

Nine-Months'-Report

October 1, 2004 through June 30, 2005

ENERGY SERVICES

ENERGY CONTRACTING

IT SERVICES

At a glance

EUR million IFRS, unaudited	Q 1-3 2004/2005 1.10.04 - 30.06.05	Q 1-3 2003/2004 1.10.03 - 30.06.04	Q 3 2004/2005 1.04.05 - 30.06.05	Q 3 2003/2004 1.04.04 - 30.06.04
Revenue	344.8	326.5	121.6	116.0
EBIT	74.1	69.0	32.1	29.8
EBITDA	111.0	106.9	44.3	42.3
Net income	40.2	32.6	17.8	16.1
Depreciation of fixed assets	36.9	37.9	12.2	12.5
Capital expenditure on fixed assets	41.8	39.5	16.9	11.5
Operating cash flow	70.3	72.6	--	--
Total assets	531.7	536.9	--	--
Shareholders' equity	206.7	154.8	--	--
Equity ratio (in %)	38.9 %	28.8 %	--	--

	Q1-3 2004/2005	Q1-3 2003/2004
Number of homes serviced (million)	6.7	6.7
Number of installed devices (million)	37.1	36.9
Germany	28.0	28.2
International	9.1	8.7
Customers (approximately) ¹⁾	603,000	598,000
Employees ²⁾	2,202	2,158

¹⁾ after adjustment

²⁾ excluding commercial representative offices in Germany

The Techem share

During the period under review, October 1, 2004 through June 30, 2005, the Techem share price increased by 57.8 % (XETRA closing price as at June 30, 2005: EUR 35.00). During the same period the DAX rose by 14.8 % and the MDAX by 24.8 %.

Revenue

Compared with the same period last year, revenue in the first nine months of fiscal year 2004/05 rose by 5.6 % to EUR 344.8 million (previous year: EUR 326.5 million). The core business area Energy Services achieved a slight increase in revenue of 1.8 % to EUR 288.9 million (previous year: EUR 283.7 million). The expansion of the range of services offered by the Energy Contracting business lent support to this uninterrupted positive trend. Revenue could be increased significantly, growing by 33.3 % to EUR 50.0 million (previous year: EUR 37.5 million). Although considerable restraint continued to characterize the placing of orders, the IT Services business. increased revenue by 11.3 % to EUR 5.9 million (previous year: EUR 5.3 million).

Revenue by business areas

EUR million	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 30.06.05	1.10.03 - 30.06.04	1.04.05 - 30.06.05	1.04.04 - 30.06.04
Energy Services	288.9	283.7	101.2	102.2
Energy Contracting	50.0	37.5	18.0	12.2
IT Services	5.9	5.3	2.4	1.6
Total	344.8	326.5	121.6	116.0

In the core business area Energy Services revenue stemmed from the following four revenue pillars:

Revenue Energy Services

EUR million	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 30.06.05	1.10.03 - 30.06.04	1.01.05 - 30.06.05	1.01.04 - 30.06.04
Billing services	149.4	146.1	54.5	55.3
Equipment rental	89.7	87.4	31.0	30.4
Equipment sales	30.3	30.6	9.2	9.8
Maintenance	19.5	19.6	6.5	6.7
Total	288.9	283.7	101.2	102.2

In the most important region Germany, the core business area Energy Services achieved the following revenue:

Revenue Energy Services Germany

EUR million	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 30.06.05	1.10.03 - 30.06.04	1.04.05 - 30.06.05	1.04.04 - 30.06.04
Billing services	128.7	125.4	47.3	47.3
Equipment rental	87.1	85.4	30.1	29.6
Equipment sales	13.7	15.1	4.6	4.6
Maintenance	18.9	18.9	6.3	6.4
Total	248.4	244.4	88.3	87.9

International revenue

Revenue for the first nine months of the current fiscal year rose by 3.2 % in total to reach EUR 42.2 million (previous year: EUR 40.9 million). The Western European companies (excluding Germany) increased revenue by 5.6 % to EUR 28.5 million. Especially the companies in Austria and Scandinavia, were able to post revenue gains, with total revenue rising by 5.6 % to EUR 28.5 million (previous year: EUR 27.0 million). The Eastern European companies attained stable revenue of EUR 13.7 million (previous year: EUR 13.9 million). The companies in the Czech Republic, Slovakia and Poland performed well while the Romanian market is currently at the stage of first-time equipping.

Revenue Europe (excluding Germany)

EUR million	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 30.06.05	1.10.03 - 30.06.04	1.04.05 - 30.06.05	1.04.04 - 30.06.04
Western Europe (excluding Germany)	28.5	27.0	9.6	9.3
Eastern Europe	13.7	13.9	3.6	5.3
Total	42.2	40.9	13.2	14.6

EBIT

For the period October 1, 2004 through June 30, 2005, EBIT amounted to EUR 74.1 million, representing a year-on-year increase of 7.5 % compared to previous year's EUR 69.0 million.

Net income for the period

Net income for the first nine months of fiscal year 2004/05 rose by a significant 23.4 % to EUR 40.2 million (previous year: EUR 32.6 million). In addition to an increase in the operating business, a key factor in this regard was a reduction in net interest expense to EUR 8.4 million (previous year: EUR 11.3 million) as a result of the consistent scaling back of the Company's indebtedness.

Capital expenditure

In the first nine months of fiscal 2004/05, Group capital expenditure amounted to EUR 41.8 million (previous year: EUR 39.5 million). The increase in volume was mainly due to capital expenditure on intangible assets (software and licences) and a higher rental equipment base.

Capital expenditure consisted of:

EUR million	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 30.06.05	1.10.03 - 30.06.04	1.04.05 - 30.06.05	1.04.04 - 30.06.04
Intangible assets	10.6	8.1	6.0	3.0
Tangible assets	8.1	8.5	2.8	1.7
Rental equipment	23.1	22.8	8.1	6.9
Financial assets	0.0	0.1	0.0	0.0
Total	41.8	39.5	16.9	11.6

Business areas

Energy Services

Measuring and billing of energy and water consumption as well as equipment rental, sales and maintenance of devices

Installed base (installed, invoiced and billed devices)

As at June 30, 2005, Techem provided services to about 603,000 customers (previous year: 598,000) with an unchanged number of 6.7 million apartments spread across Europe. As part of the optimization of billing processes, the customer data base was refined on March 31, 2005. After the removal of, for example, dual names, the reduction is without an impacting on the revenue of the Techem Group. About 37.1 million metering devices were taken by our employees in order to issue consumption-based bills.

Installed base Europe

Devices in million	June 30, 2005	June 30, 2004
Radio-controlled devices	6.0	4.2
Electronic devices	12.4	12.6
Water meters	6.4	6.7
Evaporators	12.3	13.4
Total	37.1	36.9

The decisive advantages of radio-controlled meter readings – lower meter-reading mistakes and greater efficiency in the meter-reading process – are gaining growing market acceptance. As at June 30, 2005, radio-controlled devices accounted for a 16.2 % share of the total installed base Europe (June 30, 2004: 11.4 %).

Installed base Germany

Devices in million	June 30, 2005	June 30, 2004
Radio-controlled devices	5.7	4.0
Electronic devices	8.7	9.3
Water meters	5.5	5.9
Evaporators	8.1	9.0
Total	28.0	28.2

The share of radio-controlled devices in the installed base Germany as at June 30, 2005 was 20.4 % (June 30, 2004: 14.2 %).

Equipment sales (invoiced devices, not yet billed)

Total equipment sales in Europe for the first nine months of fiscal 2004/05 amounted unchanged to about 2.2 million devices (previous year: 2.2 million). In the same period, about 1.8 million devices were sold in Germany (previous year: 1.8 million).

Equipment sales Europe

Devices in million	Q1-3 2004/2005	Q1-3 2003/2004
Radio-controlled devices	1.0	0.9
Electronic devices *	0.6	0.6
Water meters	0.5	0.6
Evaporators	0.1	0.1
Total	2.2	2.2

* since 1 Oct. 2004, the only devices that are delivered are those with a radio function that can be activated and which enable customers to switch over to the taking of meter readings by radio at any time.

The share of radio-controlled devices in the equipment sales Europe as at June 30, 2005 was 45.5 % (June 30, 2004: 40.9 %). Including electronic devices with a radio option (0.6 million), the share of total equipment sales accounted for by radio controlled devices rose to 72.7 % as of June 30, 2005.

Equipment sales Germany

Devices in million	Q1-3 2004/2005	Q1-3 2003/2004
Radio-controlled devices	0.9	0.8
Electronic devices *	0.4	0.3
Water meters	0.4	0.6
Evaporators	0.1	0.1
Total	1.8	1.8

** since 1 Oct. 2004, the only devices that are delivered are those with a radio option that can be activated and which enable customers to switch over to the taking of meter readings by radio at any time.*

The share of radio-controlled devices in equipment sales Germany as at June 30, 2005 was 50,0 % (June 30, 2004: 44.4 %). Including electronic devices with a radio option (0.4 million), the share of total equipment sales accounted for by radio controlled devices rose to 72.2 % as at June 30, 2005.

Meanwhile, about 1.1 million households (previous year: 880.000), mainly in Germany, have been equipped with the radio-controlled system. The number of delivered radio-controlled devices was 6.3 million as at June 30, 2005. The variation in the numbers of delivered and installed devices of 0.4 million is caused by a time lapse in billing.

Rental and maintenance of devices

The rental contracts cover a base comprising 14.0 million devices (previous year: 13.4 million devices), which corresponds to 50,0 % of the 28.0 million devices installed in Germany. 4.4 million devices with maintenance contracts (previous year: 4.7 million devices) represent 15.7 % (previous year 16,6%) of the installed base in Germany.

Outside Germany, rental and maintenance contracts are only being offered in Austria, Belgium and Switzerland at present and on a modest scale.

Energy Contracting

The supplying of heat, cold and electricity under contracting agreements; modular range of services from planning, financing and installation to the operation of energy-producing facilities, including maintenance, conservation and the billing of consumption.

Demand on the part of the German real estate industry for economic and efficient energy supply solutions remains high. As at June 30, 2005, the number of heating supply contracts had risen by 27.4% to 884 (previous year: 694) and thermal connection capacity had increased by 33.3% to 600 Megawatts (previous year: 450 Megawatts).

The "NutzEnergieContracting" (NEC) service package is a new, extended form of energy supply contracting that has been developed especially for the commercial property segment (buildings for commercial purposes). NEC covers the supply of the full range of energy resources to commercial property (heating, air-conditioning, light or ventilation). Responsibility is assumed for the management of energy and maintenance as well as for energy procurement and operation. The resulting savings increase the profitability of the buildings.

IT Services

Software-based applications for the housing industry.

The revised software wodis 4.0 was rolled out at more than 300 licensees without any problems being encountered. During the course of the third quarter of the fiscal year, new clients were gained, including clients in the new "commercial real estate" market segment.

Outlook

Based on today's information, the Techem group expects for fiscal year 2004/05 organic revenue of between EUR 458 and 461 million and EBIT of between EUR 90 and 92 million. Heimer Concept GmbH, which has been acquired by the Techem Group as of August 4, 2005, will be consolidated retroactively as of August 1, 2005. For the time being the company prepared financial statements according to the German Commercial Code (HGB). No definitive estimate of the financial impact of the acquisition under IFRS on the consolidated financial statements of the Techem Group can be made at the present time. The entire purchase price of EUR 48 million is financed by way of borrowings. Net debt at the end of fiscal year 2004/05 should amount to between approximately EUR 213 and 228 million.

Techem AG, Consolidated Balance Sheet (IFRS, unaudited)

Assets in EUR thousand	Jun. 30, 2005	Jun. 30, 2004	Sept. 30, 2004
Cash and cash equivalents	10,430	15,800	14,439
Trade accounts receivable	164,707	163,561	159,129
Other receivables	12,032	9,940	11,329
Inventories	16,984	16,641	17,611
Tax receivables	1,474	2,956	2,379
Total current assets	205,627	208,898	204,887
Rental equipment	132,995	136,090	134,999
Property, plant and equipment	55,391	52,452	55,847
Intangible assets	128,818	121,546	125,297
Shares in associated companies	19	10	20
Non-current receivables and other non-current financial assets	6,156	70,073	6,213
Deferred tax assets	2,693	10,825	10,556
Total non-current assets	326,072	327,996	332,932
Total assets	531,699	536,894	537,819

Equity and liabilities in EUR thousand	Jun. 30, 2005	Jun. 30, 2004	Sept. 30, 2004
Trade accounts payable	9,495	15,102	16,409
Other liabilities	15,406	15,121	19,365
Financial liabilities	39,285	56,779	36,936
Provisions	50,464	54,858	52,200
Tax liabilities	5,801	7,129	4,817
Total current liabilities	120,451	148,989	129,727
Financial liabilities	152,845	186,891	190,637
Other liabilities	891	555	1,097
Pension provisions	12,951	12,986	12,936
Provisions	33,563	27,305	32,406
Deferred tax liabilities	4,314	5,340	4,454
Total non-current liabilities	204,564	233,077	241,530
Share capital	24,690	24,681	24,681
Capital reserve	59,851	59,711	59,711
Retained earnings	122,138	70,111	81,680
Minority interest	5	325	490
Total shareholders' equity	206,684	154,828	166,562
Total equity and liabilities	531,699	536,894	537,819

(The accompanying notes are an integral part of these financial statements.)

Techem AG, Consolidated Income Statement (IFRS, unaudited)

in TEUR	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 – 30.06.05	1.10.03 – 30.06.04	1.04.05 – 30.06.05	1.04.04 – 30.06.04
Revenue	344,797	326,460	121,592	115,956
Cost of sales	181,575	176,953	62,242	62,693
Gross profit	163,222	149,507	59,350	53,263
Distribution costs	43,495	40,724	12,216	12,102
General and administrative expenses	38,660	37,163	12,833	11,373
Other operating income	2,653	4,713	278	1,457
Other operating expenses	4,556	2,536	813	199
Research and development expenses	5,061	4,841	1,649	1,313
EBIT	74,103	68,956	32,117	29,733
Net share of profit of associates	0	-191	0	-25
Other financial results	10	53	2	2
Net interest expense	-8,429	-11,310	-2,528	-2,290
Result before income tax (and minority interest)	65,684	57,508	29,591	27,420
Income tax expense	25,517	24,958	11,743	11,371
Net income for the period	40,167	32,550	17,848	16,049
attributable to Techem shareholders	40,138	32,098	17,852	15,974
attributable to minority shareholders	29	452	-4	75
Earnings per share in EUR	1,63	1,30	0,73	0,65
Diluted earnings per share in EUR	1,63	1,30	0,73	0,65

(The accompanying notes are an integral part of these financial statements.)



Techem AG, Consolidated Cash Flow Statement (IFRS, unaudited)

in EUR thousand	Q1-3 2004/2005	Q1-3 2003/2004
Net income for the period	40,167	32,550
Cash flows from operating activities		
Depreciation	36,945	37,919
Deferred taxes	7,711	2,209
Gains on sales of assets	1,016	1,023
Changes in long-term receivables	33	-1,056
Changes in long-term liabilities	-206	-140
Changes in pension provisions and other long-term provisions	1,172	5,223
Unrealized losses from financial instruments	-945	-147
Debt acquisition costs	635	629
Changes in accounts receivable, short-term	-6,781	2,830
Changes in unbilled receivables	1,203	-6,572
Changes in other receivables	202	2,755
Changes in inventories	627	4,606
Changes in trade accounts payable	-6,914	4,017
Changes in other current liabilities	-2,789	-11,170
Changes in short-term provisions	3,472	-239
Changes in tax accruals	-5,208	9,300
Cash provided by operating activities	70,340	72,567
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-873	-6,351
Proceeds from sale of associates	24	592
Purchase of fixed and intangible assets	-39,724	-36,158
Proceeds from sale of fixed and intangible assets	2,996	-3,607
Net cash used in investing activities	-37,577	-38,310
Free cash flow	32,763	34,257
Cash flows from financing activities		
Changes in finance lease liabilities	-2,034	-2,234
Net repayment of borrowings	-34,541	-32,198
Capital increase	149	0
Dividends paid	-346	-63
Net cash provided by financing activities	-36,772	-34,495
Net changes in cash and cash equivalents	-4,009	-238
Cash and cash equivalents at beginning of period	14,439	16,038
Cash and cash equivalents at end of period	10,340	15,800
Additional information		
Interest payments	7,792	9,531
Income taxes paid	23,597	22,155

(The accompanying notes are an integral part of these financial statements.)

Techem AG, Consolidated Statement of Equity

attributable to shareholders of Techem

	Share Capital No. of shares	Share capital amount '000 EUR	Capital reserve '000 EUR	Retained earnings '000 EUR	Currency translation adjustments '000 EUR	Total share- holders' eq- uity '000EUR	Minority interest '000 EUR	Total equity '000 EUR
Balance at Oct. 1, 2004	24,681,139	24,681	59,711	38,224	-276	122,340	3,042	125,382
Currency translation adjustments					65	65		65
Changes in the minority share- holdings							-3,106	-3,106
Dividends							-63	-63
Net income for the period				32,098		32,098	452	32,550
Balance at Jun. 30, 2004	24,681,139	24,681	59,711	70,322	-211	154,503	325	154,828
Balance at Oct. 1, 2005	24,681,139	24,681	59,711	81,855	-175	166,072	490	166,562
Currency translation adjustments					320	320		320
Changes in the minority share- holdings							-168	-168
Capital increase	9,121	9	140			149		149
Dividends							-346	-346
Net income for the period				40,138		40,138	29	40,167
Balance at Jun. 30, 2005	24,682,260	24,690	59,851	121,993	145	206,679	5	206,684

(The accompanying notes are an integral part of these financial statements.)

Techem AG, Consolidated Intangible and Fixed Assets

in EUR thousand	Acquisition cost						Ending balance June 30, 2005
	Opening balance Oct. 1, 2004	Current year additions	Change in scope of consoli- dation	Transfers	Currency	Disposals	
I. Financial assets							
1. Investments in affiliated companies	187						187
2. Loans to affiliated companies	309						309
3. Investments at equity	250					-1	249
	746	0	0	0	0	-1	745
II. Fixed assets							
1. Rental equipment	271,337	23,063	0	342	61	-16,474	278,329
2. Property, plant and equipment							
Property and plant	8,069	1			82	-17	8,135
Technical equipment *)	45,533	3,146		1,086	146	-1,274	48,637
Office equipment **)	88,716	4,332		173	140	-9,006	84,355
Work in progress	2,650	858		-1,601	1	-28	1,880
Subsidies	-4,227	-186					-4,413
	140,741	8,151	0	-342	369	-10,325	138,594
III. Intangible assets							
1. Software and licences	69,779	5,114		2,170	34	-181	76,916
2. Goodwill							
Energy Services	100,722						100,722
Energy Contracting	10,313						10,313
IT Services	12,209	1,577					13,786
3. Other intangible assets	10,096						10,096
4. EDP software work in progress	3,219	3,893		-2,170			4,942
	206,338	10,584	0	0	34	-181	216,775
	619,162	41,798	0	0	464	-26,981	634,443

*) thereof finance leasing €1.8m (Jun. 30, 2004 = €1.3m)

**) thereof finance leasing €41.8m (Jun. 31, 2004 = €43.9m)

(The accompanying notes are an integral part of these financial statements.)

Techem AG, Consolidated Intangible and Fixed Assets

in EUR thousand	Depreciation / Amortization						Net book value		
	Opening balance Oct. 1, 2004	Current year additions	Change in scope of consolidation	Transfers	Currency	Disposals	Closing balance Mar. 31, 2005	Mar. 31, 2005	Sep., 30 2004
I. Financial assets									
1. Investments in affiliated companies	184						184	3	3
2. Loans to affiliated companies	309						309	0	0
3. Investments at equity	230						230	19	20
	723						723	22	23
II. Fixed assets									
1. Rental equipment	136,338	22,162			49	-13,215	145,334	132,995	134,999
2. Property, plant and equipment									
Property and plant	4,017	167			10	-17	4,177	3,958	4,052
Technical equipment ^{*)}	16,668	2,434		72	72	-1,018	18,228	30,409	28,865
Office equipment ^{**)}	65,109	5,312		-28	81	-8,571	61,903	22,452	23,607
Work in progress	0						0	1,880	2,650
Subsidies	-900	-205					-1,105	-3,308	-3,327
	84,894	7,708		44	163	-9,606	83,203	55,391	55,847
III. Intangible assets									
1. Software and licences	40,514	6,454		-44	33	-148	46,809	30,107	29,265
2. Goodwill									
Energy Services	32,601						32,601	68,121	68,121
Energy Contracting	6,177						6,177	4,136	4,136
IT Services	416						416	13,370	11,793
3. Other intangible assets	1,333	621					1,954	8,142	8,763
4. EDP software work in progress	0						0	4,942	3,219
	81,041	7,075		-44	33	-148	87,957	128,818	125,297
	302,996	36,945		0	245	-22,969	317,217	317,226	316,166

^{*)} thereof finance leasing € 0.6m (Jun. 30, 2004 = € 0.4m)

^{**)} thereof finance leasing € 38.6m (Jun. 30, 2004 = € 38.1m)

(The accompanying notes are an integral part of these financial statements.)

TECHEM AG, ESCHBORN

Notes to the Consolidated Nine-Months'-Report October 1, 2004 through June 30, 2005

Note 1 – General principles

The accompanying unaudited interim financial statements incorporate the financial statements of Techem AG and its subsidiaries (hereinafter also referred to as the „Company“ or the “Techem Group”) as at June 30, 2005. Unless stated otherwise, all amounts are in thousands of euros (KEUR).

The consolidated interim financial statements have been prepared in accordance with “International Financial Reporting Standards” (IFRS) of the „International Accounting Standards Board” (IASB), as were the annual financial statements for the year ended September 30, 2004. The consolidated interim financial statements have been prepared in compliance with IAS 34 „Interim Financial Reporting”.

The consolidated annual financial statements of Techem AG have been prepared in accordance with IFRS for the first time for the financial year ended September 30, 2004. Interim reports prepared during the financial year 2003/2004 were in accordance with „United States Generally Accepted Accounting Principles“ (US-GAAP). All prior year comparatives in these current interim financial statements are stated in accordance with IFRS.

In the annual financial statements for the financial year ended September 30, 2004 a reconciliation from US GAAP to IFRS has been prepared in accordance with the provisions of IFRS 1 „First-Time Adoption of International Financial Reporting Standards“. A reconciliation from US-GAAP to IFRS for the three quarters ending June 30, 2004 is included in note 3.

All inter-company transactions, of entities that are within the scope of consolidation, have been eliminated.

The interim financial statements do not contain all information and notes to the financial statements which are required for year end reporting purposes; therefore it has to be read in conjunction with the audited consolidated annual financial statements and notes for the financial year ended September 30, 2004, which can be found on the internet homepage of the Company.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses as well as accompanying notes during the reporting period. Actual results could differ from these estimates.

The Board of Directors considers these interim financial statements to provide all required information and adjustments for a fair presentation of the companies' results. The results of the current financial year do not necessarily indicate future results.

Corporate Governance

Pursuant to the „German Joint Stock Corporation Act“ (AktG), §161, the Board of Directors and the Supervisory Board have declared to comply with the recommendations of the „German Corporate Governance Codex“ with few exceptions. Shareholders are granted permanent access to this declaration via the Companies' homepage.

Note 2 – Essential accounting policies

Accounting principles

All published IASB standards have been applied. The Company has exercised all elective rights in respect of the early adoption of the standards. The same accounting policies as in the consolidated annual financial statements for the year ended September 30, 2004 have been applied.

Seasonal influences

Billing services are recognized as revenue to the amount of the costs incurred, and upon final billing, the total profit realized at the time of rendering the service is recognized („zero profit method“). As a result of the measuring activity occurring during the winter months, the final billing to most of the customers of the Company is generated in the months of February, March and April.

Rental and maintenance contracts are fixed-price contracts in accordance with IAS 18 and are deferred on a straight-line basis over the respective contract terms.

Heat supply revenues (Energy Contracting) are recognized to the amount of the cost of the services already rendered while taking a profit margin into account. Unbilled services are accrued.

Changes in the scope of consolidation

On November 8, 2004, a subsidiary „Techem Energy Technology Development (Dalian) Co. Ltd.“ has been founded in the People’s Republic of China and recorded in the Register of Companies. This is a fully consolidated subsidiary.

The legal form of Techem Energy Services GmbH & Co. KG has been transformed to Techem Energy Services GmbH. This transformation has become legally effective upon entry into the Register of Companies on May 6, 2005. Simultaneously Techem Geschäftsführung GmbH was retrospectively merged into Techem AG effective from October 1st, 2004.

The Company increased its share in Veridis Software Systeme GmbH by 30% to 100% as per February 17, 2005. The purchase price for the 30% interest was KEUR 1,746.

A new subsidiary with the name of Techem AS has been founded in Norway, Oslo. It has been entered into the Register of Companies on May 19, 2005. This subsidiary is fully consolidated.

Note 3 – Reconciliation U.S. GAAP – IFRS

Reconciliation of the consolidated income statement of the second quarter of the financial year 2003/2004:

in EUR million	U.S. GAAP	Effect to transition to IFRS	IFRS
Revenue	323.2	3.3 ¹⁾	326.5
Cost of sales	135.3	41.7 ¹⁾²⁾³⁾	177.0
Other functional areas	122.5	-42.0 ²⁾⁴⁾⁵⁾	80.5
EBIT	65.4	3.6 ³⁾⁴⁾⁵⁾	69.0
Net income for the period (including minority interest)	30.5	2.1 ⁴⁾⁵⁾	32.6

1) „Percentage-of-Completion – Accounting“ (PoC):

In accordance with IAS 18, the stage of completion of services that have yet to be completed was recognized as accrued revenue. Accordingly, the stage of completion was recognized as an unbilled receivable.

2) Structural adjustments:

In connection with the transition to IFRS, the structure of the income statement was placed on a basis that is optimized from a business management and system support perspective.

3) Maintenance service provisions:

Under IFRS, non-current provisions are carried at present value. The period interest cost of compounding was reported in net interest expense.

4) Pension provisions, semi-retirement:

Techem Group pension provisions in accordance with IFRS were calculated for the first time for the opening balance sheet. At that time, the obligations were recognized to the amount of their full present value. Under U.S. GAAP, actuarial losses arose which were correctly only recognized in part.

Contrary to U.S. GAAP, provisions for semi-retirement were recorded immediately, including all severance pay components.

5) Stock options:

As at September 30, 2003, the stock options were not in the money and were therefore not expensed. Under current IAS rules in conjunction with IFRS 2, the stock options had to be expensed for the last time as at September 30, 2003. Thus, no expense was incurred under IAS in fiscal year 2003/2004. In accordance with U.S. GAAP, an expense of KEUR 567 was charged for the period ended June 30, 2004 to capital reserve as the stock options were in the money.

Note 4 – Shareholders' equity

Share capital

The share capital increased by EUR 9,121 from EUR 24,681,139 to EUR 24,690,260 divided into 24,690,260 ordinary shares. The increase of EUR 9,121 resulted from the exercise of stock options.

Authorized capital

Subject to the approval of the Supervisory Board, the Board of Directors is authorized to increase the share capital of the Company until March 26, 2007, on one or more occasion, by an aggregate amount not exceeding EUR 5,365,465 through the issuance of new shares of common stock against cash contribution or contribution in kind. Under certain defined conditions and with the consent of the Supervisory Board, the Board of Directors may exclude the shareholders' pre-emptive rights.

Treasury stock

The Board of Directors is authorized to repurchase Techem AG shares. The authorization, expiring on September 3, 2005, is limited to the repurchase of own shares with a theoretical portion of the share capital of up to EUR 2,468,113 and can be executed in parts or in total, at one time or at various times.

Other than selling the shares on the stock exchange, the Board of Directors, subject to the consent of the Supervisory Board, is authorized to act as follows:

- to offer such shares to a third party in connection with the acquisition or merger of companies,
- to withdraw shares from the market, while at the same time reducing the share capital, without requiring the additional approval of a shareholders' meeting.

Stock options

In March 2000 and 2001, the Company launched variable stock option plans (Stock Option Plan I and II), granting members of the management and key employees ordinary shares under a conditional capital increase. Under the option plan, the options granted approximate the market value of the shares at the date of the grant. In connection with a voluntary program for the conversion of stock options into stock appreciation rights („SAR“, so-called „Virtual Stock Options“) at the beginning of fiscal year 2003/2004, the number of stock options outstanding decreased to 454,180 (355,368 Stock Option Plan I / 98,812 Stock Option Plan II).

As a result of a payment of € 1.8 Mio. to the former chairman of the Board of Directors in compensation of his stock option rights, the expiry of 25,083 stock options and the exercise of 9,121 stock options, the number of stock options outstanding was reduced during the current reporting period to a total of 59,287.

In March 2005 up to 93,491 ordinary bearer shares with no par value which were subject to the conditional capital increases I and II agreed in the years 2000 and 2001 were admitted for official trading on the Stock Exchange in order to secure the subscription rights of the stock option plans. The conditional capital increases I and II will be executed only to the extent to which share subscription rights in connection with the Stock Option Plan I and II will be emitted and the bearers will exercise the subscription right granted.

Stock appreciation rights (virtual stock options)

At the beginning of fiscal year 2003/2004, the Company offered the holders of stock options the conversion of their options into stock appreciation rights. This offer was accepted by the majority of stock option holders.

Within the scope of these stock appreciation rights, employees receive variable compensation based on an amount that depends on the performance of the share price without the employees becoming shareholders.

Those eligible have the right, within the exercise period, to a payment in cash of the difference between the agreed subscription price and the minimum share price at that given point in time. A condition that has to be met is that the share price exceeds the exercise price, plus a cumulative 5% for each completed financial year starting from the end of the minimum holding period.

The maximum increase of the attainable compensation is limited to 100% of the subscription price.

The stock appreciation rights can only be exercised following a vesting period of two years. The maximum period for which they can be held is five years from the date of grant.

Techem applies IFRS 2 „Share-Based Payment“. Accordingly, the fair value of the stock appreciation rights is calculated for each reporting date, determining the expense that has to be recognized in net income and has to be charged to provisions.

The fair value has been computed using the Black-Scholes model based on the following parameters:

Risk free interest rate	3.0 %
Subscription price in EUR	13.50
Exercise price in EUR	17.10
Minimum holding period	24 months
Maximum holding period	60 months
Volatility (based on the preceding two years)	36.0 %
Techem share price as at June 30, 2005, in EUR	35,00

In comparison to the annual financial statements of the financial year 2003/2004 the number of stock appreciation rights outstanding has decreased to 395,473.

An amount of KEUR 2,674 has been charged to personnel expenses for the period ended June 30, 2005. The increase in the expense is a result of the increase in share price of the Techem share from EUR 22.15 (September 30, 2004) to EUR 35.00.

Share-based compensation plan (Board of Directors)

On both October 1, 2004 and on February 1, 2005 a share based compensation plan has been started, granting the Board of Directors a share performance based compensation in cash. The reference period of the first plan is 15 months and 23 months for the second plan.

On February 1, 2005 a share based compensation plan was initiated that grants key employees a share performance based compensation in cash. The reference period of this plan is 15 months.

The compensation in both plans is calculated by multiplying the variable compensation payable (100%) by the difference in the percentage increase in the Techem share in relation to the percentage increase in the MDAX during the reference period and then multiplying with the factor 3.

A share based compensation is only payable if the development of the Techem share is more favorable than the development of the MDAX during the reference period.

The maximum share based compensation payable is limited to 200% of the variable compensation payable.

Techem applies IFRS 2 „Share-Based Payment“. Accordingly, the fair value of the share based compensation plan is calculated for each reporting date, determining the expense that has to be recognized in net income and has to be charged to provisions.

For the period ended June 30, 2005 an amount of KEUR 824 was provided for as personnel expenses.

In future it is planned to grant a share based compensation plan per financial year with a reference period of 24 months. The last share based compensation plan is planned for the financial year 2009/2010.

Resolution on the appropriation of retained earnings of Techem AG

The accumulated earnings of Techem AG as shown in the annual financial statements for the fiscal year 2003/04 in the amount of EUR 115,349 thousand are carried forward in its full amount.

Note 5 – Interest income / expense

in EUR thousand	Q 1-3	Q 1-3	Q 3	Q 3
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 – 30.6.05	1.10.03 – 30.6.04	1.4.05 – 30.6.05	1.4.04 – 30.6.04
Interest income from installment sales	486	593	113	288
Other interest income	253	252	112	31
Interest expenses	-9,478	-11,673	-2,948	-3,578
Amortization of deferred capital procurement costs	-635	-629	-208	-213
Gains/losses on financial instruments				
Interest hedging instrument (unrealized)	945	147	403	1,182
Total	-8,429	-11,310	-2,528	-2,290

Deferred capital procurement costs are amortized over the five-year term of the financing arrangement.

Note 6 – Employees

The number of employees as at June 30, 2005 amounted to 2.202 (30.9.2004: 2,153).

Note 7 – Segment reporting

The business segments in which Techem operates are used as the primary segment reporting format: ENERGY SERVICES, ENERGY CONTRACTING and OTHER. Geographic segments comprise the secondary segment reporting format. A detailed definition and description of the segments is included in the consolidated annual financial statements for the year ending September 30, 2004.

Primary reporting format:

in EUR thousand	Revenue		Segment revenue	Segment results
	third-party	intra-segment		
Q1-3 2004/2005				
Energy Services	288,990	2,334	291,324	73,527
Energy Contracting	49,972	313	50,285	4,827
Other	5,835	-2,647	3,188	-4,271
Techem Group	344,797	0	344,797	74,103
Q1-3 2003/2004				
Energy Services	283,674	2,180	285,854	65,790
Energy Contracting	37,486	290	37,776	3,889
Other	5,300	-2,470	2,830	-723
Techem Group	326,460	0	326,460	68,956

in EUR thousand	Revenue		Segment revenue	Segment results
	third-party	intra-segment		
Q3 2004/2005				
Energy Services	101,305	824	102,129	30,837
Energy Contracting	17,926	139	18,065	1,727
Other	2,361	-963	1,398	-447
Techem Group	121,592	0	121,592	32,117
Q3 2003/2004				
Energy Services	102,182	681	102,863	29,791
Energy Contracting	12,184	97	12,281	1,200
Other	1,590	-778	812	-1,258
Techem Group	115,956	0	115,956	29,733

Secondary reporting format (quarterly information equal to quarter-to-date):

in EUR thousand	Q 1-2	Q 1-2	Q 2	Q 2
	2004/2005	2003/2004	2004/2005	2003/2004
	1.10.04 - 31.3.05	1.10.03 - 31.3.04	1.1.05 - 31.3.05	1.1.04 - 31.3.04
By destination				
Germany	301,183	284,373	107,699	101,044
Rest of Europe	43,614	42,087	13,893	14,912
By origin				
Germany	302,604	285,562	108,377	101,375
Rest of Europe	42,193	40,898	13,215	14,581

Note 8 – Contingent liabilities

The total minimum lease commitments from operating leases for buildings, motor vehicles and office equipment amounts to 116,506 KEUR as at June 30, 2005 (30.09.2004: 124,698 KEUR).

The Company has financial commitments under supply contracts to the amount of 16,269 KEUR as at June 30, 2005 (30.09.2004: 12,170 KEUR).

Contingencies due to bank guarantees exist in favour of HausPerfekt GmbH & Co. KG to the amount of 81 KEUR (30.09.2004: 98 KEUR).

Note 9 – Changes in the Supervisory Board

At the Ordinary General Shareholders' Meeting on March 3, 2005 Dr. Volker Riebel was elected a new member of the Supervisory Board. Dr. Riebel is chairman of the executive management of Deutsche Annington Immobilien GmbH.

Dr. Bender resigned from his position in the Supervisory Board on March 3, 2005.

Note 10 – Events occurring after the balance sheet date

Corporate acquisition:

On August 4, 2005, Techem AG acquired all the shares of heimer Concept GmbH, Gütersloh, with retroactive effect to August 1, 2005 through its wholly-owned subsidiary Techem Energy Services GmbH for a purchase price of approximately 48 million euros.

heimer Concept GmbH generated revenue of EUR 22.8 million and EBIT of EUR 2.5 million for fiscal year 2004 (December 31, 2004). The aforementioned figures were computed in accordance with the provisions of the German Commercial Code (HGB).

heimer Concept GmbH is active in the Techem Group's core business – the measurement of energy and water consumption. With a total installed base of just under 2.5 million measuring devices (of which about 1.7 million are heat cost allocators and about 0.8 million are water and heat meters), heimer Concept GmbH holds a nationwide market share of approximately 2.5 %. In 2004, the company employed an average 190 employees and provided services to more than 40,000 active customers.

No definitive estimate of the financial impact of the acquisition under IFRS on the consolidated financial statements can be made at the present time.

Loan Agreement:

On August 8, 2005, Techem Energy Services GmbH concluded a seven-year loan agreement for the sum of EUR 300 million to replace its existing syndicated credit facility. The loan consists of an installment loan in the amount of EUR 150 million and a working capital facility of EUR 150 million that falls due on maturity. The margin fluctuates within a range of 25 to 65 basis points above Euribor depending on the net indebtedness to EBITDA ratio. The margin has been fixed at 40 basis points for the first six months of the loan.

Financial calendar

December 15, 2005 Annual results as at September 30, 2005
Press conference, analysts meeting and
Conference call with analysts and institutional investors

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