



CENTROTEC

HOCHLEISTUNGSKUNSTSTOFFE AG

CONSOLIDATED QUARTERLY REPORT

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

at June 30, 2001

Notes

1. **Sales increased by 22%**

The sales trend for the German-Dutch specialist for high-temperature plastic components for industrial applications and plastic gas flue systems was, once again, very good for the first six months of the year 2001. Compared with the corresponding period of the previous year, sales grew by 22% to EUR 38.3 million. This growth was nearly completely due to organic growth. Only 3% of sales in the first quarter of this year derive from the acquisition of the Danish Engineering Plastics company RS Industriplast A/S.

The plastic gas flue systems segment for the innovative condensing boilers again showed a high rate of growth in Germany. With an expansion of business volume by 78%, it was possible to strengthen the position as market leader. Several growth trends have contributed to this success. The substitution of aluminium flue systems with plastic flue systems is progressing rapidly. In addition, the market for economical and ecologically beneficial condensing boilers has shown uninterrupted growth. This growth path will be maintained for some years to come, as the share of the total market lies just around a third. The Kyoto Protocol, as well as the new energy-saving ordinance ("Energiesparverordnung"), are the guarantees for the continuation of the substitution of traditional heating processes into the next decade. The energy-saving ordinance will, according to experts, bring about an additional exchange of approximately 3 million boilers in the next 4 years. With a time lag of several years, this growth perspective will also apply to the other large European markets in which condensing technology was, up until now, below 10% of the total market. The rate of growth of Centrotec, however, also achieved a high value because the manufacturers of boilers are rescheduling their season more and more ahead of time. The season for the installation of boilers was traditionally in the second half of the year. The rate of growth for the whole year will therefore be smaller than the abovementioned 78% and consequently meet the planned level.

The growth of Engineering Plastics continued in the fast half year, despite the decrease in economic growth. The inflow of orders from the segments of installation equipment for the semiconductor industry, medical technology and food processing, but above all, however, an intensified export demand have been the driving force behind the growth. The slowing down of domestic demand in the second quarter was partly compensated again by export efforts. The international orientation of Centrotec has become positively noticeable in this context.

2. **Earnings increase by 90%**

The surplus for the half-year was around 1.9 million EUR (previous year 1.0 million EUR), an increase, which amounts to approx. 90%, that lies substantially above the increase in sales. With this result, Centrotec has shown – as in the previous years – that a high rate of growth can be handled well internally. A constantly monitored, moderate increase in costs, together with a high increase in sales, is the driving force behind the continuous increase in profits. A small part of the increase in earnings can be traced back to a once-

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only effect. A loan amounting to 4.5 million EUR, which was taken up within the context of an acquisition in 1999, could now be repaid with an attractive discount. The discount was included in the financial results and consequently produced an improvement in earnings amounting to 290,000 EUR. The re-financing could be arranged easily with a bank loan.

With regard to the earnings before interest and taxes (EBIT) Centrotec performed an increase by 25% to 3.8 million EUR. Personnel costs and depreciation developed at a lower rate than sales and earnings. The costs for materials increased somewhat faster than sales. This is a result of an increased outsourcing and the higher share of gas flue systems having a lower value added. Overall, however, the result has increased at an even higher rate than sales, being already on a high level last year.

3. **Positive free cash flow**

Centrotec has a stable, positive free cash flow. The operating cash flow amounted at 3.5 million EUR in the 2nd quarter exceeding by far the necessary investments. A part of this increase is caused by a cut-off effect noted in the previous quarterly report. As of end of March, a major order had been delivered, that has been paid in the second quarter. Therefore, the trade receivables are currently approx. 1.4 million EUR lower. The positive trend of the second quarter will continue in the coming periods. The effect cannot yet fully be seen in the half year accounts, since the working capital traditionally is at the lowest level at the year end. In addition to that, the acquisition of RS Industriplast A/S and substantial investments in the production sites in The Netherlands have been financed out of our normal credit lines and are now delivering their payback. Our current free credit lines for the ordinary business amounts above 8 million EUR and is constantly rising. A strongly increased item in comparison with the first quarter is the other operating income. This income is directly linked to costs of the same amount, so that the net earnings were not affected. The reason for that is that we bear costs of the seller of the Ubbink group against a refund from them amounting to approximately 0.7 million EUR.

4. **New opportunities as a result of making engineering plastics production more flexible**

In the engineering plastics division, a special production unit was established which can produce prototypes within 24 hours. This special service, which is offered at a premium, is sustaining our position of a superior supplier. Within the frame of the same project, an optimisation of internal processes was implemented, as a result of which the throughput time was reduced by 20 to 30%. For example, programming of the CNC-controlled machines now takes place centrally, so that the proneness to faults, as well as possible waiting periods, can be reduced.

5. **Post-merger management at RS and Ubbink**

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In March, Centrotec signed a take-over contract for RS Industri Plast A/S, Kolding, Dänemark. RS is technologically one of the leading suppliers of construction elements made of high performance plastics in Scandinavia. Several integration projects are currently being advanced at a great pace. It was possible once more to successfully make use of the experience of Centrotec in post-merger management. The first results are very promising indeed. RS contributed 1.4 million EUR to the sales of the combined group of companies and, in the first months of its integration, is already profitable, despite additional expenses following its take-over.

It has been possible to complete the integration of Ubbink Systems, which was taken over at the end of 1999. The restructuring measures in production, sales and purchasing have become solid components of our daily operations, so that the benefit has now been "run in". The processing costs, as a percentage of turnover, currently lie 3 to 4 percentage points below that of the previous year. The company increased its sales in the first 6 months by 2.6 million EUR; in particular, as a result of rapid growth in gas flue systems in France and Great Britain. The profitability of Ubbink Systems is, meanwhile, more than 50% higher than before the take-over. Consequently, Centrotec has also clearly demonstrated that it can handle larger acquisitions.

6. *Developments in the area of fibre-reinforced composites*

On the way to a comprehensive expansion of novel carbon-fibre composites, additional steps have been implemented. In this way, our participation in Bond Laminates achieved government aid from the state of Nordrhein-Westfalen for the setting up of a new production facility. This will make it possible, for the first time, to produce this highly durable, super light material in large amounts and in a fully automated process. As a result of this, new applications will be produced for currently predominantly high-tech uses, such as materials for aircraft construction or racing.

While our 25% participation in Bond Laminates is concentrating on the development and manufacturing of basic materials, for our part, we are building up a processing centre, which will manufacture end customer applications from the innovative material. As a result of the participation in Bond, we have a preferential access to exclusive material technology; with our processing centre, we are additionally establishing our own application areas and customer contacts. As the application areas are very large, we are also inviting other companies to establish processing plants.

7. *Accounting principles used in this report in accordance with current stock market guidelines*

This quarterly report has been prepared in accordance with the accounting principles of International Accounting Standards (IAS). Until the end of last year, the group accounts were set up in accordance with the HGB (German Commercial Code) and reconciled to IAS. As a result of the implementation of IAS, the figures for the previous year were also correspondingly determined. The changes affecting equity and net income for the preced-

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at June 30, 2001

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ing year are also apparent from the reconciliation accounts at that time. Moreover, re-classifications between individual balance sheet and p&l items have been performed. We are sure that the complete switch to IAS will further enhance the attractiveness of our shares for foreign investors.

8. ***Expectations for 2001 as a whole: despite economic uncertainty, further growth for Centrotec***

The sales forecast for the current year is 74 million EUR, with an anticipated result after taxes of 5 million Euro. A slowdown in the economy has been observed for some time in Germany. Although in individual segments this has resulted in lower growth than expected, nevertheless, the growth in most other segments continued to be high, demonstrating our technological leadership and good market positioning. The favourable results for the first half year, the fact that, in the meantime, we are achieving our turnover mainly abroad and, not least, the successful entry into the Scandinavian market strengthen our expectations that the strong growth of Centrotec will also be continued for the year 2001 as a whole. We are therefore keeping to our plans for 2001 and 2002, which we have already communicated a year ago, and we are confident that we will, as in the previous years, be able to fulfil these.

KEY FIGURES GROUP

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

at June 30, 2001

in thousand Euro

	30.06.2001	30.06.2000	Change
Total Sales	38.270	31.354	22,1%
Engineering Plastics	8.419	6.179	36,3%
Plastic Systems	27.458	21.775	26,1%
Others	3.234	3.783	-14,5%
Less intercompany sales	(841)	(382)	119,9%
Earnings			
Cash flow I (net income and depreciation/amortization)	3.995	3.006	32,9%
EBIT (adjusted*)	4.198	3.397	23,6%
EBIT	3.796	3.035	25,1%
Net income (adjusted*)	2.285	1.354	68,8%
Net income	1.883	992	89,9%
Net income per share (basic, adjusted*)	0,32	0,19	69,0%
Net income per share (basic)	0,26	0,14	90,0%
Net income per share (diluted)	0,26	0,13	92,1%
Weighted average shares outstanding (basic)	7.193.960	7.200.000	-0,1%
Weighted average shares outstanding (diluted)	7.273.826	7.359.538	-1,2%
Employees			
Total (FTE)	389	335	16,1%
Personnel expenses	8.054	6.635	21,4%
Capital structure			
Equity	15.729	11.480	37,0%
Total capital	58.894	51.554	14,2%
Equity ratio	26,7%	22,3%	19,9%
Investments/depreciation and amortization			
Investments in tangible assets	2.072	5.609	-63,1%
Depreciation of tangible assets and intangible assets (excluding goodwill)	1.710	1.652	3,5%
Amortization of goodwill	403	362	11,2%

* Amortization of goodwill eliminated

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.

CONSOLIDATED BALANCE SHEET

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

at June 30, 2001

in Euro

ASSETS

	30.06.2001	30.06.2000
Current Assets		
Cash and cash equivalents	471.103,78	982.750,86
Short-term Investments / Marketable securities	0,00	0,00
Trade account receivables	11.088.174,63	9.141.012,97
Accounts receivable due from related companies	0,00	0,00
Inventories	10.934.509,74	9.063.041,74
Deferred tax	62.845,81	32.566,59
Prepaid expenses and other current assets	1.987.648,81	756.398,33
	24.544.282,76	19.975.770,49
Noncurrent Assets		
Property, plant and equipment	20.818.928,82	19.214.744,26
Intangible assets	642.594,87	903.569,89
Financial investments	406.813,51	20.001,00
Notes receivable / loans	305.078,25	921.782,81
Goodwill	11.683.471,80	9.967.496,86
Deferred tax	492.654,76	550.354,67
Other assets	0,00	0,00
	34.349.542,02	31.577.949,49
	58.893.824,78	51.553.719,97

EQUITY AND LIABILITIES

	30.06.2001	30.06.2000
Current liabilities		
Current portion of capital lease obligation	110.992,56	229.194,21
Short term debt and current portion of long-term debt	12.115.494,45	8.287.328,70
Trade accounts payable	4.930.822,52	4.983.724,28
Advance payments received	0,00	0,00
Accrued expenses	1.047.999,77	1.157.886,90
Deferred revenues	0,00	0,00
Income tax payable	1.238.681,54	2.292.377,59
Deferred tax	0,00	0,00
Other current liabilities	6.541.028,33	3.459.558,97
	25.985.019,16	20.410.070,65
Noncurrent liabilities		
Long-term debt less current portion	16.046.811,71	18.608.367,54
Capital lease obligations less current portion	295.032,28	0,00
Deferred revenues	0,00	0,00
Deferred tax	25.591,29	249.627,72
Pension accrual	812.741,71	789.218,19
Minority interest	0,00	15.994,85
	17.180.176,98	19.663.208,30
Shareholders` equity		
Share capital	7.200.000,00	3.600.000,00
Additional paid-in-capital	5.895.453,31	9.495.453,32
Treasury stock	(112.394,90)	0,00
Retained earnings / accumulated deficit	862.739,96	(2.606.675,46)
Accumulated consolidated income / loss	1.882.830,27	991.663,16
	15.728.628,64	11.480.441,02
	58.893.824,78	51.553.719,97

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

for the period from January 1 to June 30, 2001

in Euro

INCOME STATEMENT

	01.01.2001 - 30.06.2001	01.01.2000 - 30.06.2000
Revenues	38.270.423,20	31.354.241,55
Other operating income	845.869,66	561.720,22
Changes in inventories of finished goods and work in progress	230.244,20	(84.225,48)
Production for own fixed assets capitalized	29.853,05	623,78
Cost of purchased materials and services	(18.891.926,36)	(15.202.097,70)
Personnel expenses	(8.054.437,41)	(6.634.656,54)
Depreciation and amortization	(2.112.162,18)	(2.013.894,69)
Other operating expenses	(6.521.956,04)	(4.946.795,32)
Operating income/loss	3.795.908,13	3.034.915,81
Interest income and expenses	(717.107,92)	(726.594,10)
Income from investments and participations	0,00	0,00
Income / expense from associated companies	0,00	0,00
Foreign currency exchange gains / losses	0,00	0,00
Other income / expenses	0,00	0,00
Result before income taxes (and minority interest)	3.078.800,21	2.308.321,71
Income tax	(1.195.969,95)	(1.300.663,70)
Extraordinary income / expenses	0,00	0,00
Result before minority interest	1.882.830,27	1.007.658,01
Minority interest	0,00	(15.994,85)
Net income / loss	1.882.830,27	991.663,16

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

for the period from April 1 to June 30, 2001

in Euro

INCOME STATEMENT

	01.04.2001 - 30.06.2001	01.04.2000 - 30.06.2000
Revenues	19.566.839,91	15.701.455,69
Other operating income	755.756,00	357.485,88
Changes in inventories of finished goods and work in progress	220.067,10	77.348,82
Production for own fixed assets capitalized	16.354,95	0,00
Cost of purchased materials and services	(9.545.958,65)	(7.707.222,34)
Personnel expenses	(4.287.348,64)	(3.356.499,16)
Depreciation and amortization	(1.116.611,92)	(1.078.298,90)
Other operating expenses	(3.555.142,56)	(2.388.768,10)
Operating income/loss	2.053.956,17	1.605.501,90
Interest income and expenses	(338.952,82)	(354.960,32)
Income from investments and participations	0,00	0,00
Income / expense from associated companies	0,00	0,00
Foreign currency exchange gains / losses	0,00	0,00
Other income / expenses	0,00	0,00
Result before income taxes (and minority interest)	1.715.003,35	1.250.541,58
Income tax	(552.449,47)	(683.986,16)
Extraordinary income / expenses	0,00	0,00
Result before minority interest	1.162.553,88	566.555,42
Minority interest	0,00	762,35
Net income / loss	1.162.553,88	567.317,77

CASH FLOW STATEMENT

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

at June 30, 2001

in thousand Euro

	01.01.2001 - 30.06.2001	01.01.2000 - 30.06.2000
Cash flow from operating activities		
Net Income before taxation and interest	3.796	3.035
Adjustment for depreciation, change in provisions, deferred taxes and gains losses from disposals of assets	1.934	2.006
Operating income before working capital changes	5.730	5.040
Change in working capital	(3.018)	(901)
Cash generated from operations before taxation and interest	2.712	4.140
Interest and income taxes paid	(2.266)	(1.195)
Net cash from operating activities	446	2.945
Cash flow from investing activities		
Acquisition of subsidiaries net of cash acquired	(1.860)	0
Net change in fixed assets	(1.596)	(5.039)
Net cash from investing activities	(3.456)	(5.039)
Cash flow from financing activities		
New long-term borrowings and change in equity	3.026	611
Repayment of lease and bank liabilities	(6.150)	2.136
Net cash from financing activities	(3.123)	2.748
Net increase/decrease in cash and cash equivalents	(6.133)	653
Cash and cash equivalents at beginning of period	(5.511)	(7.958)
Cash and cash equivalents at the end of period	(11.644)	(7.305)

SUPPLEMENTARY DISCLOSURES

of CENTROTEC Hochleistungskunststoffe AG, Marsberg

at June 30, 2001

STATEMENT OF CHANGES IN EQUITY

in thousand Euro

	Share capital	Addit. paid-in capital	Treasury stock	Retained earnings	Accumulated income	Consolidated equity
December 31, 2000/						
January 01, 2001	7.200	5.895	(112)	817		13.800
Consolidated income / loss					1.883	1.883
Currency translation				46		46
June 30, 2001	7.200	5.895	(112)	863	1.883	15.729

SEGMENT REPORT

in thousand Euro

	Engineering plastics	Systems	Other	Total segments	Consolidation	Group consolidated
Income	8.971	27.925	3.678	40.575	(1.295)	39.280
Expenses	(8.353)	(26.338)	(3.917)	(38.608)	1.210	(37.398)
Net Profit	619	1.588	(239)	1.967	(84)	1.883

NOTIFIABLE SHAREHOLDINGS

Name	Shares / numbers	Options / numbers *
Board of directors		
Hans-Lothar Hagen	54.000	102.000
Dr. Gert-Jan Huisman	500	102.000
Dr. Alexander Kirsch	9.000	102.000
Martin Beijer	700	102.000
Supervisory board		
Guido A. Krass	1.200.000	0
Dr. Bernhard R. Heiss	0	0
Hans Thomas	1.800	0
Centrotec		
Own shares	6.040	0

* Shown are maximum achievable numbers; the actual options that may be exercised are dependent on the achievement of individual targets.



CENTROTEC

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