Six-Months'-Report

October 1, 2004 through March 31, 2005

ENERGY SERVICES ENERGY CONTRACTING IT SERVICES

At a glance

EUR million IFRS, unaudited	Q 1-2 2004/2005 1.10.04 – 31.3.05	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 2 2004/2005 1.01.05 – 31.3.05	Q2 2003/2004 1.01.04 – 31.3.04
Revenue	223.2	210.5	130.6	120.6
EBIT	42.0	39.2	32.0	29.4
EBITDA	66.7	64.6	44.4	42.2
Net income	22.3	16.5	17.7	13.0
Depreciation (plant and equipment and rental equipment)	24.7	25.4	12.4	13.1
Capital expenditure (plant and equipment and rental equipment)	24.9	27.9	13.3	14.6
Operating cash flow	10.9	18.4	--	--
Total assets	569.1	556.3	--	--
Shareholders' equity	188.7	140.6	--	--
Equity ratio (in %)	33.2 %	25.3 %	--	--

	Q1-2 2004/2005	Q1-2 2003/2004
Number of homes serviced (million)	6.7	6.7
Number of installed devices (million)	37.1	36.9
Germany	28.1	28.2
International	9.0	8.7
Customers (approximately) [1]	603.000	598.000
Employees[2]	2.186	2.206

1) after adjustment

2) excluding commercial representative offices in Germany

The Techem share

During the period under review, October 1, 2004 through March 31, 2005, the Techem share price increased by 51.9% (XETRA closing price as at March 31, 2005: EUR 33.70). During the same period the DAX rose by 8.9% and the MDAX by 12.4%.

Annual General Shareholders' Meeting

37.99 % of the share capital were represented at the annual general shareholders' meeting of Techem AG on March 3, 2005. Ursula Felten, pharmaceutical assistant, Harald Bieler, Frankfurt, Consultant, Dr. Martin Ott, Dipl.-Kaufmann, Elsbethen-Glasenbach/Austria, Dr. Volker Riebel, Dipl.-Ökonom, Essen, Professor Dr. Horst Ziegler, College lecturer, Paderborn, Stefan Zuschke, Betriebswirt, Hamburg, were elected members of the supervisory board.

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

Further information in German language is to be found on the homepage www.techem.de in the section Investor Relations / Hauptversammlung 2005.

Revenue

Compared with the same period last year, revenue for the first half of fiscal year 2004/05 rose by 6% to EUR 223.2 million (previous year: EUR 210.5 million). The core business area Energy Services achieved a slight increase in revenue of 3.4% to EUR 223.2 million (previous year: EUR 181.5 million). The Energy Contracting business achieved a significant increase in revenue, boosting it by 26.5% to EUR 32.0 million (previous year: EUR 25.3 million. It was possible to continue this uninterrupted positive trend as a result of increasing the range of services in particular. Business in the IT Services area continues to be shaped by the continued limited extent to which orders are being placed by the real estate industry. Revenue declined by 6.5% to EUR 3.5 million (previous year: EUR 3.7 million).

Revenue by business areas

EUR million	Q 1-2 2004/2005 1.10.04 - 31.3.05	Q 1-2 2003/2004 1.10.03 - 31.3.04	Q 2 2004/2005 1.01.05 - 31.3.05	Q 2 2003/2004 1.01.04 - 31.3.04
Energy Services	187.7	181.5	110.1	104.3
Energy Contracting	32.0	25.3	18.7	14.4
IT Services	3.5	3.7	1.8	1.9
Total	**223.2**	**210.5**	**130.6**	**120.6**

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

Revenue Energy Services

EUR million	Q 1-2 2003/2004 1.10.04 – 31.3.05	Q 1-2 2004/2005 1.10.03 – 31.3.04	Q 2 2003/2004 1.01.05 – 31.3.05	Q 2 2004/2005 1.01.04 – 31.3.04
Billing services	94.9	90.8	63.4	59.8
Equipment rental	58.7	57.0	29.5	28.2
Equipment sales	21.1	20.8	10.8	10.0
Maintenance	13.0	12.9	6.4	6.3
Total	**187.7**	**181.5**	**110.1**	**104.3**

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

Revenue Energy Services Germany

EUR million	Q 1-2 2004/2005 1.10.04 – 31.3.05	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 2 2004/2005 1.01.05 – 31.3.05	Q 2 2003/2004 1.01.04 – 31.3.04
Billing services	81.4	78.1	53.9	51.2
Equipment rental	57.0	55.4	28.6	26.8
Equipment sales	9.1	10.5	5.3	5.9
Maintenance	12.6	12.5	6.2	6.1
Total	**160.1**	**156.5**	**94.0**	**90.0**

International revenue

Revenue for the first half of the current fiscal year rose by 10.3% in total to reach EUR 29.0 million (previous year: EUR 26.3 million). The Eastern European companies, especially in the Czech Republic, Bulgaria and Romania, achieved increases in revenue that were in part significant. Their total share of international revenue has now risen by 17.4% to EUR 10.1 million (previous year: EUR 8.6 million). The Western European companies (excluding Germany) increased revenue by 6.8% to EUR 18.9 million (previous year: EUR 17.7 million).

Revenue Europe (excluding Germany)

EUR million	Q 1-2 2003/2004 1.10.04 – 31.3.03	Q 1-2 2004/2005 1.10.03 – 31.3.04	Q 2 2003/2004 1.01.05 – 31.3.05	Q 2 2004/2005 1.01.04 – 31.3.04
Western Europe (excluding Germany)	18.9	17.7	11.9	11.2
Eastern Europe	10.1	8.6	5.1	3.8
Total	**29.0**	**26.3**	**17.0**	**15.0**

EBIT

For the period October 1, 2004 through March 31, 2005, EBIT amounted to EUR 42.0 million, representing a year-on-year increase of 7,1% compared to previous year's EUR 39.2 million.

Net income for the period

Net income for the first six months of fiscal year 2004/05 rose by a significant 35.2% to EUR 22.3 million (previous year: EUR 16.5 million). In addition to an increase in the operating business, a key factor in this regard was once again a reduction in net interest income to EUR 5.9 million (previous year: EUR 9,0 million) as a result of the consistent scaling back of the Company's indebtedness.

Capital expenditure

In the first six months of fiscal 2004/05, Group capital expenditure amounted to EUR 24.9 million (previous year: EUR 27.9 million). The lower volume of capital expenditure was mainly due to the reduced need for expenditure on plant and equipment, software and licenses. Because of an actually low rate of renewals of rental contracts, investments for rental equipment are lower as well.

Capital expenditure consisted of:

EUR million	Q 1-2 2004/2005 1.10.04 – 31.3.05	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 2 2004/2005 1.01.05 – 31.3.05	Q 2 2003/2004 1.01.04 – 31.3.04
Intangible assets	4.6	5.1	3.4	3.4
Tangible assets	5.3	6.8	1.9	2.8
Rental equipment	15.0	15.9	8.0	8.3
Financial assets	0.0	0.1	0.0	0.1
Total	**24.9**	**27.9**	**13.3**	**14.6**

Business areas

Energy Services

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

Installed base (installed, invoiced and billed devices)

As at March 31, 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 had been refined. 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	March 31, 2005	March 31, 2004
Radio-controlled devices	5.6	3.9
Electronic devices	12.6	12.7
Water meters	6.4	6.7
Evaporators	12.5	13.6
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 March 31, 2005, radio-controlled devices accounted for a 15.1% share of the total installed base Europe (Marc 31, 2004: 10.6%).

Installed base Germany

Devices in million	March 31, 2005	March 31, 2004
Radio-controlled devices	5.4	3.7
Electronic devices	8.9	9.5
Water meters	5.5	5.9
Evaporators	8.3	9.1
Total	**28.1**	**28.2**

The share of radio-controlled devices in the installed base Germany as at March 31, 2005 was 19.2% (March 31, 2004: 13.1%).

Equipment sales (invoiced devices, not yet billed)

Equipment sales for the first six months of fiscal 2004/05 amounted to about 1.8 million devices, compared to 1.5 million units for the first six months of 2003/04. In the same period, about 1.5 million devices were sold in Germany, compared to roughly 1.2 million devices in the first half of fiscal 2003/04.

Equipment sales Europe

Devices in million	Q1-2 2004/2005	Q1-2 2003/2004
Radio-controlled devices	0.7	0.6
Electronic devices *	0.6	0.4
Water meters	0.4	0.4
Evaporators	0.1	0.1
Total	**1.8**	**1.5**

** 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 March 31, 2005 was 38.9% (March 31, 2004: 40.0%). Including electronic devices with a radio option (0.4 million), the share of total equipment sales accounted for by electronic devices rose to 61.1% as of March 31, 2005.

Equipment sales Germany

Devices in million	Q1-2 2004/2005	Q1-2 2003/2004
Radio-controlled devices	0.6	0.6
Electronic devices *	0.4	0.2
Water meters	0.4	0.4
Evaporators	0.1	0.0
Total	**1.5**	**1.2**

** 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 March 31, 2005 was 40.0% (March 31, 2003: 50.0%). Including electronic devices with a radio option (0.4 million), the share of total equipment sales accounted for by electronic devices rose to 66.7 % as at March 31, 2005.

Meanwhile, about 1 million households (previous year: 830,000), mainly in Germany, have been equipped with the radio-controlled system. The number of delivered radio-controlled devices was 6.0 million as at March 31, 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 13.9 million devices (previous year: 13.3 million devices), which corresponds to 49.5% of the 28.1 million devices installed in Germany. 4.7 million devices with maintenance contracts (previous year: 4.6 million devices) represent 16.7% 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 the products and services offered by Techem Energy Contracting is constantly increasing. As at March 31, 2005, the number of heating supply contracts had risen by 27.9% to 860 (previous year: 672) and thermal connection capacity had increased by 33% to 588 Megawatts (previous year: 441 Megawatts). In addition the business segment has developed a new range of services, the “Professional Facility Management" (PFM). Essentially the whole heating installation operation is being taken over and managed. The offer now also includes the analysis of facilities with respect to potential for savings, on energy costs, for example, as well as emergency and repair services, maintenance, consumption measurement and billing as well as consumption management. There is great interest in the extended range of services and the first larger scale contracts have already been acquired.

IT Services

Software-based applications for the housing industry.

The process of revising the wodis corporate software was completed in the first half of fiscal year 2004/05. The new version of the software, wodis 4.0, contains significant improvements, especially with regard to user-friendliness. The rollout has started and is being implemented at 300 license holders. Wodis 4.0 has not only prompted great interest among current customer but also among potential customers: The first new customers have already been acquired.

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.

Net debt at the end of fiscal year 2004/05 should amount to between approximately EUR 165 and 180 million.

Techem AG, Consolidated Balance Sheet (IFRS, unaudited)

Assets in EUR thousand	Mar. 31, 2005	Mar. 31, 2004	Sept. 30, 2004
Cash and cash equivalents	**19,445**	**18,433**	**14,439**
Trade accounts receivable	185,451	179,959	159,129
Other receivables	12,995	6.366	11,329
Inventories	18,776	18,165	17,611
Tax receivables	2,193	2,892	2,379
Total current assets	**238,860**	**225,815**	**204,887**
Rental equipment	133,448	137,645	134,999
Property, plant and equipment	55,493	54,513	55,847
Intangible assets	125,128	121,325	125,297
Shares in associated companies	20	115	20
Non-current receivables and other non-current financial assets	6,050	5,550	6,213
Deferred tax assets	10,076	11,365	10,556
Total non-current assets	**330,215**	**330,513**	**332,932**
Total assets	**569,075**	**556,328**	**537,819**

Equity and liabilities in EUR thousand	Mar 31, 2005	Mar. 31, 2004	Sept. 30,2004
Trade accounts payable	8,382	9,629	16,409
Other liabilities	17,284	19,167	19,365
Financial liabilities	38,511	74,423	36,936
Provisions	48,133	44,763	52,200
Tax liabilities	10,208	9,913	4,817
Total current liabilities	**122,518**	**157,895**	**129,727**
Financial liabilities	206,216	214,390	190,637
Other liabilities	808	532	1,097
Pension provisions	13,000	13,344	12,936
Provisions	33,512	23,852	32,406
Deferred tax liabilities	4,370	5,758	4,454
Total non-current liabilities	**257,906**	**257,876**	**241,530**
Share capital	24,681	24,681	24,681
Capital reserve	59,711	59,711	59,711
Retained earnings	104,250	54,138	81,680
Minority interest	9	2,027	490
Total shareholders' equity	**188,651**	**140,557**	**166,562**
Total equity and liabilities	**569,075**	**556,328**	**537,819**

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

Techem AG, Consolidated Income Statement (IFRS, unaudited)

in TEUR	Q 1-2 2004/2005 1.10.04 - 31.3.05	Q 1-2 2003/2005 1.10.03 - 31.3.04	Q 2 2004/2005 1.1.05 - 31.3.05	Q 2 2003/2004 1.1.04 - 31.3.04
Revenue	223.205	210.504	130.579	120.592
Cost of sales	119.333	114.260	66.621	62.152
Gross profit	**103.872**	**96.244**	**63.958**	**58.440**
Distribution costs	31.279	28.622	16.635	14.852
General and administrative expenses	25.827	25.790	12.993	13.037
Other operating income	2.375	3.256	1.147	1.806
Other operating expenses	3.743	2.337	1.896	1.057
Research and development expenses	3.412	3.528	1.630	1.922
EBIT	**41.986**	**39.223**	**31.951**	**29.378**
Net share of profit of associates	0	-166	0	-212
Other financial results	8	51	0	0
Net interest expense	-5.901	-9.020	-3.386	-5.379
Result before income tax (and minority interest)	**36.093**	**30.088**	**28.565**	**23.787**
Income tax expense	13.774	13.587	10.877	10.816
Net income for the period	**22.319**	**16.501**	**17.688**	**12.971**
attributable to Techem shareholders	22.286	16.124	17.683	12.616
attributable to minority shareholders	33	377	5	355
Earnings per share in EUR	0,90	0,65	0,71	0,51
Diluted earnings per share in EUR	0,90	0,65	0,71	0,51

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

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

in EUR thousand	Q1-2 2004/2005		Q1-2 2003/2004	
Net income for the period	**22,319**		**16,501**	
Cash flows from operating activities				
Depreciation	24,688		25,407	
Deferred taxes	458		1,299	
Gains/losses on sales of assets	554		641	
Changes in long-term receivables	163		464	
Changes in long-term liabilities	-289		-164	
Changes in pension provisions and other long-term provisions	1,169		2,128	
Unrealized losses from financial instruments	-542		1,035	
Debt acquisition costs	427		416	
Changes in accounts receivable, short-term	-14,718		-6,813	
Changes in unbilled receivables	11,603		-18,982	
Changes in other receivables	-1,480		627	
Changes in inventories	-1,166		3,082	
Changes in trade accounts payable	-8,027		-1,456	
Changes in other current liabilities	2,984		-4,732	
Changes in short-term provisions	580		-2,401	
Changes in tax accruals	-4,645		1,366	
Cash provided by operating activities		**10,872**		**18,418**
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-873		-3,179	
Purchase of fixed and intangible assets	-22,824		-26,125	
Proceeds from sale of fixed and intangible assets	1,946		2,299	
Net cash used in investing activities		**-21,751**		**-27,005**
Free cash flow		**-10,879**		**-8,587**
Cash flows from financing activities				
Changes in finance lease liabilities	-1,472		-1,458	
Net repayment of borrowings	17,703		12,503	
Dividends paid	-346		-63	
Net cash provided by financing activities		**15,885**		**10,982**
Net changes in cash and cash equivalents		**5,006**		**2,395**
Cash and cash equivalents at beginning of period		14,439		16,038
Cash and cash equivalents at end of period		19,445		18,433
Additional information				
Interest payments		5,080		5,841
Income taxes paid		17,337		20,407

(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					66	66		66
Changes in the minority share-holdings							-1,329	-1,329
Dividends							-63	-63
Net income for the period				16,124		16,124	377	16,501
Balance at Mrc. 31, 2004	**24,681,139**	**24,681**	**59,711**	**54,348**	**-210**	**138,530**	**2,027**	**140,557**
Balance at Oct. 1, 2005	**24,681,139**	**24,681**	**59,711**	**81,855**	**-175**	**166,072**	**490**	**166,562**
Currency translation adjustments					284	284		284
Changes in the minority share-holdings							-168	-168
Dividends							-346	-346
Net income for the period				22,286		22,286	33	22,319
Balance at Mrc. 31, 2005	**24,681,139**	**24,681**	**59,711**	**104,141**	**109**	**188,642**	**9**	**188,651**

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

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Techem AG, Consolidated Intangible and Fixed Assets

in EUR thousand	Acquisition cost						
	Opening balance Oct. 1, 2004	Current year additions	Change in scope of consoli-dation	Transfers	Currency	Disposals	Ending balance Dec. 31, 2004
I. Financial assets							
1. Investments in affiliated companies	187						187
2. Loans to affiliated com-panies	309						309
3. Investments at equity	250						250
	746	**0**	**0**	**0**	**0**	**0**	**746**
II. Fixed assets							
1. Rental equipment	271,337	14,994	0	315	61	-9,496	277,211
2. Property, plant and equipment							
Property and plant	8,069				86		8,155
Technical equipment *)	45,533	1,563		1,061	153	-633	47,677
Office equipment **)	88,716	3,102		175	128	-7,812	84,309
Work in progress	2,650	884		-1,551	1	-23	1,961
Subsidies	-4,227	-213					-4,440
	140,741	**5,336**	**0**	**-315**	**368**	**-8,468**	**137,662**
III. Intangible assets							
1. Software and licences	69,779	836		1,389	32	-137	71,899
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	2,156		-1,389			3,986
	206,338	**4,569**	**0**	**0**	**32**	**-137**	**210,802**
	619,162	**24,899**	**0**	**0**	**461**	**-18,101**	**626,421**

*) thereof finance leasing book value €1.8m (Mar. 31, 2004 = €1.3m)

**) thereof finance leasing book value €42.1m (Mar. 31, 2004 = €43.8m)

(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	20	20
	723						**723**	**23**	**23**
II. Fixed assets									
1. Rental equipment	136,338	14,698			50	-7,323	143,763	133,448	134,999
2. Property, plant and equipment									
Property and plant	4,017	112			10		4,139	4,016	4,052
Technical equipment*)	16,668	1,616		19	77	-379	18,001	29,676	28,865
Office equipment**)	65,109	3,672		-19	78	-7,762	61,078	23,231	23,607
Work in progress	0						0	1,961	2,650
Subsidies	-900	-149					-1,049	-3,391	-3,327
	84,894	**5,251**		**0**	**165**	**-8,141**	**82,169**	**55,493**	**55,847**
III. Intangible assets									
1. Software and licences	40,514	4,325			31	-137	44,733	27,166	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	414					1,747	8,349	8,763
4. EDP software work in progress	0						0	3,986	3,219
	81,041	**4,739**			**31**	**-137**	**85,674**	**125,128**	**125,297**
	302,996	**24,688**			**246**	**-15,601**	**312,329**	**314,092**	**316,166**

*) thereof finance leasing book value €0.5m (Mar. 31, 2004 = €0.3m)

**) thereof finance leasing book value €38.3m (Mar. 31, 2004 = €37.4m)

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

TECHEM AG, ESCHBORN

Notes to the Consolidated Six-Months'-Report October 1, 2004 through March 31, 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 March 31, 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 of the first half of the financial year 2003/2004 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 first half 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 March, April and July.

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 associates of Techem Energy Services GmbH & Co. KG have agreed to transform the Company's legal form to a private limited company. This transformation will become legally effective upon entry in the Register of Companies. In the same course, Techem Geschäftsführung GmbH will retrospectively merged into Techem AG with effect from October 1, 2004.

The Company increased it's 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.

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	203.7	6.8 [1)]	210.5
Cost of sales	82.2	32.1 [1)2)3)]	114.3
Other functional areas	82.8	-25.8 [2)]	57.0
EBIT	38.7	0.5 [3)4)]	39.2
Net income for the period (including minority interest)	**16.4**	**0.1** [4)]	**16.5**

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.

Note 4 – Shareholders' equity

Share capital

The share capital amounts to EUR 24,681,139 divided into 24,681,139 ordinary shares.

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 18, 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 number of stock options outstanding was further reduced during the current reporting period to a total of 93,491.

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 December 30, 2004, in EUR	33.70

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 2,007 has been charged to personnel expenses for the period ended March 31, 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 33.70.

Share-based compensation plan (Board of Directors)

On both October 1, 2004 and 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 March 31, 2005 an amount of KEUR 503 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

EUR million	Q 1-2 2004/2005 1.10.04 – 31.3.05	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 2 2004/2005 1.1.05 – 31.3.05	Q 2 2003/2004 1.1.04 – 31.3.04
Interest income from installment sales	373	305	159	181
Other interest income	141	221	79	121
Interest expenses	-6,530	-8,095	-3,207	-4,197
Amortization of deferred capital procurement costs	-427	-416	-219	-208
Gains/losses on financial instruments				
Interest hedging instrument (unrealized)	542	-1.035	-198	-1,276
Total	**-5,901**	**-9,020**	**-3,386**	**-5,379**

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

Note 6 – Employees

The number of employees as at March 31, 2005, amounted to 2,186 (September 30, 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 third-party	Revenue intra-segment	Segment revenue	Segment results
Q1-2 2004/2005				
Energy Services	187,685	1,510	189,195	42,690
Energy Contracting	32,046	174	32,220	3,120
Other	3,474	-1,684	1,790	-3,824
Techem Group	**223,205**	0	223,205	41,986
Q1-2 2003/2004				
Energy Services	181,492	1,499	182,991	35,999
Energy Contracting	25,302	193	25,495	2,689
Other	3,710	-1,692	2,018	535
Techem Group	**210,504**	**0**	**210,504**	**39,223**

in EUR thousand	Revenue third-party	Revenue intra-segment	Segment revenue	Segment results
Q2 2004/2005				
Energy Services	110,054	666	110,720	33,104
Energy Contracting	18,726	70	18,796	1,923
Other	1,799	-736	1,063	-3,076
Techem Group	**130,579**	0	130,579	31,951
Q2 2003/2004				
Energy Services	104,315	931	105,246	27,541
Energy Contracting	14,399	96	14,495	1,276
Other	1,878	-1,027	851	561
Techem Group	**120,592**	**0**	**120,592**	**29,378**

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

in EUR thousand	Q 1-2 2004/2005 1.10.04 - 31.3.05	Q 1-2 2003/2004 1.10.03 - 31.3.04	Q 2 2004/2005 1.1.05 - 31.3.05	Q 2 2003/2004 1.1.04 - 31.3.04
By destination				
Germany	193,484	183,329	113,118	105,046
Rest of Europe	29,721	27,175	17,461	15,546
By origin				
Germany	194,227	184,187	113,615	105,589
Rest of Europe	28,978	26,317	16,964	15,003

Financial calendar

May 12, 2005	6-Months'-Report as at March 31, 2005 Conference call with analysts and institutional investors
August 11, 2005	9-Months'-Report as at June 30, 2005 Conference call with analysts and institutional investors
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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