



## **Group 6 months report at 30.06.00**

### **CENTROTEC Hochleistungskunststoffe AG Marsberg**

#### **Notes**

##### **Increased sales in all areas**

Sales for the first half of 2000 by Centrotec, the German-Dutch specialist in high-temperature plastic components for industrial applications and plastic gas flue systems, made exceptionally good progress. Compared with the corresponding prior-year period, sales including the company's acquisitions were boosted by 367% to DM 61.3 million. The pace of intrinsic growth of exactly 50% was likewise highly satisfactory.

As in the previous year, this growth is underpinned in particular by plastic gas flue systems for innovative condensing boiler technology. With business volume having expanded by 161%, our pioneering work and our position as market leader are now bearing fruit. The Engineering Plastics segment likewise made a substantial contribution to growth, expanding by 20 %. This development was largely attributable to our successful implementation of five-dimensional processing technology.

Centrotec's earnings before interest, taxes and goodwill amortisation (adjusted EBIT) rose even more sharply than sales: this figure soared by 1415%, from DM 0.5 to DM 7.0 million. Profits after taxes jumped from DM 0.2 to 2.5 million.

##### **Entry into growth market of solar technology**

Centrotec received its first customer order, already worth more than DM 1.4 million, for the newly developed photovoltaic solar energy system "Solosun", which is based on a special plastic frame. The key feature of this system, developed in conjunction with the Technical University of Eindhoven and with the aid of state subsidies – in addition to the solar panel itself – is a flexible plastic frame structure that can be fitted very rapidly to a wide variety of house roofs. Compared with conventional solar energy systems, this reduces the installation work by more than half.

##### **Vokèra surpasses all expectations**

Thanks to the faster rate of growth enjoyed by our major British customer Vokèra, sales will actually be higher than predicted. Whereas we were anticipating annual sales for gas flue technology in the order of DM 4 to 5 million at the time the agreement was concluded, our current forecast for 2000 has already risen to almost DM 6 million. Vokèra is playing a leading role in promoting condensing boiler technology in Great Britain, as a result of which the sales prospects for Centrotec, as a specialist in gas flue systems for this innovative heating technology, are particularly bright. We have now erected an assembly line specifically for this business partner, and further extended our worldwide supplier base. Centrotec's strategy is once again to act as the system integrator, which leads the way in respect of product development, customer relations and logistics, but is prepared to outsource the production of sub-systems to specialist suppliers, leaving it free to deploy its resources in those areas in which it has the most expertise.

## **Production landmarks**

Following the recent opening of the new Logistics Centre in Brilon, we are now in a position to provide a 24-hour service throughout Germany. The integration projects at our recently acquired subsidiary Ubbink Systemtechnik are boosting sales and also significantly enhancing productivity. The allocation of products to the two production sites has been optimised, several assembly departments restructured and the kanban system introduced as a means of optimising the materials flow and stocks. Production operations are consequently achieving a higher volume from approx. 10% fewer employees (based on the total number of regular and temporary workers). It will be possible to make further savings in production and warehouse during the latter half of the year, through projects still in progress.

A small production plant in Great Britain, which we had acquired through the takeover of Ubbink, has now been sold off under a management buyout arrangement. The company, operating under the name Rega, will remain a business partner of Centrotec and our local sales subsidiary for the foreseeable future. The company does not fit into our concept of system integration, which envisages lean production concentrating on core competences.

## **New patent rights for gas flue technology**

Our activities in the research and development area have likewise gathered pace. In the field of gas flue technology, five new patent applications have been filed and an important patent for a roof duct has finally been granted. This is the first all-plastic roof duct with minimum recirculation, as a result of which the incoming air contains much lower levels of flue gas. This further enhances the combustion efficiency of the condensing boiler technology.

## **New management for Dutch production operations**

Two new appointments have been made to the management team of our Dutch production operations. The new Production Manager and the new Production Director, who is responsible for the entire supply chain, are both experienced managers who have previously been in charge of the production plants of a number of companies with worldwide operations. We have consequently established a basis for stepping up productivity to the scheduled level within the year. We have moreover made new appointments to boost our capacity in the purchasing, production and logistics areas for the rapidly growing gas flue business area in Germany.

## **Restrained cost increases**

The restrained rise in costs has, along with the higher sales, prompted an improvement in the result. Whereas the materials ratio rose slightly by one percentage point (based on sales), the total of personnel costs, depreciation and other operating expenses fell significantly from 51 to 42 percent of sales. This saving is attributable in part to changes to the costs structure, but also to better capacity utilisation and to the measures aimed at enhancing productivity.

## **Bonus shares expected by September 1**

The resolution on the issue of bonus shares, passed at the ordinary shareholders' meeting on May 18, 2000, was entered in the Commercial Register on August 10. The shares have now likewise be registered with Deutsche Börse, with the result that shareholders can expect to see the bonus shares credited to their securities account on September 1. All shareholders will receive one bonus share for every share held. Securities accounts held with banks will be adjusted simultaneously, at no cost to the shareholders.

## Expectations for the second half of 2000

In the light of the good results for the first two quarters, the promising negotiations with potential new customers and forthcoming new product launches, our expectations for 2000 as a whole remain clearly positive. We continue to expect a sales volume for the year of DM 120 million and an adjusted EBIT (excluding step up and goodwill depreciation) of DM 17 million.

### Breakdown of sales, 2nd quarter of 2000

	DM '000
Engineering Plastics	12,407
Plastic Systems	37,157
Other	14,160
<b>Less</b>	
- Internal sales	-748
- Discounts, bonuses	-548
- Reduction of proceeds	-1,104
<b>Total</b>	<b>61,324</b>

## Overview Consolidated

- unaudited -

	30.06.00	30.06.99	change in %
	DM '000	DM '000	
<b>Sales total</b>	<b>61.324</b>	<b>13.112</b>	<b>367,7%</b>
Engineering Plastics	12.085	10.713	12,8%
Plastic Systems	36.194	2.889	1152,8%
Others	13.793	0	100,0%
Less Internal Sales	-748	-490	52,7%
<b>Earnings</b>			
Cash flow I	6.143	734	737,3%
EBIT (adjusted*)	6.955	459	1415,2%
Net income (adjusted*)	3.302	219	1409,9%
Net income	2.473	219	1030,9%
Earnings per share (adjusted *;Euro)	0,47	0,03	-
Earnings per share (Euro)	0,35	0,03	-
<b>Employees</b>			
Number (Average)	335	92	264,1%
Personnel expenses	12.889	3.726	245,9%
<b>Capital Structure</b>			
Equity and subordinated funds with an equity character	31.006	16.515	87,7%
Total capital	98.418	25.585	284,7%
Solvency ratio (equity / total assets)	32%	65%	-51,2%
<b>Investments/Depreciation</b>			
Investments in tangible assets	8.916	1.076	728,6%
Depreciation on tangible fixed assets and intangible assets (excluding step-up)	2.953	516	472,1%
Depreciation on goodwill and step-up	-829	0	100,0%

\* After elimination of depreciation on intangible assets resulting from share transactions ("goodwill and step-up depreciation")

Differences may be possible due to rounding of the figures expressed in DM '000

# Consolidated balance sheet as of June 30<sup>th</sup>, 2000

CENTROTEC Hochleistungskunststoffe AG, Marsberg

- unaudited -

## ASSETS

	30.06.00	30.06.99
	DM	DM
<b>A. Assets</b>		
I. Intangible assets		
1. Industrial rights and similar rights	1.077.663,19	217.837,00
2. Payments on account	5.040,00	0,00
3. Goodwill consolidation of funds	19.115.188,01	0,00
	<b>20.197.891,20</b>	<b>217.837,00</b>
II. Tangible assets		
1. Land and buildings	22.150.158,58	3.439.253,54
2. Technical equipment and machinery	7.767.934,56	1.729.760,00
3. Other equipment, operating and office equipment	3.080.798,49	520.455,00
4. Payments on account and tangible assets in course of construction	4.215.951,21	352.595,84
	<b>37.214.842,84</b>	<b>6.042.064,38</b>
III. Financial assets		
1. Participations	39.118,55	0,00
2. Lendings to group companies	1.802.850,48	0,00
3. Securities	0,00	2.270.121,12
	<b>1.841.969,03</b>	<b>2.270.121,12</b>
	<b>59.254.703,07</b>	<b>8.530.022,50</b>
<b>B. Current Assets</b>		
I. Inventories		
1. Raw materials, consumables and supplies	4.017.944,96	751.412,53
2. Work in process	2.778.680,85	1.415.466,26
3. Finished goods and merchandise	11.086.620,51	3.902.638,23
	<b>17.883.246,33</b>	<b>6.069.517,02</b>
II. Receivables and other assets		
1. Trade receivables	17.878.267,40	3.831.690,86
2. Accounts receivables group companies	0,00	0,00
3. Other assets	643.450,81	714.839,20
	<b>18.521.718,21</b>	<b>4.546.530,06</b>
III. Securities own shares	0,00	275.748,97
IV. Cash-in-hand, postal giro and bank balances	1.922.093,61	6.043.150,98
	<b>38.327.058,15</b>	<b>16.934.947,03</b>
<b>C. Prepaid expenses</b>	<b>835.935,73</b>	<b>119.676,00</b>
	<b>98.417.696,95</b>	<b>25.584.645,53</b>

# Consolidated balance sheet as of June 30<sup>th</sup>, 2000

CENTROTEC Hochleistungskunststoffe AG, Marsberg

- unaudited -

## LIABILITIES

	30.06.00	30.06.99
	DM	DM
<b>A. Equity</b>		
I. Subscribed capital	7.040.988,00	6.000.000,00
II. Capital reserve	20.259.012,00	21.300.000,00
III. Revenue reserves	1.058.299,17	43.047,90
IV. Equity difference due to currency conversion	-86.012,82	0,00
V. Accumulated losses brought forward	-8.614.875,83	-11.046.926,21
VI. Consolidated net income/net loss	2.473.162,39	218.686,77
	<b>22.130.572,91</b>	<b>16.514.808,46</b>
<b>B. Minority participation</b>	<b>31.283,20</b>	<b>0,00</b>
<b>C. Provisions</b>		
1. Reserve for retirement allowances	26.374,34	0,00
2. Provisions for taxes	4.483.500,85	12.466,66
3. Other provisions	3.723.243,30	924.740,00
	<b>8.233.118,50</b>	<b>937.206,66</b>
<b>D. Liabilities</b>		
1. Liabilities to banks	43.728.240,00	4.946.350,24
2. Trade payables	9.747.317,47	2.207.946,96
3. Other liabilities	14.547.164,88	978.333,21
	<b>68.022.722,35</b>	<b>8.132.630,41</b>
	<b>98.417.696,95</b>	<b>25.584.645,53</b>

**Consolidated statement of income for the period from January 1<sup>st</sup>  
until June 30<sup>th</sup> , 2000**

**CENTROTEC Hochleistungskunststoffe AG, Marsberg**

- unaudited -

	30.06.00	30.06.99
	DM	DM
Sales revenues	61.323.566,26	13.112.825,59
Increase or decrease in inventories		
of finished goods and work in progress	-173.917,58	86.161,27
Capitalized cost of self-constructed assets	1.220,00	0,00
Other operating income	1.098.629,25	365.261,42
Cost of materials		
Cost of raw materials, consumables and supplies		
and of purchased goods	-29.444.310,37	-6.258.227,15
Cost of purchased services	-288.408,38	-175.566,80
Personnel expenses		
Wages and salaries	-9.501.077,79	-3.060.306,50
Social security costs	-3.388.098,45	-666.049,48
Depreciations on		
intangible and tangible assets	-2.953.409,83	-516.271,05
Other operating expenses	-9.718.811,01	-2.428.798,78
<b>Operating result (adjusted EBIT)</b>	<b>6.955.382,10</b>	<b>459.028,52</b>
Other interest and similar income	147.012,62	64.423,72
Depreciation on goodwill and step-up	-828.788,05	0,00
Interest and similar expenses	-1.529.243,74	-169.945,32
<b>Result from ordinary operations</b>	<b>4.744.362,94</b>	<b>353.506,92</b>
Taxes on income	-2.166.653,38	-101.919,00
Other taxes	-104.547,17	-32.901,15
<b>Consolidated net profit/loss for the year</b>	<b>2.473.162,39</b>	<b>218.686,77</b>
<b>Minority participation</b>	<b>31.283,20</b>	<b>0,00</b>
<b>Operating result</b>	<b>6.955.382,10</b>	<b>459.028,52</b>
Interest result	-1.382.231,11	-105.521,60
Result before taxes (adjusted)	5.573.150,99	353.506,92
Taxes	-2.271.200,55	-134.820,15
<b>Result after taxes (adjusted)</b>	<b>3.301.950,44</b>	<b>218.686,77</b>

Step-up depreciation and depreciation of goodwill totalling DM 828.788,05 have been eliminated; these amounts are not tax-deductible and therefore no adjustment to taxes has been made for them.

## Cash flow statement

CENTROTEC Hochleistungskunststoffe AG, Marsberg

- unaudited -

	30.06.00	30.06.99
	DM '000	DM '000
Net income /net loss for the period (quarter)	2.473	219
Adjustment for non-cash expenditures/income		
Depreciation on goodwill and step-up	717	0
Depreciation on intangible assets	263	36
Depreciation on tangible fixed assets	2.691	479
<b>Cash flow I</b>	<b>6.143</b>	<b>734</b>
Decrease/-increase of assets, increase/-decrease in equity and liabilities		
Inventories	313	-862
Trade receivables	-2.324	-305
Receivables from affiliated companies	0	0
Other assets	961	-102
Minority participation	31	0
Provisions for pensions and similar obligations	26	0
Provisions for taxes	-77	-5
Other provisions	-485	-192
Trade payables	-133	1.020
Other liabilities	1.273	-35
Reduction/increase in prepaid expenses	-831	-119
<b>Net income /expenditure from operations</b>	<b>4.897</b>	<b>134</b>
Investments in intangible assets	-161	-40
Investments in tangible fixed assets	-8.916	-1.036
Investments in financial assets	89	0
<b>Cash flow from investment activities</b>	<b>-8.987</b>	<b>-1.076</b>
Increase/decrease of medium and long-term bank liabilities	5.422	-50
Increase in subscribed capital	0	0
Increase/decrease of capital reserve	0	0
Increase/decrease of other reserves	-54	0
Investments in financial assets	0	-2.546
<b>Cash flow from financing activities</b>	<b>5.368</b>	<b>-2.596</b>
<b>Net change in liquid funds</b>	<b>1.278</b>	<b>-3.538</b>
Liquid funds at the start of the financial year	-15.565	9.576
Liquid funds at the end of the quarter	-14.287	6.038
<b>Increase/decrease in liquid funds</b>	<b>1.278</b>	<b>-3.538</b>

## IAS-Reconciliation Accounts (consolidated)

CENTROTEC Hochleistungskunststoffe AG, Marsberg

- unaudited -

### a) IAS reconciliation accounts for consolidated equity

The following table shows the adjustments to the specifications of commercial law which are required in order to show the consolidated equity acc. To IAS for the consolidated financial statements at the end of the quarter.

	30.06.00	30.06.99
	DM '000	DM '000
<b>Consolidated equity acc. to HGB</b>	<b>22.131</b>	<b>16.515</b>
+/- Increase or decrease in finished goods and work in process	-157	0
Leasing	-49	-30
Development costs	685	17
Pension obligations	-1.517	0
Provisions	710	0
Deferred taxes		
from HGB / IAS adjustments	197	5
from accumulated losses brought forward	455	1.608
from the calculation of available net equity	0	0
Total adjustments	323	1.601
<b>Consolidated equity acc. to IAS</b>	<b>22.454</b>	<b>18.116</b>

### a) IAS reconciliation accounts for consolidated net income

The following table shows the adjustments to the specifications of commercial law which are required in order to show the consolidated equity acc. To IAS for the consolidated financial statements at the end of the quarter.

	30.06.00	30.06.99
	DM '000	DM '000
<b>Consolidated net income according to HGB</b>	<b>2.473</b>	<b>219</b>
+/- Increase or decrease in finished goods and work in process	9	0
Leasing	-3	14
Development costs	-44	-10
Pension obligations	-87	0
Provisions	0	0
Deferred taxes		
from HGB / IAS adjustments	46	-2
from accumulated losses brought forward	-455	-535
from the calculation of available net equity	0	0
Total adjustments	-534	-533
<b>Consolidated net income</b>	<b>1.940</b>	<b>-314</b>



## **Centrotec**

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