houses built in line with the latest standards are suffering from moisture damage. Health problems that can be attributed to poor indoor atmospheric conditions (allergies, asthma) are moreover on the increase. CENTROTEC systems offer a remedy to both problems.

Controlled climates are a means of assuring an enduringly healthy interior climate while at the same time minimizing energy consumption. In the long term, they should therefore become widespread throughout Europe. Apart from the insulation of buildings and the

use of condensing boiler technology, no other energy-saving measure achieves such a good investment input to CO₂ emissions ratio.

The Dutch have led the way: virtually half of all new houses built in 2003 were equipped with a ventilation system with heat recovery. Four years ago, the market penetration for new buildings was still under 10 %. There will be a similar development in Germany over the next few years. It is still early days for this idea in countries such as France, the UK and Italy, but these are bound to follow.

A comparable development for larger buildings is likewise emerging. Along with the acquisition of Ned Air, systems for larger residential buildings and commercial properties (offices, hospitals, schools, etc.) have been added to the CENTROTEC product range. This segment is benefiting from new regulatory measures that specify particular requirements for energy consumption for buildings of a certain type and size. Thanks to its experience with industrial systems, Ned Air possesses ample expertise in the integration of cooling and ventilation. This places CENTROTEC in an outstanding position to capitalize on key trends in the residential and industrial buildings sector.

The current debate in Europe concerning radon emissions underlines the growing awareness of how important active ventilation is to comfort and health in modern houses. Increasing numbers of studies indicate that radon emissions from the earth and from walls and the resulting radiation cause more damage to the health than passive smoking or asbestos, for instance.



The problem (see box) is that in modern houses, the radiation concentrated in the air is no longer dissipated for fear of wasting energy.

Radioactive radon can be reduced by good ventilation

Radioactive radon is a gaseous decomposition product of radium. Radium in turn occurs as a result of the decomposition of uranium. It is present almost everywhere in the earth's surface. Radon finds its way into buildings through cracks in base slabs or poorly sealed transitions and pipe supports, etc. It lingers there more than outdoors, with the result that the concentration of radon and its radiation inside buildings is normally ten times the level outdoors. The more intensive the ventilation, the lower the concentration of this harmful substance in the air inside a house.

The Health Council of the Dutch Ministry of Health has calculated that radon claims 800 lives each year in

the Netherlands, tendency rising. Yet the ground radon concentration in the Netherlands is the lowest in Europe. Experts agree that active, controlled management of the air inside rooms is the best solution.

A further area of growth in this segment is the rising demand for comfort. Cooling is increasingly becoming a standard feature inside buildings, as well as in cars.

CENTROTEC is aiming to provide this not simply by using traditional technology, but also by introducing new energy-saving techniques. We believe that cooling by means of water evaporation (adiabatic) or phase change materials harbours the scope to increase our revenue in this segment in the long term many times over.



Gas Flue Systems Division

The Gas Flue Systems business area supplies original equipment manufacturers, in other words brand manufacturers, and technical dealers throughout Europe with plastic gas flue systems for condensing boiler technology. Systems made from plastic have now almost entirely supplanted the traditional metal systems, as they are more resistant to the acid that occurs in the gas flue systems of condensing boilers.

Gas condensing boiler systems are increasingly taking the place of traditional gas and oil-fired heating systems, as they use around 35 % less energy by recovering energy from the flue gas through a process of condensation. This double substitution effect (gas condensing boiler technology replacing conventional gas/oil heating; plastic systems replacing metal systems) is assuring steadily growing demand for CENTROTEC gas flue systems despite the general downward trend in the heating systems market.

When we consider CENTROTEC's regional sales markets, we find there is scope for sustained market growth lasting up to ten years: condensing boilers still account for less than half of the gas boiler market in

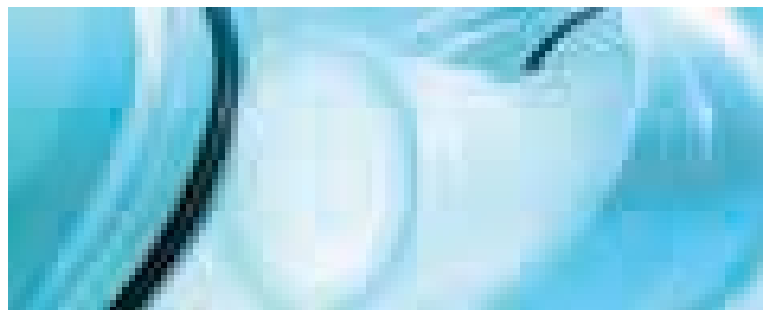
Germany. As twice this level has been achieved in the Netherlands, the country which pioneered this technology, it can be assumed there is scope for sales to double in Germany.

The market penetration of condensing boilers in the remainder of Western Europe is still less than 10 %, and Eastern European regions still have this entire development ahead of them. As emission regulations are gradually being toughened up in the EU and rising energy prices will render condensing boiler technology increasingly appealing, a gradual spread in its use been observed.

CENTROTEC is well positioned in all core EU countries, with its own sales subsidiaries or agencies and the necessary product permits. CENTROTEC is thus one of the few suppliers able to support the European-scale strategies of boiler manufacturers. These strengths have not only elevated us to the status of market leader for condensing boiler technology, but also made us the biggest player in the entire European market for gas flue systems.



The Gas Flue Systems Division therefore stands to benefit above the odds from the structural market growth outlined here. Strong ties with the leading boiler manufacturers, excellent product quality, a patent-protected technology, an efficient on-site repair service and the high degree of innovative capability underpin this development.



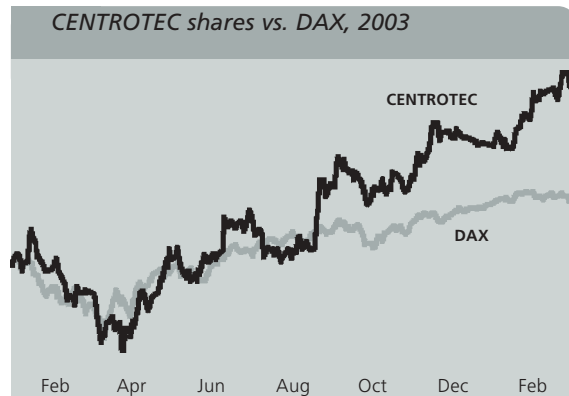
Shares

CENTROTEC SHARES BOUNCE BACK

At the start of 2003, virtually all stock markets worldwide slumped even lower as a result of the threat of war in Iraq. Matters nevertheless improved from March 2003. By December 31, 2003 the DAX index had risen by more than 80 % compared with its year-low; the rise over 2003 as a whole was 28 %. These high figures admittedly need to be put into context, because all indices had fallen sharply in the three preceding years. The value of CENTROTEC likewise recovered along with the general upswing – the main difference being that its improvement was significantly more marked. The shares of this growth company rose by more than 200 % on the year-low, appreciating by 80 % overall in 2003.

Fundamental growth averaging 60 % per year since IPO

CENTROTEC earned slightly more than one euro per share in 2003 (EUR 1.07 to be precise). In the previous year, this “earnings per share” figure (before goodwill amortization) was EUR 0.76. Since going public in 1998, this figure and various other key indicators, such as revenue, employee total and assets on the balance sheet, have risen by an average of around 60 % per year. The average rate of growth of 25 % that was our target at the time of the IPO has consequently been clearly exceeded. Earnings per share at the time of the IPO in 1998 were EUR 0.11. The figure for 2003 thus represented an almost ten-fold rise. This over-fulfilment of our targets is attributable to the fact that no external growth components were factored into our plans.



Growth stock: target for medium-term organic growth of 20 – 30 % p. a.

The extremely high growth rate of CENTROTEC's early years cannot simply be extrapolated into the future. In the year under review, CENTROTEC grew by 18 % overall, of which organic growth accounted for 8 percentage points. This achievement needs to be viewed in the light of an acutely slack economy. As soon as the downturns in demand stabilize, the rates of organic growth can be expected to move back into double digits. The technology-driven company remains a “growth stock” in structural terms, i.e. its entire strategy is geared up to positioning itself through innovative products in sustainability markets that promise to deliver above-average growth.

The Management Board has set itself the target for the next few years of boosting the company's earnings per share (EPS pre-goodwill) by between 20 and 30 % annually. This growth in earnings can be achieved

CENTROTEC shares

	1998	1999	2000	2001	2002	2003	2004(e)
1) P/E	59	50	34	14	14	5	9
2) PEG	1.0	0.8	1.1	0.5	0.6	0.2	0.4
3) EPS acc. to IAS	0.11	0.16	0.58	0.84	0.76	1.07	>1.30
4) Price in Q1	6.48	8.00	20.00	12.00	11.00	5.50	12.00
5) Growth	60 %	60 %	30 %	30 %	20 – 30 %	20 – 30 %	20 – 30 %

1) Price/earnings ratio

2) Price/earnings to (long-term) growth

3) Adjusted for goodwill amortization and one-off IPO costs

4) Price in EUR (98: IPO price)

5) Anticipated long-term growth rate for earnings in each year

organically. Thanks to economies of scale and targeted, plannable measures to enhance efficiency as well as the scheduled improvement in the interest result based on repayments from current cash flow, organic growth in revenue and EBIT of 10 – 15 % will suffice in the medium term to achieve the target of 20 – 30 % growth in earnings per share.

Although not based on any specific plans, the company's strategy nevertheless envisages maintaining the gradual M&A strategy, which will continue to bolster internal growth in the future.

Further scope in share price

At the present share price of approx. EUR 13.00 (as at mid-March 2004) and earnings per share of approx. EUR 1.07 for the past year, the price/earnings ratio (PE) is in the order of 12. Based on the anticipated earnings per share for the current year of EUR 1.30 – 1.35, this quotient falls below 10. The latest rule of thumb suggests that the PE ratio should be roughly equivalent to the medium-term growth in earnings ("price earnings to growth ratio", or "PEG ratio" for short). In the case of CENTROTEC, a PE ratio of 20 – 30 would still be justified.

The major source of criticism from analysts and investors last year – that CENTROTEC's borrowings were too high – no longer applies. In the wake of the general recession, many investors feared that CENTROTEC might not be able to meet its financial obligations as a

result of falling earnings and cash flow, and might be obliged to increase its capital. This has in fact been the case at various other companies. It did not happen at CENTROTEC, which adopted a highly cautious investment and acquisition policy even during the boom years, with the result that earnings and cash flow have remained stable throughout the entire recession and are actually hitting new record highs at the moment.

A further reason for there being significant scope to appreciate in value is the even greater emphasis that has recently been placed on a sustainability strategy. On the one hand only few companies in Germany have so far chosen such an emphasis, and on the other hand the proportion of shareholders interested in such a strategy is likewise growing in Germany. CENTROTEC stands to benefit as a result. In contrast to various other sustainability companies, CENTROTEC is a manufacturer of energy-saving products and is thus able to present sustainability as its core business.

Investors who take the longer-term view focus not simply on the earnings situation (which is very healthy in the case of CENTROTEC) but also on the company's strategic positioning, its growth prospects and its sustained soundness. The Management Board and Supervisory Board of the company are firmly convinced that the stage is set for a very bright future.



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CENTROTEC Sustainable AG
Management Report

Group Management Report of CENTROTEC Sustainable AG, Brilon, for 2003

SUMMARY

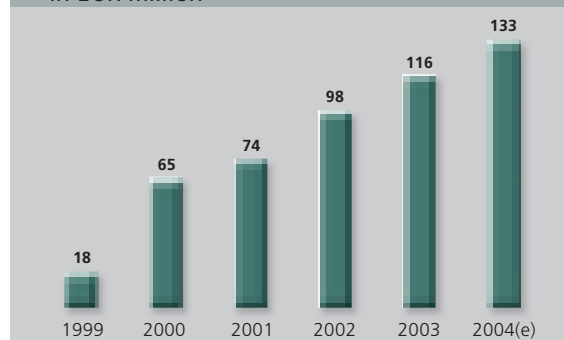
Double-digit growth in revenue and earnings

The revenue and operating result of CENTROTEC have risen by a double-digit percentage rate in every single year since the initial public offering in December 1998. This was again the case in the past financial year. The company as a whole has grown by an average of more than 60 % per year, in particular as a result of the acquisition of Brink in 2000. Growth of this magnitude was not planned, nor can it be promised for the future – the larger and more complex the basis for business becomes, the more difficult it naturally is to achieve a high percentage rate of growth. The company has nevertheless set itself the goal of achieving medium-term growth in earnings averaging 30 % per annum.

Target for 2003 exceeded

The group boosted its revenue in the past financial year by 18 %, from EUR 98.4 to 115.7 million. It thus marginally exceeded its own target of EUR 110 – 115 million. The EPS target (earnings per share pre-goodwill) of EUR 1.00 – 1.05 per share was bettered, at EUR 1.07.

CENTROTEC consolidated revenue
in EUR million



Concentration on environmental and energy-saving products

Ten percentage points of the 18 % rise in revenue stem from the first-time consolidation of the two acquisitions, Ned Air and Möller Medical. The organic growth of 8 % was almost exclusively attributable to expansion of the two energy-saving products Climate Systems (domestic ventilation systems with heat recovery) and Gas Flue Systems (plastic gas flue systems for condensing boilers). This development endorsed the group's decision to focus on low-energy house concepts. The two acquisitions likewise strengthen the sustainability-oriented business areas. Ned Air adds heat recovery systems for larger building units to the


CENTROTEC key figures

	1998	+/-	1999	+/-	2000	+/-	2001	+/-	2002	+/-	2003	+/-	CAGR*
Revenue ¹⁾	13.6	18%	17.6	29%	64.8	269%	74.3	15%	98.4	32%	115.7	18%	60%
EBIT-A ¹⁾	1.8	55%	2.0	13%	8.3	309%	10.2	23%	11.4	12%	15.2	34%	66%
EPS ²⁾	0.11	152%	0.15	36%	0.58	287%	0.84	45%	0.76	-10%	1.07	41%	63%

* Compound Annual Growth Rate

¹⁾ EUR million

²⁾ (pre-goodwill) EUR



Climate Systems Division. Möller Medical provides the Engineering Plastics Division with fresh impetus to venture into new, promising areas of application.

Economic situation remains difficult, but outlook positive

The overall economic situation did not improve in 2003. The fact that CENTROTEC grew is attributable to the increasing market penetration of energy-saving systems. A similar constellation awaits the company for 2004. The strategic position of the group, which is focused specifically on long-term growth markets, means that the impact of the economy in general on business developments has abated.

Revenue expectations for 2004 centre on growth of around 15 % to EUR 130 – 135 million. We anticipate that earnings per share (EPS) (pre-goodwill), in other words prior to the amortization of goodwill, will rise by around 25 % to EUR 1.30 – 1.35. After goodwill amortization, this figure will be in the order of EUR 1.00 – 1.05. Growth will be boosted mathematically in 2004 as a result of the full consolidation for the whole year of the new acquisitions first consolidated in mid-2003, with the result that this target should be readily attainable even if the economy remains slack.

General economic growth is expected to recover in the medium term, making a return to higher organic growth rates of between 10 % and 15 % likely for CENTROTEC. If there are no further acquisitions, this growth should mean that EPS growth of 20 % to 30 %

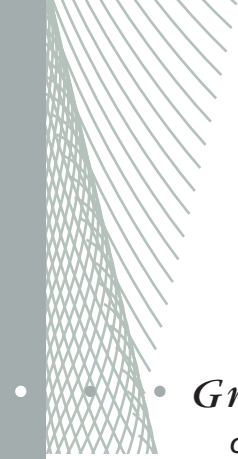
will be possible, thanks to the constant or lower negative interest result in such a scenario. CENTROTEC will remain on the lookout for attractive takeover candidates as a source of external growth that will contribute towards bettering its targets.

PARTICULAR EVENTS IN THE PAST FINANCIAL YEAR: TWO SUCCESSFUL NEW ACQUISITIONS

CENTROTEC's strategy includes expanding through focusing on niche markets with a sustainable character and through carefully chosen acquisitions as well as through organic growth. CENTROTEC was able to report two acquisitions in the past financial year.

Ned Air – complementing the expanding Climate Systems Division

Ned Air B.V., Kampen, the Netherlands, was acquired on June 5, 2003. The running of the company remains in the dependable hands of Donald Groels and Frank Kalter, who have both been the driving forces behind this business ever since its establishment. The company, which was already working in close partnership with the subsidiary Brink Climate Systems, is active in the field of energy-saving climate control for medium-sized buildings (e. g. schools, hospitals and smaller office buildings). Ned Air thus complements the products supplied by Brink, which is the market leader for heat recovery systems for detached and two-family houses.



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Heat recovery systems provide an energy-saving form of ventilation by extracting stale air and introducing fresh air; 95 % of the heat in the stale air is transferred to the fresh air in the process. Ned Air is not merely one of the technological leaders for heat recovery for larger private houses and medium-sized functional buildings, but can also offer expertise in cooling technology, an area that is becoming increasingly important for private houses.

The new subsidiary, which has constantly posted a profit in the twelve years of its existence and has regularly posted double-digit annual growth figures, contributes profitable revenue of approx. EUR 10 million to the group. Due to its pro rata consolidation, only around half of this amount was included in the year under review. The integration of Ned Air is proceeding very smoothly, as Brink and Ned Air already know each other as a result of their long-standing close cooperation. The potential for synergy in the development, production and sales areas between the two companies, which are located closely together, is implemented in monthly management meetings.

Möller Medical – new foothold in medical technology

CENTROTEC purchased Möller Medical GmbH & Co. KG (formerly Möller Feinmechanik GmbH & Co. KG) on August 28, 2003. The acquisition of Möller is the outcome of a strategic analysis within the Engineering Plastics Division. The objective is to shift from a position in the middle of the value creation chain (semi-finished

products and prefabricated parts) in the direction of end products and applications. The reason is very straightforward: the closer our value creation chain is to the end customer, the higher the margins are and the better the scope for avoiding business risks through loyal customers.

Within the context of the strategic analysis, various areas of application with which the company is familiar as a result of supplying prefabricated parts were analysed. Of the areas of application that were of particular interest to CENTROTEC (components for clean-room production plant, assembly groups for the food industry and medical technology systems), the field of medical technology was pinpointed as the most promising with regard to growth, stability and scope for securing a stable long-term positioning.

By acquiring Möller Medical, we have taken an initial, low-risk step towards the market for medical technology assemblies and apparatus. Möller is an OEM supplier (in other words, a producer of branded goods such as will be familiar to the end customer) to renowned manufacturers of medical technology equipment, for use in areas such as transfusion, dialysis, DNA analytics and surgery. The restriction to fields with which CENTROTEC is familiar as a supplier concurs with the previous emphasis of the Engineering Plastics Division.

Möller contributes profitable additional revenue to the group, again in the order of EUR 10 million. This revenue was likewise reported only pro rata in 2003. To spur on the integration of Möller, CENTROTEC has recruited a new Head of Division for Medical Tech-



nology, who will be charged with the task of expanding this division together with the existing management team at Möller. In Möller's case, too, the group is very satisfied with the progress of integration and expansion to date.

UNDERLYING ECONOMIC CONTEXT: STILL AWAITING THE UPSWING

Overall demand slips further

Both the Dutch and the German economies contracted slightly last year. The economic climate in CENTROTEC's two biggest sales markets – 40 % of revenue is generated in the Netherlands and 20 % in Germany – is consequently not conducive to growth in business. The sub-markets of renovation (approx. 50 %), new building construction (approx. 20 %) and investment goods demand (approx. 10 % revenue share) that are of relevance for CENTROTEC continued to shrink in 2003, despite having already done so in previous years.

Overview of business areas

CENTROTEC nevertheless achieved 8 % organic growth in its markets in the year under review. A glance at the market conditions in each business area reveals how the company has been able to succeed in spite of falling overall demand. The most important sub-markets relate to gas flue systems for energy-saving heating systems (Gas Flue) and energy-saving climate con-

trol (Climate Systems), each of which account for 35 % of total revenue.

Growth for systems – sustained trend towards energy saving and environmental protection

The fact that CENTROTEC has enjoyed organic growth is attributable to the sustained trend towards energy-saving and the protection of the environment. CENTROTEC is benefiting considerably from the fact that pro-environmental concepts for heating technology and climate control are supplanting or complementing traditional products. This trend has gained momentum in all advanced national economies in recent years. Rising energy prices, the greater priority being given to health and the environment and rising incomes have promoted this development.

The most important technological driving forces of growth are on the one hand the emergence of economical condensing boiler technology and on the other hand the availability and increasing spread of ventilation systems in low-energy houses.

The heating systems market as a whole has been shrinking for several years. Yet compared with the building sector, it is still relatively stable as three-quarters of heating systems sold are to serve cyclically immune replacement demand. Condensing boiler systems are around 35 % more economical than traditional gas boilers. They are taking the place of traditional gas heating systems, with the result that this sub-market is expanding despite the general downturn.

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CENTROTEC's plastic gas flue systems are combined only with condensing boilers. In this field, they have now almost ousted the traditional metal gas flue systems. Not because they are cheaper, but because they are resistant to the acid that occurs in the gas flue systems of condensing boilers. This explains the continuing growth of the Gas Flue business area, despite the weak market context.

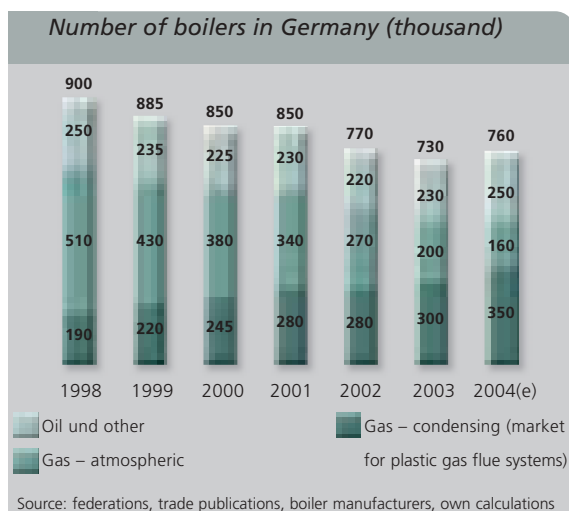
Condensing boilers have currently achieved 50 % penetration of the gas boiler market in Germany. The example of the Netherlands indicates that the market share will if anything rise. There, around 90 % of all gas heating systems sold use this energy-saving technology. In Germany alone, there is therefore scope for sales to double in the next few years.

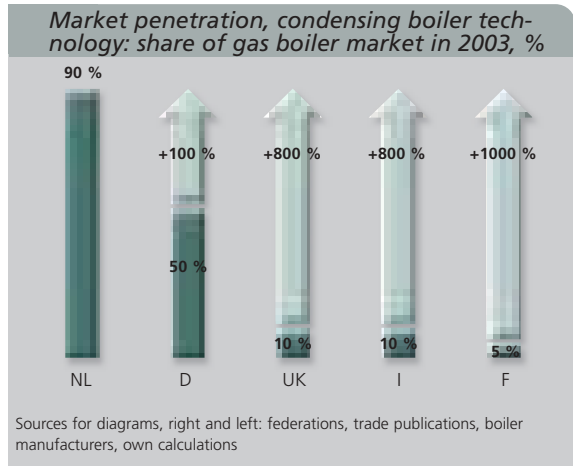
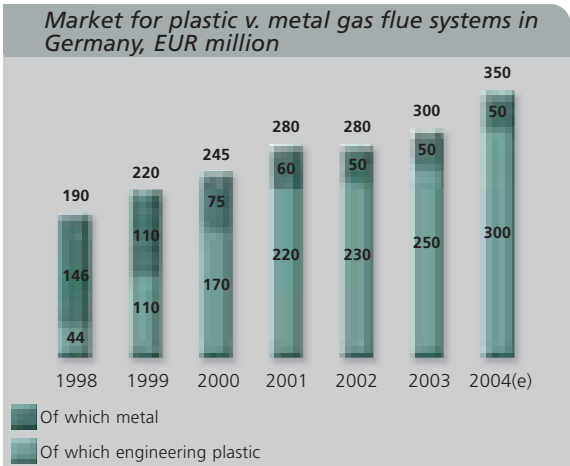
Condensing boiler technology is only starting to appear in other European countries. The environmental laws in those countries are less strict than in Germany,

let alone the Netherlands. In some cases, the energy costs and therefore the scope for making savings by investing in the new technology are moreover significantly lower. An increase in sales of condensing boiler systems can nevertheless be observed in the remainder of Europe. If the progressive environmental attitude of the Netherlands is taken as a basis for assessing other markets in the EU and their prospects for growth, the findings are very interesting: the present level of market penetration in Italy, the UK and France could rise many times over. The driving forces are rising income, a shift in environmental awareness, EU legislation on flue gas and consumption limits, and rising energy prices. Higher unit totals will moreover push down the prices of such systems to the end user in emerging markets too, likewise bolstering market penetration.

As CENTROTEC enjoys a unique position for this technology in Central Europe and is moreover making a considerable effort to promote the technical innovations in this field, the company expects to be able to benefit above the odds and in the long term from structural market growth.

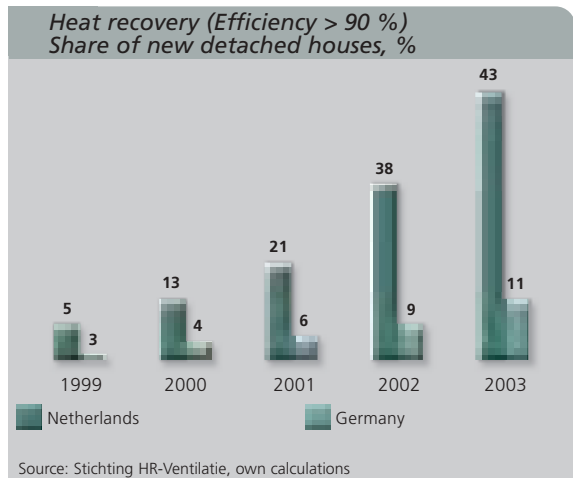
The second structural driving force of growth for CENTROTEC is the increasingly common use of low-energy building designs. This trend is promoting the use of climate control systems incorporating heat recovery technology. As well as optimizing the heating technology and the building's insulation, CENTROTEC systems achieve the best values for the energy saving in relation to investment costs.





As a result of more rigorous regulations governing the overall energy consumption of houses in the Netherlands, these systems have developed into standard components for all new buildings there within the space of a few years. By 2003, around half of all new detached homes were equipped with a heat recovery system. Heat recovery systems are expected to achieve a market penetration of almost 100 % over the next few years.

In Germany, we are still right at the beginning of this development. Here too, however, this technology will gain in importance now that a new Energy Saving Order became law at the end of 2001, aimed at lowering a house's overall energy consumption based on the Dutch model.





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Stagnation in Engineering Plastics Division – innovations and greater emphasis on applications

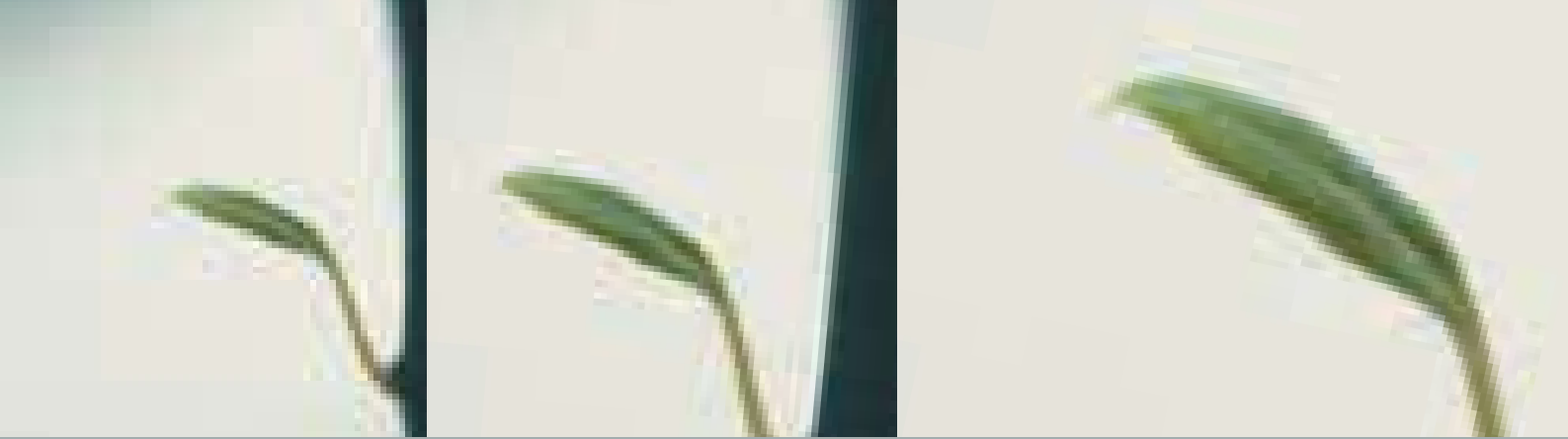
CENTROTEC has felt the impact of economic stagnation acutely in the Engineering Plastics Division. Slack demand for investment goods resulted in correspondingly weak demand for special plastics. Although the company has again benefited from a process of substitution with a shift towards higher-specification plastics grades, this has only compensated in part for the performance of the market as a whole.

As a result of weak demand, there is surplus capacity particularly in the market for technical semi-finished products, and this has prompted a deterioration in prices. A substantial improvement is unlikely to materialize until the economy recovers. In the event of a supply bottleneck at any time in the future, there will nevertheless be considerable opportunities for this division.

CENTROTEC is countering the pressure on prices for semi-finished products on the one hand by developing new, higher-grade plastics applications (e. g. advanced composites), and on the other hand by gradually stepping up processing internally into prefabricated parts and assemblies. New sales opportunities are to be tapped in this business area by developing medical technology activities.

Structural market growth in medical technology

The development of the new Medical Technology Division through the acquisition of Möller Medical GmbH & Co. KG marks our entry into a business area that has barely any correlation to the general economy. Medical technology is characterized by a high pace of innovation and crisis-proof growth. Over the past ten years, the annual growth rate has averaged more than 8 %. High growth rates clearly in excess of the general rate of economic growth can likewise be expected in future. Equipment-based medicine in the industrialized world is geared up to rising investment in equipment in order to treat patients more effectively and less invasively, reduce hospital stays and permit the more targeted administering of pharmaceuticals. Despite the budget constraints of most major industrial nations, it can moreover be assumed that the share of healthcare expenditure of aggregate output will creep up along with the increasing age of the population. Medical research is moreover continually coming up with new applications and solutions, prompting patients to expect more from the health system.



REVENUE: 18 % GROWTH

CENTROTEC was able to boost its consolidated revenue by 18 % in the reporting period, from EUR 98.4 million to a total of EUR 115.7 million. Ten percentage points of this growth were attributable to the first-time consolidation of the two new acquisitions. Organic growth accounts for the remaining 8 percentage points.

Almost the entire internal growth was generated within the Systems Division. Heat recovery systems were the main sources of growth, building on their market penetration in 2003. The performance of the Gas Flue Division in the past year was likewise satisfactory, considering the weak state of the market as a whole. The Systems Division achieved slightly more than 8 % organic growth overall. Including the (prorated) acquisition of Ned Air, the rate of growth was actually 18 %.

In the Engineering Plastics Division, the revenue level improved only minimally after elimination of the acquisition. In this particular case, it was possible to compensate for the price deterioration for semi-finished products by stepping up sales efforts and concentrating on higher-value products. On a positive note it should be recorded that the prior year's level of revenue was matched, in spite of the extensive internal restructuring measures carried out. The prorated first-time consolidation of Möller Medical in this division prompted a 25 % rise in revenue.

As a result of the structure of its business, in almost every division, CENTROTEC has predominantly short-term order backlogs ranging from several days to several weeks. The order backlog is therefore rather limited as a pointer to future revenue trends.

In assessing future sales prospects, the company therefore refers to other indicators, in particular discussions with clients. These indicate that the comparatively weak trend of 2003 will largely persist in 2004. A development within the corridor of 3 to 6 % is expected. Organic growth in revenue is not expected to pick up until 2005. The inclusion of the two acquisitions for the full year will nevertheless produce a general boost in revenue of around 15 %.

PRODUCTION AND PROCUREMENT: STABLE CAPACITY UTILIZATION, COSTS SLIGHTLY LOWER

The group has acquired two new production locations along with Möller and Ned Air. Thanks to the healthy rise in revenue, capacity utilization at all seven production locations was satisfactory to good in the year under review. At the Marsberg site, the restructuring program was extended in view of the weak earnings situation for semi-finished products business. Machine use was optimized there, and radical plant improvements were embarked upon.

Both the personnel costs quota in relation to revenue (reduction from 24.9 % to 24.6 %) and the material costs ratio (in each case 43.1 %) remained virtually

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unchanged from 2002. The other operating expenses ratio was likewise of a similar order to the previous year (in each case 16.8 %). It was possible to compensate for price reductions made in certain areas by implementing cost improvements.

EARNINGS: EBIT BEFORE GOODWILL AMORTIZATION + 34%, NET INCOME + 51%

In line with the improved costs position, the rate of return expressed as the ratio of earnings before interest, taxes, depreciation and goodwill amortization (EBITDA) to revenue rose from 15.8 % to 16.7 %. The improved margin coupled with the higher revenue produced a disproportionately high increase in EBITDA of 24 %, from EUR 15.6 million to EUR 19.3 million.

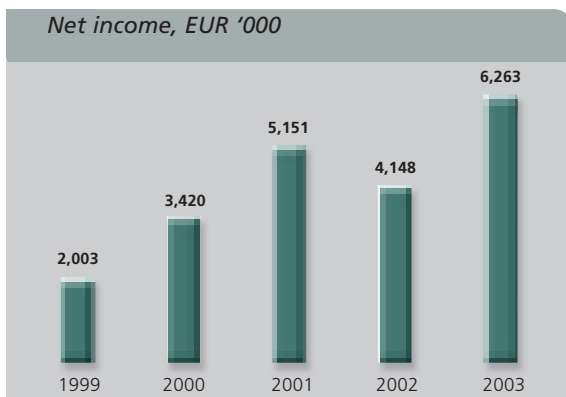
Operative amortization remained constant at EUR 4.2 million. The operating result inclusive of operative amortization but exclusive of goodwill amortization, or

EBITA, which is used for internal steering purposes, rose by an even higher 34 % from EUR 11.4 million to EUR 15.2 million. EBIT after goodwill amortization was up 37 % from EUR 9.7 million to EUR 13.2 million.

The negative net interest rose in absolute terms from EUR 2.4 million to EUR 2.5 million as a result of the financing of the two new acquisitions through loans. The additional costs were however offset in part by repayments in other areas of the group. The relative interest expense (in relation to revenue) fell from 2.5 % to 2.2 %. Despite the higher tax load ratio (35 % compared with 33 %; in each case taxes based on prior-year earnings before nondeductible goodwill amortization), the relative improvement in net interest pushed net income up from EUR 4.1 million to EUR 6.3 million or by 51 %.

Key financial figures

	2003	2002	Limits
Net debt / EBITDA	2.4	2.4	< 4.0
Fixed charge coverage (EBITDA / (interest + repayments + inv. rec'd))	1.8	1.7	> 1.0
Gearing (net overdrafts / equity)	1.4	1.3	< 3.0
Equity ratio (equity / balance sheet total)	29 %	32 %	> 25 %
Return on equity after goodwill	18 %	15 %	
Return on equity before goodwill	24 %	21 %	



INVESTMENT: EXPANSION INTO GROWTH AREAS

The operative investment spending of previous years (2001: EUR 3.9 million, 2002: EUR 4.5 million) was increased by EUR 4.4 million in 2003 to EUR 7.8 million. In the category of land and buildings, we invested in the buildings in Brilon (Germany) and Nantes (France). The focus for other types of investment was on the areas of advanced composites, medical technology and energy-saving household components. The payments on account relate to investment measures that were completed in 2004.

In addition to operative investment, a sum of EUR 12.1 million was invested on the two acquisitions Ned Air and Möller in 2003. The two takeovers consequently again accounted for the lion's share of investing activity in the past year. Taking account of the acquisitions, which in mathematical terms effectively rank as own operative investment, 2003 was yet another record year for CENTROTEC in terms of investment activity.

CASH FLOW: FREE CASH FLOW REMAINS HIGHER THAN REPAYMENT OBLIGATIONS

As a result of the positive development in earnings and a slight improvement in working capital after elimination of the acquisitions, the free cash flow available for repayments showed a sharp increase. The operating cash flow in the year under review rose from EUR 6.7 million to EUR 13.0 million. After operative investment and before acquisitions, the free cash flow rose even more steeply from EUR 3.3 million to EUR 7.4. If expenses for rises in the working capital (EUR 2.8 million instead of EUR 2.7 million) and replacement investment (EUR 2.2 million instead of EUR 2.7 million) are normalized, there remains a free cash flow of EUR 7.6 million for 2003.

Another comparison demonstrates the company's high cash flow. Although new loans totalling EUR 12.1 million were raised for the new acquisitions in June and at the end of August of the year under review, net amounts owed to banks (loans less cash and cash equivalents as well as financial assets) rose by only EUR 9.4 million. This indicates the level of repayments made in other areas of the company, which was well in excess of the repayment schedule.



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FINANCING: CONSCIOUS EMPLOYMENT OF BORROWED CAPITAL

A frequently cited criticism of CENTROTEC's equity story is the group's level of debt. Net bank overdrafts at December 31, 2003 totalled EUR 46.5 million. This figure is higher than the prior-year's EUR 37.0 million as a result of the acquisitions. The change has been prompted by the group's strategy of systematically making use of borrowed capital to finance business operations, including at new acquisitions. The high level of assets of a manufacturing company, the favourable credit terms for those who know the industry and above all the sustained stable earnings that CENTROTEC has been able to post make this form of financing an interesting prospect.

In light of the company's stability, the systematic employment of borrowed capital is both a necessary and a useful means of generating a corresponding return on equity. The return on equity in 2003 was 18 %, or 24 % after elimination of goodwill (previous year 15 % and 21 %) and was therefore on a par with leading industrial companies.

The relative level of debt remained constant in the past year in spite of the financing of the takeovers by borrowing. The usual limits adopted by banks for the level of debt continue to be easily undercut. For example, the dynamic gearing ratio (net amounts owed to banks/EBITDA) remains an average of 2.4 for the group as a whole, even though this figure could be as high as 4.0 for new acquisitions.

The level of debt means that CENTROTEC continues to have considerable unutilized credit lines. These could be used to expand operative business within the subsidiaries and for company takeovers. CENTROTEC currently has financing arrangements of just under EUR 10 million at its disposal.

As the lending options of the target company can likewise usually be used in the event of a takeover, acquisitions with a purchase price volume of EUR 30 to 40 million could be financed without a capital increase.

From the viewpoint of shareholders, i.e. those furnishing the equity, it makes sense to increase borrowing for as long as a net contribution towards added value results. This is the case if the cash value of future earnings plus the value of the non-operative current and non-current assets less borrowed funds is not increased by new borrowings and investment.

For risk management reasons, this balance should be clearly in the positive, as a change in the interest rate for example can have a detrimental effect on the capital costs structure. However, even when these considerations are taken into account, CENTROTEC has historically remained well below the maximum acceptable debt-to-equity ratio, and possibly even below the optimum leverage ratio.



BALANCE SHEET: GROWTH IN NON-CURRENT ASSETS AND PROFIT-RELATED RISE IN EQUITY

The aforementioned increase in amounts owed to banks of EUR 9.4 million and the profit-related rise in equity of EUR 6.2 million to a current EUR 33.8 million or 29 % of the balance sheet total (previous year EUR 27.7 million) reflects corresponding growth in non-current and current assets. Property, plant and equipment in particular rose by EUR 8.0 million from EUR 27.2 million to EUR 35.2 million.

After elimination of the acquisitions, goodwill as reported on the balance sheet rose by EUR 9.3 million from EUR 26.1 million to EUR 35.4 million. There is lasting substance to this goodwill. In other words, goodwill amortization virtually equates to the accumulation of hidden reserves.

The valuableness of the goodwill is attributable to the fact that CENTROTEC adopts a highly conservative approach in its acquisition decisions. On the one hand the company is eager to see that the price paid for a company is appropriate. On the other hand, the earnings of the target companies acquired have in every case been boosted and the borrowings necessitated by the takeover thus reduced, as a result of which the equity value of the investees has risen substantially since their respective acquisition.

RISKS: BORROWING NECESSITATES CAUTIOUS BUSINESS POLICY

The aforementioned higher level of debt compared with various other listed companies simultaneously constitutes an important risk for the company. CENTROTEC always maintains a significant "safety margin" between its levels of debt and the limits that banks lay down in their internal ratings. This, coupled with the fact that the free cash flow significantly exceeds the repayment obligations, means that the risk can as matters stand be rated as readily justifiable.

As the company has consciously chosen this form of financing through borrowing, it must tailor its business policy accordingly. CENTROTEC is therefore pursuing a step-by-step strategy whereby the company cautiously ventures into new business areas. This reduces the risk of individual decisions, but at a price: CENTROTEC is unable to launch any aggressive takeover campaigns. The company could as a result miss out on a potential "big" opportunity for growth. The moderate growth realized subject to these restrictions, at moderate risk, is nevertheless an appropriate means of achieving sustainable success.

A further risk can result from a misplaced takeover. In such instances, the additional financial resources that are generally borrowed would be difficult to repay if the acquisition were to prove a failure, depending on the size of the company in question. All takeovers to date have progressed successfully; CENTROTEC adopts a particularly cautious approach to such moves. Only

Group Management Report of CENTROTEC Sustainable AG, Brilon, for 2003

companies with a proven track record of stable revenues and profits and offer sufficiently bright prospects are short-listed. With regard to price, CENTROTEC focuses on the intrinsic value of the target company and disregards potential synergy benefits. Decisive importance is attached to a meticulous integration process that is prepared in detail as part of the due diligence process before the takeover. The financing method is harmonized this approach.

CENTROTEC makes an adequate equity contribution and structures the remaining amounts owed to banks in line with the target company, without the parent company assuming further liability. This form of financing, which prevents any domino effects in the group, moreover motivates us to be thorough, as the banks providing the financing likewise scrutinize the takeover candidate particularly closely. This method is inspired by the takeover practices of financial investors.

A further risk is the loss of major customers. CENTROTEC generates 7 % of its revenue from its largest customer. The second-largest customer accounts for less than 5 % of consolidated revenue. These two cluster risks are not related. In the case of the largest customer, its integration into another company has in fact led to the risk that CENTROTEC's position as a supplier could be open to reassessment. As the association with the customer has proven very successful, it can be assumed that this relationship will be extended. As a fundamental principle, however, no single customer should be allowed to become excessively important and therefore represent a high risk. The means by which we aim to achieve this is not by holding back

CENTROTEC acquisitions "Build-up strategy"

Rigorous selection

- Track record of stable earnings
- Valuableness of assets
- Appropriate price

- Proven growth
- Technologies of the future
- Compatible with core business

- Small number of takeovers
- Established management structure

Careful integration

- Own non-recourse financing
- Systematic cash flow controlling

- Promotion and expansion of organic growth projects
- Synergy boards

- Enterprise through independent management
- Consulting by the parent company

particular customer relationships, but above all by accelerating the rate at which our customer base is expanding.

The appearance of new competitors constitutes a further risk. Particularly in the Climate Systems Division, it is likely that new players will emerge as a result of the rapid growth of the market. CENTROTEC is striving to defend and strengthen its market lead. To err on the side of caution, when preparing its financial plans it works on the assumption that its market share will fall. This potentially lower share will, however, be more than balanced out by the growth in the market as a whole.

Other risks involve possible technological changes or the relaxation of energy-saving legislation and internal risks such as the loss of key production plants, suppliers, employees or information technology systems.

These and the aforementioned risks are countered through regular risk reporting.

Within an extensive, international-scale insurance programme, master policies have been taken out by way of protection against the principal insurable risks such as product liability, fire and loss of production; these policies provide adequate, standardized cover for all group companies.

The economic risks and their significance for the individual business areas have already been described in detail.

R&D: FOCUS ON APPLICATIONS DEVELOPMENT

The emphasis of research and development activities continues to be on developing customer-specific applications. Examples include the development of a gas flue system designed for use in Southern European countries and improvements to the acoustic insulation of the ventilation systems.

In addition to the development of applications, CENTROTEC is investing in an internal start-up that is developing new applications for its super-lightweight, high-strength advanced composites. Component development activities for the first automotive project were completed in 2003, with volume production commencing at the start of 2004. The start-up losses of this venture are booked against current earnings.

Along with its increasing size, CENTROTEC has boosted its capacity for leading development work, while continuing to keep this area very lean. Important projects include on the one hand research into cooling techniques that use no or very little primary energy, and on the other hand the development of innovative nano-coatings that provide a wafer-thin but scratch-resistant surface finish with defined properties. The cooling techniques involve adiabatic cooling (via the evaporation of water) and cooling by means of phase change material where heat is drawn out of a building's interior and used to transform the phase change material into the liquid phase. Both techniques will use only a fraction of the energy that has previously been required for traditional methods of cooling. The success of leading development projects is difficult to predict. CENTROTEC invests strictly limited funds in these activities in order to exploit potential for the long-term growth of the company with a sense of proportion.

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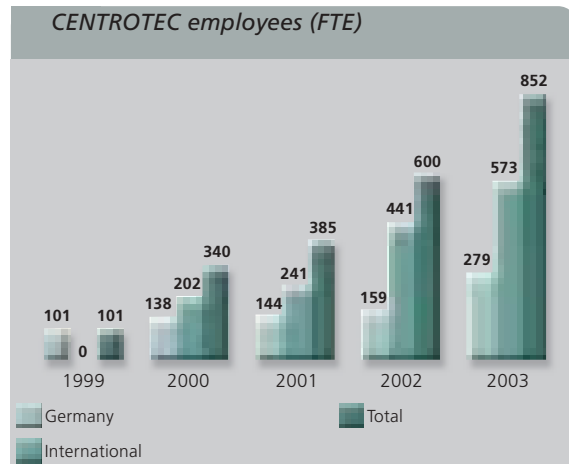
PERSONNEL: PROMOTING ENTERPRISE

In 2003, the company was able to announce over 57 long-service anniversaries (of between 12.5 and 35 years) in its employee newsletter "CENTROtext". CENTROTEC is particularly proud of this statistic, because it is part of its strategy to enable employees to enjoy lengthy, motivating employment with the company. In return, the company expects an above-average commitment not simply in quantitative terms, but also in respect of meticulousness and creativity.

The emphasis of personnel work is on promoting enterprise among staff and management alike. To this end, the subsidiaries are granted considerable self-determination, though this is coupled with considerable, comprehensive responsibility for capacity utilization, earnings, servicing of loans and determination of investment for the future. Through this management structure, CENTROTEC is consciously promoting an awareness of long-term responsibility for the company and its employees.

As a result of the restructuring of the Engineering Plastics Division, it has largely been possible to avoid job losses. The gain in efficiency potential is used to improve quality and stabilize procedures. Nevertheless, there were individual instances of employees and one manager being replaced, as they were unable to offer the necessary commitment for the new direction.

The group employed around 1,000 persons at the end of 2003. The yearly average number of employees was 852 FTE (full time equivalents). CENTROTEC thus



achieves a high degree of internal value added, which is currently generated almost exclusively at production sites in the EU. The company intends to preserve its current locations, as it is able to rely on the highly qualified and experienced employees there. CENTROTEC, too, is responding to the inevitable need for costs discipline by outsourcing peripheral activities and introducing a moderate degree of automation.

ENVIRONMENT: EMPHASIS ON PRO-ENVIRONMENTAL PRODUCTS

The main focus of CENTROTEC's environmental activities is on the product range. This stems from the corporate strategy and the emphasis on markets involving sustainability products. The climate control systems save energy and CO₂ by achieving up to 95 % heat recovery. With its acid-resistant gas flue systems that are consequently more durable, CENTROTEC is helping



to spread economical condensing boiler technology. The company is indirectly contributing towards health both in the field of medical technology and also through the controlled ventilation of rooms.

CENTROTEC is witnessing a rise in revenues and profits thanks to the trend towards sustainability. However, the company believes that the market emphasis on this trend will only work in the long term if it likewise resolutely espouses a corresponding corporate philosophy internally. This on the one hand specifically means steadily improving production processes in order to reduce their environmental impact. On the other hand, the company regards promoting enterprise and long-term responsibility as an absolutely vital aspect of achieving lasting market success.

In view of this, the CENTROTEC management decided to issue its first Sustainability Report in 2005, in order to render the implementation of a corporate strategy based on the criteria of sustainable management more readily visible and quantifiable, both internally and externally.

CORPORATE GOVERNANCE

CENTROTEC has always acted openly and responsibly, including before the company pledged to observe the basic principles of corporate governance. Further information can be consulted in the Notes and on the company's website.

RELATED COMPANIES / RELATED PARTIES

Legal transactions with companies in which members of the Supervisory Board and management hold or might hold an interest were conducted in the financial year. As a precautionary measure, a dependence report was therefore issued by the Management Board. Undoubtedly the most important transaction in this category was the takeover of Ned Air, in which CENTROTEC acquired a 51 % interest from Brink Holding, the seller of the company Brink Climate Systems, which had been acquired in 2002. Ned Air had already been offered to the company in conjunction with Brink Climate Systems. The acquisition was, however, postponed to enable the integration of Brink to be concluded carefully first. With regard to the selling price, Ned Air was acquired on similar terms to Brink.

Concluding remark from the dependence report: "Pursuant to § 312 (3) of German Stock Corporation Law, we declare that, on the basis of the circumstances known to us at the time when legal transactions with related companies were conducted or measures taken or forborne, our company received adequate consideration for each legal transaction and was not placed at a disadvantage by the implementation or forbearance of the measure."

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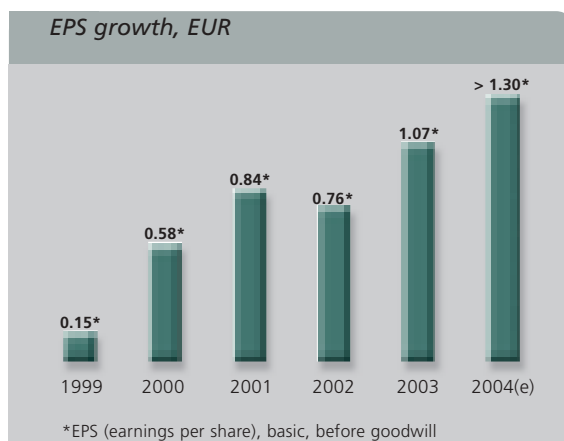
OUTLOOK: EPS GROWTH OF 20 – 30% p. a. FEASIBLE IN MEDIUM TERM

As matters stand, the medium-term objective of 20 – 30 % p.a. growth in earnings per share appears to be entirely feasible.

In 2004, CENTROTEC will again enjoy a similar magnitude of growth to 2003 – approximately 15% – as a result of the full consolidation of the two new acquisitions and through organic growth. This forecast is based on the assumption that the economy as a whole will remain in essence flat.


CENTROTEC expects the economic situation as a whole to improve in 2005, with the result that higher rates of organic growth are probable from that year onwards. The Management Board therefore assumes that revenue growth of 10 – 15 % should be possible in the medium term if there no further acquisitions are included.

This revenue growth will be sufficient to realize much higher rates of increase in the result before and after tax, as the interest expense will remain constant or even be driven down by ongoing repayments, at the same time as EBIT is rising. The company therefore expects medium-term growth rates of 20 – 30 % p. a. in EPS before goodwill amortization, assuming the same restrained profit distribution policy is practised.



In specific, CENTROTEC is planning a revenue volume of EUR 130 – 135 million for 2004. EBITA will increase at a similar rate to EUR 17 – 19 million. With the interest result in absolute terms remaining approximately constant over the year as a whole (higher in the first two quarters as a result of the full consolidation of Ned Air and Möller, somewhat lower in the second half), the net income for the year will rise by approx. 25 % to slightly more than EUR 7.5 million. EPS (before goodwill) for 2004 will consequently be EUR 1.30 – 1.35. After goodwill amortization, there will remain EPS of EUR 1.00 – 1.05.

No major company takeovers are included in these plans. A proportionate M&A strategy is nevertheless a core aspect of CENTROTEC's corporate strategy. This strategic component has proved very successful to



date. The company therefore remains on the lookout for suitable takeover candidates. The financial resources to stage a takeover even of a company of the size of Ubbink or Brink would be available, without the need for a capital increase. As in previous years, CENTROTEC will nevertheless only act if the strategic “fit”, the proven financial performance and the management are absolutely right.

CENTROTEC Hochleistungskunststoffe AG

Dr. Gert-Jan Huisman,
CEO and Finance

Martin Beijer,
Gas Flue Systems

Dr. Alexander Kirsch,
Medical Technology & Engineering Plastics,
Strategy and Expansion

Rob Slemmer,
Climate Systems

Brilon, March 2, 2004



• *Report of the Supervisory Board*

The Supervisory Board of CENTROTEC AG oversaw and supported the Management Board in an advisory capacity throughout the 2003 financial year, in accordance with the law, the company's articles of incorporation and the rules of internal procedure.

The strategic emphasis on products of a particularly sustainable value is expressly supported by the Supervisory Board in the light of the demonstrable achievements to date and the prospects for growth. In view of the need for our company to achieve a balance between economic, ecological and social requirements, the implementation of the sustainability approach is the right strategy for CENTROTEC. Sustainability is understood by the company to mean not merely sustainable actions that satisfy current requirements, but rather a form of responsible enterprise that does not create any risks or disadvantages undermining the quality of life of future generations.

The Supervisory Board met on a total of four occasions in the 2003 financial year and was informed comprehensively by the Management Board of the company's business progress, and in particular of the development in its revenue, orders, earnings, net worth and financial situation and of the company's discernible opportunities and risks of future development. Supervisory Board meetings during 2003 were held on March 18, May 21, September 24 and December 16. All Supervisory Board members attended all meetings in person. All members of the Supervisory Board in addition regularly discussed forthcoming projects and strategic decisions with the Management Board and with other management employees of the company by meeting in person and

by means of telephone conferences. The Management Board satisfied the information and reporting requirements laid down by the Supervisory Board in every respect.

The topics discussed at the Supervisory Board meetings were the fundamental aspects of business policy concerning the parent company and its subsidiaries, together with individual matters of sufficient significance. The matters discussed included:

- The strategic emphasis
- Acquisitions in progress and in preparation
- Important individual transactions in the operating sphere
- Corporate governance
- Major investment decisions
- The revised visual image and corporate identity
- Remuneration structures of the Management Board and management employees
- The efficiency of the Supervisory Board's own activities
- The selection and monitoring of the independent auditor
- Various topics concerning the operative companies.

Management Board decisions which required ratification by the Supervisory Board were studied and approved. As the Supervisory Board has only three members, there are no committees. All matters were discussed by the full board.

The accounts, annual financial statements, management report, consolidated financial statements and group management report at December 31, 2003 have



been examined by the auditors PriceWaterhouseCoopers Wirtschaftsprüfungsgesellschaft GmbH, Kassel, who have given their unqualified certification thereof. A copy of the auditors' report was sent to each member of the Supervisory Board and was discussed with the auditors at the meeting of the Supervisory Board.

The Supervisory Board has 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 drawn up by the Management Report as a precautionary measure. The examination by the Supervisory Board has revealed no cause for objection. The annual financial statements issued by the Management Board have been granted the unqualified approval of the Supervisory Board, and are thus established pursuant to § 172 (1) of AktG (German Stock Corporation Law).

Pursuant to § 292a (1) and (2) of German Commercial Code, the company exercised the exemption from the requirement to prepare consolidated financial statements in accordance with German law.

The Supervisory Board expects that the company will further enhance its performance in highly promising areas of activity, and that it will generate a good return on investment in the interests of its shareholders.

Particular thanks are due to the employees, who have contributed substantially to the success of the group through their considerable dedication, expertise and creativity.

Brilon, March 2004
The Supervisory Board

Guido A. Krass
(Chairman)

Guido A. Krass

(Chairman)

Guido A. Krass (46) has been a successful businessman for many years now, specializing in the running of young, rapidly expanding companies. Thanks to his intensive coaching on strategy formulation and his steadfast support for its implementation, CENTROTEC has consistently been able to post significant rises in its corporate value.

Wim Brink

Wim Brink (60) is an experienced and successful entrepreneur. He developed the Brink Group into an international enterprise in the capacity of owner-manager and created a company employing some 1300 people spread across 20 plants. He is able to turn his expertise in the Automotive, Climate and Gas Flue Systems market segments to the company's benefit.

Dr. Bernhard Heiss

Dr. Bernhard Heiss is a partner in the lawyers' firm of Freshfields Bruckhaus Deringer, Munich. He is able to assist the company not simply with legal matters, but also by sharing more than 20 years of experience in the purchasing of medium-sized and large companies.

Consolidated Balance Sheet
at December 31, 2003 (in euros)

ASSETS		31. 12. 2003	31. 12. 2002
Current assets			
Cash and cash equivalents		4,880,649.21	3,172,134.99
Trade accounts receivable	[1]	16,128,772.97	13,535,280.25
Inventories	[2]	18,146,334.77	13,931,078.20
Prepaid expenses and other current assets	[3]	1,494,321.90	2,114,356.46
Income tax receivable		1,225,919.74	443,768.89
		41,875,998.59	33,196,618.79
Noncurrent assets			
Property, plant and equipment	[4,5]	35,154,167.32	27,163,023.29
Intangible assets	[4,6]	813,887.00	450,511.40
Financial investments	[4,7]	59,271.42	33,576.07
Notes receivable/loans	[4,8]	45,922.56	45,922.56
Goodwill	[4,9]	35,415,939.78	26,091,245.71
Deferred tax assets	[10]	1,659,785.08	877,773.73
		73,148,973.16	54,662,052.76
		115,024,971.75	87,858,671.55

EQUITY AND LIABILITIES

		31. 12. 2003	31. 12. 2002
Current liabilities			
Current portion of capital lease obligation	[11]	147,004.46	104,343.44
Short-term debt and current portion of long-term debt	[12]	10,411,124.51	15,426,493.88
Trade accounts payable		7,219,430.32	6,095,962.46
Accrued expenses	[13]	3,890,574.99	2,702,232.58
Income tax payable	[25]	1,930,816.60	1,451,371.34
Other current liabilities	[14]	13,366,958.04	6,849,940.35
		36,965,908.92	32,630,344.05
Noncurrent liabilities			
Long-term debt less current portion	[12]	41,019,016.31	24,828,333.02
Capital lease obligations less current portion	[11]	152,690.93	187,726.30
Deferred tax liabilities	[15]	2,663,010.10	2,152,395.85
Pension accrual	[16]	425,076.44	356,510.19
		44,259,793.78	27,524,965.36
Shareholders' equity			
Share capital	[17]	7,667,975.00	7,667,975.00
Additional paid-in capital	[17]	10,127,858.32	10,127,858.32
Treasury stock	[17]	(112,394.90)	(112,394.90)
Currency translation differences in shareholders' equity and fair value adjustment of interest rate derivatives	[17]	(302,816.50)	(136,110.36)
Retained earnings and profit carryforward	[17]	10,156,034.26	6,007,789.89
Net income	[17]	6,262,612.87	4,148,244.19
		33,799,269.05	27,703,362.14
		115,024,971.75	87,858,671.55

Shareholders' equity in EUR '000

	Share capital	Addit. paid-in capital	Treasury stock	Currency translation differences in shareholders' equity + fair value adjustment for interest rate derivatives	Retained earnings + profit carryforward	Accumulated income	Consolidated equity
January 1, 2002	7,222	6,036	- 112	33	6,008	0	19,187
Consolidated income						4,148	4,148
Changes due to the acquisition of Brink Luchtverwarming	446	4,092					4,538
Changes from currency translation differences				- 170			- 170
December 31, 2002	7,668	10,128	- 112	- 137	6,008	4,148	27,703
Allocation to retained earnings					4,148	-4,148	0
January 1, 2003	7,668	10,128	- 112	- 137	10,156	0	27,703
Consolidated income						6,263	6,263
Changes from currency translation differences				- 152			- 152
Change due to fair value adjustment of interest rate derivatives				- 15			- 15
December 31, 2003	7,668	10,128	- 112	- 304	10,156	6,263	33,799

Consolidated Income Statement for the 2003 financial year (in euros)

		1. 1. to 31. 12. 2003	1. 1. to 31. 12. 2002
Revenues	[18]	115,671,417.90	98,372,659.00
Other operating income	[19]	1,487,743.14	663,875.53
Change in inventories of finished goods and work in progress	[20]	30,229.34	(78,153.27)
Production for own fixed assets capitalized	[4,6]	47,867.92	68,663.73
Cost of purchased materials and services	[21]	(49,899,867.40)	(42,391,776.83)
Personnel expenses	[22]	(28,485,921.23)	(24,505,843.77)
Depreciation and amortization	[4]	(4,171,537.09)	(4,194,606.99)
Amortization (and impairment) of goodwill	[4]	(1,962,708.83)	(1,687,533.11)
Other operating expenses	[23]	(19,495,183.30)	(16,570,503.09)
Operating income		13,222,040.44	9,676,781.19
Interest income and expenses	[24]	(2,532,894.51)	(2,436,600.74)
Investment income		(20,088.00)	0.00
Other income/expenses		0.00	(251,000.00)
Accounting profit		10,669,057.93	6,989,180.45
Income tax	[25]	(4,406,445.06)	(2,840,936.26)
Net income	[26]	6,262,612.87	4,148,244.19
Earnings per share			
Earnings per share (basic, adjusted*)	[26]	1.07	0.76
Earnings per share (basic)	[26]	0.82	0.54
Earnings per share (diluted)	[26]	0.81	0.54
Weighted average shares outstanding (basic)	[26]	7,661,935	7,660,713
Weighted average shares outstanding (diluted)	[26]	7,753,317	7,660,713

* Amortization of goodwill eliminated

Cash Flow Statement

for the 2003 financial year (in '000 euros)

		<i>1. 1. to 31. 12. 2003</i>	<i>1. 1. to 31. 12. 2002</i>
Net income before taxes and interest		13,222	9,677
Depreciation		6,134	5,883
Gain/loss on disposal of non-current items		0	0
Other non-cash items		0	0
Increase/decrease in accruals		706	647
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing		(1,224)	(761)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		1,288	(2,386)
Interest paid		(2,528)	(2,141)
Income taxes paid		(4,603)	(4,209)
Cash flow from operating activities	[27]	12,995	6,709
Acquisition of share in participations - net of cash acquired	[28]	(12,080)	(21,738)
Purchase of property, plant and equipment/ intangible assets/financial investments/loans		(7,796)	(4,508)
Proceeds from disposal of property, plant and equipment/ intangible assets/financial investments/loans		374	1,130
Cash flow from investing activities	[27]	(19,502)	(25,116)
Proceeds from issuance of shares		0	4,287
Proceeds from borrowings/repayment of borrowings		10,853	11,904
Acquisition of treasury shares		0	0
Cash flow from financing activities		10,853	16,191
Change in financial resources	[29]	4,346	(2,215)
Financial resources at the start of the financial year	[29]	(2,590)	(375)
Financial resources at the end of the financial year	[29]	1,756	(2,590)

Notes To The Consolidated Financial Statements for the financial year 2003

The Consolidated Financial Statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Reporting Standards Board (IASB), and audited by the company's auditors. All IAS and SIC interpretations, the application of which is mandatory from January 1, 2003, have been applied.

The Consolidated Financial Statements for the 2003 financial year prepared in accordance with IAS release the company from the requirement to prepare consolidated financial statements pursuant to Section 292a (2) of German HGB. Centrotec Hochleistungskunststoffe AG, as the parent company of the Centrotec Group, is however required to prepare separate financial statements in accordance with the requirements of German commercial law; these are published in the electronic version of the Federal Official Gazette.

On certain aspects the International Financial Reporting Standards deviate from the balance sheet requirements generally applicable in the Federal Republic of Germany and the statutory accounting requirements as substantially codified in German HGB. The fundamental differences relate to the recognition of deferred tax assets and liabilities from temporary valuation differences and future tax advantages from loss carryforwards, the capitalization of own development work and self-produced software, the reclassification of lease agreements as finance lease agreements, the reporting and measurement of treasury shares, the measurement of financial derivatives at market values, and the netting of costs from the IPO against shareholders' equity. The other differences are not material.

The Consolidated Financial Statements are in agreement with EU Directive 83/349 on the basis of the directive's interpretation in accordance with DRS 1 of the German Accounting Standards Committee.

A. Structure and business activities of the group

The Centrotec Group ("Centrotec") is a specialist supplier for systems and components of high performance plastics. Centrotec has two major business segments: (1) "Engineering Plastics" comprises the supply of semi-finished plastic products, prefabricated products and assemblies for small series in machinery, building construction, transportation and other applications, products made from fibre reinforced composites as well as apparatus for medical technology. The production operations specialize in the processing of engineering plastics and high temperature plastics. Being specialized in small series and prototyping, this business line also functions as a powerhouse of ideas for the second business segment (2) "Systems". Here, plastics based systems for diverse applications are developed, produced and marketed. Major systems are plastic gas flue systems (for heating systems), ventilation systems, and roof systems with a high plastic content. In addition to the use of plastics, this business line focuses on

the idea of offering integrated, self-contained units and establishing a competitive edge through innovative developments. As well as the existing businesses, Centrotec defines its business purpose as creating and acquiring new businesses and new companies which are related through their expertise in innovative plastics and in gas flue and ventilation systems. Both segments are run as primary segments. Geographical segmentation is performed as a complementary measure. The growth of the Systems segment and the scheduled changes to the management structures render it necessary to introduce a new segment classification from the first quarter of 2004:

1. Medical Technology & Engineering Plastics
2. Climate Systems
3. Gas Flue Systems/Other

As at the balance sheet date December 31, 2003, Centrotec is an international group with subsidiaries in seven European countries, with annual revenue of EUR 116 million and around 852 employees (full-time equivalents, FTE); previous year 600 (FTE). Centrotec was listed as a public limited liability company in 1998, though the plastics activities of its subsidiaries go back further. Centrotec is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. The group's head office is located at Am Patbergschen Dorn 9, 59929 Brilon, Deutschland. The group's parent, Centrotec Hochleistungskunststoffe AG, Brilon ("Centrotec AG"), was listed on the Frankfurt Stock Exchange, "Neuer Markt" tier, from December 8, 1998 under the codes CEV and WKN 540750, and then on the "Prime Standard" tier following the winding-up of the "Neuer Markt". Centrotec Hochleistungskunststoffe AG is not part of a superordinate group, and is the ultimate parent company of the group presented in these Notes.

B. Consolidation, recognition and measurement

Background

The Consolidated Financial Statements as at December 31, 2003 have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), taking account of the guidelines on "Structured Quarterly Reports" laid down by Deutsche Börse AG. Unless otherwise indicated, the amounts quoted in the Consolidated Financial Statements are in thousand euro.

The balance sheet date of the consolidated companies is December 31, 2003. The income statement covers the period from January 1 to December 31, 2003 and applies the type of expenditure (total cost) format.

Consolidated companies

The Consolidated Financial Statements of Centrotec AG include all direct and indirect subsidiaries of the parent pursuant to

IAS 27, as well as joint ventures pursuant to IAS 31. In addition to the parent "Centrotec Hochleistungskunststoffe AG", the following companies were consolidated in the 2003 financial year:

Company	Place and country of incorporation	Share of capital	Share capital/limited liability capital	Currency	Founded/acquired
Comprehensive consolidation					
Centroplast Kunststoffzeugnisse GmbH	Marsberg, D	100 %	250,000.00	EUR	01.08.1990
Centrotherm Abgassystemtechnik GmbH	Brilon, D	100 %	102,258.38	EUR	15.12.1993
Centrotec Composites GmbH	Brilon, D	100 %	27,000.00	EUR	01.08.1990
Ubbink Holding B.V.	Doesburg, NL	100 %	20,003.09	EUR	01.11.1999
Ubbink Nederland B.V.	Doesburg, NL	100 %	46,246.00	EUR	21.12.1999
Ubbink N.V./S.A.	Mariakerke, B	100 %	140,059.84	EUR	21.12.1999
Ubbink UK Ltd.	Brackley, UK	100 %	1,543,486.71	GBP	21.12.1999
Ubbink Distribution S.a.r.l.	Nantes, F	100 %	152,449.02	EUR	21.12.1999
Centrotherm Gas Flue Technology Italy S.R.L.	Milano, I	100 %	10,000.00	EUR	19.10.2000
Rolf Schmidt Industri Plast A/S	Kolding, DK	100 %	10,226,829.00	DKK	16.03.2001
Brink Climate Systems B.V.	Staphorst, NL	100 %	20,004.00	EUR	02.01.2002
Deveko B.V.	Deventer, NL	100 %	18,152.00	EUR	02.01.2002
Golu B.V.	Soest, NL	100 %	18,152.00	EUR	02.01.2002
Kempair B.V.	Eindhoven, NL	100 %	18,152.00	EUR	02.01.2002
Centrotherm International GmbH	Brilon, D	100 %	25,000.00	EUR	18.12.2002
Centrotec Medizintechnik GmbH	Brilon, D	100 %	100,000.00	EUR	07.01.2003
Ned Air Holding B.V.	Kampen, NL	100 %	54,454.00	EUR	05.06.2003
Ned Air B.V.	Kampen, NL	100 %	54,454.00	EUR	05.06.2003
Möller GmbH	Fulda, D	100 %	60,000.00	EUR	28.08.2003
Möller Medical GmbH & Co. KG	Fulda, D	100 %	1,400,000.00	EUR	28.08.2003
Proportionate consolidation					
Bond Laminates GmbH	Brilon, D	24.95 %	93,800.00	EUR	21.11.2000
Companies consolidated at equity					
Haskotherm B.V.	Joure, NL	40.00 %	15,882.31	EUR	02.01.2002
Companies not included in consolidation					
Centrotec JI Asia Pte Ltd.	Singapore	57.50 %	197,750.00	SGD	12.09.2002

The joint venture Bond Laminates GmbH is included in the Consolidated Financial Statements on the basis of the regulations on proportionate consolidation. Joint control is established by a cooperation agreement between Bond Laminates GmbH, Centrotec Hochleistungskunststoffe AG and the other shareholders in conjunction with a participation contract pertaining to the acquisition of the stake in Bond Laminates GmbH. Centrotec exercises no controlling influence over the participating interest in Haskotherm B.V. Centrotec JI Asia Pte Ltd is not consolidated for 2003 for reasons of minority. Operating activities will commence in 2004, as a result of which it will be fully consolidated from that time.

Changes in the group

By deed dated February 4, 2003, Centrotec Hochleistungskunststoffe AG (CH) acquired 100 % of the shares of Blitz 03-1022 GmbH, Munich, at a purchase price of EUR 27,000. Blitz 03-1022 GmbH is a so-called "inventory company" which had not developed any business activities by the time of its takeover by Centrotec Hochleistungskunststoffe AG. This company was renamed "Centrotec Medizintechnik GmbH" on June 30, 2003. The company has been incorporated at Brilon since February 4, 2003. The limited liability capital of the company was increased to EUR 100,000 by a shareholder resolution on December 3, 2003 and the additional paid-in capital increased to EUR 425,000.

By notarial deed dated August 28, 2003, Centrotec Medizintechnik GmbH acquired 100% of the limited partner's share

Notes To The Consolidated Financial Statements for the financial year 2003

in Möller Feinmechanik GmbH & Co. KG, Fulda, and 100 % of its sole general partner, Möller GmbH, Fulda. By notarial deed dated December 5, Möller Feinmechanik GmbH & Co. KG was renamed Möller Medical GmbH & Co. KG. Pursuant to IAS 27, Möller Medical GmbH & Co. KG was included in the Consolidated Financial Statements for the first time with effect from August 29, 2003. The purchase price comprised a fixed component of EUR 4,100,000 plus a variable profit share equivalent to 7/12 of the HGB net income of the company for the 2003 financial year.

The company Ned Air Holding B.V., Kampen, the Netherlands, was acquired with effect from June 5, 2003. It thus became a fully owned subsidiary of the Dutch company Brink Climate Systems B.V., which is controlled by Centrotec Hochleistungskunststoffe AG. Ned Air Holding B.V. holds all the shares of the operating company Ned Air B.V., incorporated at Kampen, the Netherlands. Pursuant to IAS 27, the latter two companies were included in the Consolidated Financial Statements for the first time with effect from June 6, 2003. The purchase price for Ned Air Holding B.V. comprised a fixed component of EUR 7,743,000 plus an outstanding variable component that is dependent on the audited net income of the company for the 2003 financial year.

The following table indicates the total amounts at which Ned Air Holding B.V. and Möller Medical GmbH & Co. KG have been included in the Consolidated Financial Statements in the context of consolidation. Prior-year comparative figures are of only limited informative value, as both Ned Air and Möller did not keep monthly figures for the previous year. The measurement policies have moreover changed as a result of the switch to IFRS, with the result that a meaningful comparison can only be made to a certain extent.

In making a precise assessment of the contribution of the acquired companies to the consolidated earnings of Centrotec, it must be taken into account that the overwhelming portion of interest and transaction costs are not contained in the results reported.

Consolidated data for Ned Air and Möller Medical:

in EUR '000	2003	2002
Assets		
Current assets	7,430	8,075
Noncurrent assets	17,508	3,325
	24,938	11,400
Equity and liabilities		
Current liabilities	7,503	5,512
Noncurrent liabilities	2,851	1,596
	10,354	7,108
Net assets	14,584	4,292
Income	11,003	9,739
Expenses	10,107	8,764
Net income	896	975

Consolidation methods

The financial statements of the domestic and foreign subsidiaries included in consolidation have been prepared with uniform recognition and measurement policies corresponding to those of the parent company, in accordance with IAS 27 and IAS 31, examined, and where requiring auditing as individual companies, granted an unqualified audit certificate.

The cost of acquisition of an investment is offset against the acquirer's interest in the acquiree's net equity at the time of initial inclusion in the Consolidated Financial Statements. The acquiree's net equity is the fair value of the assets, liabilities and deferrals included in the Consolidated Financial Statements. Any excess of the cost of acquisition over the acquiree's pro rata net equity is recognized as goodwill. It is amortized with effect on income over its useful life of 15–20 years.

Intra-group gains, losses, revenues, expenses and earnings as well as accounts receivable and payable between consolidated companies have been eliminated in accordance with IAS 27. For consolidation measures with effect on income, the effects on income taxes are accounted for and deferred taxes are recognized in accordance with IAS 12.

Investments in joint ventures are reported in the Consolidated Financial Statements on the basis of the regulations on proportionate consolidation. The Consolidated Balance Sheet contains the group's share of the assets and liabilities of the joint venture. The Consolidated Income Statement contains the group's share of the income and expense items of the joint venture. Each of the assets, liabilities, income and expense items of the joint venture is combined with the corresponding items in the Consolidated Financial Statements on a pro rata basis. Investments are included in the Consolidated Financial Statements by the equity method if the proportion of ownership interest is between 20 % and 50 % or if the group exercises considerable influence, but no control, by another means.

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 into euro where necessary. 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, and expense and income items are translated at average exchange rates for the year under review. Any currency translation differences are recognized in equity with no effect on income. Where necessary, shareholder's equity is translated at historical rates.

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 parent enterprise which are either 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 policies

- (a) Intangible assets are capitalized at cost and amortized in accordance with their anticipated useful lives. According to IAS 38, development costs are to be capitalized as "intangible assets" insofar as the six criteria stated in IAS 38 are met cumulatively. Capitalization is mandatory if it is likely that the development activities will lead to a future economic benefit which will cover the development costs in addition to the normal costs. Further criteria in respect of the development project and the product or process being developed must in addition be satisfied. Capitalized development costs are written down by the straight-line method over a useful economic life of 5 years, once market maturity has been attained. No development costs that represented expense in previous periods were capitalized in later periods. Purchased software and own software developments are written down by the straight-line method over 3 years. Government grants in the form of investment subsidies and grants are distinguished from the capitalized development costs on the assets side of the Consolidated Financial Statements in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Any goodwill is amortized over its useful life of 15–20 years. The assets are regularly examined for any impairment that would lead to impairment losses.
- (b) Property, plant and equipment are stated at cost less cumulative regular depreciation, pursuant to IAS 16. Depreciation is charged according to the straight-line method. Buildings are depreciated over a period of 20 to 33 years, technical plant and machinery over a period of 3 to 10 years, and factory and office equipment over a period of 3 to 10 years. If necessary, an impairment loss is recognized for property, plant and equipment down to the recoverable amount. Impairment losses are shown in the Income Statement under depreciation and amortization. If the reasons for an impairment loss recognized for an asset in prior years no longer exist or have decreased, that impairment loss is reversed accordingly.
- (c) Noncurrent financial investments are measured at cost, including transaction costs. If necessary, an impairment loss down to the lower fair value is recognized. Investments in associated companies are recognized at equity. Financial investments comprise investments in associated companies and other loans.
- (d) Inventories are measured at cost or at the lower market or fair value at the balance sheet date, in accordance with IAS 2. The cost is computed using the weighted average cost method.

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 production-related indirect materials and indirect labour. Appropriate discounts are performed for sales-related risks.

- (e) Accounts receivable and other assets are stated at nominal value. Adequate provisions for losses have been made to cover identified risks.
- (f) Deferred tax relates to tax deferrals resulting from temporally diverging valuations between the commercial and tax balance sheets of the group companies, and from consolidation processes; this item is netted for each fiscal country and reported as either a deferred tax asset or a deferred tax liability. The deferred tax assets also include tax rebate claims resulting from the anticipated use of existing loss carryforwards in subsequent years and which are to be realized with reasonable certainty. Deferred tax is determined on the basis of the tax rates which are likely to apply in the individual countries at the time of reversal of the departures.
- (g) Cash and cash equivalents are recorded at their nominal value. They 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. Bank overdrafts are therefore 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.
- (h) 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 market value. Adjustments in valuation are included in the income statement. Interest and dividends received on marketable securities are reported. Gains and losses from the disposal of marketable securities are included in the income statement. On all reporting dates Centrotec did not hold any marketable securities.
- (i) Prepaid expenses include expenditures that relate to expense for future periods.
- (j) The pension accrual is calculated on the basis of the present value of future commitments pursuant to IAS 19 according to the benefit/years of service method, taking into account future pay and pension increases and the mortality tables currently available.
- (k) Stock options are shown with no effect on income rather than measured according to the fair value method.



Notes To The Consolidated Financial Statements for the financial year 2003

- (l) Other accruals and provisions are created for all identified risks and obligations at the balance sheet date resulting from previous business transactions and previous occurrences, where the amount and due date are uncertain. These accrued expenses are stated at the amount of settlement and are not netted against revenue and gains. Accruals are only created where a legal or factual obligation to third parties exists.
- (m) Liabilities are carried at their redemption amount. Transaction costs are recognized as an expense in the period in which they are incurred.
- (n) Leases where all opportunities and risks are allocable in substance to the group are classified as finance leases. The finance leases are measured at the fair value of the asset at the start of the lease term or at the lower cash value of the future leasing instalments. Every lease payment is divided up into a repayment and an interest portion. Leases where a significant portion of the opportunities and risks rests with the lessor are classified as operative lease obligations.
- (o) Deferred income records revenues representing income for future periods and received prior to the balance sheet date.
- (p) Revenue is realized if it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably. Revenue is recognized net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Dividends are realized when the shareholders' right to receive payment is established.
- (q) Interest is recognized as expense on a time proportion basis that reflects the terms of the asset or liability.
- (r) Exchange differences resulting from transactions in foreign currencies or the devaluation of assets denominated in foreign currencies and the upward revaluation of liabilities at the balance sheet date are recognized as income or expense.
- (s) In the Segment Report (cf. [18]), the company is divided into the primary segments "Engineering Plastics" and "Systems"; the secondary segments apply the geographical criteria of "Euro countries", "European non-euro countries" and "Other".

Financial risk management objectives and policies

The Centrotec Group operates internationally, but is largely restricted to the euro zone. A small portion of its activities takes place in the United Kingdom, Denmark, the USA and China. This gives rise to a limited exposure to market risks from changes in interest and foreign exchange rates.

Financial derivatives were used for the first time in 2003. To minimize risks, interest cap certificates to hedge the interest

rates of variable-rate loans were taken out. The measurement of these cash flow hedges follows the principle of IAS 39. Market value changes in these cash flow hedges, which are used for hedging future cash flows, are reported under equity and liabilities until the income effect of the underlying transaction is realized. If the cash flow hedge does not satisfy the documentation requirement or is to be regarded as not effective, gains or losses are recognized with an effect on income.

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 investments in the balance sheet which are recognized net of any applicable provisions for loss. The counterparties to financial investments mainly consist of customers in Germany, France, Belgium, the UK, the Netherlands, Denmark, Austria, Switzerland, the USA and China.

Credit risks regarding accounts receivable are substantially 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 the transaction volume with that counterparty. Centrotec has no significant concentration of credit risk with any single customer.

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

C. Notes to the Consolidated Financial Statements

Notes to the Consolidated Balance Sheet and Consolidated Income Statement

[1] Trade accounts receivable

Trade accounts receivable rose by EUR 2.6 million to EUR 16.1 million in the year under review. All are due within one year. Trade accounts receivable are reported at nominal value. These items serve almost exclusively as security for bank loans. Adequate provisions for losses on accounts receivable totalling EUR 634 thousand (previous year EUR 343 thousand) have been made on a case by case basis to cover identified risks. The rise is substantially due to acquisitions.

[2] Inventories

The following table provides a breakdown of the entire carrying amount of inventories. Where the cost price of inventories is higher than their market or fair value, the table shows the net realizable value of these inventories. These items serve almost exclusively as security for bank loans. A further table shows inventories broken down according to category.

Inventories

<i>in EUR '000</i>	2003	2002
Inventory at cost	14,782	12,615
Inventory at net realizable value		
Original value at cost	5,421	3,262
Provision for obsolescence	-2,057	-1,946
Net realizable value	3,364	1,316
Total	18,146	13,931

Inventories

<i>in EUR '000</i>	2003	2002
Raw material and consumables used	6,068	4,450
Work in progress	2,494	1,151
Finished goods	9,584	8,330
Total	18,146	13,931

[3] Prepaid expenses and other current assets

At December 31, 2003 and December 31, 2002, the other current assets were due within one year.

The nominal value as the carrying amount of receivables is subject to normal trade credit terms and thus corresponds to the fair value. The payment periods are significantly shorter than one year.

The following table shows a breakdown of prepaid expenses and other current assets.

Other current assets

<i>in EUR '000</i>	2003	2002
Other accounts receivable	734	1,596
Prepaid expenses	760	518
Total	1,494	2,114

[4] Asset movement schedule

The classifications and movements of individual items in assets are shown in the following schedule.

Notes To The Consolidated Financial Statements for the financial year 2003

Historical costs

in EUR '000	2002	First-time consolidation of Ned Air & Möller Medical	Additions	Disposals	Reclasses	Exchange differences	2003
Property, plant and equipment	76,194	13,489	7,505	-727	0	-63	96,398
Land and buildings	28,090	2,719	2,501	-1	1,742	-7	35,044
Technical equipment and machinery	38,318	10,187	2,271	-348	363	-27	50,764
Other equipment, operating and office equipment	9,501	146	929	-156	44	-29	10,435
Payments on account and tangible assets in course of construction	285	437	1,804	-222	-2,149	0	155
Intangible assets	2,141	801	235	-6	0	-5	3,166
Industrial rights and similar rights	47	577	0	-4	0	0	620
Software	1,729	224	235	-2	0	-5	2,181
Capitalized development costs	365	0	0	0	0	0	365
Financial investments	34	1	24	0	0	0	59
Shares in related companies	0	0	0	0	0	0	0
Investment securities	0	0	0	0	0	0	0
Investments	34	1	24	0	0	0	59
Notes receivable/loans	46	0	0	0	0	0	46
Goodwill	31,109	0	11,288	0	0	0	42,397
Total fixed assets	109,524	14,291	19,052	-733	0	-68	142,066

Depreciation and amortization

in EUR '000	2002	First-time consolidation of Ned Air & Möller Medical	Additions	Disposals	Reclasses	Exchange differences	2003
Property, plant and equipment	49,031	8,928	3,685	-355	0	-45	61,244
Land and buildings	9,091	227	907	-1	0	-2	10,222
Technical equipment and machinery	31,813	8,570	2,059	-227	0	-17	42,198
Other equipment, operating and office equipment	8,127	131	719	-127	0	-26	8,824
Payments on account and tangible assets in course of construction	0	0	0	0	0	0	0
Intangible assets	1,690	183	486	-3	0	-4	2,352
Industrial rights and similar rights	19	63	199	-1	0	0	280
Software	1,387	120	227	-2	0	-4	1,728
Capitalized development costs	284	0	60	0	0	0	344
Financial investments	0	0	0	0	0	0	0
Shares in related companies	0	0	0	0	0	0	0
Investment securities	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0
Notes receivable/loans	0	0	0	0	0	0	0
Goodwill	5,018	0	1,963	0	0	0	6,981
Total fixed assets	55,739	9,111	6,134	-358	0	-49	70,577

Net carrying values

in EUR '000	2002	Change	Exchange differences	2003
Property, plant and equipment	27,163	7,991	-108	35,154
Land and buildings	18,999	5,823	-9	24,822
Technical equipment and machinery	6,505	2,061	-44	8,566
Other equipment, operating and office equipment	1,374	237	-55	1,611
Payments on account and tangible assets in course of construction	285	-130	0	155
Intangible assets	450	364	-9	814
Industrial rights and similar rights	28	312	0	340
Software	342	111	-9	453
Capitalized development costs	80	-59	0	21
Financial investments	34	25	0	59
Shares in related companies	0	0	0	0
Investment securities	0	0	0	0
Investments	34	25	0	59
Notes receivable/loans	46	0	0	46
Goodwill	26,091	9,325	0	35,416
Total fixed assets	53,784	17,705	-117	71,489

Notes To The Consolidated Financial Statements for the financial year 2003

[5] Property, plant and equipment

The classifications and movements of property, plant and equipment are shown in the asset movement table under [4]. It also contains the investments in property, plant and equipment and the intangible assets of Ned Air B.V. and Möller Medical GmbH & Co. KG since their initial consolidation. Land and buildings consist mainly of production and office buildings in Marsberg (D), Brilon (D), Fulda (D), Doesburg (NL), Staphorst (NL), Kampen (NL), Kolding (DK), and Nantes (F). Extension work on the production and logistics centre at the Brilon site commenced in October 2002. The extension was finished by June 2003 and the new office, production and storage facilities could be occupied. In France, an office housing production and storage space was built at a cost of EUR 2.2 million. This building, commenced in June 2003, was completed in December. Technical equipment and machinery at the production plants was extended and technologically upgraded. Other equipment, operating and office equipment consists of various items in production, warehouses and offices. Payments on account comprise merely machinery and equipment items at the balance sheet date. Property, plant and equipment includes assets to the value of EUR 320 thousand (previous year EUR 260 thousand) reported in the context of finance leases.

Property, plant and equipment serves almost exclusively as security for bank loans. In the context of the acquisition of Möller Medical GmbH & Co. KG, a market valuation of buildings and machinery was performed. The necessary up-to-date valuations were prepared for this purpose.

The Centrotec Group has commitments totalling EUR 97 thousand (previous year EUR 330 thousand) at the balance sheet date. These relate substantially to production facilities.

[6] Intangible assets

The classifications and movements of intangible assets are shown in the asset movement schedule stated under [4].

Expenses for predominantly internal research and development in the financial year amounted to EUR 1,652 thousand (previous year EUR 1,405 thousand). Development activities focused mainly on plastic gas flue components, ventilation and solar systems, new composites applications and own software developments. The results of these efforts can be used for a variety of customers. In addition, research was carried out to better understand and control the gas and air flow in plastic systems as well as the impact of heat, water and air on plastic materials and components. Development expenditures were not capitalized in the year under review, as future benefit in the form of cash flow and additional profit from new products cannot be predicted with adequate certainty. Research costs are not capitalized.

The acquisitions resulted in write-backs for intangible assets.

No commitments exist for the acquisition of intangible assets. Production for own fixed assets capitalized in the main relates to projects for the development of company-specific software.

[7] Financial investments

The movements of individual items in financial investments are shown in the asset movement schedule under [4]. These relate principally to the minority interest in Haskootherm B.V.

[8] Notes receivable/loans

The item in notes receivable/loans relates to a loan of EUR 46 thousand to Haskootherm B.V. (NL). The company is one of those consolidated at equity, and in which a minority interest is held.

[9] Goodwill

The goodwill totalling EUR 35.4 million reported at December 31, 2003 originates 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.) and from the acquisition of an interest in Bond Laminates, the acquisitions of Rolf Schmidt Industri Plast A/S, Denmark and Brink Climate Systems B.V. (all in previous years), as well as the acquisitions of Ned Air Holding B.V. (NL) and Möller Medical GmbH & Co. KG (EUR 11.3 million), in the year under review. It reflects the amount by which the acquisition cost exceeded the fair value of the net assets in each case. The goodwill from the acquisition of Ned Air Holding B.V. (NL) and Möller Medical GmbH & Co. KG, as well as from Brink Climate Systems B.V. acquired in the previous year, is amortized according to schedule over a useful life of 20 years. The other goodwill items listed above are amortized over a period of 15 years. This goodwill amortization is included in the income statement under the item "Amortization (and impairment) of goodwill".

[10] Deferred tax assets

The deferred tax assets pursuant to IAS 12 are calculated on the difference between the valuations of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. The amount results from loss carryforwards and differences in the valuations of property, plant and equipment. The tax loss carryforwards amount to EUR 2.5 million. These bear deferred tax of nominally EUR 1.0 million. Valuation allowances of EUR 550 thousand were created on the deferred tax assets on loss carryforwards.

[11] Capital lease obligation

Leasing arrangements are entered into to a limited extent. The decision on whether to finance an investment by bank loan or by lease agreement is reached on a case-by-case basis and depends primarily on the prevailing terms available at the time of deciding. At the balance sheet date, there were capital lease obligations pursuant to IAS 17 (Finance Leases) totalling EUR 300 thousand (present value), of which EUR 147 thousand (previous year EUR 104 thousand) were current (with a term of less than 1 year). There were medium-term capital lease

obligations (1 – 5 years) totalling EUR 153 thousand (cash value) (previous year EUR 188 thousand) at the balance sheet date. These relate to technical equipment and machinery. The majority of finance lease agreements incorporate a purchase option at a price of either EUR 0 or well below the anticipated market value. It is therefore to be expected that the assets in question will pass into the ownership of Centrotec at the end of the lease's term. The following table shows the corresponding nominal leasing instalments including the interest component, broken down according to the term and category of the leased articles.

Finance leases

in EUR '000	Total 2002	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
Technical equipment and machinery	284	104	180	0
Other equipment	27	10	17	0
Total	311	114	197	0

in EUR '000	Total 2003	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
Technical equipment and machinery	302	154	148	0
Other equipment	17	7	10	0
Total	319	161	158	0

At the balance sheet date Centrotec has non-capitalized, operative lease obligations (operational leasing) totalling EUR 2,957 thousand (previous year EUR 3,097 thousand) over

the remaining time to maturity. The following table shows the corresponding leasing instalments, broken down according to the term and category of the leased articles.

Operational leasing

in EUR '000	Total 2002	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
Property	1,753	193	693	867
Vehicles	1,283	614	669	0
Other equipment	61	22	39	0
Total	3,097	829	1,401	867

in EUR '000	Total 2003	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
Property	1,508	196	753	559
Vehicles	1,399	669	730	0
Technical equipment and machinery	33	14	19	0
Sonstige Ausstattung	17	4	13	0
Total	2,957	883	1,515	559

Notes To The Consolidated Financial Statements for the financial year 2003

[12] Loans payable

The following table shows bank liabilities and other non-current loans, broken down according to real estate loans, general credit facilities and other loans. These liabilities

showed a year-on-year increase of EUR 11,175 thousand at the balance sheet date. This change is attributable to the acquisitions of Ned Air Holding B.V. and Möller Medical GmbH & Co. KG, as well as to the financing of the new buildings in Brilon and Nantes.

Liabilities

in EUR '000	Original principal amount	Outstanding amount as at Dec. 31, 2003	Outstanding amount as at Dec. 31, 2002	Interest rate	Exit date
Real estate loans	27,169	24,572	15,603	4.1 – 6.7 %	2007 – 2022
General credit facilities/credit line	22,290	4,403	10,591	1.3 – 13.7 %	Credit line; no repayment schedule
Other loans	28,287	22,455	14,061	3.3 – 8.1 %	2003 – 2021
Total	77,746	51,430	40,255		

Of the above, EUR 10,411 thousand are due in less than 1 year (previous year: EUR 15,426 thousand), EUR 27,657 thousand are due in 1 – 5 years (previous year: EUR 12,404 thousand) and EUR 13,362 are due in over 5 years (previous year: EUR 12,425 thousand). In the case of the real estate loans and general credit facilities, the fixed interest rates in the individual loan agreements expire at various times between 2007 and 2022, with the result that the risk is adequately diversified, as is the case for the other loans, where the fixed interest rates expire

between 2003 and 2021. On the whole, the real estate, the technical equipment and machinery, and the inventories and receivables serve almost without exception as security on the loans.

Financial derivatives have been concluded as a hedge against interest rate fluctuations. Caps and floors were the hedging instruments used. The following table shows the contracts concluded.

Financial derivatives

with a positive market value

Type of derivative	Institute	Contract volume	Fair value	Term	Cap/Floor rate
		euro	euro		
Cap	Vereins- und Westbank	3 million	66,810	Up to 2011	5.00 %
Cap	Rabobank	3 million	15,279	Up to 2007	4.25 %

with a negative market value

Type of derivative	Institute	Contract volume	Fair value	Term	Cap/Floor rate
		euro	euro		
Floor	Vereins- und Westbank	3 million	-40,878	Up to 2011	2.75 %

Centrotec pursues the strategy of linking its financing instruments and interest rate hedging instruments. The individual loans are increasingly being taken out at variable interest rates. Centrotec consequently steers the interest rate risk centrally by means of derivatives, principally caps and floors. By agreement with the Supervisory Board, the Management Board has defined a target structure of 40 to 50 % variable and 50 to 60 % medium to long-term. The aforementioned constellation of derivatives means that Centrotec is within its target structure.

[13] Accrued expenses

The following table shows the movements in accrued expenses in the year under review:

Other accruals

in EUR '000	31. 12. 2002	Added/ allocated	Used	Liquidated	31. 12. 2003
Warranty obligations	2,011	692	-290	-20	2,393
Claims and court processes	145	31	0	-145	31
Ground remediation	0	230	0	0	230
Miscellaneous other accruals	546	948	-186	-71	1,237
Total	2,702	1,901	-476	-236	3,891

The rise in accrued expenses from EUR 2,702 thousand as at December 31, 2002 to EUR 3,891 thousand as at December 31, 2003 occurred as a result of the company's growth. The accrual for warranty obligations is calculated for each type of revenue according to values indicated by experience, as well as for specific individual cases. The ground remediation relates to damage caused on a site acquired as part of a takeover. The damage already goes back several decades and was known at the time of the takeover, as a result of which it was taken into account in the price. The rise in miscellaneous other accruals comprises predominantly undisclosed encumbrances from a company acquisition.

[14] Other liabilities

The following summary shows the movements in other liabilities, which were EUR 6,517 thousand higher at the balance sheet date compared with the previous year. The following table shows the breakdown line by line. The miscellaneous other liabilities include sales tax payments outstanding, among other things.

in EUR '000	2003	2002
Vacation and overtime	1,877	864
Outstanding invoices, fees, commissions	1,221	611
Bonuses	775	461
Taxation and social premiums	2,548	2,389
Interest deferral	1,295	664
Outstanding instalments for acquisitions	2,407	0
Miscellaneous other liabilities	3,244	1,861
Total:	13,367	6,850

[15] Deferred tax liabilities

The deferred tax liabilities pursuant to IAS 12 are calculated on the difference between the valuations of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. These result substantially from fair value adjustments in the context of company mergers.

[16] Pension accrual

In accordance with IAS 19, the pension accrual is calculated using the benefit/years of service method. This method also takes account of anticipated future pay and retirement benefit increases, which will result in coming back-service liabilities. The extent of the accrual has been calculated using actuarial methods and the latest mortality table (Netherlands: "G.B.M. 1990-1995"). Discounting has been based on an interest rate of 6% in line with the average interest rate for high quality corporate bonds. The pensionable age is assumed to be 65. Pay is assumed to rise by an annual 3% for all employees and an additional 0 to 2% per annum depending on the individual employee. The average for the industry is used as the anticipated fluctuation rate, and the invalidity rate taken as 0%. In the year under review, the pension accrual totalled EUR 425 thousand at the balance sheet date (previous year EUR 357 thousand). The interest expense is shown under personnel expenses

[17] Shareholders' equity

A total of 6,040 treasury shares were held in the financial year. These shares represent 0.079% of share capital. These shares were held at the parent as treasury shares as at the balance sheet date. No treasury shares were acquired or sold during the financial year.

The capital stock of Centrotec Hochleistungskunststoffe AG, Brlon, totals EUR 7,668 thousand, the additional paid-in capital EUR 10,128 thousand and the revenue reserves EUR 1,986 thousand. As a result of the net income for the year of EUR 6,263 thousand, the group's equity at December 31, 2003 totals EUR 33,799 thousand.

Approved capital in addition exists. The Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 3,833,987 (approved capital) until April 30, 2008 by issuing new individual share certificates 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

Notes To The Consolidated Financial Statements for the financial year 2003

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 § 186 (3), fourth sentence of German Stock Corporation Law (AktG) to exclude the shareholders' right of subscription for up to EUR 766,797 of the approved capital on one or more occasions if the issuing price of the new shares is not significantly lower, but in no case 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 conditional capital has in addition been increased to the amount of EUR 766,797. The conditional increase will only take effect if the stock options are exercised as provided for by the resolutions adopted by the Shareholders' Meetings on September 9, 1998, May 17, 2001 and May 28, 2002. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The conditional capital is divided into 766,797 individual share certificates.

With effect from April 15, 319,374 options were issued to employees, executive staff and Management Board members at an exercise price of EUR 4.00. The options can be exercised from April 15, 2005 to April 14, 2010. Exercise of the options is linked to the fulfilment of certain conditions and objectives. They may only be exercised if the market price of the company's shares (closing price at the Frankfurt Stock Exchange) on the day on which the options may first be exercised or at a later time during the term of the options has risen by 30% on the exercise price. Exercise of the options is also linked to the fulfilment of individual objectives by employees, executive staff and Management Board members. It is therefore uncertain how many of the options issued will actually be exercised.

The following table indicates additions and disposals of options outstanding, together with the average exercise prices of movements and reporting-date totals.

	2003 options	Average exercise price	2002 options	Average exercise price
Start of year	531,689	9.63	443,118	9.63
Granted	319,374	4.00	240,250	9.98
Exercised	0	0.00	0	0.00
Lapsed	191,292	10.15	151,679	10.20
End of year	659,771	6.75	531,689	9.63

In accordance with the resolution adopted by the Shareholders' Meeting on May 11, 1999, which was amended by the resolution adopted by the Shareholders' Meetings on May 18, 2000 and May 17, 2001 and extended on May 28, 2002, the company is entitled to buy back treasury stock representing up to 10% of capital stock. This authorization, valid until November 28, 2003, was cancelled by the resolution of the Shareholders' Meeting on May 22, 2003 and replaced by an authorization valid until November 22, 2004. 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 trading days preceding the acquisition. The Management Board is authorized to offer all or some of 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 treasury 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.

[18] Revenues and segment report

In line with its internal reporting structure, the company is organized into the "Engineering Plastics" and "Systems" segments (primary segments). The revenues from external customers for these two areas, together with the inter-segmental revenues for each segment, in each case exceed 10% of total external and inter-segmental revenues. The growth of the Systems segment and the scheduled changes to the management structures render it necessary to introduce a new segment classification from the first quarter of 2004: (1) "Medical Technology & Engineering Plastics", (2) "Climate Systems", (3) "Gas Flue Systems/Other".

The "Engineering Plastics" segment covers the activities in markets for semi-finished and prefabricated products of engineering and high-temperature plastics, fibre-reinforced composites and medical technology apparatus. The "Systems" segment covers those product groups which are sold as

complete systems. These include plastic gas flue systems for heating systems, ventilation systems and roof systems with a high plastics content and, since the start of 2002, heat recovery systems and climate control systems. The "Other" segment consists primarily of supplies of garden products to a former subsidiary of Ubbink Systemtechnik and the activities of the parent company Centrotec AG. These supplies are invoiced at cost price and are not within our core business. There is one

customer accounting for approximately 7 % of revenue. 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 less cost items, in particular distribution costs, which do not occur in inter-segmental transactions. Income and expenditure are allocated directly to the individual companies within the individual segments. No quota allocations were not performed.

Segment report (primary segments)

in Eur '000	Engineering Plastics		Systems		Other		Consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenue from third parties	20,152	16,101	93,298	78,991	2,221	3,281	0	0	115,671	98,373
Revenue from other segments	605	561	0	0	0	0	-605	-561	0	0
Depreciation and amortization	-1,125	-985	-4,011	-4,172	-2,601	-3,430	1,603	2,705	-6,134	-5,882
Interest income	33	42	465	294	425	486	-840	-760	83	62
Interest expense	-707	-575	-1,895	-1,857	-854	-827	840	760	-2,616	-2,499
Other income and expense from ordinary	-19,322	-16,077	-73,881	-62,459	-2,471	2,598	-661	-7,128	-96,335	-83,066
Accounting profit	-364	-932	13,976	10,796	-3,280	2,109	337	-4,984	10,669	6,989
Tax expense									-4,406	-2,841
Net income									6,263	4,148
Total assets	21,583	14,736	80,616	60,460	52,042	27,936	-39,216	-15,273	115,025	87,859
Total liabilities	11,802	6,302	61,001	44,225	7,987	8,905	436	723	81,226	60,155
Investment in fixed assets	1,744	1,472	14,982	19,208	3,518	139	0	0	20,244	20,819

The geographical breakdown of revenues is shown in the following table (secondary segments):

in Eur '000	Euro countries		European non-euro countries		Other		Consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenue from third parties	96,681	79,581	15,231	16,410	3,759	2,382	0	0	115,671	98,373
Total assets	110,034	83,830	7,542	8,613	0	0	-2,551	-4,584	115,025	87,859
Investment in fixed assets	20,111	20,414	133	405	0	0	0	0	20,244	20,819

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[19] Other operating income

The breakdown of other operating income is as follows:

in EUR '000	2003	2002
Commissions, service fees, rent	377	103
Cost refunds, allowances	309	43
Liquidation of provisions	361	120
Other	441	398
Total:	1,488	664

This represents an increase of EUR 824 thousand on the previous year.

[20] Change in inventories

Inventories of finished goods and work in progress rose by EUR 30 thousand at the balance sheet date (2002: decrease of EUR 78 thousand). The item was stated in accordance with the measurement policies (cf. (d)).

[21] Cost of purchased materials

The materials ratio has been reduced over recent years thanks to targeted structural improvements at the individual plants. There were no changes overall in 2003, with the result that the materials ratio of 43.1 % was maintained.

[22] Personnel expenses / total employees

Personnel expenses

in EUR '000	2003	2002
Wages and salaries	23,198	19,451
Social insurance and expenses for retirement benefits and maintenance payments	5,288	5,055
Personnel expenses	28,486	24,506
Of which for temporary workers	1,188	768

At the balance sheet date, the number of full-time equivalents (FTE) showed an increase from 600 (2002) to 852. Personnel expenses in the year under review fell from 24.9 % of revenue at the 2002 balance sheet date to 24.6 % at the 2003 balance sheet date.

[23] Other operating expenses

Other operating expenses are broken down as follows:

in EUR '000	2003	2002
Outward freight	3,188	2,691
Promotional costs	1,833	1,468
Maintenance costs	1,661	1,367
Legal and consultancy costs	1,591	646
Energy	905	722
Travel expenses and fleet	902	1,029
Sales commissions	899	893
Leasing/rent/buildings	804	538
Insurance	645	339
Packaging	534	585
Allocations to accruals	1,401	1,792
Other	5,132	4,501
Total	19,495	16,571

Other operating expenses rose to EUR 19,495 thousand (2002: EUR 16,571 thousand). This change is largely due to the acquisition of Ned Air B.V. (NL) and Möller Medical GmbH & Co. A number of items were reduced by virtue of improved organization. The item "Other" is in addition substantially made up of expenses for information technology, telecommunications, the management of stock market affairs and the shareholders' meeting.

[24] Interest income/expense

Interest income/expense is broken down as follows:

Financial income/expenses

in EUR '000	2003	2002
Capital gains and other financial income	17	19
Interest income	65	43
Interest expense on loans	-2,441	-2,420
Other interest expenses	-174	-74
Losses from sales of securities	0	-5
Total	-2,533	-2,437

Compared to the position at December 31, 2002, net expense showed an increase of EUR 96 thousand. This change is attributable to the rise in other interest expense. In spite of the higher volume of loans, interest payments have not risen in parallel. This is the result of falling interest rates and refinancing effects.

[25] Income tax expense

Income tax expense is composed as follows:

Income tax

in EUR '000	2003	2002
Income tax expense for the current financial year	4,708	2,667
Income tax expense for previous financial years	-30	-268
Tax deferral	-272	442
Total	4,406	2,841

The relationship between actual tax expense and anticipated tax expense is as follows:

Reconciliation of actual tax expense with anticipated tax expense

in EUR '000	2003	2002
Result before income taxes	10,669	6,989
Anticipated tax expense	3,775	2,633
Tax effect relating to non-deductible costs	33	42
Tax effect relating to non-taxable income and non-deductible costs	-5	-134
Tax effect relating to non-deductible goodwill	633	568
Tax effect relating to the change in tax rates	0	0
Adjustments from previous financial years	-30	-268
Total	4,406	2,841

Deferred taxes according to balance sheet

in EUR '000	2003		2002	
	Assets	Liabilities	Assets	Liabilities
Current assets	45	138	18	155
Long-term assets	1,205	2,525	621	1,273
Current liabilities	410	0	239	0
Long-term debt	0	0	0	725
Total	1,660	2,663	878	2,153
Deferred taxes, net (liabilities)		1,003		1,275

Deferred tax

in EUR '000	2003	2002
Deferred tax assets		
Unused loss carryforwards	439	596
Pension and similar commitments	131	127
Other liabilities	282	112
Property, plant and equipment	759	23
Inventories	24	10
Trade accounts receivable	21	8
Intangible assets	4	2
Total	1,660	878

Deferred tax liabilities

Property, plant and equipment	1,868	1,950
Inventories	124	138
Intangible assets	657	47
Advances received	14	16
Accrued expenses	0	2
Total	2,663	2,153

Deferred taxes, net (liabilities) 1,003 1,275

Deferred taxes by country (reported net)

Netherlands	1,660	1,645
Denmark	155	198
Belgium	-1	0
United Kingdom	-26	-16
France	-29	0
Germany	-756	-552
Deferred taxes, net (liabilities)	1,003	1,275

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The tax load ratio is 0.6 percentage points higher than in the previous year, at 41.3 % (40.6 %). This is largely due to the absence of the positive effect in 2002 from a tax adjustment for 2001, together with the further rise in goodwill amortization.

The anticipated tax rate fell from 37.7 % in the previous year to 35.4 % in the year under review.

[26] Earnings per share

The earnings per share and diluted earnings per share are illustrated in the following table. The basic earnings per share are calculated on the basis of the number of issued shares (7,667,975) and after adjustment for the acquisition of treasury stock.

The diluted earnings per share are based on the assumption that all issued stock options in the stock option plan that could be exercised if the balance sheet date were the end of the contingency period have been exercised. Due to the fact that the exercising of stock options is tied to the fulfilment of

individual and corporate objectives, it is likely that only a small number of options will ultimately be exercised. The dilutive effect is calculated on the assumption 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 financial year in question. The difference between the number of shares issued under the stock option plan and the number of shares that would have been issued at fair value is 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" have been computed as an additional disclosure. This ratio is designed to reveal the earnings per share following adjustment for amortization and impairment of goodwill. This amortization is not recognized in the separate financial statements of Centretec AG, which are the basis for potential dividends.

Year ended December 31, 2003			
Earnings per share	Earnings (euro)	Weighted avg. number of shares	Earnings per share (euro)
Consolidated income	6,262,613		
less minority interest	0		
Ordinary shares issued		7,667,975	
less treasury stock (weighted average)		-6,040	
Basic earnings per share	6,262,613	7,661,935	0.82
Elimination of goodwill amortization	1,962,709		
Adjusted basic earnings per share	8,225,322	7,661,935	1.07
Basic earnings per share	6,262,613	7,661,935	0.82
plus assumed exercise of stock options granted (weighted average)		91,382	
Diluted earnings per share	6,262,613	7,753,317	0.81

Year ended December 31, 2002			
Earnings per share	Earnings (euro)	Weighted avg. number of shares	Earnings per share (euro)
Consolidated income	4,148,244		
less minority interest	0		
Ordinary shares issued		7,666,753	
less treasury stock (weighted average)		-6,040	
Basic earnings per share	4,148,244	7,660,713	0.54
Elimination of goodwill amortization	1,687,533		
Adjusted basic earnings per share	5,835,777	7,660,713	0.76
Basic earnings per share	4,148,244	7,660,713	0.54
plus assumed exercise of stock options granted (weighted average)		0	
Diluted earnings per share	4,148,244	7,660,713	0.54

[27] Cash flow statement

The Consolidated Cash Flow Statement pursuant to IAS 7 shows how the group's cash and cash equivalents changed in the course of the financial year under review as a result of cash inflows and outflows (cf. the summary preceding the Notes). 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 operating activities were determined according to the indirect method. Cash and cash equivalents include cash on hand, demand deposits, deposits with a time to maturity of one month or less, and bank overdrafts repayable on demand, as recorded in the Consolidated Financial Statements. For the purpose of including Ned Air Holding B.V. and Möller Medical GmbH & Co. KG, the cash items were deducted from the purchase price and the goodwill added.

The cash flow from operations was up at the balance sheet date from EUR 6,709 thousand to EUR 12,995 thousand. The rise in the net income and the increase in liabilities in particular had a positive influence on the cash flow.

[28] Acquisition of investments net of cash acquired

The following table shows the effect of the acquisition of investments on the cash flow statement.

Cash flow from the acquisition of subsidiaries

in EUR '000	
Cash and cash equivalents	608
Accounts receivable and other assets	3,160
Inventories	3,131
Investments in fixed assets	5,180
Accounts payable and accrued expenses	-8,272
Long-term debt less current portion	0
Net assets acquired	3,807
Less: financial resources of entity acquired	-608
Goodwill	11,288
Outstanding instalment payments	-2,407
Net cash payment on acquisition	12,080

[29] Breakdown of financial resources

These consist almost exclusively of demand deposits and the availment of current accounts with major, leading commercial banks. The breakdown of financial resources at December 31, 2003 is as follows:

Aufgliederung des Finanzmittelbestandes

in EUR '000	2003	2002
Cash and cash equivalents	4,881	3,172
Bank overdrafts (included in "Bank liabilities" item)	-3,125	-5,762
Total	1,756	-2,590

D. Other Particulars

(1) Contingent liabilities

The customary warranty obligations are assumed, for which an accrual has been formed. There in addition exists a rental agreement in the United Kingdom for annual rent of currently GBP 80,000 (EUR 129 thousand), due to run until 2012. Centrotec Hochleistungskunststoffe AG moreover releases its designated sponsor, M.M. Warburg & CO KG aA, Hamburg, from liability in connection with its sponsoring activities, subject to this liability not resulting from gross negligence or fault on the part of the designated sponsor.

(2) Financial instruments

The balance sheet shows the financial instruments (accounts receivable, accounts payable, cash and cash equivalents) held by the company. 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 at the balance sheet date there were no material risks for the primary financial instruments.

(3) Government grants and government assistance

In the reporting year, the group received unconditional government grants totalling EUR 61 thousand (2002: EUR 51 thousand) in the Netherlands for research and development activities. Conditions that were attached to these payments have been fulfilled as at the balance sheet date.

(4) Related party disclosures

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's 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 the Consolidated Financial Statements.

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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. The family members in question would be Maren, Carl and Maja Krass.

Members of the Supervisory Board indirectly hold minority interests in Pari Holding GmbH, Munich ("PH"). One Management Board member is its Co-Director on a part-time basis. PH might therefore be classified as a "related party", even though the Management Board does not believe that control actually exists between the parties. Further companies of the Pari Group could likewise be classified as "related parties". These are Pari Corporate Finance Ltd., London (PCF) and Pari Capital AG, Munich (PC). One Management Board member and the Chairman of the Supervisory Board are members of the Supervisory Board of PC (see also details of the Management Board and Supervisory Board). No legal transactions with PCF and PC were conducted in the year under review. A consultancy agreement with PH exists for services in connection with corporate mergers and acquisitions, in respect of identifying, establishing contact with and acquiring potential target companies in the plastics industry. In the event of a transaction being realized, PH receives a fee according to the "Lehman formula". PH provided such services in the financial year. An amount of EUR 290 thousand was invoiced by PH to a group company in 2003 in connection with the acquisition of Möller. PH in addition invoiced an amount of EUR 95 thousand for the services of the Centrotec Management Board member, charged for at full cost. This amount is included in the total remuneration of the Management Board indicated below. Air conditioning systems by the company Brink Climate Systems were installed in a commercial property under part ownership of the Chairman of the Supervisory Board. An amount of EUR 32 thousand, approximately equivalent to the full cost, was invoiced for this.

Brink Holding and its subsidiaries can likewise be classified as related parties, because Mr. Wim Brink acts as Managing Director. Several group companies purchased goods from the Brink Holding Group for a total of EUR 1,216 thousand in 2003. The goods in question were primarily components for the gas flue systems. Conversely, Centrotec companies sold goods amounting to EUR 97 thousand to the Brink Holding Group. Regular invitations of bids ensure that the prices paid are in line with the market. Many services are moreover still performed on behalf of related companies in view of the historical ties between Brink Climate Systems and Brink Holding. Brink Climate Systems and Brink Holding share a single IT department, administrative operations, switchboard, security arrangements, etc. Brink Holding may in addition use certain machines belonging to Brink Climate Systems. These services are all charged for at full cost. Brink Climate Systems paid a total of EUR 583 thousand and collected an amount of EUR 484 thousand. Mr. Wim Brink received an amount of EUR 5 thousand for services provided by Brink Climate Systems, on the basis of a consultancy agreement.

Brink Holding B.V. in addition held a 51 % interest in Ned Air Holding B.V. before its takeover by Brink Climate Systems B.V. Mr Brink, who is a Supervisory Board member of Centrotec AG, is the Managing Director of Brink Holding B.V. This takeover could be considered a transaction between related parties. Ned Air had already been offered to the company in conjunction with Brink Climate Systems. The acquisition was, however, postponed to enable the integration of Brink Climate Systems to be concluded carefully first. With regard to the selling price, Ned Air was acquired on similar terms to Brink Climate Systems. In the context of the acquisition of Brink Climate Systems, Centrotec received an amount of EUR 253 thousand for taking on a remediation commitment that had previously rested with Brink Holding B.V. An accrual was created for this commitment. According to an estimate by external experts, the actual costs of remediation will be less than the payment received.

The law firm Freshfields Bruckhaus Deringer could likewise be classified as a related party, as Dr. Heiss, a Supervisory Board member of Centrotec AG, is a partner in this law firm. Legal consultancy services to the value of approx. EUR 205 thousand were purchased in the year under review. The invoicing reflects the generally accepted market rates that are charged for such consultancy services in Germany and internationally.

(5) Management Board and Supervisory Board

The Management Board members at the balance sheet date were:

Dr. Gert-Jan Huisman, Nijkerk, Netherlands, merchant (CEO)
Martin Beijer, Doesburg, Netherlands, merchant
Dr. Alexander Kirsch, Munich, Germany, merchant
Rob Slemmer, Hoevelaken, Netherlands, merchant
Hans-Lothar Hagen, Altenbeken, mechanical engineer, left the Management Board with effect from March 19, 2003.

The members of the Supervisory Board at the reporting date were:

Guido A. Krass, Wadhurst, United Kingdom, entrepreneur (Chairman)
Wim Brink, Zuidwolde, Netherlands, businessman
Dr. Bernhard-R. Heiss, Munich, Germany, lawyer

Members of the Management and Supervisory Boards also serve on the following supervisory boards as defined in § 125 (1), third sentence of German Stock Corporation Law:

<u>Guido A. Krass</u>	Eracom Technologies AG, Krefeld (Chairman)
	PACT Technologies AG, Munich, Germany
	Pari Capital AG, Munich, Germany (Chairman)
	Pari Capital Group AG, Steinhausen, Switzerland (Chairman of Board of Directors)
	Ubbink Nederland B.V. (Chairman)

<u>Wim Brink</u>	Newion Investments BV, Heerenveen, Netherlands H.D.S. BV, Hoogeveen, Netherlands
<u>Dr. Bernhard-R. Heiss</u>	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 received remuneration totalling EUR 843 thousand (previous year EUR 1,130 thousand). This amount includes social contributions and fringe benefits such as company cars and pension commitments. It does not include exercisable share options which are tied to the fulfilment of individual and

company objectives. Options granted in 2003 have merely a theoretical value of EUR 1,183 (previous year EUR 0 thousand), as the Centrotec share price rose sharply after the issue of the options on April 15, 2003. The figure was moreover calculated using the maximum possible number of options. How many options can actually be exercised depends on the attainment of individually specified targets.

The remuneration of the Supervisory Board totalled EUR 7 (previous year EUR 7) thousand and was made up as follows: Herr Krass EUR 3 thousand, Dr. Heiss EUR 2 thousand and Mr. Brink EUR 2 thousand.

(6) Directors' holdings

The following table shows directors' holdings as at December 31, 2003.

Name	2003		2002	
	Shares (total)	Options (total)	Shares (total)	Options (total)
Management Board				
Dr. Gert-Jan Huisman	500	107,084	500	68,800
Dr. Alexander Kirsch	14,000	115,279	9000	78,377
Martin Beijer	700	104,639	700	66,900
Rob Slemmer	0	43,659	0	36,300
Supervisory Board				
Guido A. Krass	1,200,000	0	1,200,000	0
Dr. Bernhard R. Heiss	0	0	0	0
Wim Brink	0	0	0	0
CENTROTEC				
Ordinary shares	7,667,975	0	7,667,975	0
Treasury stock	6,040	0	6,040	0

The stock options have been issued on the same terms and conditions as to the other employees.

(7) Corporate Governance Kodex

On February 26, 2002 the Government Commission on the German Corporate Governance Code presented a code of behaviour for management boards and supervisory boards of listed companies. This Code was updated on May 21, 2003. The objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised.

Pursuant to § 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been complied with.


Declaration of Compliance by Centrotec Hochleistungskunststoffe AG in respect of the German Corporate Governance Code

The Management Board and Supervisory Board of Centrotec Hochleistungskunststoffe AG have declared that the recom-

mendations of the Government Commission on the German Corporate Governance Code, in the version dated May 21, 2003, with the exception of the aspects listed below:

Section 3.8 of the Code recommends an appropriate excess for D&O insurance cover for members of corporate bodies. Our current policy for D&O cover does not include an excess. Renegotiation of the policy would probably result in a significant rise in costs in view of the sharp rise in insurance premiums over recent years. We are planning to agree an appropriate excess once the current policy has expired.

Section 5.3 of the Code recommends the formation of committees. This is, however, to take place subject to the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board comprises three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.



Notes To The Consolidated Financial Statements for the financial year 2003

Section 4.2.3 of the Code recommends that the remuneration of the Management Board should comprise a variable as well as a fixed component. The variable component is, among other things, intended to be performance-related, have a long-term incentivizing effect and possess a risk character. The Code quotes stock options schemes as an example. Centrotec has been operating a stock options scheme, applicable not only to Management Board members but also to executive staff and other employees, since 1999. We believe that the scheme reflects the spirit of the Code, but we draw attention to two aspects which could be interpreted as a departure from it. The Code recommends reference to comparative parameters. The stock options scheme envisages a performance target based on the absolute rise in the share price. This form was chosen in order to provide an incentive for success in absolute rather than relative terms. The Code in addition recommends that the variable remuneration be capped. In the case of the options, this was realized through allowing their exercise only within a limited time frame (for the first time two years after issue, for the last time seven years after issue). Options received as a result of the attainment of targets are not retrospectively withdrawn by the company or the parameters governing them altered. Alongside the aforementioned share price target, the exercising of the options is moreover linked to further internal performance targets in order to preserve a demanding but equitable form of variable remuneration.

Section 4.2.4 of the Code recommends that the remuneration of the Management Board be reported broken down according to fixed payments, performance-related components and components with a long-term incentivizing effect. This we do. However, no individualized disclosures concerning levels of remuneration are made, as we regard the protection of the private sphere as more important than the value of additional information on how the total volume of remuneration, which we do not believe to be above-average, is broken down between the individuals in question.

Centrotec moreover observes all target requirements of the Code on sound corporate governance.

(8) Consultancy agreements

Group companies have concluded various consultancy agreements with firms of consultants and specialists in the fields of electronic data processing, law, e-commerce, advertising, investor relations and the optimization of production and logistics. All agreements have been concluded for specified tasks.

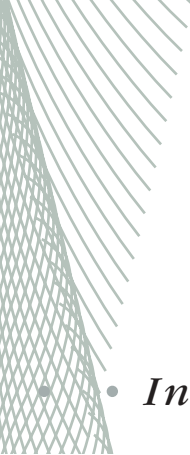
Brlon, March 2, 2004

Dr. Gert-Jan Huisman,
CEO and Finance

Martin Beijer,
Gas Flue Systems

Dr. Alexander Kirsch,
Medical Technology & Engineering Plastics,
Strategy and Expansion

Rob Slemmer,
Climate Systems



Independent Auditors' Report

We have audited the consolidated financial statements prepared by Centrotec Hochleistungskunststoffe AG, Brilon, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes, for the financial year from January 1 to December 31, 2003. The preparation and content of the consolidated financial statements in accordance with the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the company's Management Board. The scope of our audit did not extend to assessing the declaration of compliance made by the company in the notes. Our responsibility is to express an opinion on whether the consolidated financial statements conform to IFRS, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations, observing the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. The scope of the audit was determined on the basis of knowledge of the business activities and the economic and legal context of the group, as well as the likelihood with which potential errors were to be expected. The vouchers on which the valuations and information in the consolidated financial statements are based are examined on a random basis in the context of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presenta-

tion of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We are of the opinion that the consolidated financial statements present, in accordance with the IFRS, a true and fair view of the net worth, financial position and earnings situation of the group and of payments during the financial year.

Our audit, which also extends to the group management report prepared by the Management Board for the financial year from January 1 to December 31, 2003, has not led to any reservations. In our opinion the group management report, in conjunction with the other information provided in the consolidated financial statements, on the whole provides a suitable understanding of the group's position and suitably presents the risks of future development. We moreover confirm that the consolidated financial statements and group management report for the financial year from January 1 to December 31, 2003 satisfy the requirements for the exemption of the company from the obligation to prepare consolidated financial statements and a group management report in accordance with German law.

Kassel, March 2, 2004

PRICEWATERHOUSECOOPERS

GmbH
Wirtschaftsprüfungsgesellschaft

(Siemon)
Independent auditor

(Müller)
Independent auditor

Balance Sheet

at December 31, 2003 (in euro)

ASSETS	31. 12. 2003	31. 12. 2002
A. Noncurrent assets		
<i>I. Intangible assets</i>		
1. Software	51,898	20,229
<i>II. Property, plant and equipment</i>		
Other equipment, operating and office equipment	49,044	6,807
<i>III. Financial investments</i>		
1. Shares in related companies	22,104,080	16,343,774
2. Investments	844,900	844,900
	22,948,980	17,188,674
	23,049,922	17,215,710
B. Current assets		
<i>I. Accounts receivable and other assets</i>		
1. Accounts receivable from affiliated companies	20,615,036	10,013,415
2. Miscellaneous assets	264,431	507,098
	20,879,467	10,520,513
<i>II. Securities</i>		
1. Treasury stock	56,776	32,072
<i>III. Cash in hand and demand deposits</i>		
	284,699	2,523,210
	21,220,942	13,075,795
C. Prepaid expenses	29,925	52,654
	44,300,789	30,344,159

EQUITY AND LIABILITIES	31. 12. 2003	31. 12. 2002
A. Shareholders' equity		
I. Share capital	7,667,975	7,667,975
II. Additional paid-in capital	10,990,673	10,990,673
III. Revenue reserves		
1. Reserve for treasury stock	56,776	32,072
2. Other revenue reserves	1,929,579	1,954,283
IV. Retained earnings (previous year: accumulated loss)	17,948,739	-21,240
	38,593,742	20,623,763
B. Accrued expenses		
I. Provisions for taxes	523,362	306,600
II. Other accruals	428,700	455,370
	952,062	761,970
C. Liabilities		
I. Bank liabilities	3,562,011	7,978,682
II. Trade accounts payable	63,156	35,636
III. Liabilities to affiliated companies	966,063	798,047
IV. Liabilities to companies linked through participation	1,314	2,742
V. Other liabilities	162,441	143,319
– of which taxes EUR 137,181; previous year EUR 75,806		
– of which in respect of social insurance EUR 5,711; previous year EUR 5,949		
	4,754,985	8,958,426
	44,300,789	30,344,159

Income Statement

for the 2003 financial year (in euro)

	2003	2002
1. Other operating income	1,706,551	1,370,562
2. Personnel expenses		
a) Wages and salaries	-369,425	- 735,539
b) Social insurance and expenses for retirement benefits and maintenance payments	-38,421	-46,044
	-407,846	-781,583
3. Depreciation and amortization	-24,920	-4,678
4. Other operating expenses	-1,299,980	-572,636
5. Earnings from investments	18,743,395	3,000,000
– of which from affiliated companies EUR 18,743,395; previous year EUR 3,000,000		
6. Other interest and similar income	415,034	485,929
of which from affiliated companies EUR 386,219; previous year EUR 485,929		
7. Income from profit transfers	2,826,956	0
8. Write-down of financial investments and investment securities	-2,000,089	-2.877,623
9. Interest and similar expenses	-412,219	-595,856
of which to affiliated companies EUR 29,016; previous year EUR 39,766		
10. Expenses from the transfer of losses	-947,256	0
11. Gross operating result	18,599,626	24,115
12. Taxes on income	-629,332	80,887
13. Other taxes	-315	0
14. Net income	17,969,979	105,002
15. Loss carryforward	-21,240	-126,242
19. Retained earnings (previous year: accumulated loss)	17,948,739	-21,240

"This income statement does not contain sales and profits of the group companies but only the results of the CENTROTEC Hochleistungskunststoffe AG as a holding and therefore not the complete view of the group. The income statement of the CENTROTEC Group is published on page 48 of this annual report."



*Development in fixed assets
in the 2003 financial year*

<i>in EUR '000</i>	<i>Historical costs</i>			<i>31.12.2003</i>
	<i>01.01.2003</i>	<i>Additions</i>	<i>Disposals</i>	
Intangible assets				
Software	24,016	41,630	0	65,646
	24,016	41,630	0	65,646
Property, plant and equipment				
Other equipment, operating and office equipment	7,126	57,196	8,290	56,032
	7,126	57,196	8,290	56,032
Financial investments				
Shares in related companies	19,188,774	7,881,519	121,124	26,949,169
Investments	844,900	0	0	844,900
	20,033,674	7,881,519	121,124	27,794,069
	20,064,816	7,980,345	129,414	27,915,747

	Depreciation and amortization			Net carrying values		
	01.01.2003	Additions	Disposals	31.12.2003	2002	2003
	3,787	9,961	0	13,748	20,229	51,898
	3,787	9,961	0	13,748	20,229	51,898
	319	14,959	8,290	6,988	6,807	49,044
	319	14,959	8,290	6,988	6,807	49,044
	2,845,000	2,000,089	0	4,845,089	16,343,774	22,104,080
	0	0	0	0	844,900	844,900
	2,845,000	2,000,089	0	4,845,089	17,188,674	22,948,980
	2,849,106	2,025,009	8,290	4,865,825	17,215,710	23,049,922



Management Report

for the financial year 2003

Rising market penetration generates profitable growth

Centrotec Hochleistungskunststoffe AG (Holding) is the group parent of the Centrotec Group, hereinafter referred to as CENTROTEC. CENTROTEC again achieved profitable growth in 2003. 8 % of the growth in revenue is attributable to organic growth. The companies Ned Air B.V. (Netherlands) and Möller Feinmechanik GmbH & Co. KG (Fulda, Germany) acquired in the course of the year were able to make only a limited contribution to the consolidated figures.

These growth rates, which are relatively low for CENTROTEC, continue to reflect the weak state of the economy. CENTROTEC was again unable to identify any cyclically-driven growth stimuli in 2003. Rather, its positioning in the niche growth areas of energy-saving technology once again served as the basis of its successful performance. That the company continues to grow in spite of the stagnating overall markets is a sign that CENTROTEC products are enjoying increasing market penetration. Once the wider economic situation stabilizes, CENTROTEC will undoubtedly return to its accustomed double-digit rates of organic growth.

For 2004 too, we anticipate that the existing fields of business will produce an overall rise in consolidated revenue and earnings. More important still, however, we have already succeeded in paving the way for fresh long-term growth. This is illustrated by the following developments:

CENTROTEC took over Ned Air B.V., Kampen, the Netherlands, at the start of June. CENTROTEC has further strengthened its leading position in Europe in the rapidly expanding market for energy-saving climate control through this strategic acquisition. Ned Air, which generated a profitable revenue of EUR 9.8 million in 2002, is a long-standing business partner of the CENTROTEC subsidiary Brink Climate Systems B.V., Staphorst, NL. Whereas Brink is the European market leader for heat recovery systems for private low-energy houses, Ned Air's strengths lie in heat recovery systems for larger residential buildings and small public buildings (offices, hospitals, schools, etc.). Both market segments are enjoying considerable growth as a result of tougher energy-saving legislation. Ned Air moreover broadens the CENTROTEC Group's product portfolio with its new cooling concepts. In integrating Ned Air, CENTROTEC gains complementary technology and market shares, and is thus able to build on its lead in this growth market.

On the basis of the agreement dated August 28, 2003, CENTROTEC acquired all shares in Möller Feinmechanik GmbH & Co. KG (from January 2004: Möller Medical GmbH & Co. KG), Fulda, from the Blum family of entrepreneurs. Möller was established in 1973, currently has 150 employees and generated profitable revenue of EUR 10.0 million in 2002.

With the purchase of Möller, CENTROTEC is implementing its strategy of systematically shifting its emphasis away from plastic processing and towards systems and final uses.

CENTROTEC now generates over 80 % of its revenue from systems, above all in the sector of energy-saving technology. The acquisition of Möller will now focus processing technology activities increasingly on assemblies and systems.

CENTROTEC, which already supplies special plastics for medical technology, will be able to supply assemblies and systems for medical technology such as DNA analysis boxes, liposuction devices and blood pumps through Möller. The technology spectrum spans precision machining of hi-tech plastics, laser processing, clean-room production, electronic control technology and nanotechnology. Möller's clients are leading manufacturers of medical apparatus.

Business progress

The companies of which Centrotec Hochleistungskunststoffe AG, Brilon, holds the shares operate in the markets for semi-finished and finished parts of engineering plastic, as well as for plastic gas flue systems, fibre-reinforced composites, plastic climate control systems, plastic-based solar energy systems and plastic components for roof and lighting applications. Since mid-way through the year, CENTROTEC has also had activities in the areas of analytical procedures, medical technology and precision mechanics as a result of the acquisition of Möller Medical GmbH & Co. KG. The operative affiliated companies, with the exception of Centroplast, 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 market position of CENTROTEC was again extended in the past year. Centrotec Medical GmbH (from June 30, Centrotec Medizintechnik GmbH) was acquired on February 4, 2003. This is an intermediate holding company for the future Medical Technology section within the Medical – Plastics segment. This holding was acquired with effect from August 28 by Möller Feinmechanik GmbH & Co. KG.

Financing – equity ratio rose to 87 %

CENTROTEC Hochleistungskunststoffe AG has shareholders' equity of EUR 38.6 million at the reporting date, without having needed to stage a capital increase. The forecasts on business developments at the CENTROTEC Group have materialized almost in full; although this was forecast as long ago as 1999, there have since been three turbulent years on the stock markets, combined with the highly recessive indicators for the economy as a whole in 2003. The Engineering Plastics Division has passed the nadir but has not yet been

able to report a positive result. The measures and projects launched in 2003 are likely to propel this division back into the black.

Bank liabilities were reduced from EUR 8.0 million to EUR 3.6 million. These liabilities comprised in the main one bank overdraft.

Situation of Centrotec Hochleistungskunststoffe AG

Financial position

The accounts receivable and other assets rose from EUR 10.5 million to EUR 20.9 million in the year under review. This rise is substantially due to receivables for the balance of purchase prices from the intra-group sale of shareholdings, financing for the new intermediate holding company and the receivable for the profit transfer from Centrotherm.

The volume of borrowing fell from EUR 8.0 million to EUR 3.6 million in the year under review. This change is principally due to the settlement of an intra-group sale of shareholdings.

Associated companies – arm's length principle

Control and profit transfer agreements were concluded with Centroplast Kunststoffherzeugnisse GmbH, Centrotherm Abgassystemtechnik GmbH and Centrotec Composites GmbH in the financial year.

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 financial year. As a precautionary measure, a dependence report was therefore issued by the Management Board.

Concluding remark from the dependence report: "Pursuant to Section 312 Para. 3 of German Stock Corporation Law, we declare that, on the basis of the circumstances known to us at the time when legal transactions with associated companies were conducted, our company received adequate consideration for each legal transaction."

Earnings situation of Centrotec Hochleistungskunststoffe AG – earnings for the operative units rise

The high success of the company results from intra-group sales and the distribution of profit to the parent company, and is reflected accordingly in the earnings of that holding company. 55 % of the participating interest in Centrotherm was sold to Ubbink Holding B.V. in December 2003. A further 35 % was transferred to Ubbink Holding B.V. on the basis of a share premium contribution agreement by way of a contribution in kind without consideration. The disposal was made in order to improve the management structures and the altered structure of the segments in future. The internal

sale of Centrotherm resulted in a rise in earnings from investments to EUR 18.7 million.

In the context of the ongoing restructuring, the value of the participating interest in Centroplast was adjusted at the reporting date following its initial valuation at December 31, 2002; this resulted in a negative effect on earnings. The measures taken are nevertheless proving successful, with the result that a turnaround is imminent. It is expected that Centroplast will once again be able to post positive results in 2004 as a consequence of the ongoing restructuring measures.

Profit transfer agreements were concluded with individual companies of the Centro Group in the year under review. This results for the first time in income from profit transfers and the transfer of losses with a net total of EUR 1.8 million. Other operating expenses rose from EUR 0.7 million to EUR 1.3 million as a result of consultancy costs for the new acquisitions and a one-off personnel effect. These consultancy costs and the greater part of other expenses were passed on to the investees, with the result that the effect on the earnings of Centrotec AG is neutral.


Interest expense was reduced from EUR 0.6 million to EUR 0.4 million by the reduction of the credit line.

Key risks

The group as a whole was once again able to boost revenue and earnings. The integration into the group of Ned Air B.V., Kampen, Netherlands, and Möller Medical GmbH & Co. KG, Fulda, which are consolidated for the first time on the balance sheet for 2003, is progressing very successfully.

Through these latest acquisitions, CENTROTEC AG is making further progress with the systematic strategy of expansion in highly promising segments of environmental technology and venturing into new strategic areas of business. The company has already been demonstrably successful with this approach in the field of plastic gas flue systems for condensing boilers.

During the past financial year, we nevertheless considered in depth the risks to which our company is exposed. Our dependence on major clients deserves particular attention. Our largest customer represents less than 8 % of consolidated sales. Our customer structure as a whole is balanced. The loss of major clients could nevertheless diminish earnings.



• Management Report for the financial year 2003

Throughout the group, our market niches are growing and are relatively immune to cyclical fluctuations. Where our customers operate in the mechanical and plant engineering sectors, we naturally also feel the impact of cyclical effects.

The investment Centroplast emerged as a risk in 2002. The restructuring measures drawn up in 2002 in response to the risks that came to light, including as a result of internal risk management work, were actively implemented in 2003. Thanks to these measures, the potential risk has been moderated and, as matters stand, no longer constitutes a significant risk. The mathematically excessive debt burden is compensated for by hidden reserves, in particular in the company's real estate. Liquidity is assured through affiliation to the group.

Our past experience at the level of the group as a whole 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 seven countries.

We enjoy a secure market position in all divisions thanks to a steady stream of new and refined developments which enhance both the technology and the quality of our products. Factors which could erode our competitive edge, such as the appearance of new competitors, increasing employee power or substitution products, cannot of course be excluded in this connection.

Internally, we perceive potential risks in the production sector. We implement suitable accident prevention regulations and 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 through close technical cooperation with important suppliers and by maintaining at least two sources of supply for all important products.

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 we will in particular face the challenge of implementing further stages in the integration of our ERP system Baan IV in various areas of the company. This may entail risks to the efficiency of procedures in isolated instances. Likewise we cannot generally 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.

The post-acquisition scenarios have shown a rise in revenue and earnings. Our vigorous growth itself in addition harbours

risks. Internal structures in particular must be repeatedly and rapidly adjusted to the requirements of a growing group organization. Reorganization projects in the various areas of the company and at its various locations have made a substantial contribution towards ensuring that the company's internal structure suitably reflects the size of the group. This viable basis is constantly being elaborated.

Outlook

The provisional assessment of Centrotec Hochleistungskunststoffe AG after five years on the stock market is all in all highly positive. Following the winding-up of the "Neuer Markt" stock market tier, Centrotec Hochleistungskunststoffe AG has been listed on the "Prime Standard" tier under the codes CEV and Securities Identification Number 540750.

Our promise of growth has been redeemed. All stages of growth have been completed in a highly profitable manner. The groundwork for further profitable growth has already been accomplished.

The growth potential for the group as a whole will once again reach a double-digit percentage in 2004.

A slight rise in the overall market for heating systems is forecast for 2004. Economical condensing boilers in particular will enjoy growth in the European market. The process of substitution by plastic gas flue systems will likewise continue. We expect that revenue for 2004 will rise at a faster rate than the heating systems market as a whole.

We in addition assume that condensing boiler technology will ultimately prove as successful in neighbouring European countries as it has done in Germany, and that this will consequently create new, sizeable markets for plastic gas flue systems in those countries, too. Through the Ubbink Group's subsidiaries in the Netherlands, Belgium, France and Great Britain and the subsidiary Centrotherm Gas Flue Technologies Italy S.r.l., we have established the sales basis for achieving further growth with this pioneering technology on foreign markets.

We expect highly attractive growth from the aircraft, automotive, ballistics, sport and leisure industries in 2004 and beyond for the various potential applications of fibre-reinforced composites. The emphasis in this area of the Engineering Plastics segment is on long-term, profitable growth. Two relatively large orders were already booked in the final quarter of 2002 and at the start of 2003.

The heat recovery technology of Brink Climate Systems and Ned Air promises unabated high potential for growth both in their established home markets and in export markets. The Netherlands leads the way in this sector, as in the field of condensing boiler technology: Brink Climate Systems consequently represents a further important technology cornerstone in the context of an increasing trend towards climate control systems.

The acquisition of Möller Feinmechanik GmbH & Co. KG adds medical technology to the company's spectrum of activities. Growth and a good contribution to earnings can be expected in future years from this line of activity.

We will continue to focus on making targeted strategic acquisitions. The core principle here will be to broaden our business portfolio in such a way as to promote the enduring success of sustainability products.

CENTROTEC AG therefore views future developments in a distinctly positive light and offers bright prospects for investors who are looking to buy shares that represent genuine substance coupled with attractive growth rates.

Brilon, February 20, 2004
CENTROTEC Hochleistungskunststoffe AG

Dr. Gert-Jan Huisman,
CEO and Finance

Martin Beijer,
Gas Flue Systems

Dr. Alexander Kirsch,
Medical Technology & Engineering Plastics,
Strategy and Expansion

Rob Slemmer,
Climate Systems

Notes To The Annual Financial Statements

For The 2003 Financial Year

General Information

The company is a large company as defined by § 267 (3) of HGB (German Commercial Code), on the strength of its stock exchange listing. The format of the Balance Sheet and Income Statement is based on the provisions of Sections 264 ff. of HGB applicable to corporate enterprises. It applies the nature of expenditure method pursuant to § 275 (2) of HGB for the Income Statement.

Recognition And Measurement Principles

I. Noncurrent assets

Purchased intangible assets are capitalized 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 (2) of German Income Tax Law is not used. Low-value assets are written down in full in the year of their addition and reported as a disposal.

II. Financial investments

The financial investments are valued at cost or at fair value if lower.

III. Accounts receivable 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. The derivatives included under other assets are carried at fair value.

IV. Cash and cash equivalents

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

V. Accrued expenses

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

VI. 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.

Special Information And Notes

I. Balance Sheet

1. Assets

a) Noncurrent assets

The classification and movements of noncurrent assets are shown in the following Asset Movement Schedule:

b) Current assets

Accounts receivable and other assets

The accounts receivable from affiliated companies include loans receivable with a time to maturity of more than one year totalling EUR 1.56 million. The other assets do not include any items with a time to maturity of more than one year.

2. Equity and liabilities

a) Shareholders' equity

At December 31, 2003 the capital stock of the company is divided into 7,667,975 individual share certificates. The individual share certificates have no par value. The no-par shares each represent EUR 1 of capital stock. All shares have been 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 3,833,987 (approved capital) until August 31, 2008 by issuing new bearer individual share certificates with no par value 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 Section 186 (3), fourth sentence of

German Stock Corporation Law to exclude the shareholders' right of subscription for up to EUR 766,797 of the approved capital on one or more occasions, in return for contribution in cash, if the issuing price of the new shares is not significantly lower, but in any event 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 conditional capital has in addition been increased to the amount of EUR 766,797. The conditional increase will only take effect if the stock options are exercised as provided for by the resolutions adopted by the Shareholders' Meetings on September 9, 1998, May 17, 2001 and May 28, 2002. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The conditional capital is divided into 766,797 individual share certificates.

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. With effect from May 2, 2001, 315,167 options were issued to employees, executive staff and Management Board members at an exercise price of EUR 10.20. The options may be exercised from May 2, 2003 May 2, 2008. A total of 22,000 options have been exercised to date. All options exercised to date are from the issue of July 1, 1999 and were exercised in the 2001 fiscal year.

Exercise of the options is linked to the fulfilment of certain conditions and objectives. They may only be exercised if the market price on the Frankfurt Stock Exchange on the day before exercising is quoted as at least 30 % above the average price for the 30 trading days preceding issue of the options. Exercise of the options is also linked to the fulfilment of individual objectives by employees, executive staff and Management Board members. It is therefore uncertain how many of the options issued will actually be exercised.

In accordance with the resolution adopted by the Shareholders' Meeting on May 11, 1999, which was amended by the resolution adopted by the Shareholders' Meeting on May 18, 2000 and May 17, 2001 and extended on May 28, 2002, the company is entitled to buy back treasury stock representing up to 10 % of capital stock. This authorization, valid until November 28, 2003, was cancelled by the resolution of the Shareholders' Meeting on May 22, 2003 and replaced by an

authorization valid until November 22, 2004. 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 trading days preceding the acquisition. The Management Board is authorized to offer all or some of 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 treasury stock 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.

A total of 6,040 treasury shares were held in the financial year. These shares represent 0.078 % of share capital. These shares were held at the parent as treasury stock as at the balance sheet date. No treasury stock was acquired or sold during the financial year.

The capital stock of Centrotec Hochleistungskunststoffe AG, Brilon, totals EUR 7,668 thousand, the additional paid-in capital EUR 10,991 thousand and the revenue reserves EUR 1,986 thousand. As a result of a loss carryforward of EUR 21 thousand and a net income of EUR 17,970 thousand, the company's equity at December 31, 2003 totals EUR 38,594 thousand.

The calculation of retained earnings is shown in the following table:

<i>in euros</i>	
Net income	17,969,979.39
Net earnings brought forward	-21,239.98
Withdrawal from the other revenue reserves	-24,704.00
Allocation to the reserve for treasury stock	24,704.00
Retained earnings	17,948,739.41

b) Other accruals

The other accruals include costs of the Shareholders' Meeting, legal and consultancy costs, claims for outstanding vacation entitlements and purchase invoices outstanding.

Notes To The Annual Financial Statements For The 2003 Financial Year

c) Liabilities

The remaining maturities are shown in EUR thousand in the following table:

	Position at		Thereof with a residual term of between					
	31.12.03	31.12.02	up to one year		one and five years		more than five years	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
Bank liabilities	3,562	7,979	1,511	5,682	920	756	1,131	1,541
Trade accounts payable	63	36	63	36	0	0	0	0
Liabilities to affiliated companies	967	798	967	798	0	0	0	0
Liabilities to companies linked through participation	0	3	0	3	0	0	0	0
Other liabilities	162	143	162	143	0	0	0	0
	4,754	8,959	2,703	6,662	920	756	1,131	1,541

The collateral provided for bank liabilities consists principally of global assignments of receivables, storage assignments of inventories, assignments of technical equipment and machinery of the companies Centrotec AG, Brilon and Centroplast GmbH, Marsberg, as security, and a mortgage on the site of Centroplast GmbH, Marsberg, amounting to EUR 2,556 thousand.

At the closing date, EUR 4,691 thousand of the liabilities were covered by collateral.

Other Particulars

I. 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 assumed by the seller. The rental agreement in question is in the United Kingdom for annual rent of currently GBP 80,000 (EUR 129 thousand), due to run until 2012. Centrotec Hochleistungskunststoffe AG moreover releases its designated sponsor, M.M. Warburg & CO KG aA, Hamburg, from liability in connection with its sponsoring activities, subject to this liability not resulting from gross negligence or fault on the part of the designated sponsor. A letter of subordination was issued to Centrotec Composites GmbH in respect of EUR 20 thousand. A letter of subordination for EUR 1,300 thousand has in addition been issued to Centrotec Medizintechnik in respect of a loan.

II. Other financial obligations

At the balance sheet date there existed a letter of subordination and capital commitment declaration to WGZ Bank Westdeutsche Genossenschafts-Zentralbank eG, Münster, to secure the subsidiary Centrotherm Abgassystemtechnik GmbH as a going concern.

III. Average number of employees

Over the period from January 1 to December 31, 2003, the company had an average of eight employees, four of whom were board members.

IV. Corporate governance

Background

On February 26, 2002 the Government Commission on the German Corporate Governance Code presented a code of behaviour for management boards and supervisory boards of listed companies. This Code was updated on May 21, 2003. The objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised.

Pursuant to § 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been complied with.

**Declaration of Compliance by Centrotec
Hochleistungskunststoffe AG in respect of
the German Corporate Governance Code**

“Centrotec Hochleistungskunststoffe AG complies with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 21, 2003, with the exception of the aspects detailed below:

Section 3.8. of the Code recommends an appropriate excess for D&O insurance cover for members of corporate bodies. Our current policy for D&O cover does not include an excess. Renegotiation of the policy would probably result in a significant rise in costs in view of the sharp rise in insurance premiums over recent years. We are planning to agree an appropriate excess once the current policy has expired.

Section 5.3. of the Code recommends the formation of committees. This is, however, to take place subject to the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board comprises three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.

Section 4.2.4 of the Code recommends that the remuneration of the Management Board be reported broken down according to fixed payments, performance-related components and components with a long-term incentivizing effect. This we do. However, no individualized disclosures concerning levels of remuneration are made, as we regard the protection of the private sphere as more important than the value of additional information on how the total volume of remuneration, which we do not believe to be above-average, is broken down between the individuals in question. Centrotec moreover observes all target requirements of the Code on sound corporate governance.”

The company has published the declaration of compliance with the Code (§ 161 of German Stock Corporation Law) on its website (www.centrotec.de).

V. Management Board and Supervisory Board

The Management Board members at the balance sheet date were:

Dr. Gert-Jan Huisman, Nijkerk, Netherlands, merchant (CEO)
Martin Beijer, Doesburg, Netherlands, merchant
Dr. Alexander Kirsch, Munich, Germany, merchant
Rob Slemmer, Hoevelaken, Netherlands, merchant
Hans-Lothar Hagen, Altenbeken,
mechanical engineer, left the Management Board with effect from March 19, 2003.

The members of the Supervisory Board at the reporting date were:

Guido A. Krass, Wadhurst, United Kingdom, entrepreneur (Chairman)
Wim Brink, Zuidwolde, , Netherlands, businessman
Dr. Bernhard-R. Heiss, Munich, Germany, lawyer

Members of the Management and Supervisory Boards also serve on the following supervisory boards as defined in Section 125 (1), third sentence of German Stock Corporation Law:

Guido A. Krass:
Eracom Technologies AG, Krefeld (Chairman)
PACT Technologies AG, Munich, Germany
Pari Capital AG, Munich, Germany (Chairman)
Pari Capital Group AG, Steinhausen, Switzerland (Chairman of Board of Directors)
Ubbink Nederland B.V. (Chairman)
Wim Brink:
Newion Investments BV, Heerenveen, Netherlands
H.D.S. BV, Hoogeveen, Netherlands
Dr. Bernhard-R. Heiss:
ArtMerchandising & Media AG, Munich, Germany
OPUS 1 Vermögens-Management AG, Munich, Germany
Dr. Alexander Kirsch:
Pari Capital AG, Munich, Germany

The total remuneration of the four board members was EUR 843 thousand, with part of this remuneration being paid by the subsidiaries for activities as their managing directors. This amount includes social contributions and fringe benefits such as company cars and pension commitments. It does not include exercisable share options which are tied to the fulfilment of individual and company objectives. Options granted in 2003 have merely a theoretical value of EUR 1,183 thousand, as the Centrotec share price rose sharply after the issue of the options on April 15, 2003. The figure was moreover calculated using the maximum possible number of options. How many options can actually be exercised depends on the attainment of individually specified targets.

The remuneration of the Supervisory Board totalled EUR 7 thousand and was made up as follows: Herr Krass EUR 3 thousand, Dr. Heiss EUR 2 thousand and Mr Brink EUR 2 thousand.

Notes To The Annual Financial Statements For The 2003 Financial Year

The following table shows directors' holdings as at December 31, 2003.

Name	2003		2002	
	Shares (total)	Options (total)	Shares (total)	Options (total)
Management Board				
Dr. Gert-Jan Huisman	500	107,084	500	68,800
Dr. Alexander Kirsch	14000	115,279	9000	78,377
Martin Beijer	700	104,639	700	66,900
Rob Slemmer	0	43,659	0	36,300
Supervisory Board				
Guido A. Krass	1,200,000	0	1,200,000	0
Dr. Bernhard R. Heiss	0	0	0	0
Wim Brink	0	0	0	0
CENTROTEC				
Ordinary shares	7,667,975	0	7,667,975	0
Treasury stock	6,040	0	6,040	0

VI. Investments

All companies in which shares are held are listed separately. The company exercises its choice pursuant to Section 287 No. 1 in this respect. The list is submitted to the Commercial Register of the Local Court of Arnsberg, Eichholzstrasse 4, 59821 Arnsberg, concurrently with publication of the annual financial statements.

Centrotec AG prepares consolidated financial statements for itself and its subsidiaries for the largest group of companies. These consolidated financial statements are available from the offices of Centrotec Hochleistungskunststoffe AG, Am Patbergschen Dorn 9, 59929 Brilon, Germany.

(7) Other particulars

Notices pursuant to Section 21 (1) of German Securities Trading Law (WpHG)

On July 28, 2003 Mr Julius Baer Multistock, 69, route d'Esch, Luxembourg disclosed the following: "We hereby give you notice, pursuant to Section 21 1 of German Securities Trading Law, in conjunction with Section 15b Para. 2 of Foreign Financial Investment Law, that our share of voting rights in Centrotec Hochleistungskunststoffe AG, Am Patbergschen Dorn 9, 59929 Brilon, Germany, Securities Identification Number 540 750, fell below the threshold of 5 % as at July 28, 2003 and has since been 4.83 % (370,000 shares)."

Brilon, February 20, 2004

CENTROTEC Hochleistungskunststoffe AG

Dr. Gert-Jan Huisman,
CEO and Finance

Martin Beijer,
Gas Flue Systems

Dr. Alexander Kirsch,
Medical Technology & Engineering Plastics,
Strategy and Expansion

Rob Slemmer,
Climate Systems





• *Independent Auditors' Report*

We have examined the annual financial statements, including the accounts, and the management report compiled by Centrotec Hochleistungskunststoffe AG, Brilon, for the business year from January 1 to December 31, 2003. The accounts and the preparation of the annual financial statements and management report in accordance with the requirements of German commercial law and the supplementary regulations contained in the articles of incorporation is the responsibility of the company's Management Board. The scope of our audit did not extend to assessing the details of the declaration of compliance with the German Corporate Governance Code included voluntarily by the company in the Notes.

Our responsibility is to pass judgement, based on our audit, on the annual financial statements, including the accounts, and on the management report.

We carried out our audit of the annual financial statements in accordance with § 317 of German Commercial Code, observing the German principles of proper auditing promulgated by the German Institute of Auditors (IDW). Those principles require that we plan and perform an audit to obtain reasonable assurance that there are no misstatements and violations which materially affect the presentation of the company's net worth, financial position and earnings situation in the annual financial statements, based on the principles of proper accounting, and in the management report. The scope of the audit was determined on the basis of a knowledge of the business activities and the

economic and legal context of the company, as well as the likelihood with which particular errors were to be expected. In the context of the audit, the effectiveness of the accounts-based internal controlling system and evidence of the details provided in the accounts, annual financial statements and management report are examined predominantly on a test basis. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion. No objections are made on the basis of our audit.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company. The management report as a whole provides an accurate picture of the company's position and of the risks to its future development.

Kassel, March 5, 2004

PRICEWATERHOUSECOOPERS

GmbH
Wirtschaftsprüfungsgesellschaft

(Siemon)

(Müller)

Wirtschaftsprüfer

Wirtschaftsprüfer

Management



From left to right: Dr. Alexander Kirsch, Dr. Gert-Jan Huisman, Martin Beijer, Rob Slemmer

MANAGEMENT BOARD

Dr. Gert-Jan Huisman (CEO, 36), a Doctor of Business Management, has been Finance Director of CENTROTEC AG since 2000 and CEO since 2002. A Dutch national, he has held management positions in Germany for over eight years, including as branch manager of a bank. He in addition worked at McKinsey & Company for five years as Senior Consultant and Project Manager.

Dr. Alexander Kirsch (37), a Doctor of Business Management, has been a Management Board member of CENTROTEC AG since 1998. He was initially the Finance Director, then took charge of Strategy and Expansion in 2000, a new area of responsibility on the board created in response to CENTROTEC's growth. He is in addition responsible for the Medical Technology & Engineering Plastics Division. He began his career as a freelance management consultant, then worked for McKinsey & Company for several years.

Martin Beijer (57), who has headed Ubbink Systemtechnik (acquired 1999) since 1997, is responsible for the Gas Flue Systems Division within the CENTROTEC Group. Beijer transformed Ubbink from a traditionally oriented plastics company into a high-growth specialist for plastic, gas flue and ventilation systems.

Rob Slemmer (60) has been Managing Director of Brink Climate Systems (acquired 2002) since 1984. He has held various management positions within that group since 1978. Slemmer transformed Brink into the European market leader for innovative heat recovery technology. Within the CENTROTEC Group, he is responsible for the Climate Systems Division.



CENTROTEC
Sustainable AG

Am Patbergschen Dorn 9 – D-59929 Brilon

Tel.: +49(0)2961.96631-0

Fax: +49(0)2961.96631-96

www.centrotec.de / ir@centrotec.de