



healthcomfortenergy

Quarterly Report Q2/2005
of CENTROTEC Sustainable AG



GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at June 30, 2005

Report of the Management Board

Highlights

- Revenue of EUR 66.5 million for first half at prior-year level
- Net earnings (EAT) after 6 months of EUR 4.5 million match prior-year figure
- EPS (earnings per share) of EUR 0.57 down 1 cent on previous year
- EBIT down EUR 0.6 million on prior-year period at EUR 7.8 million
- Equity ratio rises to 43.8 % (December 31, 2004: 39.4 %)
- Net working capital rises by EUR 2.5 million to EUR 21.7 million
- Net amount owed to banks up slightly by EUR 0.3 million since start of year to EUR 39.9 million
- Year-on-year rises in revenue and earnings expected in second half of year

Outlook

- Based on current forecasts, despite the healthy current level of orders the original organic revenue and earnings targets of the CENTROTEC Group for 2005 will not be met; growth is now forecast to reach 5 % (target 10 %)
- The individual forecasts for the 2005 financial year were adjusted as follows at the start of August: revenue forecast EUR 140 to 145 million (target EUR 145 to 150 million); EBIT forecast EUR 18.5 to 19.5 million (target 20 to 21 million); EPS EUR 1.35 to 1.40 (target EUR 1.55 to 1.60)
- The company expects to return to an average organic growth in excess of 10 % over the next few years
- The medium-term objective of EPS growth of more than 20 % remains valid
- The strategic emphasis on sustainability will be systematically maintained

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1. Revenue: unchanged from previous year at EUR 66.5 million

CENTROTEC Sustainable AG posted revenue of EUR 66.5 million in the first half of the year; this was roughly on a par with the previous year (EUR 66.6 million). Second-quarter revenue of EUR 33.8 million was EUR 0.4 million down on the 2004 figure. This development in sales is attributable in particular to the difficult conditions in central Europe (where CENTROTEC generates approx. 90 % of its revenue). The overall economic data in CENTROTEC core regions such as the Netherlands (downturn in gross domestic product) and Germany (recessive building sector) play a key role here. CENTROTEC nevertheless expects clear growth in the second half of 2005, with the result that revenue for the year as a whole can be expected to rise by 5 %.

Whereas revenue and growth were relatively high in the first half of the previous year, the revenue figures for the first few months of the year in progress were merely on a par with the previous year. Although a marked upswing was registered in May and particularly in June, this was not yet sufficient to compensate for low sales of the first quarter largely due to the cold winter. Nor were the prior-year figures emulated at the start of the second quarter. The anticipated catch-up effects in our core markets of Germany and the Netherlands are materialising more slowly than expected. The Gas Flue Systems and Climate Systems Divisions reported only slight growth or stable revenues in the first half of the year. The downturn in revenue for the Medical Technology & Engineering Plastics Division is attributable among other factors to the scaling-back or postponement of major orders on the one hand and the reorganisation of sales operations in the Medical Technology area on the other.

Revenue growth is nevertheless to be expected in the second half of the year. This will be fuelled by catch-up effects from the first half of the year, the launching of heat recovery systems in Belgium and the United Kingdom, and 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. The second half of 2004 was moreover not characterised by positive one-off effects to the same degree as the first half, with the result that purely from a mathematical point of view, growth will be easier to achieve. The weaker economy in Germany and the Netherlands nevertheless continues to be a burden on the business situation.

In the largest CENTROTEC segment, Gas Flue Systems, first-half revenue was boosted by 3 % to EUR 34.2 million (previous year: EUR 33.2 million). Revenue for the Climate Systems segment remained on a par with the previous year, at EUR 18.4 million. As in the first six months of the year, sales of traditional ventilation systems fell, whereas systems involving heat recovery enjoyed further growth. In the Medical Technology & Engineering Plastics segment, revenue fell short of the previous year's figure of EUR 15.0 million at EUR 13.9 million.

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2. Earnings: EBIT margin 11.7 %

Earnings before interest and taxes (EBIT) for the CENTROTEC Group amounted to EUR 7.8 million (previous year: EUR 8.4 million), with the result that the EBIT margin for the first half was 11.7 % (previous year: 12.6 %). As well as higher material costs, the downturn in earnings was attributable to the 3.8 % increase in personnel expenses. The higher personnel costs ratio is largely attributable to cost legacies as a result of production volume being lower than planned. The EBIT margin will rise again along with the anticipated higher level of capacity utilisation in the second half of the year.

With a net profit for the period after interest and taxes (EAT) of EUR 4.5 million at June 30, 2005, the prior-year figure was emulated. The EUR 0.4 million drop in the interest result to EUR 1.0 million and the reduced tax load ratio had a positive effect. Earnings per share (EPS) of EUR 0.57 were EUR 0.01 down on the previous year's figure. Both figures include the expenses for the stock options scheme pursuant to IFRS 2.

3. Balance sheet: equity ratio rises to 44 %

The balance sheet total compared with December 31, 2004 edged up by EUR 1.2 million to EUR 120.3 million. The equity ratio consequently improved to 43.8 % (it was 39.4 % at December 31, 2004). This compares with a ratio of 33.7 % at the corresponding point last year.

Cash flow I (EAT + depreciation and amortisation) fell slightly by 2.2 % compared with the previous year (EUR 7.0 million) to EUR 6.8 million. The cash flow from operating activities for the CENTROTEC Group fell significantly compared with the prior-year period (EUR 4.2 million) to EUR 1.9 million. Alongside the lower EBIT, this was due to the increase in inventories and the drop in liabilities.

Net amounts owed to banks (current and non-current loans less cash and cash equivalents) amounted to EUR 39.9 million (EUR 39.5 million on December 31, 2004). This figure has been reduced by EUR 1.5 million compared with the previous quarter (figure at March 31, 2005: EUR 41.4 million); it was achieved despite a rise of EUR 2.4 million in the net working capital (see below). The overall reduction of EUR 6.0 million in the amounts owed to banks (comparison between 2005 and 2004 in each case at June 30) also explains the improved interest result.

Net working capital (current assets – cash and cash equivalents – short-term, non-interest-bearing borrowings) rose from EUR 19.3 million (March 31, 2005) to EUR 21.7 million. On the one hand, inventories and accounts receivable have risen since the end of the last quarter, and on the other hand the current liabilities have fallen. The changes are within the normal bandwidth of fluctuation in working capital.

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4. Employees: employee total constant

At 943 FTEs (full time equivalents), the average number of employees has remained constant since the first quarter of the year (first quarter 942 FTEs). The CENTROTEC Group employed 881 FTEs in the corresponding period of the previous year. As well as the selective creation of qualified posts within Development and Sales, the rise is substantially due to higher personnel levels in Asia. Overall, however, more than 80 % of employees were based in the two core countries of the Netherlands (46 %) and Germany (36 %).

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

In the Gas Flue Systems segment, revenue in the first half of the year was increased from EUR 33.2 million to EUR 34.2 million. The company acquired in 2004, Ubbink Solar, also contributed towards this.

The first half of the year proved to be very difficult for virtually all areas of the heating sector. Most major boiler manufacturers posted flat or falling sales figures. As well as the influence of the weather, the economic context in particular was quoted as one of the major reasons. The aforementioned effects were felt particularly in Germany, where revenue fell by a single-digit figure despite higher revenue in the solar sector. In the Netherlands, the single-digit growth rate was likewise achieved to some extent thanks to orders for goods for the solar sector. On the other hand, business in Belgium and the United Kingdom progressed extremely well, with the rise in revenue reaching double figures. The level of revenue in France likewise rose by a single-digit rate.

The result for the segment consequently deteriorated in the first half of the year. EBIT was EUR 0.4 million down on the prior-year figure at EUR 3.4 million. As already reported, the acquisition costs for numerous materials and purchased parts rose compared with the corresponding period of 2004, with the result that the gross margin fell. Against the backdrop of these cost increases, it was possible to increase the prices of certain products thanks to our strong market position, though this will only lead to higher revenues as the year progresses. Due to the level of capacity utilisation, earnings from business in Germany fell noticeably during the first few months. The expansion of business in Great Britain necessitated additional expenses. The energy-saving aspect of the new building regulations is already prompting a marked shift in the heating market towards condensing boiler technology, which should account for more than half of the market by the end of the year. As yet, the market is nevertheless dominated by relatively low-priced gas flue systems passing through the wall and sold by boiler manufacturers as a package together with the boiler itself. Although CENTROTEC too profits from this sales channel via its OEM customers in the UK, the company is currently registering disproportionately low growth due to the fact that the bulk of CENTROTEC's revenue in the UK is generated via the trade. CENTROTEC is banking on the proportion of gas flue systems with a roof duct rising in the future specifically for condensing boilers that expel visible water vapour. These more complex systems are sold predominantly via the trade, from which CENTROTEC stands to benefit overproportionally in the long term.

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The Gas Flue Systems segment expects a second half of the year with slightly higher rates of increase – among other things, due to the weather – with the result that organic growth of more than 5 % should be achieved for the year as a whole.

6. Climate Systems: growth for large heat recovery systems

The Climate Systems segment matched the figure for the previous year, with revenue of EUR 18.4 million. EBIT totalling EUR 3.8 million, down 4 % on the previous year (EUR 4.0 million), was achieved. It should be borne in mind that this segment posted exceptionally high revenue growth in the first half of the previous year.

Various changes to the market occurred during the past half year. For example, sales of traditional ventilation systems for air heaters fell, whereas systems involving highly efficient heat recovery technology continued to be in high demand. The new high-quality models in particular were very well received by the market. The proportion of high-performance, relatively large devices with highly efficient heat recovery moreover rose, whereas sales of smaller devices for private housing using this technology remained stable. The market penetration in new housing construction business has risen but has been compensated by the reduced building activities.

Along with the tougher permissible energy consumption values for a new building that are being imposed by the Dutch government from the start of next year, this market will gain renewed momentum and stimulate growth. We anticipate that this legislation will already prompt a rise in demand towards the end of the current financial year.

The Climate Systems segment will tackle the British and Belgian markets more intensively in the second half of the year. In the UK in particular, an important additional sales channel has been acquired through the partnership with "Vent Axia", the local market leader for ventilation systems. To this end, technicians from Vent Axia and Brink developed a new product specifically for the British market in the past few months in order to serve the rapidly growing market for energy-saving products with a heat recovery system.

On the strength of our positive assessment for the next few months, we expect the second-half revenue figures for the Climate Systems segment to show an increase on the previous year.

7. Medical Technology & Engineering Plastics: pronounced cyclical impact dents revenue

The revenue for the Medical Technology & Engineering Plastics segment in the first two quarters was EUR 1.1 million down on the prior-year period, at EUR 13.9 million. Meanwhile EBIT fell by EUR 0.2 million to EUR 0.5 million (prior-year figure EUR 0.7 million).

The market as a whole for medical technology in Germany is weak. The expansion of our own sales channels has furthermore resulted in a higher downturn in key account sales than expected. Meanwhile the positive effects of this strategy will become apparent only in the longer term. This approach within the Medical Technology area

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will shore up our market position over the next few years. It will, however, restrict our scope for planning revenue accurately in the short term.

The volume production order received in 2004 for a component using the new composite technology for the Chrysler Crossfire Convertible has led to a drastic downturn in revenue due to unexpectedly low sales of that vehicle model this year. In addition to further process optimisation measures to reduce costs, organisational adjustments have been initiated to bring both labour costs and overheads in line with the lower capacity utilisation. Break-even should be achieved next year thanks to the measures implemented and the start of a second production line for loudspeaker cones in the end of the third quarter.

In the Engineering Plastics area, we continue to pursue the objective of more actively marketing products delivering a higher value added. This strategy, which was first adopted two years ago, is of a longer-term nature. Improving the revenue mix is, however, a slow process, as shifting the emphasis to new applications involves corresponding run-up periods. The benefits are taking shape in the high growth of our Danish company and the successful turnaround of Centroplast. This area was strengthened in June by the takeover of the British trading company SEMIPLAS Ltd., Stafford, in an effort to further extend the sales position in the important UK market.

8. Shares: 13 % rise in price since start of year

Since the start of the year, CENTROTEC shares (opening price at start of year EUR 21.90) rose by 13 % to EUR 24.65 on June 30, 2005. After a temporary downturn up until mid-May (lowest price EUR 19.85), the price gradually improved, reaching its highest level for the quarter of EUR 25.17 on June 23.

After the reporting date for the quarter, the price continued to rise, reaching a new all-time high of EUR 29.60 on July 29. The announcement that solar panel production will commence in 2006 and the ambitious target prices of certain analysts undoubtedly fuelled this trend. After reaching this record level, the price level slipped in particular following the announcement of reduced forecasts for the year, and has hovered around EUR 25 since the last week before publication of this report.

9. Expectations for 2005: 5 % organic growth

The forecast for 2005 has been adjusted and announced on the basis of the first-half results and current assessments. The reasons for the scaled-down forecast are a weaker economy than expected and consequently the below-par first-half figures. The previous revenue target of EUR 145 to 150 million (previous year EUR 134.8 million) is being scaled back to EUR 140 to 145 million. The EBIT forecast of EUR 20 to 21 million (previous year: EUR 18.5 million) is being revised to EUR 18.5 to 19.5 million. As a result of the new estimate, the EPS forecast is now EUR 1.35 to 1.40 (previously EUR 1.55 to 1.60; previous year: EUR 1.34). These figures are based on organic growth. However, the economic weakness expected for the next few months will probably be more than outweighed by the growing market penetration of CENTROTEC products.

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The planned revenue growth of 4 to 8 % in this financial year is realistic if business progresses well in the latter six months, even on the back of a first half at the prior-year level. CENTROTEC has an established track record of performing strongly in the second half of the year. Four particular trends furthermore 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. New framework agreements for solar support systems will generate additional volume in the autumn. The tougher energy-saving regulations in the Netherlands next year should generate additional volume at the end of 2005. Finally, the weaker figures in the reference year 2004 will prompt higher growth rates in the course of the year. The protracted weakness of the economy nevertheless remains a risk.

Continuing with cost-cutting measures, process optimisation measures, reorganisation projects and also the implementation of feasible price increases to certain products 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, August 2005

The Management Board

KEY FIGURES GROUP

of CENTROTEC Sustainable AG, Brilon

at June 30, 2005

in thousand EUR

KEY FIGURES

	30.06.2005	30.06.2004	Changes
Total revenue	66.525	66.601	-0,1%
Medical Technology & Engineering Plastics	13.917	15.000	-7,2%
Climate Systems	18.407	18.407	0,0%
Gas Flue Systems	34.201	33.194	3,0%
Earnings			
EBIT	7.768	8.409	-7,6%
EBIT Margin (in %)	11,7%	12,6%	
EBITDA	10.098	10.872	-7,1%
EBT	6.779	7.007	-3,2%
EAT	4.472	4.495	-0,5%
EPS (in EUR; basic)	0,57	0,58	-2,4%
Capital Structure*			
Balance sheet total	120.342	119.153	1,0%
Shareholders' equity	52.755	46.993	12,3%
Equity ratio (in %)	43,8%	39,4%	
Average number of shares outstanding (basic; in tsd.)	7.907	7.686	2,9%
Property, plant and equipment	34.623	34.813	-0,5%
Goodwill	38.134	38.134	0,0%
Net amounts owed to banks	39.856	39.531	0,8%
Net Working Capital	21.735	14.720	47,7%
Cash Flow Statement			
Cash flow I (EAT + depreciation/amortisation)	6.802	6.958	-2,2%
Cash flow from operating activities	1.875	4.235	-55,7%
Cash flow from investing activities	(2.732)	(2.239)	22,0%
Employees			
Total (in FTE)	943	881	7,0%
Changes in share price (in EUR)			
Share price 01.01.	21,90	9,70	
Year-high	26,00	13,02	
Year-low	19,85	9,30	
Share price 30.06.	24,65	12,50	

* Previous year is related to December 31, 2004

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at June 30, 2005

in thousand EUR

ASSETS

	30.06.2005	31.12.2004
Current assets		
Cash and cash equivalents	1.284	3.672
Trade account receivables	19.900	17.190
Inventories	20.362	19.861
Prepaid expenses and other current assets	1.902	1.144
Income tax receivable	485	206
	43.933	42.073
Non current assets		
Property, plant and equipment	34.623	34.813
Intangible assets	1.582	1.697
Notes receivable / loans	91	0
Goodwill	38.134	38.134
Deferred tax	1.935	2.411
Other assets	44	25
	76.409	77.080
Assets	120.342	119.153

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at June 30, 2005

in thousand EUR

EQUITY AND LIABILITIES

	30.06.2005	31.12.2004
Current liabilities		
Finance lease liabilities	86	155
Current loans and current portion of noncurrent loans	11.009	11.749
Trade accounts payable	7.989	7.964
Accrued expenses	1.274	2.096
Income tax payable	682	1.617
Other liabilities	10.969	12.004
	32.009	35.585
Non current liabilities		
Noncurrent loans	30.131	31.454
Finance lease liabilities less current portion	17	63
Deferred tax	2.720	2.674
Pension accrual	394	343
Other accruals	2.239	1.992
Other liabilities	77	49
	35.578	36.575
Shareholders` equity		
Share capital	7.994	7.889
Additional paid-in-capital	12.860	11.849
Treasury stock	(112)	(112)
Share benefit reserve	418	405
Deferred tax reserve	987	860
Currency translation differences and fair value adjustments of interest rate derivatives	(326)	(360)
Retained earnings	26.436	16.274
Profit attributable to share capital holders of the parent	4.481	10.162
Minority interest	17	26
	52.755	46.993
Equity and Liabilities	120.342	119.153

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2005

in thousand EUR

INCOME STATEMENT

	01.01.2005 30.06.2005	01.01.2004 30.06.2004
Revenues	66.525	66.601
Other operating income	1.149	914
Changes in inventories of finished goods and work in progress	579	865
Own work capitalized	23	66
Cost of purchased materials and services	(28.256)	(28.194)
Personnel expenses	(19.140)	(18.442)
Depreciation and amortisation	(2.330)	(2.463)
Amortization (and impairment) of goodwill	0	0
Other operating expenses	(10.782)	(10.938)
Operating income (EBIT)	7.768	8.409
Interest income and expenses	(989)	(1.402)
Result before income taxes (EBT)	6.779	7.007
Income tax	(2.307)	(2.512)
Net income (EAT)	4.472	4.495
Profit or loss attributable to minority interest	(9)	10
Profit attributable to share capital holders of the parent	4.481	4.485

EPS (Earnings per share in EUR)

Earnings per share (basic)	0,57	0,58
Earnings per share (diluted)	0,55	0,56
Weighted average shares outstanding (in numbers; basic)	7.907.429	7.685.727
Weighted average shares outstanding (in numbers; diluted)	8.207.470	8.005.282

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Sustainable AG, Brilon

from April 1 to June 30, 2005

in thousand EUR

INCOME STATEMENT

	01.04.2005 30.06.2005	01.04.2004 30.06.2004
Revenues	33.823	34.158
Other operating income	591	569
Changes in inventories of finished goods and work in progress	387	502
Own work capitalized	21	59
Cost of purchased materials and services	(14.497)	(15.001)
Personnel expenses	(9.850)	(9.347)
Depreciation and amortisation	(1.188)	(1.141)
Amortization (and impairment) of goodwill	0	0
Other operating expenses	(5.241)	(5.291)
Operating income (EBIT)	4.046	4.508
Interest income and expenses	(506)	(753)
Result before income taxes (EBT)	3.540	3.755
Income tax	(1.225)	(1.317)
Net income (EAT)	2.315	2.438
Profit or loss attributable to minority interest	(11)	30
Profit attributable to share capital holders of the parent	2.326	2.408

CONSOLIDATED CASH FLOW STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2005

in thousand EUR

CASH FLOW STATEMENT

	01.01.2005 30.06.2005	01.01.2004 30.06.2004
Net income before taxes and interest	7.768	8.409
Depreciation and amortisation	2.330	2.463
Gain/loss on disposal of non-current assets	4	0
Other non-cash items	831	167
Changes in provisions	(524)	(142)
Changes in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(3.356)	(4.519)
Changes in trade payables and other liabilities that cannot be allocated to investing or financing activities	(2.372)	1.231
Interest paid	(942)	(1.326)
Income taxes paid	(1.864)	(2.048)
Cash Flow from operating activities	1.875	4.235
Acquisition of share in participations - net of cash acquired and outstanding amounts to be paid	(769)	0
Purchase of property, plant and equipment/ intangible assets / financial investments / loans	(2.011)	(2.355)
Proceeds from disposal of property, plant and equipment/intangible assets / financial investments / loans	48	116
Cash Flow from investing activities	(2.732)	(2.239)
Proceeds from issuance of shares	654	769
Proceeds from borrowings/repayment of borrowings	(767)	(2.963)
Cash Flow from financing activities	(113)	(2.194)
Change in financial resources	(970)	(198)
Financial resources at the start of the financial year	(1.193)	1.758
Financial resources at the end of the period	(2.163)	1.560

STATEMENT OF MOVEMENTS IN EQUITY AND SEGMENT REPORT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 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
Share option plan				221	675					896
Fair value adjustment interest rate derivatives						(66)				(66)
Currency translation differences						10				10
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	105	1.011		(70)	(392)					654
Share option plan				83	519					602
Fair value adjustment interest rate derivatives						(80)				(80)
Currency translation differences						114				114
Profit attributable to share capital holders of the parent								4.481		4.481
Profit or loss attributable to minority interest									(9)	(9)
June 30, 2005	7.994	12.860	(112)	418	987	(326)	26.436	4.481	17	52.755

SEGMENT REPORT

	Medical Techn. & Eng. Plastics		Climate Systems		Gas Flue Systems		Consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues from third parties	13.917	15.000	18.407	18.407	34.201	33.194	0	0	66.525	66.601
Revenues from other segments	397	299	78	47	98	92	(573)	(438)	0	0
Cost of purchased materials	(5.005)	(5.516)	(7.828)	(8.099)	(15.996)	(15.017)	573	438	(28.256)	(28.194)
Personnel expenses	(6.178)	(6.259)	(5.331)	(5.065)	(7.631)	(7.118)	0	0	(19.140)	(18.442)
Depreciation and amortisation	(690)	(880)	(306)	(335)	(1.334)	(1.249)	0	0	(2.330)	(2.464)
Other income and expense from ordinary activities	(1.921)	(1.963)	(1.210)	(995)	(5.900)	(6.134)	0	0	(9.031)	(9.092)
EBIT	520	681	3.810	3.960	3.438	3.768	0	0	7.768	8.409
Interest result									(989)	(1.402)
EBT									6.779	7.007
Income tax									(2.307)	(2.512)
Net income (EAT)									4.472	4.495
Profit or loss attributable to minority interest									(9)	10
Profit or loss attributable to share capital holders of the parent									4.481	4.485

GROUP QUARTERLY REPORT

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at June 30, 2005

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 mandatory 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. The changes effected at December 31, 2004 and June 30, 2005 are summarised in the following table.

Figures in EUR '000	30/06/2005	30/06/2005 excl. IFRS 2	31/12/2004	31/12/2004 excl. IFRS 2
Deferred tax assets	1,935	1,539	2,411	1,469
Additional paid-in capital	12,860	12,398	11,849	11,849
Reserve for stock options	418	0	405	0
Reserve for deferred tax	987	0	860	0
	30/06/2005	30/06/2005 excl. IFRS 2	30/06/2004	30/06/2004 excl. IFRS 2
Personnel expenses	19,140	19,057	18,442	18,276
Taxes	2,307	2,318	2,512	2,540

In accordance with the new IAS standard, 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 at June 30, 2005 has not changed substantially 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.

The 40 % participating interest in Haskotherm B.V., Joure (Netherlands), was sold on April 15, 2005. The effects of the sale of the entity which had until then been recognised using the equity method are not material. On June 3, Centroplast acquired a 100 % interest in the British trading company Semiplas Ltd., Stafford. Semiplas was included in full in the first-half accounts from the time of acquisition, in accordance with the accounting and reporting policies and principles set forth in the 2004 Annual Report. The net assets acquired amount to EUR 37 thousand (assets EUR 265 thousand, liabilities EUR 228 thousand). With the individual company posting revenue of EUR 0.3 million in the first half of 2005, it virtually broke even. The fully consolidated figures in the accounts, in particular the pro rata figures in the income statement, are negligible.

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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.

6. Reportable Directors 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	111.641
Martin Beijer	0	60.922
Dr. Alexander Kirsch	16,450	108.387
Rob Slemmer	0	63.520
Dr. Christoph Traxler	0	37.625
Supervisory Board		
Guido A. Krass	1,200,000	0
J. Willem Brink	0	0
Dr. Bernhard Heiss	0	0
CENTROTEC		
Ordinary shares	7,993,774	0
Own shares	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.

At the Shareholders' Meeting on June 1, 2005 the Management Board was authorised to create further conditional capital totalling EUR 274,407 through the issue of employee stock options up until December 31, 2011. In total 100.000 options were granted to employees and Management Board of CENTROTEC in June.

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7. Segment Report

The Segment Report was extended in 2005 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 furthermore now shown at EBIT level. It also includes services rendered by the parent company, for which the business units have been charged regularly since the start of the year (previous year: at the end of the year). The application of IFRS 2 results in further changes to the segment reporting at June 30, 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

In all segments, development activities continued to concentrate on sustainable technologies in the areas of the environment, energy saving and reducing CO₂ emissions.

In the Gas Flue Systems area, progress was made with countless product developments. For example, a novel "flex-pipe" and a new connecting system for the 100 mm standard pipe diameter will substantially broaden the range of applications and installation options for gas flue systems.

As well as various product improvements to heat recovery components, the research work and further development activities on environment-friendly ventilation and cooling systems were the focus of attention in the Climate Systems segment. The adiabatic cooling principle in particular is to be used. A special ventilation system with heat recovery was developed for the British market and brought to market maturity hand in hand with the venture partner Vent Axia.

In the Medical Technology area, further product improvements to liposuction systems were realised. Other developments included a new hose pump for long-term medical use involving operation for more than 3,000 hours without hose changes. The applications of the nano-coating for improving surface properties are being systematically broadened and the capacity volume stepped up. Nano-coated extruder tools will in future make it possible to process new materials for the manufacture of high-grade products of dimensions that have hitherto been impossible to produce. The operating life of the tools will moreover be considerably longer. Bond Laminates, a minority interest of the CENTROTEC Group within the Engineering Plastics area, has developed a new fibre composite material which is used for the manufacture of high-quality loudspeakers.

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9. Capital expenditure

In the second quarter, the volume of investment that was not driven by acquisitions totalled EUR 2.0 million and was therefore down on that of the previous year (EUR 2.4 million). Capital expenditure in the second quarter focused principally on investing in the maintenance and extension of plant and machinery.

10. Events occurring after the end of the quarter

After the end of the quarter, on July 1, Centrotec concluded an agreement with Econcern B.V., Utrecht, (Netherlands), on the supply of photovoltaic solar cells. In parallel, a joint venture for the production of solar modules was established, with CENTROTEC holding a 70 % interest and consequently taking charge of its management.

The share price on the Frankfurt Stock Exchange reached a new all-time high of EUR 29.60 on July 19. The scaling-back of the organic growth forecast for 2005 (ad hoc information on August 2) from 10 % to 5 % caused the share price to readjust to a level of EUR 25.

In the issue of Börse Online published on July 27, CENTROTEC emerged as the top growth stock for the second time in succession, from more than 500 German companies investigated. Companies that have not posted any losses since 1997 and have not seen their profits fall in more than one year qualified for the ranking.

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