



healthcomfortenergy

Quarterly Report Q1/2005
of CENTROTEC Sustainable AG



GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at March 31, 2005

Report of the Management Board

Highlights

- 1 % increase in revenue from EUR 32.4 million to EUR 32.7 million
- Net earnings (EAT) up 4 % on prior-year figure at EUR 2.2 million
- EPS (earnings per share) unchanged at EUR 0.27
- EBIT 5 % down by EUR 0.2 million on prior-year period at EUR 3.7 million
- Equity ratio rises to 41.1 % (December 31, 2004: 39.4 %)
- Seasonal rise in working capital of EUR 4.6 million since start of year, to EUR 19.3 million
- Net amount owed to banks up EUR 1.8 million to EUR 41.4 million since start of year due to rise in working capital
- Due to long winter, shifts in revenue expected – signs of catch-up emerging from May onwards

Outlook

- Good current level of orders and catch-up effects following adverse weather will probably deliver in the scheduled revenue and earnings growth for the CENTROTEC Group for 2005 as a whole.
- Forecast for the 2005 financial year confirmed; revenue forecast EUR 145 – 150 million; profit forecast EPS of EUR 1.55 – 1.60
- Medium-term EPS growth in excess of 20 % p.a.
- Strategic emphasis on sustainability systematically maintained

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1. Revenue: up 1 % to EUR 32.7 million

CENTROTEC Sustainable AG posted revenue of EUR 32.7 million in the first three months of the year. Revenue for the prior-year quarter was EUR 32.4 million. The growth of approximately one percent is therefore well below the level customarily achieved by CENTROTEC. CENTROTEC nevertheless expects appreciably higher growth rates of around 10 % for the year as a whole.

In the previous year, revenue was relatively high in the first quarter; the growth rates in the first half of the year were double those achieved in the latter six months. In addition to this base effect, the first quarter proved very weak for the entire sector this year. The principal factor at work was the long winter, with snow continuing into March, resulting in delays in the new construction sector. New construction activity in Germany and the Netherlands was around 20 % down on the previous year's level. As only around one-quarter of CENTROTEC's revenue is affected by this sector, the impact on CENTROTEC was milder, if still noticeable. Other reasons for the temporarily low growth rate were the postponement of major projects in the Climate Systems segment and reduced stock levels at major clients in the Gas Flue Systems segment by virtue of the high reliability of our supply arrangements.

It is typical, however, to catch up on revenue postponed due to adverse weather during the subsequent four to six months. Whereas April still showed the after-effects of the harsh winter (a rise in installation activity does not filter through to manufacturers for some time), rising levels of orders in May signal the start of the catch-up effect. To that extent, the growth rate of 1 % for the first quarter does not serve as a genuine indication of what the year as a whole holds in store. Quite the contrary: much higher growth rates are expected in subsequent quarters. This development will also be promoted by catch-up effects for major projects, the launching of heat recovery systems in Belgium and the United Kingdom, the new, lower guideline values for the overall energy efficiency of buildings that are to take effect in the Netherlands at the start of 2006 and, last but not least, the aforementioned base effect from the previous year. The weaker economy in Germany and the Netherlands nevertheless continues to be a burden on the business situation. The predominantly positive signals from CENTROTEC's specific market segments mean that the developments described above can be expected.

In specific, CENTROTEC was able to consolidate and in some areas strengthen its market position in its largest segment Gas Flue Systems, for which it posted revenue of EUR 16.7 million (previous year EUR 16.1 million). Overall revenue for the Climate Systems segment remained on a par with the previous year, at EUR 9.1 million. Whereas sales of traditional ventilation systems have fallen, systems involving heat recovery produced higher revenue. In the Medical Technology & Engineering Plastics segment, the revenue of EUR 6.9 million did not match the previous year (EUR 7.3 million), but the quality of revenue and therefore earnings improved.

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2. Earnings: EBIT margin 11.4 %

Earnings before interest and taxes (EBIT) for the CENTROTEC Group amounted to EUR 3.7 million, with the result that the EBIT margin for the first three months of the year reached 11.4 % (previous year: 12.1 %). With improved capacity utilisation in the next few quarters, the EBIT margin can be expected to recover accordingly. On the strength of its market position, CENTROTEC was moreover able to push through price increases for all major brands, though these will only achieve their full effect as the year progresses. With earnings for the period after interest and taxes (EAT) of EUR 2.2 million, the prior-year figure was just exceeded, as the interest result improved following repayments and the tax load ratio has furthermore fallen. Earnings per share (EPS) of EUR 0.27 correspond to the previous year's figure. These figures include the expenses of EUR 0.01 per share for the stock options scheme pursuant to IFRS 2.

3. Balance sheet: equity ratio rises to 41 %

The balance sheet total compared with December 31, 2004 was up EUR 1.2 million to EUR 120.4 million. The equity ratio continued to improve to 41.1 %. This compares with a ratio of 29 % at the corresponding point last year; it was 39.4 % at December 31, 2004.

Cash flow I (EAT + depreciation and amortisation) was on a par with the previous year at EUR 3.3 million (EUR 3.4 million). The cash flow from operating activities for the CENTROTEC Group was down on the prior-year quarter (EUR 0.1 million) at EUR –0.2 million. Net amounts owed to banks (current and non-current loans less cash and cash equivalents) amounted to EUR 41.4 million (EUR 39.5 million on December 31, 2004). This figure is substantially lower than in the previous year (value at March 31, 2004: EUR 45.5 million). The reduction in amounts owed to banks is simultaneously the reason for the improved interest result mentioned above.

Net working capital (current assets – cash and cash equivalents – short-term, non-interest-bearing borrowings) rose from EUR 14.7 million (December 31, 2004) to EUR 19.3 million. The rise is predominantly due to the reporting-date effect at the end of the year, when the levels of receivables and inventories are typically very low. As in previous years, this figure is expected to fall again by the end of the year.

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4. Employees: 6 % rise in employee total

The average number of employees expressed as full-time equivalents (FTE) rose slightly from an average of 926 in 2004 to 942 in the first quarter of 2005. The CENTROTEC Group employed 888 FTE in the corresponding period of the first quarter of 2004. This represents a year-on-year increase of 6.1 %. Personnel expenses, on the other hand, rose by only 2.2 %. Of the total of 942 FTE, which represents 980 actual individuals, the majority were employed in the Netherlands (439 FTE) and Germany (341 FTE).

5. Gas Flue Systems: market position extended with revenue remaining stable

In the Gas Flue Systems segment, revenue in the first three months was increased from EUR 16.1 million to EUR 16.7 million. The company acquired in 2004, Ubbink Solar, contributed EUR 0.4 million towards revenue.

The heating sector as a whole had a very weak first quarter. The major boiler manufacturers attribute this mainly to the postponement of new construction projects due to the weather. Many of them nevertheless affirm their forecasts for the year, as they too are expecting catch-up effects over the coming months. Some customers have moreover kept stock levels to a minimum so that they will rapidly be able to introduce the new products being unveiled at the ISH exhibition in March. One major customer has in addition drastically reduced its stock levels, as it is able to improve its tied-up capital thanks to the high reliability of CENTROTEC as a supplier.

The aforementioned effects were particularly pronounced in Germany. On the other hand, business in the Netherlands and France remained on an even keel and a significant increase in revenue was actually posted in Belgium, Italy and the United Kingdom.

As reported, the acquisition costs for a large range of materials and purchased parts rose compared with the previous year. In the context of these cost increases, it was simultaneously possible to increase the prices of our products thanks to our strong market position. Some of these price increases will, however, only take effect during the course of the year. Additional costs were incurred in the months in question by exhibitions and by one-off expenses as a result of process optimisation measures. This produced a slight deterioration in earnings. EBIT was EUR 1.6 million, representing a drop of EUR 0.1 million or 6 % on the prior-year figure of EUR 1.7 million.

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The newly developed, patented lead substitute was exceptionally well received in the market. CENTROTEC will start selling the product from June. This product is used for sealing e.g. roof ducts on gas flue and ventilation systems. As well as these applications, the material can be used universally for sealing tasks. Solar companies, too, have already enquired about using the material for solar support structures. Direct competitors have also already expressed considerable interest in using CENTROTEC's "eco lead". We furthermore perceive considerable scope for marketing this new product line outside the gas flue and solar sector.

After a subdued start to 2005, the Gas Flue Systems segment expects to enjoy a good second half. The full-year figures forecast for this division are proving correct.

6. Climate Systems: growth for large heat recovery systems

Revenue in the Climate Systems segment totalled EUR 9.1 million in the first three months, and is thus in line with the previous year. Poorer capacity utilisation in one production area (particularly air heaters) proved to be a slight burden on earnings, resulting in a year-on-year fall in EBIT of EUR 0.2 million (-7 %) to EUR 1.8 million.

There was a noticeable shift in the market: whereas sales of more traditional ventilation systems for air heaters fell significantly, revenue for high-efficiency heat recovery technology continued to rise and showed an improvement on the prior-year figures in spite of the lower level of new construction activity. The new model range launched in September 2004 has been very well received in the market. In comparisons of market players, this device is rated as the unchallenged leader for quality. Business for traditional air heaters is predominantly project-driven. Various major projects scheduled for this year have been postponed, whereas project revenue was very good last year.

Whereas smaller heat recovery equipment for private housing applications experienced only slight growth, our larger, high-performance units with ultra-efficient heat recovery grew by more than one-third. Ned Air in particular benefited from the much steeper growth of this still relatively young market.

Whereas the first half of 2004 underpinned the substantial revenue growth compared with 2003, in 2005 we are expecting the second half of the year to be better. The new, lower guideline values for the overall energy efficiency of buildings that are to take effect in the Netherlands in 2006 will also serve to stimulate growth. Our contacts with representatives of the government seem to indicate increasingly that the changes will be introduced from January 1 rather than in the course of 2006.

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7. Medical Technology & Engineering Plastics segment: better-quality revenue but continuing cyclical weakness

The Medical Technology & Engineering Plastics segment posted revenue of EUR 6.9 million, thus falling short of the figure for the prior-year period by EUR 0.4 million or 5 %. Earnings nevertheless showed a substantial improvement on the previous year. EBIT rose by 28 % to EUR 0.3 million (previous year EUR 0.2 million).

In this instance, the more active marketing of products delivering a higher value added in the Engineering Plastics area produced the desired result. This strategy is of a long-term nature and was already embarked upon in 2003. Improving the revenue mix is, however, a slow process, as shifting the emphasis to new applications involves corresponding run-up periods.

Expanding the field of Medical Technology is likewise a longer-term affair. Our own sales activities for the first product group – liposuction – were launched at the end of 2004. In this product area, it is possible to take charge of our own sales activities without endangering close customer relations with equipment manufacturers in other areas. The sales effect of this strategy is that our market position is safer, but that there is less scope for planning revenue in the short term. Operations have got off to a highly satisfactory start.

As well as the generally slack economy, the downturn in revenue is due to a fall in demand for a composite component that went into volume production in 2004. The unit totals for a component made using innovative composite technology for a convertible vehicle have fallen as a result of low sales of the vehicle in question. Although the unit costs have been cut substantially since the volume production launch last year, lower capacity utilisation has cancelled out the savings.

8. Shares: price consolidation coupled with high international interest

In the first weeks, the price of CENTROTEC shares rose from EUR 21.90 (opening price at start of year) to EUR 26.00 at the end of January and thus maintained the sharp upward movement enjoyed since mid-2004. In the ensuing consolidation phase, the share price lay mostly between EUR 22.00 and EUR 24.00. The closing price in Frankfurt on March 31, 2005 was EUR 23.35.

CENTROTEC shares continue to attract considerable interest internationally. Two further renowned banks, for example (Sal. Oppenheim and Berenberg) have commenced coverage of our shares (in addition to Citibank, ABN, Commerzbank and MM Warburg). On April 29, 2005 Schrodgers Investment Management Limited, London, reported that it has now exceeded the threshold of 5 % of voting rights. This, too, indicates that international investors increased their holdings of CENTROTEC shares in the first quarter. Demand for shares nevertheless eased off at the start of May, as a result of which the price level was around EUR 20.00 at the time of publication of this report.

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9. Expectations for 2005: forecast for the year confirmed

As matters stand, the forecast for 2005, with a revenue target of EUR 145 to 150 million (previous year EUR 134.8 million), EBIT of EUR 20 to 21 million and EPS of EUR 1.55 to 1.60 (previous year EUR 1.34), remains realistic. This is assuming that a certain "catch-up effect" will become apparent particularly in the second half of the year. The scheduled revenue growth of between 8 and 12 % for the whole year is attainable even after a relatively weak first quarter. Past developments have repeatedly confirmed this.

Four specific individual trends lend substance to this forecast: Sales of heat recovery equipment will commence in the second half of the year in Belgium and also in the United Kingdom, following the acquisition of a major private label client there. The level of orders received and the mood in the other areas are likewise positive.

Many boiler manufacturers, for instance, are confirming their forecasts for the year, new framework agreements for solar support products have been concluded and our predictions of the market developments in the segments are positive. The introduction of tougher energy-saving regulations in the Netherlands in 2006 should prompt some business to be brought forward. Finally, the base effect in the reference year of 2003 will prompt higher growth rates in the course of the year. The protracted weakness of the economy remains a risk.

Cost-cutting measures, optimised processes and also product price increases will have a positive effect on earnings. EPS will be influenced positively by the improved interest result following a further reduction in amounts owed to banks and the lower tax load ratio.

It moreover remains the strategy of CENTROTEC to accelerate growth by making targeted corporate acquisitions. As in the past, however, only transactions that fit in with the strategy and reflect the cautious basic attitude towards risks will be entered into. Any future transactions will likewise help to boost profits.

Brilon, May 2005

The Management Board

KEY FIGURES GROUP

of CENTROTEC Sustainable AG, Brilon

at March 31, 2005

in thousand EUR

KEY FIGURES

	31.03.2005	31.03.2004	Change
Total revenue	32.702	32.443	0,8%
Medical Technology & Engineering Plastics	6.915	7.266	-4,8%
Climate Systems	9.097	9.058	0,4%
Gas Flue Systems	16.690	16.119	3,5%
Earnings			
EBIT	3.723	3.911	-4,8%
EBIT Margin (in %)	11,4%	12,1%	
EBITDA	4.865	5.233	-7,0%
EBT	3.241	3.261	-0,6%
EAT	2.159	2.066	4,5%
EPS (in EUR; basic)	0,27	0,27	0,0%
Capital Structure*			
Balance sheet total	120.414	119.153	1,1%
Shareholders' equity	49.476	46.993	5,3%
Equity ratio (in %)	41,1%	39,4%	
Average number of shares outstanding (basic)	7.882.593	7.662.524	2,9%
Property, plant and equipment	34.659	34.813	-0,4%
Goodwill	38.134	38.134	0,0%
Net amounts owed to banks	41.368	39.531	4,6%
Net Working Capital	19.276	14.720	31,0%
Cash Flow Statement			
Cash flow I (EAT + depreciation/amortisation)	3.301	3.388	-2,6%
Cash flow from operating activities	(210)	70	-401,4%
Cash flow from investing activities	(1.584)	(1.028)	54,1%
Employees			
Total (in FTE)	942	888	6,1%
Changes in Share Price (in EUR)			
Share price 01.01.	21,90	9,70	
Year-high	26,00	13,02	
Year-low	20,95	9,30	
Share price 31.03.	23,35	12,50	

* Previous year is related to December, 31, 2004

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at March 31, 2005

in thousand EUR

ASSETS

	31.03.2005	31.12.2004
Current assets		
Cash and cash equivalents	1.808	3.672
Trade account receivables	19.626	17.190
Inventories	19.723	19.861
Prepaid expenses and other current assets	1.502	1.144
Income tax receivable	687	206
	43.346	42.073
Non current assets		
Property, plant and equipment	34.659	34.813
Intangible assets	1.620	1.697
Financial investments and notes receivable / loans	0	0
Goodwill	38.134	38.134
Deferred tax	2.637	2.411
Other assets	18	25
	77.068	77.080
Assets	120.414	119.153

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at March 31, 2005

in thousand EUR

EQUITY AND LIABILITIES

	31.03.2005	31.12.2004
Current liabilities		
Finance lease liabilities	129	155
Debt and current portion of long-term debt	12.819	11.749
Trade accounts payable	7.372	7.964
Accrued expenses	2.204	2.096
Income tax payable	1.998	1.617
Other liabilities	10.688	12.004
	35.210	35.585
Non current liabilities		
Debt less current portion	30.358	31.454
Finance lease liabilities less current portion	17	63
Deferred tax	2.692	2.674
Pension accrual	360	343
Other accruals	2.256	1.992
Other liabilities	45	49
	35.728	36.575
Shareholders` equity		
Share capital	7.893	7.889
Additional paid-in-capital	11.877	11.849
Treasury stock	(112)	(112)
Share benefit reserve	445	405
Deferred tax reserve	1.063	860
Currency translation differences and fair value adjustments of interest rate derivatives	(311)	(360)
Retained earnings	26.436	16.274
Profit attributable to share capital holders of the parent	2.157	10.162
Minority interest, presented within equity	28	26
	49.476	46.993
Equity and Liabilities	120.414	119.153

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to March 31, 2005

in thousand EUR

INCOME STATEMENT

	01.01.2005 31.03.2005	01.01.2004 31.03.2004
Revenues	32.702	32.443
Other operating income	558	345
Changes in inventories of finished goods and work in progress	192	364
Own work capitalized	2	7
Cost of purchased materials and services	(13.759)	(13.193)
Personnel expenses	(9.290)	(9.087)
Depreciation and amortisation	(1.142)	(1.322)
Amortization (and impairment) of goodwill	0	0
Other operating expenses	(5.540)	(5.646)
Operating income (EBIT)	3.723	3.911
Interest income and expenses	(482)	(650)
Result before income taxes (EBT)	3.241	3.261
Income tax	(1.082)	(1.195)
Net income (EAT)	2.159	2.066
Profit or loss attributable to minority interest	2	(20)
Profit attributable to share capital holders of the parent	2.157	2.086

EPS (Earnings per share in EUR)

Earnings per share (basic)	0,27	0,27
Earnings per share (diluted)	0,26	0,26
Weighted average shares outstanding (in numbers; basic)	7.882.593	7.662.524
Weighted average shares outstanding (in numbers; diluted)	8.257.134	7.954.986

CONSOLIDATED CASH FLOW STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to March 31, 2005

in thousand EUR

CASH FLOW STATEMENT

	01.01.2005 31.03.2005	01.01.2004 31.03.2004
Net income before taxes and interest	3.723	3.911
Depreciation and amortisation	1.142	1.322
Gain/loss on disposal of non-current assets	(5)	0
Other non-cash items	202	62
Increase/decrease in provisions	389	(83)
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(3.299)	(4.748)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	(1.353)	976
Interest paid	(482)	(602)
Income taxes paid	(527)	(768)
Cash Flow from operating activities	(210)	70
Acquisition of share in participations - net of cash acquired and outstanding amounts to be paid	(680)	0
Purchase of property, plant and equipment/ intangible assets / financial investments / loans	(912)	(1.159)
Proceeds from disposal of property, plant and equipment/intangible assets / financial investments / loans	8	131
Cash Flow from investing activities	(1.584)	(1.028)
Proceeds from issuance of shares	32	218
Proceeds from borrowings/repayment of borrowings	(818)	(4.029)
Cash Flow from financing activities	(786)	(3.811)
Change in financial resources	(2.580)	(4.769)
Financial resources at the start of the financial year	(1.193)	5.308
Financial resources at the end of the period	(3.773)	539

STATEMENT OF MOVEMENTS IN EQUITY AND SEGMENT REPORT

of CENTROTEC Sustainable AG, Brilon

from January 1 to March 31, 2005

in thousand EUR

STATEMENT OF MOVEMENTS IN EQUITY

	Share capital	Additional paid-in capital	Treasury stock	Share benefit reserve	Deferred tax reserve	Re-valuation reserves	Retained earnings and profit carry-forward	Income of the period	Minority interest	Consolidated equity
December 31, 2003	7.668	10.128	(112)	0	0	(304)	10.156	6.263	0	33.799
Adjustment first time adoption IFRS 2				184	185			(145)		224
December 31, 2003	7.668	10.128	(112)	184	185	(304)	10.156	6.118	0	34.023
Transfer to revenue reserves							6.118	(6.118)		0
Change in minority interest									33	33
Exercise of options	221	1.721								1.942
Currency translation differences						10				10
Fair value adjustment interest rate derivatives						(66)				(66)
Share option plan				221	675					896
Profit attributable to share capital holders of the parent								10.162		10.162
Profit or loss attributable to minority interest									(7)	(7)
December 31, 2004	7.889	11.849	(112)	405	860	(360)	16.274	10.162	26	46.993
Transfer to revenue reserves							10.162	(10.162)		0
Exercise of options	4	28								32
Currency translation differences						52				52
Fair value adjustment interest rate derivatives						(3)				(3)
Share option plan				40	203					243
Profit attributable to share capital holders of the parent								2.157		2.157
Profit or loss attributable to minority interest									2	2
March 31, 2005	7.893	11.877	(112)	445	1.063	(311)	26.436	2.157	28	49.476

SEGMENT REPORT

	Medical Techn. & Eng. Plastics		Climate Systems		Gas Flue Systems		Consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue from third parties	6.915	7.266	9.097	9.058	16.690	16.119	0	0	32.702	32.443
Revenue from other segments	222	154	18	21	66	47	(306)	(222)	0	0
Cost of purchased materials	(2.531)	(2.591)	(3.759)	(3.800)	(7.775)	(7.024)	306	222	(13.759)	(13.193)
Personnel expenses	(3.013)	(3.067)	(2.614)	(2.553)	(3.663)	(3.467)	0	0	(9.290)	(9.087)
Depreciation and amortisation	(334)	(519)	(148)	(172)	(655)	(626)	(5)	(5)	(1.142)	(1.322)
Other income and expense from ordinary activities	(947)	(999)	(758)	(572)	(3.084)	(3.360)	1	1	(4.788)	(4.930)
EBIT	312	244	1.836	1.982	1.579	1.689	(4)	(4)	3.723	3.911
Interest result									(482)	(650)
EBT									3.241	3.261
Income tax									(1.082)	(1.195)
Net income (EAT)									2.159	2.066
Profit or loss attributable to minority interest									2	(20)
Profit or loss attributable to share capital holders of the parent									2.157	2.086

GROUP QUARTERLY REPORT

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Explanatory Notes

1. Rendering of accounts

This Quarterly Report has been drawn up in accordance with the International Financial Reporting Standards (IFRS) and the guidelines of Deutsche Börse AG on "Structured Quarterly Reports". The new accounting standards published by the IASB (International Accounting Standards Board) were applied at January 1, 2005. As well as IAS 1 (Presentation of Financial Statements) these include in particular IFRS 2 (Share Based Payments).

IFRS 2 has resulted in various changes for CENTROTEC Sustainable AG, as a share-based remuneration system has been in use for several years*. All stock options granted since November 7, 2002 have now been included in the measurements pursuant to IFRS 2 since the start of this year. The method of calculation is based on the Black & Scholes model and has been adapted to the specific circumstances of the CENTROTEC stock options scheme.

Along with the requirements of financial reporting in accordance with IFRS 2, key figures from 2004 have been restated, with the following tables summarising the position in each case at March 31, 2004 and 2005.

Figures in EUR '000	31/03/2005	31/03/2005 excl. IFRS 2	31/12/2004	31/12/2004 excl. IFRS 2
Deferred tax assets	2,637	1,484	2,411	1,469
Reserve for stock options	445	0	405	0
Reserve for deferred tax	1,063	0	860	0
	31/03/2005	31/03/2005 excl. IFRS 2	31/03/2004	31/03/2004 excl. IFRS 2
Personnel expenses	9,290	9,250	9,087	8,988
Tax	1,082	1,090	1,195	1,215

Where the costs from the stock options scheme are tax-deductible company expenses, pro rata deferred tax for these personnel expenses pursuant to IFRS has been booked to the result for the period. Any tax effects over and above this are reported with no effect on earnings. Future tax effects are calculated on the basis of the closing prices for the period, respectively.

* A description of the stock options scheme is provided in the Notes section of the 2004 Annual Report

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Explanatory Notes

The changes that this produces in the opening balance sheet at January 1, 2004 have likewise been represented using the new financial reporting principles. These mean, among other things, that the opening value of shareholders' equity at January 1, 2004 has risen by EUR 0.2 million.

In accordance with the new standard in IAS, the balance sheet values have been reclassified into current and non-current items. This results above all in reclassifications in the accruals totalling EUR 2.0 million at December 31, 2004. The item minority interest has moreover been allocated to shareholders' equity.

2. Changes to the company's structure

The composition of the company's structure has not materially changed since the 2004 annual financial statements. To reflect the emphasis on the growth trends health, comfort and energy, all CENTROTEC's business has been allocated to the segments Medical Technology & Engineering Plastics, Climate Systems and Gas Flue Systems/Other. Centrotec Asia has been transferred from the Gas Flue Systems segment to the Medical Technology & Engineering Plastics segment and the figures for the first quarter of 2004 restated.

3. Contingent liabilities

There has been no significant change in contingent liabilities since the balance sheet date.

4. Dividend payments

No dividend payment was made in the 2004 financial year, nor is such a payment envisaged for the current financial year.

5. Composition of Supervisory Board and Management Board

There have been no changes to the line-up of the Supervisory Board and Management Board since the 2004 annual financial statements.

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at March 31, 2005

Explanatory Notes

6. Reportable security holdings

The totals of reportable shares and stock options are shown in the following table.

	Shares (total)	Options (total)*
Management Board		
Dr. Gert-Jan Huisman	1,016	114,016
Martin Beijer	0	76,422
Dr. Alexander Kirsch	16,450	95,762
Rob Slemmer	0	57,095
Dr. Christoph Traxler	0	25,000
Supervisory Board		
Guido A. Krass	1,200,000	0
J. Willem Brink	0	0
Dr. Bernhard Heiss	0	0
CENTROTEC		
Ordinary shares	7,892,859	0
Treasury stock	6,040	0

* The maximum possible number of options has been indicated. How many options can actually be exercised depends on the attainment of specified targets.

7. Segment Report

The Segment Report has been broadened to show major expense items in the segments "Medical Technology & Engineering Plastics", "Climate Systems" and "Gas Flue Systems". Consolidation and evaluation have been extended down to segment level with the aid of a new consolidation tool. The result for the segments is consequently now shown at EBIT level instead of at EBT level. It also includes services rendered by the parent company, for which the business units have been charged on a quarterly basis since the start of the year (previous year: at the end of the year). The application of IFRS 2 results in changes to the segment reporting at March 31, 2004.

The segment report is incorporated into the figures section of this quarterly report. The business development of the segments is commented on in the Report of the Management Board.

8. Research and development

Development activities again concentrated on sustainable technologies in the fields of environment, energy saving and the reduction of CO₂ emissions, and spanned all segments.

GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at March 31, 2005

Explanatory Notes

In the Gas Flue Systems segment, development work on Ubiflex ("eco lead") was completed and the production line set up. This product consists of metal fabric and plastic and is a substitute for the lead that is still routinely used as a sealing and joining material e.g. for roof ducts and gas flue systems. A new flue gas system, developed specifically for the markets in the United Kingdom, France and Italy, has been on the market since the ISH exhibition in March.

The focus of development activities in the Climate Systems segment has been on product improvements to heat recovery systems and components. Research work on environmentally friendly cooling systems has moreover continued.

In the field of Medical Technology, a large number of product improvements to the liposuction devices have been realised. The technology of nano-coating continues to be translated into applications. Successes to date have included the coating of extrusion tools, the surface properties of which were appreciably improved.

10. Capital expenditure

The volume of capital expenditure in the first quarter of EUR 0.9 million was down on that of the previous year (EUR 1.2 million). In addition to taking over a building at the Fulda location (EUR 0.2 million), capital expenditure focused principally on investing in the maintenance and extension of plant and machinery at the operating plants.

11. Events occurring after the end of the quarter

After the reporting date, on April 15, 2005, Brink Climate Systems B.V. sold its 40 % interest in Haskotherm B.V., Joure (Netherlands), which was still consolidated using the equity method in the first quarter of 2005, to a Dutch group of companies. The impact on the next quarterly results is not substantive.

CENTROTEC concluded a further interest rate derivative (cap) in mid-April with a contract volume of EUR 5.0 million.

After March 31, 2005, a total of 24,577 further shares were created through the exercising of options during the exercise period, with the result that there are currently 7,917,436 shares in total.

On April 29, Schroders Investment Management Limited, London reported that it has exceeded the level of 5.0 % of voting rights.

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