



Consolidated quarterly report as at 31.03.1999

**CENTROTEC Hochleistungskunststoffe AG
Marsberg**

Notes

Sales for waste gas systems up by 74%

The rate of expansion in the new growth area of plastic waste gas systems gathered pace in the first quarter, with sales rising by around 75 percent. This indicates that the satisfying growth trend is being maintained, and has actually outstripped the prior year (total growth for 1998: 55 percent). The bulk of sales for this area of business is traditionally generated in the third and fourth quarters, as most heating systems are installed at those times of year.

Despite temporary market slackness, sales of semi-finished products and prefabricated parts hold up

Progress for semi-finished products and prefabricated parts was less dynamic in the first quarter compared with last year. This development is attributable to two effects: the increasing economic uncertainty following Germany's change of government is having an impact on our sales through a considerable reluctance to invest. Although our sales volume as such has not fallen, neither has it increased. The second effect is a fall in the purchase prices of granulate. In the same way that we pass on price increases to our end customers, we likewise adjust our prices downwards in such circumstances. Sales in financial terms for the quarter revealed a year-on-year fall of 2 percent (incl. internal sales), with the sales volume in question remaining constant. Now that the economic leading indicator* is on the upturn again, we are working on the assumption that the general economic data will return to a course of positive progress as the year continues.

Positive trend in profits

The trend in profits is positive, even though a precautionary inventory adjustment to reflect lower raw materials prices is having a short-term impact. This one-off effect will be made good in the course of the year as a result of multiple stock turnover. Due to our seasonal sales cycle, the first quarter traditionally brings low sales revenues and profits.

Cost developments

The cost of raw materials, consumables and supplies and of purchased materials has not increased. The materials cost ratio was thus improved. Personnel costs rose faster than sales (32.7 percent), as it was necessary to broaden the employee base in order to cope with forthcoming growth. As sales increase, we anticipate that the personnel costs ratio will fall again. The increase in other operating expenses by 18.8 percent is attributable, among other things, to costs that are specific to a stock corporation following its initial public offering, to higher expenditure for freight and packaging (as the waste gas systems are transported in smaller units than semi-finished products), and to higher leasing expenses. These expenses, in common with depreciation, have risen as a result of the growth-driven investment measures already initiated.

* Source: Handelsblatt leading indicator

Depreciation of tax assets in the IAS reconciliation accounts

The result according to the IAS reconciliation accounts is much lower than the HGB result, on account of the tax deferrals to be set up for 1999 in accordance with IAS principles. Whereas the HGB financial statements take actual taxes as their basis, for IAS purposes tax assets were formed in previous years on account of accumulated losses brought forward; these are to be depreciated in 1999 with an effect on expenses. Although the result for the first quarter is negative, this depreciation is nevertheless performed, as a profit is anticipated for the year as a whole.

Investment emphasis on prefabricated parts and waste gas systems

More or less as in the previous year, the emphasis of investment measures this year is on the prefabricated parts and waste gas systems business areas. Further injection moulding tools for waste gas systems were acquired in the first quarter. These are resulting in an appreciable drop in item costs for the parts in question, which were manufactured predominantly by turning and milling in small batches during the start-up phase. Thanks to the rising sales volume and the definition of our principal customers' technical specifications, this production process can now be handled economically. A total of DM 126 thousand was invested in the waste gas systems sector. Investments in computer equipment totalling DM 122 thousand constituted a special effect in the first-quarter results, as the third phase of our BaaN software was installed at the start of the year. Investment activities this year will once again be significantly up on the prior year, with the priorities as indicated above.

Building on the innovation lead

In the current year, we once again aim to make our mark with product innovations, in particular in the market for waste gas systems. In the first quarter, for example, we were able to file two further patent applications. Focal points of our development work included system certification that the waste gas system is effectively "inseparable" from the boiler and that the two constitute a single system, the development of a roof duct with minimum recirculation and resistant to icing up, of which a prototype had already been built and successfully tested, and the optimisation of our low-noise boiler connecting piece.

Ratification of Managing Board and Supervisory Board

The first Shareholders' Meeting following the initial public offering was held on May 11 in Frankfurt. All motions presented, including the increase of capital stock from company funds and the switch to the euro, the buy-back of own shares and a conditioned resolution on share splitting, were passed unanimously. The actions of the Managing Board and Supervisory Board were likewise ratified unanimously. No changes to the management and supervisory bodies occurred in the period under review.

Positive outlook

From past experience, we know that we are readily capable of overcoming economic fluctuations. Centrotec's products enjoy very broad market appeal. We have discovered that in actively targeting new customer groups, we are able to pinpoint new applications and therefore attract new customers for our special plastics.

In the light of these facts, our expectations for 1999 as a whole are positive. Despite the slack economy, we will probably see major progress in our result. This expectation is based on a number of measures already taken:

Together with our field service, at the start of the year we identified new customers to be targeted and defined measures for intensifying existing contacts. We stand to benefit in

particular from now having achieved a market breakthrough with our plastic waste gas systems. Market operators are now aware of the advantages of plastic waste gas systems, and a general changeover to plastic versions is under way. Our new contract with Europe's market leader for heating boilers will moreover accelerate our progress.

The gain in momentum of our profitability is based on two factors. Our high-margin products – special grades of semi-finished products, prefabricated parts and waste gas systems – will enjoy above-average growth. We will in addition be in a position to improve our purchasing terms thanks to rising volumes and improved designs.

Breakdown of sales for 1st quarter of 1999	
	DM '000
Semi-finished products*	3,665
Prefabricated parts	1,773
Waste gas systems	1,209
Miscellaneous	40
Less	
- Internal sales	-262
- Discounts, bonuses	-91
- Reduction of proceeds	-18
	6,315

* incl. merchandise

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Overview Consolidated

- unaudited -

	31.03.99	31.03.98	change in %
	DM '000	DM '000	
Sales total	6.315	6.130	3,0%
Semi-finished and prefabricated plastic products*	5.406	5.540	-2,4%
Plastic waste gas systems	1.171	673	74,1%
*Internal sales with waste gas systems	262	83	
Earnings			
Cash flow I	112	-38	-
Earnings before tax	-84	-175	51,9%
Net income	-128	-188	31,9%
Earnings per share (DM)	-0,11	-0,16	31,9%
Earnings per share (DVFA, DM)	-0,11	-0,16	31,9%
Employees			
Number (Average)	92	81	13,6%
Personnel expenses	1.880	1.416	32,7%
Assets			
Tangible and intangible assets	5.814	4.452	30,6%
Inventories	5.570	4.202	32,6%
Liquid funds and financial assets	9.583	161	-
Investments/Depreciation			
Investments in tangible assets	352	332	5,9%
Depreciation	240	151	59,5%

Courtesy Translation

This report is a courtesy translation. Legally valid is only the original German text. CENTROTEC is not liable for mistakes due to the translation. (Figures are written in German manner; e.g. DM 1.000 = DM one thousand.)

Differences in '000 DM figures are due to rounded numbers

Consolidated balance sheet as at March 31, 1999

CENTROTEC Hochleistungskunststoffe AG, Marsberg

(Formerly: Centroplast Holding GmbH, Munich)

- unaudited -

ASSETS

	31.03.99	31.03.98
	DM	DM
A. Fixed Assets		
I. Intangible assets		
Industrial rights and similar rights	197.806,00	27.552,00
II. Tangible assets		
1. Land and buildings	3.437.354,54	3.266.322,54
2. Technical equipment and machinery	1.489.098,00	530.277,01
3. Other equipment, operating and office equipment	524.455,00	209.066,17
4. Payments on account	164.887,50	419.148,65
	5.615.795,04	4.424.814,37
III. Financial assets		
Securities	2.270.121,12	0,00
	8.083.722,16	4.452.366,37
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	617.823,82	800.119,10
2. Work in process	1.188.575,77	0,00
3. Finished goods and merchandise	3.763.483,14	3.401.947,12
	5.569.882,73	4.202.066,22
II. Receivables and other assets		
1. Trade receivables	3.442.738,53	3.030.891,23
2. Other assets	472.540,41	167.182,59
	3.915.278,94	3.198.073,82
III. Cash-in-hand, postal giro and bank balances	7.313.361,94	161.154,56
	16.798.523,61	7.561.294,60
C. Prepaid expenses	10.800,00	25.924,78
D. Loss not covered by equity	0,00	5.548.192,45
	24.893.045,77	17.587.778,20

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EQUITY AND LIABILITIES

	31.03.99	31.03.98
	DM	DM
A. Equity		
I. Subscribed capital	6.000.000,00	3.500.000,00
II. Capital reserve	21.300.000,00	0,00
III. Revenue Reserves	43.047,90	43.047,90
IV. Accumulated losses brought forward	-11.046.926,21	-8.902.768,44
V. Consolidated net income/net loss	-128.414,98	-188.471,91
VI. Loss not covered by equity	0,00	5.548.192,45
	16.167.706,71	0,00
B. Provisions		
1. Provisions for taxes	12.903,66	150.000,00
2. Other provisions	858.365,00	1.324.250,00
	871.268,66	1.474.250,00
C. Liabilities		
1. Liabilities to banks	5.508.078,42	11.505.363,64
2. Trade payables	1.412.118,31	1.763.333,94
3. Other liabilities	933.873,67	2.844.830,62
	7.854.070,40	16.113.528,20
	24.893.045,77	17.587.778,20

Consolidated statement of income as at March 31, 1999

CENTROTEC Hochleistungskunststoffe AG, Marsberg

(Formerly: Centroplast Holding GmbH, Munich)

- unaudited -

	31.03.99	31.03.98
	DM	DM
Sales	6.314.835,74	6.130.336,01
Increase or decrease in inventories		
of finished goods and work in progress	-73.202,06	-357.106,62
Own work capitalized	0,00	0,00
Other operating income	301.816,75	62.531,03
Cost of materials		
Cost of raw materials, consumables and supplies		
and of purchased merchandise	-3.114.632,35	-3.144.582,53
Cost of purchased services	-118.708,91	-43.964,65
Personnel expenses		
Wages and salaries	-1.515.877,40	-1.167.409,86
Social security costs	-363.785,02	-248.902,07
Depreciations on		
tangible and intangible assets	-240.047,19	-150.539,93
Other operating expenses	-1.261.966,51	-1.062.141,56
Other interest and similar income	63.361,79	56,02
Interest and similar costs	-75.835,33	-193.072,07
Result from ordinary operations	-84.040,49	-174.796,23
Taxes on income	-22.800,00	-10.858,00
Other taxes	-21.574,49	-2.817,68
Consolidated net profit/loss for the year	-128.414,98	-188.471,91

Statement of Cash Flows

CENTROTEC Hochleistungskunststoffe AG, Marsberg

(Formerly: Centroplast Holding GmbH, Munich)

- unaudited -

	31.03.99	31.03.98
	DM '000	DM '000
Net cash provided by/used in operating activities		
Consolidated net profit/-loss	-128	-188
Corrections for reconciliation of net income/-loss to income/expenses		
Depreciation on intangible assets	16	0
Depreciation on tangible assets	224	150
Cash flow I	112	-38
Decrease/-increase of assets, increase/-decrease of liabilities		
Inventories	-363	33
Trade receivables	84	-379
Other assets	140	-158
Provisions for taxes	-5	-97
Other provisions	-259	450
Trade payables	225	487
Other liabilities	-80	122
Net Cash used in operating activities	-145	421
Net Cash used in investment activities		
Investments in intangible assets	0	0
Investments in tangible assets	-352	-332
Net cash provided by/-used in financial activities		
Increase/-decrease of medium and long-term liabilities to banks	-25	-281
Increase of subscribed capital	0	0
Increase/-decrease of capital reserve	0	0
Investments in financial assets	-2.270	0
Decrease/-increase of prepaid expenses	-11	-26
	-2.803	-218
Increase/decrease of liquid funds	-2.803	-218
Liquid funds at the beginning of the fiscal year	9.475	-8.314
Liquid funds at the end of the quarter	6.672	-8.531
Composition of liquid funds at the end of the quarter		
Checks, cash-in-hand, postal giro, and bank balances	7.313	161
Short-term liabilities to banks	-641	-8.693
	6.672	-8.531

IAS-Reconciliation Accounts (consolidated)

CENTROTEC Hochleistungskunststoffe AG, Marsberg

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- unaudited -

a) IAS reconciliation accounts for consolidated equity

The following summary shows the adjustments that are required in order to reveal consolidated equity for the consolidated financial statements at the end of the quarter in accordance with IAS, as opposed to German Commercial Code

	31.03.99	31.03.98
	DM '000	DM '000
Consolidated equity according to HGB	16.168	-5.548
+/- Leasing	-38	-54
Development expenses	22	42
Tax deferrals		
- from differences between IAS and HGB	7	5
- for accumulated losses brought forward	1.876	1.645
Sum of adjustments	1.867	1.637
Consolidated equity according to IAS	18.035	-3.911

a) IAS reconciliation accounts for consolidated net income

The following summary shows the adjustments that are required in order to reveal consolidated net income for the consolidated financial statements at the end of the quarter in accordance with IAS, as opposed to German Commercial Code

	31.03.99	31.03.98
	DM '000	DM '000
Consolidated net income according to HGB	-128	-188
+/- Leasing	6	2
Development expenses	-5	-5
Tax deferrals		
- from differences between IAS and HGB	-1	1
- for accumulated losses brought forward	-268	168
Sum of adjustments	-267	167
Consolidated net income	-395	-22

Notes to the tax deferrals for accumulated losses brought forward:

According to IAS 12 deferred taxes for accumulated losses brought forward are to be formed as assets, if these cumulated losses brought forward are anticipated to be used in the future. As soon as the cumulated losses brought forward are being used, the assets for deferred taxes have to be depreciated. Although the result of the first quarter is negative, this depreciation is performed, reducing the IAS result, since for the year as a whole a profit is anticipated and thus the cumulated losses brought forward will be used in 1999.



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