

Quarterly Report Q2/2006
of CENTROTEC Sustainable AG



Our Earth in Focus

GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

Report of the Management Board

Highlights

- Rise in revenue in the first half from EUR 66.5 million in 2005 to EUR 142.1 million in 2006; of this, EUR 66.3 million from companies being consolidated for the first time by the Solar System segment; revenue growth averaging 13 % in the remaining segments
- Over all corporations the segments Solar Systems shows a revenue growth of more than 60% in the first half year compared to the comparison period (As-If)
- High organic revenue growth in second quarter Q2 in the following segments: Gas Flue Systems 9 %, Climate Systems and Medical Technology & Engineering Plastics each with 17 % compared to previous year
- Despite of EBITDA up by 21.9 % to EUR 12.3 million and EBIT of EUR 0.2 to EUR 8,0 million in the first half year the results remains under expectation
- Net earnings (EAT) of EUR 11.8 million up EUR 7.3 million on prior-year figure due to one-off effects (capital increases of CENTROSOLAR AG)
- EPS (earnings per share) rise to EUR 1.39 (previous year EUR 0.57), of which EUR 0.97 attributable to one-off effects
- EUR 22.7 million rise in working capital since start of year to EUR 54.5 million primarily as a result of consolidation of new companies and high seasonal buildup of inventories in Solar Systems segment
- Net financial liabilities up EUR 26.8 million since start of year to EUR 73.1 million (rise in Q2 of EUR 18.2 million) in particular due to higher working capital
- Equity ratio remains at high level of 45.9 % (December 31, 2005: 47.6 %)

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Outlook

- The healthy current level of orders for Gas Flue Systems, continuing growth for Climate Systems and Medical Technology & Engineering Plastics and the high demand for Solar Systems will in all probability lead to high revenue growth in the second half of 2006
- Typical for the sector the Solar group is expecting a strong second half in 2006
- The revenue forecasts for the Gas Flue Systems, Climate Systems and Medical Technology & Engineering Plastics systems are confirmed
- Plans to expand the Medical Technology area and to hive it off into a separate stock corporation are advancing
- Assuming that no major unscheduled factors diminish earnings in the second half of the year and revenue continues to develop positively, the forecasted earnings for the full year may still be attained to the lower value of the forecasted margin
- The strategic emphasis on sustainability and the aim of accelerating growth through further acquisitions will be systematically pursued

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1. Consolidated entities

The structure and extent of consolidation of the CENTROTEC Group as reported in these quarterly financial statements compared with March 31, 2006 have changed materially only to the extent that Biohaus PV Handels GmbH, Paderborn, with its subsidiaries have been consolidated into the Solar Systems segment since May 9, 2006.

2. Development in revenue and earnings

CENTROTEC Sustainable AG posted revenue of EUR 142.1 million in the first six months of the year. Revenue in the second quarter was well up on the previous year (EUR 33.8 million) at EUR 80.1 million, with the major portion of EUR 40.8 million attributable to the consolidation of the Solar Systems segment. Without the revenue from the Solar Systems segment, the figure would have risen by 16 % to EUR 39.3 million. The following table shows the cumulative revenue for the first half of the year:

Revenue (in EUR million)	H1/2006	H1/2005	Year-on-year change
Gas Flue Systems	36.4	33.5	8.6 %
Climate Systems	22.4	18.4	21.6 %
Solar Systems	67.0	0.7	
Med. Technology & EP	16.3	13.9	17.3 %
Total	142.1	66.5	113.6 %

Revenue (in EUR million)	Q2/2006	Q2/2005	Year-on-year change
Gas Flue Systems	18.7	17.5	7.0 %
Climate Systems	12.2	9.3	30.8 %
Solar Systems	40.8	0.4	
Med. Technology & EP	8.3	7.0	18.9 %
Total	80.1	33.8	136.7 %

With the exception of the Solar Systems and Climate Systems segments, growth is attributable predominantly to organic growth. The first-half figures include EUR 0.4 million in acquisition-driven revenue for the Medical Technology & Engineering Plastics segment (Centroplast UK) and EUR 2.2 million for the Climate Systems segment (Innosource and EnEV-Air).

The consolidation of CENTROSOLAR resulted in a significant change in gross income (net revenue less direct material costs). In view of the lower degree of manufacturing penetration of the solar activities compared with the longer-established segments, the gross margin fell to 37.1 % (previous year 58 %). In all segments, sharp price rises in the cost of materials adversely affected the margin. The higher pace of international expansion, intensified product development activities and the integration of new companies into the CENTROTEC Group furthermore placed pressure on the other operating results.

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EBITDA rose to EUR 12.3 million (previous year EUR 10.1 million) in the first six months. Earnings before interest and taxes (EBIT) for the CENTROTEC Group likewise rose in the corresponding period from EUR 7.8 million to EUR 8.0 million. This includes, in particular, amortisation amounting to some EUR 1.1 million on the intangible assets to be reported in the context of the purchase price allocation process for the Solar Systems segment, with the result that comparability is distorted. The EBIT margin in the first six months was 5.6 % (previous year 11.8 %). This halving of the margin is, in the first instance, due to the Solar Systems segment's high share of 47 % of revenue. It should be noted that CENTROSOLAR on the one hand posts low gross margins and EBIT margins as a result of its structure. On the other hand, the margin is also markedly weaker than in the second half of the year, due to the sector-specific lower capacity utilisation in the first half of the year.

As a result of the acquisitions of Biohaus (in Q2) and Solara (in Q1) in the Solar Systems segment, paid for partly by the issue of new shares and a capital increase for cash, the shareholders of CENTROTEC experienced a dilution in the interest in CENTROSOLAR AG, which fell from 38.16 % at March 31, 2006 to 36.02 % at the reporting date of June 30, 2006. This reduction in the ownership interest was reflected in the income statement, as in the financial statements for 2005 (modified parent model).

The differences arising as a result of the reduction in the proportion of ownership interest in CENTROSOLAR AG were booked to income and determined from the difference in the shareholders' equity of the CENTROSOLAR sub-group that was allocable to CENTROTEC at the respective reporting dates before and after the date on which dilution occurred. This effect amounted to EUR 3.6 million in the first quarter and rose by a further EUR 4.3 million at June 30, 2006 to EUR 7.9 million, as a result of the takeover of Biohaus. As this one-off effect is not taxable as a profit from transactions with minority interests, it has a highly positive effect on the net earnings after taxes (EAT). To maintain operational transparency, this effect is deliberately not reported in EBIT, but rather as separate income (profit from transactions with minority interests), with the result that the results for the segments were not affected. At a starting figure before taxes (EBT) which rose from EUR 6.5 million at March 31 to EUR 14.1 million at June 30, 2006 (previous year EUR 6.8 million), the figure after taxes (EAT) for the second quarter is EUR 11.8 million (previous year EUR 4.5 million).

Earnings per share (EPS) consequently rose to EUR 1.39 (previous year EUR 0.57) at an average number of shares of 8,076 thousand. Without the effect described above from the capital increases at CENTROSOLAR, EPS would have been EUR 0.42.

3. Development of the segments

3.1. Gas Flue Systems

In the Gas Flue Systems segment, revenue in the first half of the year was increased by 8.6 % to EUR 36.4 million (previous year EUR 33.5 million). Of this total, the second quarter accounted for EUR 18.7 million (previous year EUR 17.2 million). The segment's results yet remained under expectation, because a series of expenses were processed in the results, which had not been forecasted to that amount.

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Hereunto are among the increased costs for material as well as the costs for the stronger internationalisation and for individual restructuring projects.

Key figures (in EUR '000)	Q2/2006	Q2/2005
Revenue from third parties	18,731	17,206
Revenue from other segments	561	32
Change in inventories of finished goods and work in progress	(531)	(67)
Cost of materials	(8,894)	(8,048)
Employee benefit costs	(4,207)	(3,948)
Depreciation and amortisation	(737)	(678)
Other income and expense	(3,742)	(2,697)
EBIT	1,180	1,800

In the procurement area, the costs of certain materials and purchased parts continued to rise substantially. It was only possible to pass on certain cost increases through higher product prices. EBIT consequently fell by EUR 0.7 million to EUR 1.2 million in the second quarter. The establishment and expansion of international business and the associated recruitment of additional personnel moreover pushed up personnel costs which are not yet being offset in the short term by higher earnings. The same applies to exhibition and distribution costs for the launching and marketing of new product groups. To optimise cost structures further, programmes of measures have moreover been launched in selected areas (in particular production and distribution).

Business made good progress particularly in the Netherlands, France, Belgium and Germany, where revenue growth in each case reached double figures. Demand in Germany has experienced a welcome recovery in recent months, following an industry-typical weak first quarter. New product developments and intensified sales activities are showing initial results. To increase capacities and extend the value chain, the segment investing in the expansion of the Brilon location, which should be completed by the end of the year.

A sharp rise in revenue of over 15 % was recorded in France, among other reasons because the market share of plastic gas flue systems, which CENTROTEC specialises in, is enjoying growth there. The trade sales channel for gas flue systems is in addition gaining importance compared with direct supplies by the boiler manufacturer, with the level of margins for trade higher than in the OEM domain. The Ubbink brand has meanwhile also acquired a reputation for good quality among fitters in France, and now enjoys extensive spread, including in rural areas. As a result of the consolidated market position sales and distribution has been strengthened by own employees and reduction of commercial representatives. This also lead to considerable expenses.

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Despite the high project expenses the Gas Flue Segment is furthermore being pressed ahead with international expansion and key account management. The sales and distribution activities has been intensified in Eastern European markets. The exports to countries outside Europe have also already been boosted substantially, even though the margins are still very low. Furthermore the distribution and sales potential in Asia especially China has been analysed closely. The internationalisation has been masterminded principally by Pieter van der Poel, who has shared responsibility for Gas Flue Systems activities as a designated Management Board member. He has been able to call on his international experience in operations and marketing, which he has acquired during previous stations of his career at General Electric, Philips and Hewlett Packard.

The Gas Flue Systems segment expects a very good third quarter, with the result that the forecast annual revenue of EUR 79 to 81 million is confirmed. On this basis, there will likewise be a renewed substantial rise in earnings, so that the target figures for the year are attainable.

3.2. Climate Systems

Total revenue in the Climate Systems segment totalled EUR 12.2 million in the second quarter, and was thus EUR 2.9 million or 30.8 % up on the same period of the previous year. After elimination of the revenues of the acquisitions Innosource and EnEV-Air, growth for the quarter was 17 %.

Key figures (in EUR '000)	Q2/2006	Q2/2005
Revenue from third parties	12,182	9,310
Revenue from other segments	42	60
Change in inventories of finished goods and work in progress	(172)	330
Cost of materials	(5,417)	(4,069)
Employee benefit costs	(3,138)	(2,717)
Depreciation and amortisation	(275)	(158)
Other income and expense	(1,410)	(782)
EBIT	1,812	1,974

The main driving forces behind growth are the market for heat recovery systems in the Netherlands, growing demand for energy-saving ventilation systems for residential applications outside the Netherlands, and the trend towards integrated climate control systems.

The impact of the tougher energy-saving standards introduced at the start of this year in the Netherlands is gradually beginning to show. A noticeable acceleration in business is expected in the second half of the year. Ventilation with heat recovery should then have become the norm for new buildings, and will boost the sales volume of such systems by the Brink Group. In the field of renovation, too, the prospects for Innosource's products in specific are bright, especially if the energy-saving guidelines for renovated buildings that are currently under discussion become reality.

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Integrated climate control systems, which to some degree, are already used in very energy-friendly passive houses combining the functions of heating, cooling, ventilation, filtering, humidity control etc. in a single system that is controlled centrally. These building ventilation systems use the fresh air that is needed in any case as the transport medium for establishing the desired air properties. CENTROTEC perceives a new, rapidly expanding market for these pioneering systems and has started to develop them according to a modular principle. The new assembly will be based on gas or oil as its energy source, also incorporating solarthermics as a renewable energy source.

Also outside the Netherlands the market for ventilation systems with heat recovery is becoming increasingly attractive. CENTROTEC is well positioned by virtue of its Europe-wide corporate structure. The Climate Systems segment is using this basis to expand its European presence effectively. In Belgium, for example, a relatively large contract package for ventilation systems with heat recovery has been clinched. Also in the UK ventilation systems with heat recovery are enjoying an increasingly high profile. At the start of this year the British regulatory authorities laid down limit values which, while not necessitating the installation of ventilation systems with heat recovery, certainly encourage their use. In this market context, the efficiency of a Brink ventilation system with heat recovery was demonstrated very positively in a BBC programme.

The segment's earnings were again diminished in the quarter under review by additional costs of around EUR 0.3 million for restructuring and integration measures (approx. EUR 0.5 million in Q1), resulting from the combining of Dutch production operations at the Staphorst location. This centralisation of production, warehousing, distribution and other functions has now been largely completed, with the result that all goods will be dispatched centrally from Staphorst from the start of July. No further substantial expenditure is expected for this project, especially as measures to reduce the number of employees at Lisse were agreed mutually with the employment office. The continuing international expansion of the Brink Group also necessitated higher costs than planned in the first half. Higher costs of materials and a greater purchased volume of prefabricated products, especially by Innosource and EnEV-Air, have also reduced the gross margin.

As outlined in the forecast, revenue is expected to reach EUR 46 to 48 million in 2006 (previous year EUR 39.6 million). However, in view of the exceptional charges described the target rate of return for the year as a whole will barely be achieved.

3.3. Solar Systems

The Solar Systems segment achieved revenue of EUR 40.8 million in the second quarter, and therefore a cumulative figure of EUR 67.0 million for the first half. This represents a share of between 34 % and 38 % of the target annual revenue of EUR 175 to 200 million, though the industry as a whole generates the bulk of its revenue in the second half of the year.

Integrated Systems account for the lion's share of revenue, or 77 %. However, Solar Key Components also enjoyed vigorous growth and was able to improve its profitability considerably. Organic growth across all Solar Systems companies averaged in excess more than 60 %.

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Biohaus PV Handels GmbH, Paderborn, and its subsidiaries have been fully consolidated within the Solar Systems segment since May 9, 2006, and have already contributed EUR 5.2 million to the revenue for the quarter from that date.

Key figures (in EUR '000)	Q2/2006	Q2/2005
Revenue from third parties	40,824	304
Revenue from other segments	0	0
Change in inventories of finished goods and work in progress	3,608	0
Cost of materials	(37,009)	(218)
Employee benefit costs	(2,763)	(19)
Depreciation and amortisation	(996)	(1)
Other income and expense	(2,382)	(38)
EBIT	1,281	28

The key figures for Q2/2005 in the above table include the figures for the reallocated entity Ubbink Econergy Solar. The most revealing earnings figure for this segment, EDITDA (EBIT includes e.g. amortisation of supplier and customer relationships, brands and own fixed assets capitalised under IFRS rules), amounts to EUR 3.5 million after six months and is in line with the targets at 5.3 % of revenue.

The Solar Systems segment has continued and is continuing to work on expansion projects, particularly on further internationalisation and the rapid expansion of its market presence. The segment reported an export share of more than 25 % of revenue in the first half. The principal markets here are Spain, Italy and the USA, characterised by the fact that very attractive payment tariffs for grid supplies from photovoltaic systems have been introduced there along similar lines to the arrangements in Germany. CENTROSOLAR AG is planning to continue establishing and expanding its international sales activities at a rapid pace. The joint venture agreement concluded after the end of the quarter with the Chinese company Jumao Photonics Ltd., Xiamen, which has already been manufacturing high-quality solar cells and modules for five years, is precisely one such measure. CENTROSOLAR will use Jumao not simply as a procurement source, but also as an initial springboard for sales in Asia.

At the procurement end, further procurement sources for solar cells and solar modules have been secured. The additional volumes will have a positive effect in the second half of the year because the procurement bottleneck for solar modules will still persist, even if demand in Germany is not growing quite as vigorously as in the recent past. All in all, CENTROSOLAR is working on the assumption that there will be an excess demand at the supply end in the medium term, though the drastic rises in production capacity may bring about a temporary relaxation in the situation, possibly even coupled with prices drifting lower.

The prospects for the Solar Systems segment remain bright because its market positioning for smaller systems and in particular its focus on systems for private houses is very good. This applies particularly in the German market, which still accounts for the largest portion of revenue. However, continuing rapid progress in other selected countries and the integration of Biohaus will push revenue for the 2006 financial year beyond EUR 200 million; moreover EBITDA margins ought to be higher than in the first six months of the year. Also higher capacity utilisation will have a positive effect to the margins.

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As a result of the planned switch to the Prime Standard of Deutsche Börse in the autumn and the listing prospectus that is to be issued for that purpose, CENTROSOLAR AG is not permitted to publish new target figures until it has been admitted; the same applies to CENTROTEC. The switch to a different stock market tier will nevertheless also entail non-recurring charges of around EUR 1.0 million.

3.4. Medical Technology & Engineering Plastics

The Medical Technology & Engineering Plastics segment was able to boost revenue by over 19 % from EUR 7.0 million to EUR 8.3 million in the second quarter. This growth was generated in particular by the strong revenue performance both by Medical Technology and in the special area of fibre composites.

Key figures (in EUR '000)	Q2/2006	Q2/2005
Revenue from third parties	8,329	7,003
Revenue from other segments	246	175
Change in inventories of finished goods and work in progress	255	93
Cost of materials	(3,414)	(2,474)
Employee benefit costs	(3,612)	(3,165)
Depreciation and amortisation	(357)	(351)
Other income and expense	(1,366)	(1,068)
EBIT	80	212

Developments in the second quarter for the Medical Technology & Engineering Plastics segment were characterised by rising revenue, a very healthy level of orders however a still inadequate level of rate of return. The Medical Technology area has invested considerable effort and money in developing and positioning new products over the past few months; these have met with a very positive reception in the market. One such example is the newly developed high-end liquor drainage system for neurosurgery by the name of "LiquoGuard". Following its presentation at the DGNC trade fair in May and initial test results, it has met with a pleasingly positive response. Other medical technology products, including some specifically for neurosurgery, will also be unveiled in the next few months.

Centrotec Composites was able to win a new contract in the automotive sector. The company, which specialises in the processing of light, heat-shaped composite materials, has now also started production of parts for the Ford S-MAX in addition to making Ford Galaxy components. The start of volume production of parts for automotive use (loudspeaker cones are also manufactured) has prompted a significant jump in revenue. After start-up losses, the break-even point should be reached in the third quarter.

As well as expanding Centrotec Composites, the segment's longer-term strategy includes adjusting the product range and specialising further in market niches. For example, Centroplast Engineering Plastics has brought out a black-coloured material made from polyoxymethylene copolymer approved for use with foodstuffs, and thus broadened the range of applications to include medical technology and the food industry.

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Despite the higher revenue, earnings (EBIT) fell slightly on the previous year. The main reasons for this were the costly product developments in the Medical Technology area and the ramp-up of volume production for the automotive industry, which necessitated one-off and start-up costs.

Thanks to the positive development in revenue in the first months of the year and the very healthy level of orders, as matters stand the revenue target for the Medical Technology & Engineering Plastics segment of EUR 30 to 31 million should be met with relative certainty. The EBIT margin will likewise rise in the course of the year, with the result that the target result for the year can be achieved.

In response to the positive performance of the Medical Technology area, it is to be expanded over the coming months through the acquisition of new companies. The aim is then to transform this enlarged group of companies into a separate stock corporation along similar lines to CENTROSOLAR in 2005, and to go public with it. The formal preparations for this are currently being made for this structure, under the working name of "Centromedical". In the medium to long term, CENTROTEC's interest in "Centromedical" could also conceivably be scaled back in several stages. This is because medical technology and the out-and-out production and processing of plastic do no longer correspond with the focused alignment of the core segments of CENTROTEC Sustainable AG, which in recent years has very strongly developed into a specialist for energy-saving systems in housing construction.

4. Financial position

The balance sheet total showed a rise of 36.7 % compared with December 31, 2005 and a rise of 18.6 % compared with March 31, 2006, to EUR 294.6 million. One of the main reasons for this increase in the second quarter was the first-time consolidation of the Biohaus Group (in the first quarter: Solara), which in each case resulted in an extension of the balance sheet. Although shareholders' equity has risen by more than 30 % to EUR 135.3 million, the equity ratio fell, albeit slightly, to 45.9 % (December 31, 2005: 47.6 %; March 31, 2006: 47.2 %).

The rise in current assets from EUR 81.4 million at the start of the year to EUR 118.1 million (March 31, 2006: EUR 97.6 million) is largely attributable to the business expansion of the Solar Systems segment, which alone added EUR 27.1 million. The inventories of the Solar Systems segment in particular rose by EUR 22.4 million for seasonal reasons and as a result of acquisition activity. Trade accounts receivable rose by EUR 13.5 million in the first half and EUR 10.7 million in the second quarter. The group continues to have considerable cash and cash equivalents of EUR 10.0 million and unutilised further credit lines.

Likewise within the non-current assets, the newly consolidated entities of the Solar Systems segment played a major part in the rise from EUR 134.1 million to EUR 176.5 million. As well as a rise in property, plant and equipment of EUR 4.4 million to EUR 46.2 million, another major factor in the extension of the balance sheet was the increase in goodwill to EUR 93.8 million, largely as a result of the consolidation of Biohaus and Solara.

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Net working capital (current assets – cash and cash equivalents – current, non-interest-bearing financial liabilities) rose from EUR 31.8 million (December 31, 2005) to EUR 54.5 million (March 31, 2006: EUR 41.5 million). The biggest change affected inventories, which rose by all of EUR 22.6 million (March 31, 2006: EUR 9.7 million) compared with the end of 2005. EUR 22.4 million of this amount stems from the rapid expansion of inventories in the Solar Systems segment, the principal factors being on the one hand the acquisitions of Solara and Biohaus and on the other hand the deliberate buildup in this item in anticipation of high sales in the second half of the year. Receivables rose by EUR 13.5 million along with the higher revenues; the increase from the Solar Systems segment alone was EUR 8.7 million.

Current and non-current financial liabilities as a proportion of the balance sheet total have fallen slightly to 28.2 %, compared with 29.0 % in the consolidated financial statements for 2005, and likewise demonstrate that financial leeway still exists.

Net financial liabilities (current and non-current loans less cash and cash equivalents) amounted to EUR 73.1 million, compared with EUR 46.3 million at December 31, 2005 and EUR 54.9 million at March 31, 2006. This rise can be attributed on the one hand to the significantly higher volume of business and on the other hand to the companies acquired in the Solar Systems segment. The proportion of current financial liabilities of the balance sheet total has risen from 10.3 % at December 31, 2005 to a present 12.6 %, whereas the non-current proportion has fallen from 18.7 % to 15.6 %.

Cash flow I (EAT plus depreciation and amortisation) after six months was well up on the prior-year figure of EUR 6.8 million at EUR 16.1 million, as a result of the high net earnings. The cash flow from operating activities totalled EUR –14.4 million (March 31, 2006: EUR –7.9 million). This figure can only be explained by adopting a differentiated view of the individual segments, as the Solar Systems segment contributed EUR –15.4 million towards this figure due to the huge rise in working capital.

The cash flow from investing activities rose to EUR –11.1 million, compared with EUR –2.7 million in the previous year. Again its extent reflects the impact of EUR –9.8 million from the Solar Systems segment, within which the acquisitions of companies in the first half (Solara and Biohaus) alone accounted for EUR 8.8 million. Whereas a sum of EUR 5.2 million was repaid, new non-current financial liabilities totalling EUR 11.7 million were entered into.

5. Capital expenditure

The total extent of capital expenditure including goodwill and additions to fixed assets from acquisitions amounted to EUR 53.9 million in the first half. Of this sum, EUR 47.2 million was due to acquisitions. Ongoing current expenditure not necessitated by acquisitions, on property, plant and equipment and on intangible assets in Q2, was as follows:

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Capital expenditure (in EUR million)	Q2/2006	Q2/2005
Gas Flue Systems	2.8	0.7
Climate Systems	0.6	0.2
Solar Systems	0.8	0.0
Med. Technology & Eng. Plastics	0.5	0.3
Total	4.7	1.2

Capital expenditure (excluding acquisitions) was predominantly allocable to property, plant and equipment. The biggest investment projects are the construction of the new logistics centre in Belgium, technical facilities for logistics and IT infrastructure in Staphorst, extensions to the production line at the Brilon location and the renewal or extension of technical facilities for Medical Technology & Engineering Plastics. In addition to the investment projects mentioned, minor capital expenditure at the operating plants focused on the maintenance and extension of plant and machinery.

6. Development in employees

There was a marked rise in the average number of employees, expressed as FTE (full time equivalents), in the first half as a result of consolidation within the Solar Systems segment. With 1,331 FTE (previous year 943 FTE) as an average for the first half, the total is 326 FTE or 34 % up on the previous year. Of this total an average of 313 employees (FTE) were engaged in the Solar Systems segment.

The number of employees on June 30 was 1,421 (previous year 992). The higher number of employees has also meant that personnel expenses have risen substantially. This item was up EUR 7.3 million in the first half of the year, to EUR 26.5 million. In addition to the higher number of employees in absolute terms, this increase is also attributable to an increase in pay rates and in the number of well-qualified employees. Personnel expenses thus amounted to 18.6 % of revenue (previous year 28.8 %).

As a result of the new companies in the Solar Systems segment, whose new employees are based predominantly in Germany, the proportion of those employed in Germany has risen from 37 % in the previous year to 53 %. The second-largest contingent of employees is, as before, in the Netherlands, where 35 % (previous year 45 %) are based. The employee structure has shifted only slightly; the proportion of industrial employees was 61 % (previous year 60 %).

7. Share price developments

The price of CENTROTEC shares rose in the first few weeks of the quarter, reaching a new all-time high of EUR 35.70 on May 11. Along with the slump on virtually all stock markets in the second half of May, the CENTROTEC share price likewise fell to EUR 28.00 at the start of June, then recovering to EUR 29.52 by the end of that month.

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Source: www.ariva.de

Market capitalisation, based on approximately EUR 8.2 million shares, at the end of the reporting period was EUR 240 million,

8. Opportunities and risks

There have been no significant changes in the assessment of the opportunities and risks compared with the position outlined in the Annual Report for the year ending December 31, 2005. The general risks of cyclical developments and changes to the customer and competitor structure remain valid.

Specifically in the solar sector, increased international spread, and the integration of Biohaus has brought improved opportunities, in the procurement and sales market. The largest risk here continues to be delayed delivery by suppliers. The price cuts announced for next year by various cell and wafer manufacturers and rising production volumes will help to push sales slightly higher than expected in that sector.

Now that the process of merging the operations of various locations at Staphorst in the Climate Systems segment has largely been completed, there is further scope for improving efficiency and eliminating residual costs.

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9. Events occurring after the end of the quarter

On July 14, CENTROSOLAR AG concluded a joint venture agreement with Jumao Photonics Ltd., Xiamen, (Fujan, People's Republic of China). Jumao is a manufacturer of photovoltaic solar modules and in 2005 generated revenue approaching EUR 12 million with a workforce of 300. Its revenue is already expected to rise to EUR 30 million in 2006. CENTROSOLAR is investing EUR 0.8 million via its 10 % interest, with the financial resources being used in full to strengthen Jumao's equity base. The financial resources will enable the company to extend its production capacity.

10. Expectations for 2006

As a result of the planned switch by CENTROSOLAR AG to the Prime Standard of Deutsche Börse, no updated internal forecasts for the Solar Systems segment are currently being published. Because of this, the CENTROTEC forecasts announced in February for the 2006 financial year (revenue EUR 330 to 360 million; EBITDA EUR 44 to 48 million; EBIT EUR 32 to 36 million; operating EPS EUR 1.85 to 1.95) have not been adjusted following the acquisition of Biohaus through CENTROSOLAR AG.

The revenue forecasts for Gas Flue Systems, Climate Systems and Medical Technology & Engineering Plastics segments are proving accurate. The considerable additional expenses during the first six months lead to a result development under the expectations.

Indeed the Management Board expect a strong second half, with "catch-up effects" in the Gas Flue Systems segment, a continuation in the very good revenue in the Medical Technology & Engineering Plastics segment and the anticipated seasonal effects in the Solar Systems segment. The second half of the year will consequently make a substantially higher contribution towards revenue and earnings. Assuming that no exceptional expenditure additionally burdens the result for the second half of the year, the board remain confident of achieving above-average rates of return for 2006. The operating result will, however be nearer the lower end of the respective forecast range. By the end of the year the accounted net earnings and resulting EPS, including the income effect of transactions with minority interests, will nevertheless be well up on the forecast figures specified above.

The company is confronted with the perpetual risks of cyclical and customer-specific uncertainties in our principal sales markets, as well as the supply situation in the solar sector; these factors could potentially have an adverse effect on attainment of the targets.

CENTROTEC continues to pursue the objective of boosting revenue and accelerating growth through targeted corporate acquisitions. As in the past, however, only transactions that fit in with the strategy and that is limited in risk be entered into.

Brilon, August 2006

The Management Board

KEY FIGURES GROUP

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

in thousand EUR

KEY FIGURES

	30.06.2006	30.06.2005	Changes
Total revenue	142.086	66.525	113,6%
Medical Technology & Engineering Plastics	16.319	13.917	17,3%
Climate Systems	22.384	18.407	21,6%
Gas Flue Systems	36.389	33.520	8,6%
Solar Systems	66.994	681	100,0%
Earnings			
EBITDA	12.308	10.098	21,9%
EBIT	8.007	7.768	3,1%
EBIT Yield (in %)	5,6%	11,8%	
EBT	14.098	6.779	108,0%
EAT	11.756	4.472	162,9%
EPS (in EUR; basic)	1,39	0,57	143,9%
Capital Structure ***			
Balance sheet total	294.587	215.572	36,7%
Shareholders' equity	135.263	102.673	31,7%
Equity ratio (in %)	45,9%	47,6%	
Property, plant and equipment	46.198	41.766	10,6%
Intangible Assets	27.607	24.977	10,5%
Goodwill	93.822	55.310	69,6%
Net financial liabilities	73.078	46.328	57,7%
Net Working Capital	54.523	31.793	71,5%
Cash Flow Statement			
Cash flow I (EAT & depreciation/amortisation)	16.057	6.802	136,1%
Cash flow from operating activities	(14.348)	1.875	-865,2%
Cash flow from investing activities	(11.081)	(2.732)	305,6%
Employees			
Total (in FTE)	1.331	943	41,2%
Shares*			
Number of shares**	8.076	7.907	2,1%
Share price 01.01.	25,15	21,90	
Year-high	35,70	26,00	
Year-low	25,15	19,85	
Share price 30.06.	29,52	24,65	

* Quotation in EUR

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

*** Previous period is related to December, 31 2005

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

in thousand EUR

ASSETS

	30.06.2006	31.12.2005
Current assets		
Cash and cash equivalents	9.989	16.203
Short-term Investments / Marketable securities	0	1.560
Trade account receivables	40.743	27.205
Inventories	52.145	29.525
Other assets	13.515	5.790
Income tax receivable	1.670	1.159
	118.062	81.442
Non current assets		
Property, plant and equipment	46.198	41.766
Intangible assets	27.607	24.977
Goodwill	93.822	55.310
Loans	1.842	137
Financial investments accounted for using the equity method	2.630	9.227
Deferred tax	4.280	2.652
Other assets	146	61
	176.525	134.130
Assets	294.587	215.572

CONSOLIDATED BALANCE SHEET

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

in thousand EUR

EQUITY AND LIABILITIES

	30.06.2006	31.12.2005
Current liabilities		
Financial liabilities and current portion of non-current financial liabilities	37.079	22.234
Trade accounts payable	24.900	16.091
Other accruals	751	827
Income tax payable	2.769	1.144
Other liabilities	25.131	15.384
	90.630	55.680
Non current liabilities		
Financial liabilities	45.988	40.297
Deferred tax	8.993	5.262
Pension accruals	1.365	1.225
Other accruals	4.379	2.621
Other liabilities	7.969	7.814
	68.694	57.219
Shareholders` equity		
Share capital	8.180	8.033
Additional paid-in-capital	23.590	21.987
Treasury stock	(112)	(112)
Share benefit reserve	484	533
Deferred tax reserve	567	943
Currency translation differences in shareholders' equity and fair value adjustment of interest rate derivatives	(363)	(375)
Retained earnings	44.367	26.409
Profit attributable to share capital holders of the CENTROTEC Sustainable AG	11.262	17.958
Minority interest	47.288	27.297
	135.263	102.673
Equity and Liabilities	294.587	215.572

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2006

in thousand EUR

INCOME STATEMENT

	01.01.2006 30.06.2006	01.01.2005 30.06.2005
Revenues	142.086	66.525
Other operating income	2.985	1.149
Changes in inventories of finished goods and work in progress	8.231	579
Production for own fixed assets capitalized	258	23
Cost of purchased materials and services	(94.536)	(28.256)
Personnel expenses	(26.464)	(19.140)
Depreciation and amortisation	(4.301)	(2.330)
Other operating expenses	(20.252)	(10.782)
Operating income (EBIT)	8.007	7.768
Interest income and expenses	(1.804)	(989)
Profit from transactions with minorities	7.863	0
Result of investments accounted for using the equity method	32	0
Result before income taxes (EBT)	14.098	6.779
Income tax	(2.342)	(2.307)
Net income (EAT)	11.756	4.472
Profit or loss attributable to minority interest	494	(9)
Profit attributable to share capital holders of CENTROTEC Sustainable AG	11.262	4.481

EPS (Earnings per share in EUR)

Earnings per share (basic)	1,39	0,57
Earnings per share (diluted)	1,35	0,55
Weighted average shares outstanding (in numbers; basic)	8.075.595	7.907.429
Weighted average shares outstanding (in numbers; diluted)	8.323.009	8.207.470

CONSOLIDATED INCOME STATEMENT

of CENTROTEC Sustainable AG, Brilon

from April 1 to June 30, 2006

in thousand EUR

INCOME STATEMENT

	01.04.2006 30.06.2006	01.04.2005 30.06.2005
Revenues	80.065	33.823
Other operating income	1.188	591
Changes in inventories of finished goods and work in progress	3.160	387
Production for own fixed assets capitalized	107	21
Cost of purchased materials and services	(53.886)	(14.497)
Personnel expenses	(13.721)	(9.850)
Depreciation and amortisation	(2.365)	(1.188)
Other operating expenses	(10.195)	(5.241)
Operating income (EBIT)	4.353	4.046
Interest income and expenses	(1.090)	(506)
Profit from transactions with minorities	4.224	0
Result of investments accounted for using the equity method	25	0
Result before income taxes (EBT)	7.512	3.540
Income tax	(1.338)	(1.225)
Net income (EAT)	6.174	2.315
Profit or loss attributable to minority interest	321	(11)
Profit attributable to share capital holders of CENTROTEC Sustainable AG	5.853	2.326

CONSOLIDATED CASH FLOW STATEMENT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2006

in thousand EUR

CASH FLOW STATEMENT

	01.01.2006 30.06.2006	01.01.2005 30.06.2005
Net income before taxes and interest (EBIT)	8.007	7.768
Depreciation	4.301	2.330
Gain/loss on disposal of non-current assets	(153)	4
Other non-cash items	902	831
Increase/decrease in provisions	66	(524)
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(27.470)	(3.356)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	3.243	(2.372)
Interest paid	(1.230)	(942)
Income taxes paid	(2.014)	(1.864)
Cash Flow from operating activities	(14.348)	1.875
Acquisition of share in participations - net of cash acquired and outstanding earn outs to be paid	(9.958)	(769)
Transactions with Minorities - cash received	5.182	0
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets	(6.697)	(2.011)
Proceeds from disposal of property, plant and equipment/ intangible assets/ investments/ financial assets	392	48
Cash Flow from investing activities	(11.081)	(2.732)
Proceeds from issuance of shares	1.125	654
Proceeds from borrowings repayment of borrowings	6.543	(767)
Cash Flow from financing activities	7.668	(113)
Change in liquid funds	(17.761)	(970)
Liquid funds at the beginning of the financial year	5.556	(1.193)
Liquid funds at the end of the period	(12.205)	(2.163)

STATEMENT OF MOVEMENTS IN EQUITY

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2006

in thousand EUR

STATEMENT OF MOVEMENTS IN EQUITY

	Share capital	Additional paid-in capital	Treasury stock	Stock option reserve	Deferred tax reserve	Re-valuation reserves	Retained earnings and profit carry-forward	Profit attributable to share capital holders of CENTROTEC	Minority interest presented within equity	Consolidated equity
December 31, 2004	7.889	11.849	(112)	405	860	(359)	16.274	10.135	26	46.966
Payment into revenue reserves							10.135	(10.135)		0
Change from the exercise of options	144	686								830
Share option plan		615		128	83					825
Changes due to acquisition activities		8.837							27.276	36.113
Fair Value adjustment interest rate derivatives						(21)				(21)
Correction IAS 8								(33)		(33)
Currency translation differences						5				5
Profit attributable to shareholders of CENTROTEC AG								17.991		17.991
Profit or loss attributable to minority interest									(5)	(5)
December 31, 2005	8.033	21.987	(112)	533	943	(375)	26.409	17.958	27.297	102.673
Payment into revenue reserves							17.958	(17.958)		0
Change from the exercise of options	147	978								1.125
Share option plan		625		(49)	(376)					200
Changes due to acquisition activities									19.497	19.497
Fair Value adjustment interest rate derivatives						75				75
Currency translation differences						(63)				(63)
Profit attributable to shareholders of CENTROTEC AG								11.262		11.262
Profit or loss attributable to minority interest									494	494
June 30, 2006	8.180	23.590	(112)	484	567	(363)	44.367	11.262	47.288	135.263

SEGMENT REPORT

of CENTROTEC Sustainable AG, Brilon

from January 1 to June 30, 2006

in thousand EUR

SEGMENT REPORT

Segment Structure in EUR '000	Medical Technology & Engineering Plastics		Climate Systems		Gas Flue Systems		Solar Systems		Consolidation		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Statement of Earnings												
Revenue from third parties	16.319	13.917	22.384	18.407	36.389	33.520	66.994	681	0	0	142.086	66.525
Revenue from other segments	457	397	93	78	839	98	0	0	(1.389)	(573)	0	0
Chang. in invent. of finished goods and work in progress	160	296	169	463	250	(180)	7.652	0	0	0	8.231	579
Cost of purchased materials	(6.365)	(5.005)	(10.003)	(7.828)	(17.865)	(15.447)	(61.692)	(549)	1.389	573	(94.536)	(28.256)
Employee benefits costs	(7.024)	(6.178)	(6.142)	(5.331)	(8.295)	(7.598)	(5.003)	(33)	0	0	(26.464)	(19.140)
Depreciation and amortisation expense	(711)	(690)	(544)	(306)	(1.438)	(1.332)	(1.608)	(2)	0	0	(4.301)	(2.330)
Other income and expense	(2.642)	(2.217)	(2.985)	(1.673)	(7.004)	(5.630)	(4.378)	(90)	0	0	(17.009)	(9.610)
EBIT	194	520	2.972	3.810	2.876	3.431	1.965	7	0	0	8.007	7.768
Interest result											(1.804)	(989)
Profit from transactions with minorities											7.863	0
Result of investments accounted for using the equity method					18		14				32	0
EBT											14.098	6.779
Income tax											(2.342)	(2.307)
Net income (EAT)											11.756	4.472
Profit or loss attributable to minority interest											494	(9)
Profit attributable to shareholders											11.262	4.481
Balance Sheet Key Figures*												
Assets	25.697	23.307	44.710	43.089	73.077	64.971	142.523	71.167	0	0	286.007	202.534
Investments accounted for using the equity method	0	0	0	0	687	669	1.943	8.558	0	0	2.630	9.227
Entitlement to income tax rebates**											5.950	3.811
Total liabilities	5.222	5.117	8.669	7.647	10.639	12.725	39.965	18.473	0	0	64.495	43.962
Financial liabilities											83.067	62.531
Income tax payable**											11.762	6.406
Investments												
Total costs of acquired property, plant, equipment and intangible assets	1.192	437	782	60	3.678	423	44.567	0	0	0	50.219	920

* Previous year is related to December, 31 2005

** Including deferred tax

*** Incl. Goodwill and values out of business combinations

GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

Explanatory Notes

1. Accounting standards and policies

This Quarterly Report has been drawn up in accordance with the International Financial Reporting Standards (IFRS) and the guidelines of Deutsche Börse AG on "Structured Quarterly Reports". The accounting standards published by the IASB (International Accounting Standards Board) have been applied. The accounting policies explained in the annual financial statements have likewise been applied in this Quarterly Report.

2. Changes in the second quarter

– Change in company and investment structure

The corporate and balance sheet structure changed compared with the financial statements for the first quarter of 2006 through the acquisition of Biohaus. The business activities of CENTROTEC continue to be allocated to the segments Medical Technology & Engineering Plastics, Climate Systems, Solar Systems, and Gas Flue Systems/Others.

CENTROSOLAR AG acquired Biohaus PV Handels GmbH, Paderborn, in full on May 9, 2006, since which date it has been fully consolidated. The group comprises Biohaus PV Handelsgesellschaft mbH, Paderborn, and also shares in ASS (Automotive Solar Systems) GmbH, Germany (32.67 %), WestfalenSolar GmbH, Germany (45.0 %) and Sunarc A/S, Denmark (12.5 %). ASS is recognised within the group using the equity method, whereas the other two investments are recognised at cost. The acquisition was paid for partly in the form of a contribution in kind in exchange for the issue of 694,444 new shares in CENTROSOLAR AG. As a result of the issue of CENTROSOLAR shares, the stake held in CENTROSOLAR AG by CENTROTEC Sustainable AG has fallen further from 38.16 % at the end of the first quarter to 36.02 %. The total purchase price was EUR 22.0 million. 67.9 % was paid in the form of shares issued, and EUR 2.5 million in cash. From the viewpoint of the acquirer, new intangible assets were identified, comprising substantially brand values, customer relationships and supply agreements. Within financial investments, undisclosed reserves were exposed at investments acquired in the process. The provisional process of allocating the purchase price has revealed the following key data:

Key data for Biohaus at the time of acquisition (in EUR '000)	Market values	Carrying amounts
Fixed assets	5,537	2,785
Current assets	10,129	10,135
Total liabilities	-10,983	-10,373
Net assets	4,683	2,547
Purchase price paid	-21,989	
Goodwill	17,306	

GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

Explanatory Notes

The French company KORRI*BAT SARL, Chapelle sur Erdre, is a new business entity established with the purpose of focusing on the sale of products along the DIY sales channel.

The transfer of all shares of CENTROSOLAR AG in Solara AG to Solara Holding GmbH was completed with the entry on the Commercial Register on May 30, 2006. A control and profit transfer agreement was concluded between Solara Holding GmbH and Solara AG.

By deed of May 31, 2006, 28 % of the shares in Solarsquare AG were transferred by CENTROSOLAR AG to Centrosolar Schweiz AG.

– Change in composition of Supervisory Board and Management Board

On the Management Board of CENTROTEC Sustainable AG, Norbert Vroege took charge of the Climate Systems Division on April 1, 2006 in place of Rob Slemmer, who has left the Management Board to enter retirement.

– Reportable security holdings

The totals of reportable shares and stock options at June 30, 2006 are shown in the following table:

	Total shares	Total options*
Management Board		
Dr. Gert-Jan Huisman	1,016	72,473
Martin Beijer	0	19,500
Dr. Alexander Kirsch	16,450	90,644
Norbert Vroege	0	0
Dr. Christoph Traxler	0	36,722
Supervisory Board		
Guido A. Krass	1,200,000	0
Dr. Bernhard Heiss	0	0
Christian C. Pochtler	0	0
CENTROTEC		
Ordinary shares	8,179,894	0
Treasury stock	6,040	0

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

Between April 1, 2006 and June 30, 2006, a total of 147,318 new shares were created through the exercising of options during the exercise period, with the result that the current total number of shares at the end of June 2006 is 8,179,894. The number of options at June 30, 2006 is 344,238, of which 244,238 can be exercised.

GROUP QUARTERLY REPORT

of CENTROTEC Sustainable AG, Brilon

at June 30, 2006

Explanatory Notes

– Contingent liabilities

There has been no significant change in contingent liabilities since the balance sheet date. Only in the Solar Systems segment was there a rise in warranty obligations as a result of business expansion. A guarantee of EUR 0.7 million was in addition underwritten in connection with the takeover of Biohaus PV Handels GmbH. In case of capacity enlargement of ASS there may arise a payment obligation into equity of ASS amount to EUR 0.7 million and other guarantees amount to EUR 1.0 million.

– Dividend payments

No dividend payment was made for the 2005 financial year, nor is such a payment envisaged for the current financial year.

3. Significant events occurring after the reporting date

On July 14, 2006 CENTROSOLAR AG concluded a joint venture agreement with Jumao Photonics Co Ltd., Xiamen, Fujian, in the People's Republic of China, which manufactures photovoltaic solar modules. This agreement includes an equity interest of 10 % in Trillion Sun International Co., Ltd, Hong Kong, which in turn is the sole proprietor of Jumao Photonic. CENTROSOLAR AG invested EUR 0.8 million in this venture.

To support the additional activities planned in the Spanish solar market, a subsidiary of CENTROSOLAR AG was established there by deed of July 4, 2006 and reported for entry on the commercial register under the company name Centrosolar Fotovoltaiko Hispania SL.

Schroders plc, Schroder Administration Limited and Schroder Investment Management Limited, London, have notified us pursuant to Section 21 (1) of German WpHG that their shares of voting rights in our company in each case fell below the threshold of 5 % on July 4, 2006 and are now in each case 4.90 %.

