



Q01
Quarterly Report 01/2008
The European
energy-saving company.



Double-digit organic
revenue growth

On track with
forecasts for 2008

Highlights: double-digit organic revenue growth at group level

- Revenue for the CENTROTEC Group reached EUR 100.3 million in the first quarter of 2008 and was therefore up 11 % on the prior-year period (EUR 90.4 million).
- Market for heating technology becoming increasingly stable in Germany and maintaining strong growth internationally.
- Business away from the core markets Germany and the Netherlands brought in 39 % of revenue at group level, compared with 37 % in the prior-year reference period.
- The operating earnings figures were EBITDA of EUR 7.3 million and EBIT of EUR 3.5 million due to the seasonally weak first quarter.
- Sharp overproportional rise in earnings before taxes (EBT) to EUR 1.8 million (previous year EUR 1.0 million). Earnings after tax doubled to EUR 1.4 million.
- First-quarter earnings per share (EPS) of EUR 0.08 and therefore twice the prior-year figure (EUR 0.04; reported in Q1/2007 Quarterly Report: EUR 0.08 prior to issuance of bonus shares).
- Trend towards condensing boiler technology continues unabated in all European markets of significance to CENTROTEC.
- New record highs in oil and gas prices intensify the need for modern heating systems that can also run on renewable energies.
- State initiatives in more and more countries are necessitating and promoting the use of innovative, efficient heating systems.
- Exchange rate effects from increasing business in non-euro countries, particularly the US dollar region and the UK, diminish Gas Flue Systems earnings by more than EUR 0.5 million.
- The equity investment CENTROSOLAR almost doubles its revenue and enjoys disproportionately sharp rise in earnings.
- After the reporting period: pioneering joint venture with Qimonda for supplies of solar cells and vertical extension of production capacities at the equity investment CENTROSOLAR.

Outlook: revenue and earnings forecasts are confirmed

- The consolidated revenue target of EUR 435 to 445 million for the 2008 financial year appears to be readily possible on the basis of developments in the first quarter.
- The forecast operating result (EBITDA of EUR 47 – 49 million, EBIT of EUR 32 – 34 million) is confirmed after a good but seasonally weak first quarter.
- The anticipated earnings per share of EUR 1.10 to 1.15 is regarded as readily attainable, among other reasons thanks to the positive development in the investment result.
- Business outside the core markets of Germany and the Netherlands will continue to contribute a growing proportion of revenue and earnings across all segments.
- Recovery in German heating market is expected to continue throughout the year.
- Strategically and operationally very good progress of equity investment CENTROSOLAR set to continue.
- The expansion of the Medical Technology area will continue.

	31.03.2008	31.03.2007	Changes
Total revenue	100.302	90.445	10,9%
Gas Flue Systems	26.866	22.546	19,2%
Climate Systems	63.209	58.920	7,3%
Medical Technology & Engineering Plastics	10.227	8.979	13,9%
Earnings			
EBITDA	7.251	7.172	1,1%
EBIT	3.463	3.318	4,4%
EBIT Yield (in %)	3,5	3,7	
EBT	1.794	1.042	72,2%
EAT	1.354	660	> 100,0%
EPS (in EUR; basic)	0,08	0,04	> 100,0%
Balance Structure***			
Balance sheet total	357.702	361.773	-1,1%
Shareholders' equity	110.495	109.066	1,3%
Equity ratio (in %)	30,9	30,1	
Property, plant and equipment	93.528	94.128	-0,6%
Intangible Assets	36.807	37.427	-1,7%
Goodwill	60.598	60.482	0,2%
Net financial liabilities	128.834	121.778	5,8%
Net Working Capital	63.349	54.496	16,2%
Cash Flow Statement			
Cash flow I (EAT & depreciation/amortisation)	5.142	4.514	13,9%
Cash flow from operating activities	(4.191)	404	> -100,0%
Cash flow from investing activities	(2.827)	(5.320)	-46,9%
Employees			
Total (in FTE)	2.472	2.375	4,1%
Shares*			
Number of shares**/***	16.481	16.427	0,3%
Share price 01.01.	14,66	12,32	
Year-high	14,77	16,47	
Year-low	9,80	12,32	
Share price 31.03.	13,60	15,37	

* Quotation in EUR and number of shares previous year converted with factor 2 due to the issue of bonus shares

** Weighted average shares outstanding (basic; in thousand)

*** Previous period is related to December, 31 2007

1. Consolidated entities and segment structure

The structure and extent of consolidation of the CENTROTEC Group – hereinafter also referred to as CENTROTEC – have not changed compared with the annual financial statements at December 31, 2007. Compared with the equivalent figures for the first quarter of the previous year, it has been extended marginally through the acquisition in September 2007 of bricon ag, which was integrated into the "Medical Technology & Engineering Plastics" division. The segment structure was unchanged compared with the end of the 2007 financial year and comprises the segments "Gas Flue Systems", "Climate Systems" and "Medical Technology & Engineering Plastics".

2. Developments in revenue and earnings

The CENTROTEC Group made a good start to the 2008 financial year, posting revenue of EUR 100.3 million in the first quarter. Revenue was consequently 11 % up on the figure of EUR 90.4 million for the prior-year quarter. All three segments experienced a substantial rise in revenue, with growth for the Gas Flue Systems area (+ 19 %) and for Medical Technology & Engineering Plastics (+ 14 %) outstripping the 7 % achieved by Climate Systems, which remains the largest segment. Business conducted outside Germany and the Netherlands, which grew by 14 %, again made a major contribution towards this growth and now accounts for a revenue share of around 39 %.

Revenue (in EUR million)	Q1 / 2008	Q1 / 2007	Year-on-year change
Gas Flue Systems	26.9	22.5	+19 %
Climate Systems	63.2	58.9	+7 %
Medical Technology & Engineering Plastics	10.2	9.0	+14 %
Total	100.3	90.4	+11 %

In terms of earnings, in the first quarter of 2008 the CENTROTEC Group achieved an operating result that was slightly higher than in the previous year, with EBITDA of EUR 7.3 million and EBIT of EUR 3.5 million (previous year: EBITDA EUR 7.2 million, EBIT EUR 3.3 million). This development reflects the highly seasonal nature of the heating market, which has become more pronounced since the acquisition of the Wolf Group. In an ordinary financial year the first quarter is typically the

weakest period, and certain CENTROTEC operating companies even report negative earnings. In the first quarter this regularly results in high percentage fluctuations in earnings, but the effect is usually corrected again in the course of the year by a much stronger second half. This severely limits the extent to which the first-quarter results can be extrapolated over the whole year. In 2008, this seasonal pattern affects both the Climate Systems and Gas Flue Systems segments; in Climate

Systems, however, an initial recovery of the German heating market in the area of energy-saving concepts after a very difficult prior-year quarter and the fact that earnings-enhancing measures are now beginning to bite have more than compensated for this effect compared with the previous year. Over and above seasonal fluctuations, the operating result for the Gas Flue Systems segment was reduced by more than EUR 0.5 million e.g. by the effects of exchange rate movements on exports to non-euro countries, particularly the US dollar region and the UK.

Earnings before tax (EBT) amounted to EUR 1.8 million and were therefore around 72 % up on the prior-year figure of EUR 1.0 million. The positive investment result of EUR 0.5 million (previous year EUR -0.2 million) has had a major influence on this development and consequently also on earnings after tax (EAT) of EUR 1.4 million (previous year EUR 0.7 million). This represents a doubling of earnings per share (EPS) to EUR 0.08, compared with EUR 0.04 for the first quarter of the previous year.

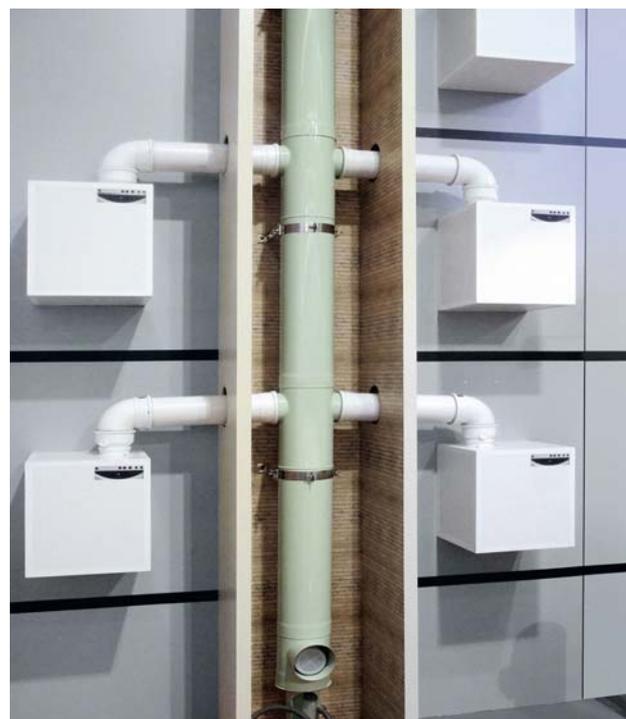
3. Development of the segments

3.1 Gas Flue Systems

In the first quarter of 2008, revenue from purely organic growth grew by 19 % in the Segment Gas Flue Systems segment, to EUR 26.9 million (previous year EUR 22.5 million). EBITDA for the segment amounted to EUR 2.3 million, as opposed to EUR 2.9 million in the corresponding prior-year period. EBIT reached EUR 1.4 million (previous year EUR 2.0 million).

The downturn in earnings was attributable to the typical seasonal factor of a weak first quarter in the

heating market and a rise of approx. EUR 0.5 million in solar products business – where the rather lower gross profit margins moreover have to cover indirect start-up costs – but above all negative exchange rate effects for transactions conducted in US dollars and pounds sterling. The highly seasonal pattern of heating business, which to some extent experiences significant year-on-year fluctuations due to the various different individual companies included in consolidation, also hampers the extent to which the quarterly results can be regarded as indicative of the whole year.



Revenue generated in the past quarter in the US dollar region and in pounds sterling grew by a rate well into double figures. These revenues, which have suffered as the euro has gained in strength, go hand in hand with costs incurred almost exclusively in euros, with the result that the exchange rate effect (USD and GBP) amounted to more than EUR 0.5 million in the first quarter of 2008. As the export revenue in question is of a long-term nature,

in other words revenue prompted by structural considerations, hedging by means of financial instruments alone does not currently appear to be appropriate. Negotiations on price adjustments are therefore currently being conducted with the customers in question to reduce the exchange rate effects of these transactions. In parallel, procurement activities in US dollars and pounds sterling are being intensified and various options for starting production operations in the US dollar region are being examined. The earnings enhancement programme launched in the Gas Flue Systems segment will moreover be systematically extended.

Key figures Gas Flue Systems	Q1 / 2008	Q1 / 2007
(in EUR '000)		
Revenue from third parties	26,866	22,546
Revenue from other segments	155	140
Change in inventories of finished goods and work in progress	392	814
Cost of purchased materials	(14,927)	(11,817)
Employee benefit costs	(5,477)	(5,054)
Other income and expense	(4,754)	(3,718)
EBITDA	2,255	2,911
Depreciation and amortisation	(891)	(869)
EBIT	1,364	2,042

A portion of the central administrative costs of the CENTROTEC Group will in addition be allocated to the Gas Flue Systems segment, as these costs have risen due to the more exacting challenges of a larger and more complex company, and the need to comply with various accounting standards.

The positive revenue trend is underpinned in the first instance by significantly higher revenue in Germany, especially for OEM products. During the past quarter there were signs of a recovery in the German market for heating systems, which

experienced a sharp downturn last year, specifically in the area of condensing boiler systems. With business in the German market already having benefited overproportionally from the focus on condensing boiler technology, the signs are that the market will normalise over 2008 as a whole. The positive development away from the core markets of Germany and the Netherlands is moreover continuing. For example revenue in the UK was boosted significantly by orders from OEM customers, and the healthy trend of recent years in the Netherlands continued, with revenue growing at a double-digit rate.

Accessing the various international markets is underpinned by a high level of market acceptance for versatile gas flue systems that are tailored to nationally specific requirements in respect of legal compliance and user expectations. Key aspects here are ease of installation and maintenance of the systems. At this year's VSK exhibition – an international trade fair for heating, installations and climate control technology in Utrecht – there was for instance considerable market interest in a new type of chimney renovation system developed specially for the Dutch market; the fitter no longer needs access to the roof to fit it. This customer-centred, user-focused product development was driven by market experience in the Netherlands, where there is traditionally a high proportion of condensing boiler heating systems with roof duct. In conjunction with the trend towards smaller boilers, this is the ideal basis for such innovative gas flue systems that can be installed by a single fitter. In addition, a multi-boiler gas flue system for condensing boiler systems in buildings has been developed in conjunction with Gaz de France, paving the way for

modern condensing boiler systems in multi-occupancy houses thanks to its ease of installation.

In the Gas Flue Systems area, CENTROTEC is fundamentally benefiting from the international trend towards energy-efficient condensing boiler systems that are enjoying sustained high demand and further growth throughout Europe at a time when energy prices are spiralling and further legal constraints are being introduced. Against this medium to long-term backdrop and thanks to the fundamentally positive development in the first quarter, CENTROTEC considers the forecast organic revenue growth of approx. 14 % to be readily possible. Even if the gross profit margin falls slightly as a result of exchange-rate and materials price effects, the absolute EBIT forecast should be attainable thanks to the healthy development in revenue. The EBIT margin for the segment may fall below the forecast level of approx. 10 % due to the reduced margin.

3.2 Climate Systems

In the Climate Systems segment, the CENTROTEC Group achieved 7 % organic revenue growth to EUR 63.2 million (previous year EUR 58.9 million) in the first three months of 2008, and EBITDA of EUR 3.8 million (previous year EUR 3.2 million) along with EBIT of EUR 1.4 million (previous year EUR 0.5 million). Bearing in mind that the German market for heating systems was still slightly recessive in the first quarter of 2008, even though procurement costs continued to rise the operating earnings figures were substantially up on the 2007 figures thanks to the positive development in revenue and the fact that the cost-cutting and process optimization programmes are increasingly biting.

Key figures Climate Systems	Q1 / 2008	Q1 / 2007
(in EUR '000)		
Revenue from third parties	63,209	58,920
Revenue from other segments	49	87
Change in inventories of finished goods and work in progress	789	(400)
Cost of purchased materials	(30,908)	(28,054)
Employee benefit costs	(19,944)	(18,889)
Other income and expense	(9,406)	(8,511)
EBITDA	3,789	3,153
Depreciation and amortisation	(2,438)	(2,624)
EBIT	1,351	529

The largest entity in this segment, the Wolf Group, maintained its welcome growth in revenue and earnings, posting revenue for the quarter of EUR 52.4 million (+ 10 % on previous year).

The main factors behind this development were an incipient recovery in the German heating market, particularly for condensing boiler systems, and the continuing positive sales pattern for business outside Germany and the Netherlands, particularly in Eastern Europe and more specifically in Russia, where there was further evidence of an economic upturn. A marked rise in solar thermal business was also registered; this area enjoyed overall year-on-year growth of around 30 %. In the climate control business area, Wolf succeeded in extending its market lead both in Germany and for export business, thanks in particular to the continuing good response to the new KG-Top range of air conditioning units. One key aspect of climate control business is the scope for integral heat recovery, which is of growing significance in view of escalating energy prices. On the earnings side, the earnings enhancement programme has for example prompted further rises in the operating results. The

costs of accessing new markets are diminishing these positive earnings effects to some degree.

The latest test results published by the consumer watchdog Stiftung Warentest supply evidence of the high standard of quality and the user friendliness of Wolf's products. For instance, in the recent test of oil condensing boilers in April 2008 the latest Wolf product "COB 20" was one of the two test winners to achieve an overall rating of "Good (1.6)". The Wolf solar package that is also a component of the pioneering Wolf Solar Heating concept achieved the same outstanding score in March 2008. In the Stiftung Warentest survey the Wolf products scored particularly highly for energy efficiency, environmental properties and durability, all of which were rated as "Very Good".

The tried-and-tested quality of Wolf's "made in Germany" products also smooths the way for increased international business by Wolf; exports have become increasingly important to the company in recent years because they make it less dependent on the German market, complete with its cyclical downturns. It was for example able to clinch deals with highly prestigious foreign companies in the first quarter of 2008. These included contracts to supply the climate control systems for Ferrari's premises in Maranello and to deliver large boilers to Gazprom, the world's largest natural gas producer. This represents a further milestone in the accessing the increasingly important Eastern European markets. The developers of the "O2 World", one of the most modern event and entertainment halls in Europe, have also opted for Wolf GmbH's expertise for the building's air conditioning and are incorporating 41 large air conditioning units made by the Mainburg company into the Arena at Berlin's Ostbahnhof station.



Business for controlled domestic ventilation with heat recovery was also further expanded, and a steady stream of new developments have been added to the product range. In February, the prototype of a non-central ventilation unit with heat recovery and demand control was successfully unveiled to the public at the VSK show in Utrecht. This unit is designed particularly with the renovation market in mind and will be available from summer 2008.

In light of the recovering German market for heating systems and the pleasing performance in international markets, CENTROTEC believes that the forecast annual revenue of around EUR 290 million and an EBIT margin of 6-7 % are entirely feasible for the Climate Systems segment.

3.3 Medical Technology & Engineering Plastics

With revenue growing by 14 % compared with the prior-year period to EUR 10.2 million and EBIT simultaneously climbing to EUR 0.7 million (previous year: EUR 0.7 million), this segment, whose activities come under the umbrella of medimondi AG, continued to make positive progress. Startup costs incurred for continuing international expansion nevertheless had an impact on earnings.

Key figures for MT & EP (in EUR '000)	Q1 / 2008	Q1 / 2007
Revenue from third parties	10,227	8,979
Revenue from other segments	208	294
Change in inventories of finished goods and work in progress	278	67
Cost of purchased materials	(4,180)	(3,620)
Employee benefit costs	(3,704)	(3,225)
Other income and expense	(1,622)	(1,387)
EBITDA	1,207	1,108
Depreciation and amortisation	(459)	(361)
EBIT	748	747

Good progress was again made with the development and marketing of the medical technology product range in the first quarter of 2008. Key developments were taken forward in the area of implants, for example, and are now nearing completion. bricon ag, a company active in the field of neurosurgery and acquired in 2007, was already able to contribute towards the segment's revenue as planned in the first quarter. As allowance has already been made for the costs of its acquisition and integration, it still had a slightly negative effect on the segment's earnings in the first quarter. However, this effect will disappear as the year

progresses. Long-standing, accredited, tried-and-tested expertise in HPLC technology (high performance liquid chromatography) that is embodied by its products and development services was presented to visitors to the Pittcon, a medical technology exhibition in New Orleans. The contacts established there provide a sound basis for successfully entering the highly lucrative American market for medical technology.



Past investment in engineering plastics is increasingly paying dividends. The high-quality semi-finished products and prefabricated and custom-made parts that are produced in predominantly small to medium series meet the extremely high standard of quality that customers from medical technology, automotive and mechanical engineering and the pharmaceutical industry expect. This division's development and production strength is positively reflected in its operating results. This trend is likewise bolstered by the steady development in the economy.

The first quarter's progress serves to confirm the value creation strategy of medimondi AG, which the CENTROTEC management also shares. This strategy of organic growth and targeted acquisitions will continue to be nurtured by CENTROTEC's management in preparation for an IPO in the medium term.

The target revenue for the full year of slightly less than EUR 40 million and an EBIT margin of around 8 % remain a realistic goal for the Medical Technology & Engineering Plastics segment.

4. Development of affiliated companies

The largest non-consolidated affiliated company within the CENTROTEC Group is the 33.63% interest in CENTROSOLAR Group AG. The revenue of this company, which has until now acted predominantly as a systems integrator in solar technology, rose by 87 % to EUR 66.4 million in the first quarter of 2008. In parallel there was a clearly overproportional rise in earnings at all levels, comprehensively confirming the forecast annual targets. In specific, EBITDA trebled to almost EUR 5.8 million (previous year EUR 2.0 million), EBIT rose to EUR 3.6 million (previous year EUR -0.4 million) and earnings per share (EPS) reached EUR 0.12 in the first quarter (previous year EUR -0.06 EUR). It should be noted in this connection that EBIT is diminished by non-cash IFRS 3 depreciation and amortisation from corporate acquisitions, predominantly in 2005 and 2006. This burden will, however, continue to fall in subsequent years with an added positive effect on EBIT, EBT and EAT/EPS.

As the interest in CENTROSOLAR is carried as an equity investment, the operating earnings figures (EBITDA, EBIT) of the CENTROTEC Group do not include any CENTROSOLAR component. On the other hand the value of this interest accounts for around EUR 2.40 of the current price of every CENTROTEC share, with the result that any comparison of the key figures that failed to reflect this would lead to distorted results.

As well as the decidedly positive development in revenue and earnings in the first quarter of 2008, the expansion of production capacity for crystalline solar modules to approx. 195 MWp by the start of 2010 – a five-fold increase in capacity compared with 2007 – is another benchmark of the CENTROSOLAR Group's development. The laying of the foundation stone for the new production plant in Wismar, the expansion of solar module production at Doesburg, the development partnership with LANXESS AG and an array of sales successes in international growth markets serve to highlight the prospects of CENTROTEC's biggest investment.

After the period under review, CENTROSOLAR signed an agreement on a 49 % stake in the construction of a solar cell manufacturing plant together with the semiconductor manufacturer Qimonda AG. The new joint-venture plant for crystalline silicon solar cells with an annual production capacity of 100 MWp is to be built very close to the Qimonda silicon memory chip plant in Porto, Portugal, assuring personnel, technological and production technology synergies between the two plants. Qimonda AG, which was spun off from the former Semiconductor Division of Siemens and Infineon, possesses far-reaching expertise in the field of silicon technology as well as long-standing

experience and business contacts for silicon procurement. Around 70 % of the total amount of EUR 70 million to be invested by September 2009 is being financed through loans from local banks. There are moreover plans to apply to the Portuguese government for an attractive, EU-compliant package of subsidies. To finance the venture, CENTROSOLAR will effect a capital increase for cash amounting to 10 % of the capital stock, which will be guaranteed by a major CENTROSOLAR shareholder.

This strategic investment by CENTROSOLAR and Qimonda is only the first step by a partnership that adopts a long-term view and envisages further stages of expansion in future years. On the basis of the cells' high efficiency (effectiveness greater than 16 %) and the new plant's advantageous production costs, it is to become one of the world's leading cell manufacturers. CENTROSOLAR can moreover increase its value added and thus participate in the high potential for profit of solar cell manufacturing.

Supplies of polycrystalline silicon wafers, the most important starting material for cell production, have been secured on the basis of an agreement with the renowned Chinese wafer manufacturer LDK Solar Co. Ltd., whose customers include leading solar cell manufacturers such as Q-Cells AG. The 5-year agreement is for a total volume of supplies of 500 MWp.



This investment will secure CENTROSOLAR one-quarter (approx. 50 MWp) of annual demand for cells from its own solar module plants (195 MWp annual capacity in 2010) on much more attractive terms than under comparable long-term supply agreements with cell manufacturers. Meanwhile CENTROSOLAR will adhere to its existing flexible supply strategy for solar cells, which envisages several supply sources. The cells made in Portugal are to cover mainly the additional demand from the booming business area of roof systems for large industrial properties.

The second equity investment (24.95 %), Bond Laminates GmbH, likewise posted results that were in line with expectations in the first quarter.

5. Net worth, financial position and financial performance

The balance sheet total of the CENTROTEC Group contracted from EUR 361.8 million at the end of the 2007 financial year to EUR 357.7 million at March 31, 2008. This contraction in the balance sheet is mainly attributable to a reduction in non-current financial liabilities from EUR 105.2 million to EUR 99.5 million and a fall of EUR 6.6 million in

trade payables. On the other hand current liabilities rose by EUR 4.8 million due to changed maturity dates. On the assets side cash and cash equivalents decreased from EUR 17.0 million to EUR 9.0 million. The rise in current financial liabilities of EUR 4.8 million is to be viewed in the context of the increase in net working capital of EUR 8.9 million. Overall, this temporary shift in conjunction with the lower cash and cash equivalents inflates the reportable net financial liabilities to EUR 128.8 million (EUR 121.8 million at December 31, 2007). The net financial liabilities at the end of the quarter moreover grew as a result of a revenue-driven rise in trade receivables and inventories, and also because the Easter break fell during the first quarter. By virtue of its cash and cash equivalents and unutilised credit lines, the group continues to have adequate surplus funds in reserve.

Due to the rise in inventories and trade receivables coupled with the lower cash and cash equivalents, the net working capital (current assets – cash and cash equivalents – current, non-interest-bearing liabilities) climbed temporarily from EUR 54.5 million at the end of 2007 to EUR 63.4 million.

Shareholders' equity was boosted by the result to EUR 110.5 million (EUR 109.1 million at December 31, 2007). This, in conjunction with the smaller balance sheet total, pushed the equity ratio of the CENTROTEC Group up to 30.9 % (30.1 % at December 31, 2007).

Cash flow I (earnings after tax (EAT) plus depreciation and amortisation) was EUR +5.1 million in the first quarter (previous year EUR +4.5 million). The rise is attributable to the higher consolidated earnings.

The cash flow from operating activities was temporarily down on the prior-year figure of EUR 0.4 million to EUR -4.2 million, mainly due to the increase of approx. EUR 8.9 million in net working capital compared with the end of 2007, which was exaggerated by the rise in revenue and seasonal effects. Despite ongoing expenditure for international expansion and after elimination of seasonal factors, operating cash flow for the year as a whole is expected to be positive.

Cash flow from investing activities was EUR -2.8 million in the first quarter (previous year EUR -5.3 million). The change compared with the previous year is mainly due to the purely accounting outflow of cash and cash equivalents amounting to EUR 2.6 million from the deconsolidation of the interest in CENTROSOLAR in the first quarter of 2007.

6. Capital expenditure

The total volume of capital expenditure by the CENTROTEC Group reached EUR 3.3 million in the first quarter of fiscal 2008. That is EUR 0.5 million or 17 % more than in the corresponding prior-year period. Property, plant and equipment accounted for the bulk of capital expenditure, or EUR 2.6 million (previous year EUR 2.2 million). A further EUR 0.6 million (EUR 0.6 million) was invested in intangible assets.

Capital expenditure (in EUR '000)	Q1 / 2008	Q1 / 2007
Gas Flue Systems	1,229	1,101
Climate Systems	1,382	1,422
Med. Techn & Eng. Plast.	705	319
Total	3,316	2,842

Spending on property, plant and equipment for the most part went on machinery and plant for the various locations. The biggest single investment items were at Wolf GmbH in Mainburg and Ubbink in Doesburg. Capital expenditure on intangible assets in the main involved the acquisition of software licences.

7. Employees

In the first three months of 2008, the comprehensively consolidated companies of the CENTROTEC Group employed an average of 2,472 full time equivalents (FTE). This was 97 FTE more than in the corresponding prior-year period. At the end of the quarter, 2,557 persons (previous year 2,475 persons) were employed within the group.

Personnel expenses rose at a slightly lower rate than gross performance and totalled EUR 29.1 million (previous year EUR 27.2 million). This

represents a year-on-year fall of 1.3 percentage points in the personnel expenses ratio (personnel expenses as a proportion of gross performance) of 28.6 %.



8. Share price developments

After starting the year on EUR 14.10, the CENTROTEC share price was unable to remain immune to the sharp slump on all international stock markets, with the result that the CENTROTEC share price rapidly fell into single figures in mid-January for no apparent reason. In the course of the quarter, the trading price rallied much more strongly than all benchmark indices and closed the period on EUR 13.60, only approx. 4 % down on the opening price for the year. Its strong recovery continued after the period under review, following the publication of the 2007 accounts.



Share price development, January to early May 2008

Source: www.ariva.de

There were 16,492,996 no-par value ordinary shares (ISIN DE0005407506, WKN 540750) outstanding (incl. treasury stock). Thanks to the positive share price development in relation to comparable shares, market capitalisation at March 31, 2008 was approx. EUR 225 million.

9. Opportunities and risks

There have been no fundamental changes in the assessment of opportunities and risks in the core areas of business compared with the position outlined in the 2007 Annual Report. However, in view of the exchange rate effects on earnings particularly in the Gas Flue Systems segment, as well as hedging the financial risk of exchange rate risks in the short term, various measures to reduce structural dependence on exchange rate fluctuations were stepped up. These include increased procurement activities in the dollar region and examining possible options for production in the dollar region.

The situation in the German heating market is developing positively, based on the previous year's low starting position. How sustained this development will be and to what extent it will gather

momentum as the year progresses is rather difficult to say, given the experience of recent months. However, the CENTROTEC Group has further reduced its dependence on the German heating market by having pursued an internationalisation strategy for quite a number of years.

Most international markets for heating technology continue to experience marked growth and moreover exhibit a continuing trend towards condensing boiler technology and renewable energies. The figures for the first months of the current financial year and the current level of orders – the projects that are in development or already being implemented – continue to give us cause for optimism.

10. Expectations

Following the successful start to the 2008 financial year, CENTROTEC expects the group's performance for the year as a whole to be within the forecast ranges for revenue (EUR 435 – 445 million) and earnings (EBIT: EUR 32 – 34 million, EPS: EUR 1.10 – 1.15). In view of the typically high seasonal variation in business and the gradual emergence of signs of a recovery in the German market for heating systems, revenue and earnings are expected to rise in the course of the year. There are signs of a positive sales trend in the German heating technology market particularly for efficient condensing boiler systems and solar thermal systems, and business for energy-saving concepts is also forecast to rise over the year as a whole in a market that will otherwise merely be characterised by a sideways shift.

The core objective of the group remains to accelerate organic growth in existing areas of

business and to improve the operating results in all segments. To that end, the emphasis on energy-saving solutions in the areas of heating, climate control, ventilation and solar thermal technology will be further stepped up, and existing products will increasingly be brought together into overall concepts. In addition, the CENTROTEC Group will continue to invest specifically in expanding existing markets and tapping new ones with its efficient energy-saving products and services.



Further profitable growth is expected for the 33.63 % interest in CENTROSOLAR Group AG, not least following the concluding of the joint venture agreement with Qimonda AG on May 5, 2008 on the construction of a solar cell production plant in Portugal. Furthermore, this move will increase value added in the long term, with the aim of creating a world-leading cell manufacturer. CENTROTEC is expected to enjoy corresponding rises in the investment value and profit contributions of this equity investment.

The highly overproportional, steadily upward movement in energy prices, the climate change debate, the increasingly international trend towards condensing boiler technology, growing statutory requirements for energy-efficient buildings and the investment and modernisation backlog in the German heating systems market will remain key factors behind the positive business development of the CENTROTEC Group. International expansion, for example now in the growth markets of Eastern Europe, will also continue to play an important role. The costs incurred in developing and expanding these markets and the typically slightly lower margins on international markets may reduce their percentage profit contribution in the short term, but the absolute figures and the long-term opportunities will more than compensate for this effect.

Through internal optimisation and development programmes and by keeping a close eye on the prevailing market requirements, CENTROTEC can turn such market trends to its advantage; the prospects of profitable growth over the coming years can therefore be rated as very good.

Brilon, May 2008

The Management Board

ASSETS

	31.03.2008	31.12.2007
Non current assets		
Goodwill	60.598	60.482
Intangible assets	36.807	37.427
Property, plant and equipment	93.528	94.128
Financial investments accounted for using the equity method	28.918	28.387
Loans and investments	706	659
Other assets	946	1.066
Deferred tax assets	1.524	1.305
	223.027	223.454
Current assets		
Inventories	57.440	54.746
Trade account receivables	60.676	59.886
Income tax receivable	838	831
Cash and cash equivalents	9.042	17.026
Other assets	6.679	5.830
	134.675	138.319
ASSETS	357.702	361.773

EQUITY AND LIABILITIES

	31.03.2008	31.12.2007
Shareholders` equity		
Share capital	16.493	16.493
Additional paid-in-capital	24.642	24.642
Treasury stock	(112)	(112)
Retained earnings	68.153	51.460
Profit attributable to share capital holders of the CENTROTEC Sustainable AG	1.380	16.622
	110.556	109.105
Minority interest, present within equity	(61)	(39)
	110.495	109.066
Non current liabilities		
Pension accruals	21.337	21.063
Other accruals	8.895	8.992
Financial liabilities	99.516	105.243
Other liabilities	180	204
Deferred tax liabilities	16.635	16.848
	146.563	152.350
Current liabilities		
Other accruals	1.230	1.185
Income tax payable	6.977	6.924
Financial liabilities	38.360	33.561
Trade accounts payable	24.767	31.344
Other liabilities	29.310	27.343
	100.644	100.357
Equity and Liabilities	357.702	361.773

**Consolidated income statement
from January 1 to March 31, 2008**

in thousand EUR

	01.01.2008 31.03.2008	01.01.2007 31.03.2007
Revenues	100.302	90.445
Other income	1.087	1.159
Changes in inventories of finished goods and work in progress	1.458	481
Production for own fixed assets capitalized	482	445
Cost of purchased materials and services	(49.603)	(42.970)
Personnel expenses	(29.125)	(27.168)
Other expenses	(17.350)	(15.220)
EBITDA	7.251	7.172
Depreciation and amortisation	(3.788)	(3.854)
Operating income (EBIT)	3.463	3.318
Interest income	159	97
Interest expenses	(2.360)	(2.134)
Result of investments accounted for using the equity method	532	(239)
Result before income taxes (EBT)	1.794	1.042
Income tax	(440)	(382)
Net income (EAT)	1.354	660
Profit or loss attributable to minority interest	(26)	21
Profit attributable to share capital holders of CENTROTEC Sustainable AG	1.380	639

EPS (Earnings per share in EUR)*

Earnings per share (basic)	0,08	0,04
Earnings per share (diluted)	0,08	0,04
Weighted average shares outstanding (in units; basic)	16.480.916	16.396.072
Weighted average shares outstanding (in units; diluted)	16.825.854	16.896.072

* Previous year converted with factor 2 due to the issue of bonus shares

CASH FLOW STATEMENT

in thousand EUR

	01.01.2008 31.03.2008	01.01.2007 31.03.2007
Net income before taxes and interest (EBIT)	3.463	3.318
Depreciation	3.788	3.854
Gain/loss on disposal of non-current assets	144	(18)
Other non-cash items	(283)	(458)
Increase/decrease in accruals	222	91
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(4.271)	(5.715)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	(5.780)	2.787
Interest paid	(969)	(2.126)
Income taxes paid	(505)	(1.329)
Cash Flow from operating activities	(4.191)	404
Change in cash flow as a result of change full consolidation into At Equity	0	(2.583)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(3.123)	(2.842)
Proceeds from disposal of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	296	105
Cash Flow from investing activities	(2.827)	(5.320)
Proceeds from issuance of shares	0	76
Proceeds from financial liabilities	355	291
Repayment of financial liabilities	(6.112)	(6.946)
Cash Flow from financing activities	(5.757)	(6.579)
Change in liquid funds	(12.775)	(11.495)
Liquid funds at the beginning of the financial year	1.484	(1.249)
Liquid funds at the end of the period	(11.291)	(12.744)

STATEMENT OF MOVEMENTS IN EQUITY

in thousand EUR

	Share capital	Additional paid-in capital	Treasury stock	Stock option reserve	Deferred tax reserve	Currency translation differences in shareholders' equity	Fair value adjustment of interest rate derivatives	Retained earnings and profit carry-forward	Profit attributable to share capital holders of CENTROTEC	Minority interest presented within equity	Consolidated equity
December 31, 2006	8.204	23.476	(112)	603	478	(61)	197	44.367	14.316	54.845	146.313
Transfer to revenue reserves								14.316	(14.316)		0
Changes due to the issue of bonus shares	8.212							(8.212)			0
Change from the exercise of options	77	279									356
Share option plan		634		527	(463)						698
Fair Value adjustment interest rate derivatives							402				402
Change in status of CENTROSOLAR GROUP AG		253		(72)		(199)		(325)		(54.763)	(55.106)
Currency translation differences						(98)					(98)
Profit attributable to shareholders of CENTROTEC Sustainable AG									16.622		16.622
Profit or loss attributable to minority interest										(121)	(121)
December 31, 2007	16.493	24.642	(112)	1.058	15	(358)	599	50.146	16.622	(39)	109.066
Transfer to revenue reserves								16.622	(16.622)		0
Share option plan				97							97
Currency translation differences						(14)				4	(10)
Fair Value adjustment interest rate derivatives							(12)				(12)
Profit attributable to shareholders of CENTROTEC Sustainable AG									1.380		1.380
Profit or loss attributable to minority interest										(26)	(26)
March 31, 2008	16.493	24.642	(112)	1.155	15	(372)	587	66.768	1.380	(61)	110.495

Segment Structure	Gas Flue Systems & Other		Climate Systems		Medical Technology & Engineering Plastics		Consolidation		Total	
<i>Statement of Earnings</i>	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from third parties	26.866	22.546	63.209	58.920	10.227	8.979	0	0	100.302	90.445
Revenue from other segments	155	140	49	87	208	294	(412)	(521)	0	0
Chang. in invent. of finished goods and work in progress	391	814	789	(400)	278	67	0	0	1.458	481
Cost of purchased materials	(14.927)	(11.817)	(30.908)	(28.054)	(4.180)	(3.620)	412	521	(49.603)	(42.970)
Employee benefits costs	(5.477)	(5.054)	(19.944)	(18.889)	(3.704)	(3.225)	0	0	(29.125)	(27.168)
Other income and expenses	(4.753)	(3.718)	(9.406)	(8.511)	(1.622)	(1.387)	0	0	(15.781)	(13.616)
EBITDA	2.255	2.911	3.789	3.153	1.207	1.108	0	0	7.251	7.172
Depreciation and amortisation	(891)	(869)	(2.438)	(2.624)	(459)	(361)	0	0	(3.788)	(3.854)
Segment result (EBIT)	1.364	2.042	1.351	529	748	747	0	0	3.463	3.318
Interest income									159	97
Interest Expense									(2.360)	(2.134)
Result of investments accounted for using the equity method	532	(239)							532	(239)
EBT									1.794	1.042
Income tax									(440)	(382)
Net income (EAT)									1.354	660
Profit or loss attributable to minority interest									(26)	21
Profit attributable to shareholders CENTROTEC Sustainable AG									1.380	639
Balance Sheet Key Figures*										
Assets	80.719	77.978	211.490	219.477	33.507	33.136	0	0	325.716	330.591
Financial investments accounted for using the equity method	28.918	28.387	0	0	0	0	0	0	28.918	28.387
Loans and financial assets available for sale	0	0	706	659	0	0	0	0	706	659
Entitlement to income tax rebates**									2.362	2.136
Liabilities	17.756	17.494	62.555	66.563	5.408	6.036	0	0	85.719	90.093
Financial liabilities									137.876	138.804
Income tax payable**									23.612	23.772
Investments										
Total investments in property, plant, equipment and intangible assets	1.229	1.101	1.382	1.422	705	319	0	0	3.316	2.842

* Previous year is related to December, 31 2007

** Including deferred tax

*** Incl. Goodwill and values out of business combinations; year to date; without At Equity result

1. The **CENTROTEC Group**

The CENTROTEC Group (hereinafter referred to as CENTROTEC) is an international group, the focus of whose activities is on the development, production and sale of energy-saving products. In addition to its existing business activities, CENTROTEC regards its business purpose as including the establishment and acquisition of new business areas and companies.

The group parent, CENTROTEC Sustainable AG with registered office in Brilon, is listed in the Prime Standard in the GEX index under the stock exchange codes CEV, WKN 540750 and ISIN DE 0005407506 of the Frankfurt Stock Exchange. It is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. The company's head office is located at Am Patbergschen Dorn 9, 59929 Brilon, Germany. CENTROTEC Sustainable AG is not part of a superordinate group, and is the ultimate parent company of the group presented in these quarterly accounts. Further financial and corporate information on CENTROTEC is available from the above address, or on the homepage www.centrotec.de.

2. Accounting standards and policies

This Quarterly Report at March 31, 2008 has been prepared in accordance with the "International Financial Reporting Standards" (IFRS) for interim financial reporting issued by the International Accounting Standards Board (IASB), as applicable within the European Union (EU), taking account of Section 315a (1) of German Commercial Code.

All IFRS standards, and in particular IAS 34 (Interim Financial Reporting), that were valid at the reporting date and the application of which was mandatory at that date, have been applied. The accounting policies explained in the Consolidated Financial Statements for 2007 have likewise been applied in this Quarterly Report, unless otherwise indicated, and apply correspondingly. The Quarterly Report should therefore be read in conjunction with the audited Consolidated Financial Statements at December 31, 2007. These interim financial statements have not been subjected to any scrutiny by an auditor.

The reporting date for the quarter for all companies included in the quarterly consolidated financial statements is March 31, 2008. The financial statements have been prepared in euros; unless otherwise indicated, the amounts quoted refer to thousand euros (EUR thousand).

– **Responsibility Statement by the Management**

In accordance with German Securities Trading Law (WpHG) in conjunction with German Commercial Code (HGB), the Management Board declares:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

The Management Board points out that the forward-looking statements made in the quarterly financial statements are based on current expectations, assumptions and estimates. These statements are not to be interpreted as guarantees that the forecasts made will prove correct. Rather, future developments and occurrences are dependent on a wide range of factors that are subject to risks and uncertainties, the influencing factors of which lie outside the sphere of influence of CENTROTEC. Actual developments may therefore depart from any implicit or explicit forward-looking statements made.

3. Company and investment structure

All direct and indirect subsidiaries of the parent company and group parent are included in the Consolidated Financial Statements of CENTROTEC. A total of 43 companies were comprehensively consolidated at March 31, 2008. There have been no changes in consolidation since the annual financial statements at December 31, 2007.

The business activities of CENTROTEC are classified according to the segments Gas Flue Systems & Other, Climate Systems, and Medical Technology & Engineering Plastics. The classification is unchanged compared with the annual financial statements at December 31, 2007.

Detailed information on the CENTROSOLAR Group, which is accounted for by the equity method, is contained in its Quarterly Report at March 31, 2008. That report is available at www.centrosolar.com.

4. Notes on the Quarterly Report

– Recognition and measurement aspects

Subsequent adjustments in the purchase price allocation for acquired non-current assets of bricon ag have increased goodwill by EUR 0.1 million.

Forward contracts to hedge foreign currency risks were concluded in the period under review. As they do not satisfy the special requirements for hedge accounting, they are classified as held for trading and are included in the current assets or liabilities. At March 31, 2008 the new values and their volume were considered to be of no material significance for the net worth, financial position and financial performance of CENTROTEC.

– Related party disclosures

Within CENTROTEC, goods and services are purchased by a large number of business partners. They are also supplied by or to persons or companies who can be classified as related parties. Transactions with these persons or companies are conducted at arm's length. Transactions with related parties were presented comprehensively in the Consolidated Financial Statements for 2007 as a matter of principle. All reciprocated services such as the use of infrastructure are billed on generally accepted market terms (arm's length principle). The same applies to service relationships between CENTROTEC and companies which are accounted for using the equity method. As the volume of transactions in the first three months was low, it was classified as not significant from the viewpoint of CENTROTEC, as a result of which it is not analysed in greater detail in this report. The CENTROSOLAR Group procured goods to the

value of approx. EUR 1.4 million from CENTROTEC, essentially comprising supplies of fixing devices and mounting systems for solar modules. CENTROTEC procured goods to the value of around EUR 0.9 million from the CENTROSOLAR Group.

– Reportable security holdings and options

The totals of reportable shares and stock options at March 31, 2008 are shown in the following table.

Management Board	Shares	Options*
Dr. Gert-Jan Huisman	65,264	160,284
Martin Beijer	10,000	56,436
Alfred Gaffal	7,000	74,000
Anton Hans	0	0
Pieter van der Poel	0	24,000
Dr. Christoph Traxler	3,175	112,330
Supervisory Board		
Guido A. Krass	2,400,000	0
Dr. Bernhard Heiss	0	0
Christian C. Pochtler	0	0
CENTROTEC		
Ordinary shares	16,492,996	0
Treasury stock	12,080	0

* The maximum possible number of options has been indicated. How many options can actually be exercised depends on the attainment of specified targets.

– Notices pursuant to Section 26 (1) of German Securities Trading Law (WpHG)

No new notices have been issued.

– Contingent liabilities

There has been no significant change in contingent liabilities since the balance sheet date of December 31, 2007.

– Dividend payments

No dividend payment was made for the 2007 financial year, nor is such a payment envisaged for the current financial year.

5. Significant events occurring after the reporting date for the quarter

– Changes in the capital stock and the number of shares

32,600 options were exercised in April on the basis of the stock options scheme. As a result, the capital stock rose by a further EUR 32,600 or 32,600 shares at the start of the second quarter, to a present EUR 16,525,596, divided into 16,525,596 no-par value ordinary shares.

– Changes in the investment structure

At the start of May 2008 CENTROSOLAR Group AG, which is accounted for by the equity method, established a joint venture with Qimonda AG, Munich, Germany, for the manufacture of crystalline solar cells. The production plant will be built near Porto, Portugal, directly next to an existing Qimonda semiconductor plant. The joint venture will be investing around EUR 70 million by September 2009. Approximately 70 % of the financing will be arranged via banks. In addition, the partners are currently planning to apply to the Portuguese government for a package of EU-compliant subsidies. The equity investment will contribute 49 % of the equity capital required by the joint venture and will consequently receive 49 % of the cells manufactured.

CENTROSOLAR intends to refinance its share of the equity capital to be contributed to the joint venture through a 10 % capital increase by way of a private placement. The placement is being guaranteed by a major shareholder. As a result of this transaction, CENTROTEC's interest in CENTROSOLAR is expected to fall further

– **Changes on the Management Board**

Martin Beijer took his retirement at the start of April 2008 and therefore left the Management Board.

There were no further significant events after the reporting date for the quarter.

6. Management Board and Supervisory Board

The members of the Management Board at the reporting date were:

Dr. Gert-Jan Huisman, Nijkerk, Netherlands, merchant (Chairman); CEO

Martin Beijer, Doesburg, Netherlands, merchant (until April 1, 2008); Gas Flue Systems

Alfred Gaffal, Mainburg, Germany, merchant; Climate Systems

Anton Hans, Apeldoorn, Netherlands, merchant (from January 1, 2008); Finance

Pieter van der Poel, Velp, Netherlands, merchant; Gas Flue Systems

Dr. Christoph Traxler, Fulda, Germany, physicist; Medical Technology & Engineering Plastics

The members of the Supervisory Board at the reporting date were:

Guido A. Krass, Wadhurst, United Kingdom, entrepreneur (Chairman)

Dr. Bernhard Heiss, Munich, Germany, entrepreneur

Christian C. Pochtler, MA, Vienna, Austria, entrepreneur

7. Other particulars

– **Corporate Governance Code**

The Management Boards and Supervisory Boards of both CENTROTEC Sustainable AG and of CENTROSOLAR Group AG have, pursuant to Section 161 of German Stock Corporation Law, declared the extent to they have complied with and will comply with the recommendations of the Government Commission on the German Corporate Governance Code. The regularly submitted declarations and explanations are permanently available on the websites of CENTROTEC Sustainable AG and CENTROSOLAR Group AG.

Brilon, May 15, 2008

Financial Calendar 2008

May 15 Publication of 01/2008 Quarterly Report

May 29 Annual General Meeting of Shareholders, Brilon

August 14 Publication of 02/2008 Quarterly Report

Aug 25-27 Small Cap Conference, Frankfurt am Main

Nov 11 Publication of 03/2008 Quarterly Report

Nov 10-12 German Equity Forum, Frankfurt

