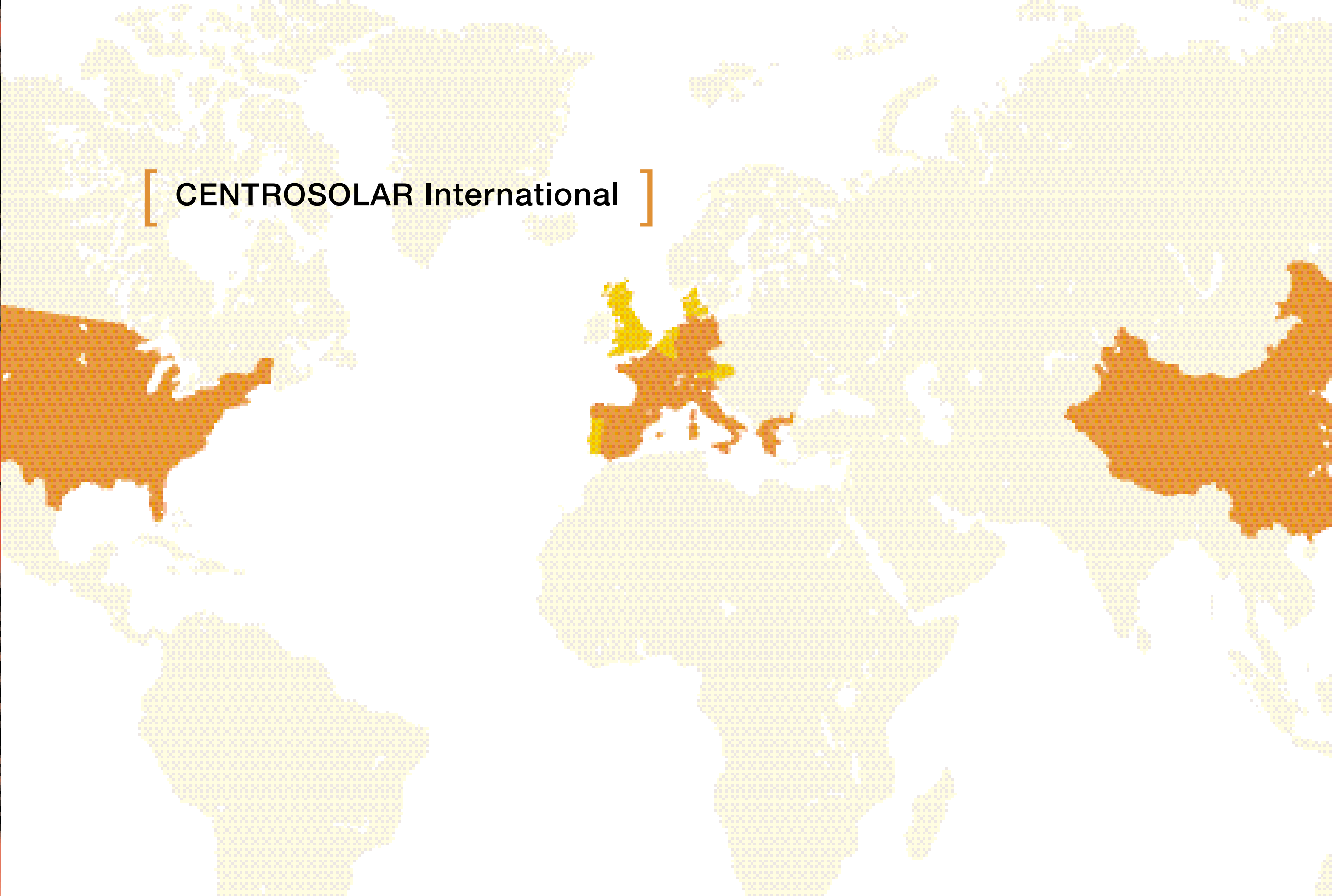
Annual Report 2006

Success Through Sustainability.

[CENTROSOLAR International]



Ron Tovella
[Centrosolar America Inc.]
Ron Tovella (born 1953) has held senior positions in the US solar industry for 20 years. Among other things, he was responsible for the entire North and Central America region as Sales Director of BP Solar.

Rupert Paris
[Solarsquare AG]
Rupert Paris (born 1972) worked as Vice President of SBV SpA for eight years, where he was assigned to Leitner SpA, Vipiteno, Italy. He developed the strategic business area of Wind Power and Renewable Energies there.

Wojciech Swietochowski
[Centrosolar Italia Srl]
Wojciech Swietochowski (born 1967) previously spent 7 years working for Thüga AG, latterly as Technical Director of Thüga Italia S.r.l. Thüga supplies natural gas to over 750,000 customers in Italy.

Gerson Castillo
[Centrosolar Fotovoltaico Hispania S.L.]
Gerson Castillo (born 1970) can look back on several years of experience in the solar industry. He was latterly responsible for building up international business at Phönix SonnenStrom and masterminded two multi-megawatt PV projects in Spain.

Panos Kilimis
[Centrosolar Hellas MEPE]
Panos Kilimis (born 1961) was formerly a senior manager in the export of domestic installations and possesses extensive experience in building up sales networks.

CENTROSOLAR adopts a unique concept of helping fitters with the marketing and installation of photovoltaic systems on the roofs of houses. We are already the leaders in our field in Germany. We are now rolling out this successful concept internationally. We are promoting this expansion drive by establishing our own subsidiaries and tapping into the local networks of the CENTROTEC Group.

In export sales:

Monika Doser

Marion Fiege

Torsten Lütten

Key figures of the group

Consolidated Income statement	31/12/2006 EUR '000	31/12/2006 % of revenue	31/12/2005 EUR '000	31/12/2005 % of revenue	Change
Revenue	172,188	100.00 %	15,107	100.00 %	1039.8 %
Revenue pro forma*	183,811		123,411		49.0 %
Gross profit	32,475	18.86 %	2,619	17.34 %	1139.8 %
EBITDA (adjusted) **	9,824	5.71 %	225	1.49 %	4266.2 %
EBIT (adjusted) **	8,904	5.17 %	220	1.45 %	3947.3 %
EBITDA	9,194	5.34 %	225	1.49 %	3986.2 %
EBIT	2,128	1.24 %	(80)	-0.53 %	-2760.0 %
EAT after minority interests	1,725	1.00 %	61	0.40 %	2727.9 %

Cash Flow Statement	31/12/2006 EUR '000	31/12/2006 % of revenue	31/12/2005 EUR '000	31/12/2005 % of revenue	Change
Cash flow I (EAT + depreciation and amortisation)	8,671	5.04 %	347	2.30 %	2398.9 %
Cash flow from operating activities	(9,028)	-5.24 %	(1,801)	-11.92 %	401.2 %
Cash flow from investing activities	(14,903)	-8.65 %	(17,527)	-116.02 %	-15.0 %

Balance Sheet	31/12/2006 EUR '000	31/12/2006 % tot. bal.	31/12/2005 EUR '000	31/12/2005 % tot. bal.	Change
Net working capital	26,540	17.79 %	7,544	9.28 %	251.8 %
Fixed Assets	79,304	53.17 %	48,039	59.06 %	65.1 %
Of which goodwill	50,297	33.72 %	13,431	16.51 %	274.5 %
Net financial position ***	(19,738)	-13.23 %	1,452	1.79 %	-1459.0 %
Shareholders' equity	73,525	49.29 %	44,199	54.34 %	66.4 %
Balance sheet total	149,160	100.00 %	81,336	100.00 %	83.4 %

Share und EPS	31/12/2006	31/12/2005
Number of shares (weighted average shares outstanding; basic)	12,373,473	3,217,984
EPS (in EUR; basic)	0.14	0.02
„Cash-EPS" (in EUR; basic) **	0.61	0.06

	02/01/2006	Year-high	Year-low	31/12/2006
Share price in EUR	12.40	21.50	9.00	9.40

Employees	31/12/2006	31.12.2005	Change
Total (in FTE)	364	157	131.85 %

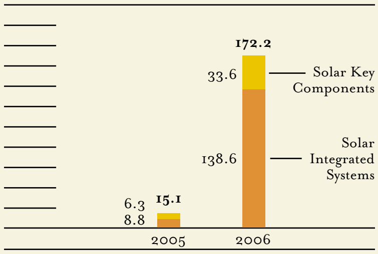
* Assuming all companies consolidated at December 31, 2006 had already belonged to the group at January 1, 2005.

		31/12/2006	31/12/2005
**	After elimination of depreciation and amortisation from initial consolidation (IFRS 3) in EUR '000,	6,146	300
	and IPO expenses in EUR '000.	630	0

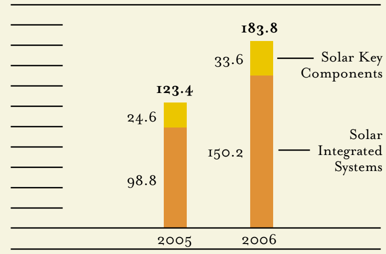
*** Cash and cash equivalents + securities + loans originated by the enterprise – financial debt

Key figures at a glance

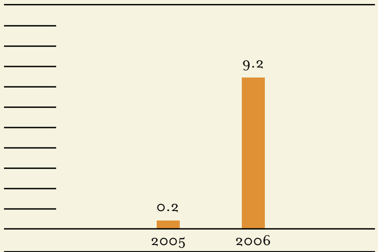
Revenue
[in EUR million (consolidated)]



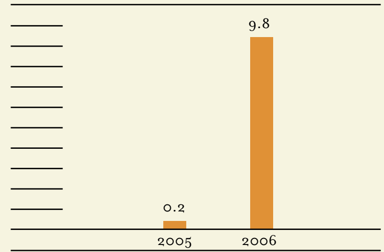
Revenue pro forma*
[in EUR million]



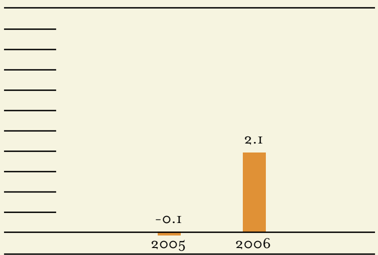
EBITDA
[in EUR million (consolidated)]



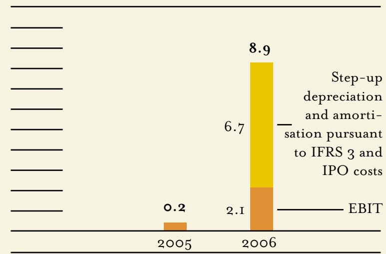
EBITDA adjusted**
[in EUR million]



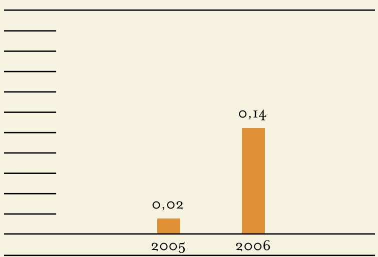
EBIT
[in EUR million (consolidated)]



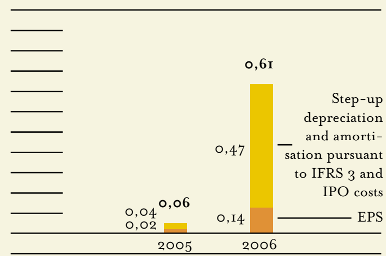
EBIT adjusted**
[in EUR million]



EPS
[in EUR (consolidated)]



Cash-EPS**
[in EUR]



* Assuming all companies consolidated at December 31, 2006 had already belonged to the group at January 1, 2005.

		31.12.2006	31.12.2005
**	After elimination of depreciation and amortisation from initial consolidation (IFRS 3) in EUR '000	6,146	300
	and IPO expenses in EUR '000	630	0

Table of contents

18

Solar Integrated Systems

26

Solar Key Components

Letter to Shareholders

Dear Business Partners, Prospective Investors and Shareholders of CENTROSOLAR AG, Dear Colleagues,

I could scarcely believe it: the EU member states have actually agreed to cover at least 20 % of energy requirements from renewable energy sources by 2020. So, there is hope yet.

As we are all aware, water, wind and biomass will acquire an important role in the energy mix of the future. Yet their potential is insufficient even remotely to meet the enormous demand for energy that our lifestyle entails.

Does this mean, then, that we will be running out of energy? By no means! Every day, many times the amount of energy that we will ever need reaches the earth from the sun. In order to produce the amount of electricity that Germany uses every year, we would have to cover an area measuring about 75x75 kilometres with solar modules – based on present-day technology, I should add, and there is still scope for optimisation in that respect.

Much of our roof area remains largely unused. We at CENTROSOLAR are Germany's leading company for supplying systems for house roofs. We can assist even inexperienced fitters with sales and installation matters thanks to our robust, easy-to-install systems and in-depth service arrangements.

In addition to private houses, we are now tackling the huge potential of large-area industrial roofs. Many of them are unable to support the weight of traditional modules. That is why we have brought onto the market ultra-lightweight systems that are made from plastic instead of glass.

Solar energy can be exploited much more effectively in countries further south than Germany. Spain, Italy, France and Greece have now likewise decided to go down the road of subsidising solar energy. They represent further major growth markets. CENTROSOLAR has already established a presence there with subsidiaries of its own. What promises shortly to become the world's largest solar market is currently taking shape in the USA. We have likewise established a presence there.

In its first full financial year, CENTROSOLAR has delivered emphatic proof that the merger of our group companies was the right move. All member companies have been able to grow faster and enter new areas of business as a result. Together, we have moreover been able to gain a foothold in other countries very swiftly.

Our main task for 2007 will now be to further consolidate our internal collaboration and develop into a company that is among the top international players.

Preserving a healthy climate and an environment that is worth living in is a global task. We – CENTROSOLAR – are prepared to take up that challenge.

With best wishes,

Dr. Alexander Kirsch
[Chief Executive Officer]

The CENTROSOLAR Strategy

Spotlight on a profitable core segment: solar roof systems

In the solar market's value chain, CENTROSOLAR concentrates on the manufacturing and sale of integrated systems, as well as components such as glass and mounting systems. Solar integrated systems are designed with the focus on smaller systems for private houses and are distributed in particular via the specialist trade, to the heating engineers and electricians used locally by homeowners.

By entering the segment of building-integrated photovoltaics based predominantly on thin-film technology and branching out into project development for larger-scale photovoltaic systems on industrial roofs, CENTROSOLAR has further broadened this core segment.

Roof-mounted solar systems attract the highest subsidies and could be realised with high returns for the end user in 2006, despite the high prices at many locations. Whereas large solar parks increasingly experienced price pressure, our core segment of photovoltaic systems for the roofs of private houses continued to grow profitably.

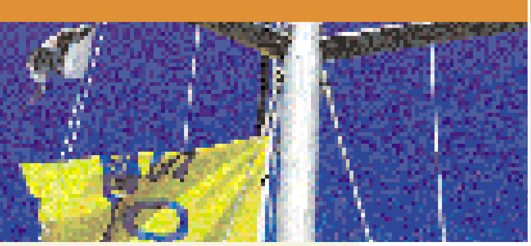
The "buy and build" strategy

Over the past 18 months, CENTROSOLAR has channelled considerable financial resources into the acquisition and integration of the seven group companies. The focus of activities during the current financial year is therefore on securing substantial organic growth in revenue and earnings, both in Germany and internationally. The parent company nevertheless has further financial leeway that will permit expansion in the form of corporate acquisitions, particularly where these increase its international spread.

Under one

18

Modules/Grid and Non-grid systems



Solara
Hamburg

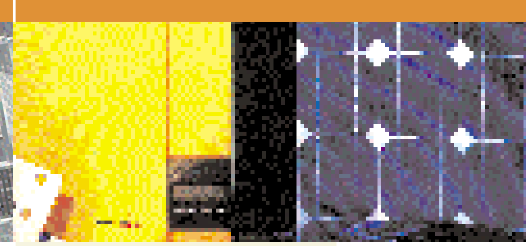
20

Building Integrated PV

Biohaus
Paderborn

22

Expert systems for fitters



Solarstocc
Durach/Kempten

By offering the trade competitive prices, packaged appropriately together with the right products and services, CENTROSOLAR's strategy is to develop the various brands of its own group companies and to generate enduringly high customer loyalty.

The CENTROSOLAR brand Solarstocc, for instance, has concentrated on high-quality integrated systems that produce a high energy yield, are particularly robust in design and also reflect the needs of a householder by being visually appealing.

CENTROSOLAR has positioned itself in the market for building-integrated photovoltaics through the Biohaus brand. Biohaus solar roof tiles based on crystalline technology or thin-film technology combine photovoltaics with the roof's skin. The lightweight, flexible thin-film modules are unequalled for use on roofs of lightweight-construction halls and blend in perfectly with the building's architecture.

Our group company Solara covers the segment of non-grid-connected solar energy systems for boats, caravans, buoys or isolated houses in both industrialised and developing countries.

In the Solar Key Components segment, our company Centrosolar Glas has a patented process for the nanocoating of glass, by means of which the efficiency of solar modules can be boosted by as much as 5 %.

CENTROSOLAR group companies furthermore have patents for mounting systems for flat and sloping roofs for in-roof and surface-mounted installation.

International expansion

According to our estimates, new facilities generating approx. 600 to 800 MWp were connected to the grid in Germany in 2006. In absolute terms, our domestic market therefore again accounted for the lion's share of global demand of approx. 1,200 to 1,500 MWp. However, the

roof

24

Solar Modules

Ubbink Solar Modules
Netherlands

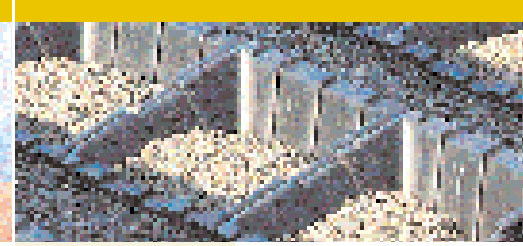
26

Solar Glass/Anti-Reflection

Centrosolar Glas
Fürth

28

Mounting Systems



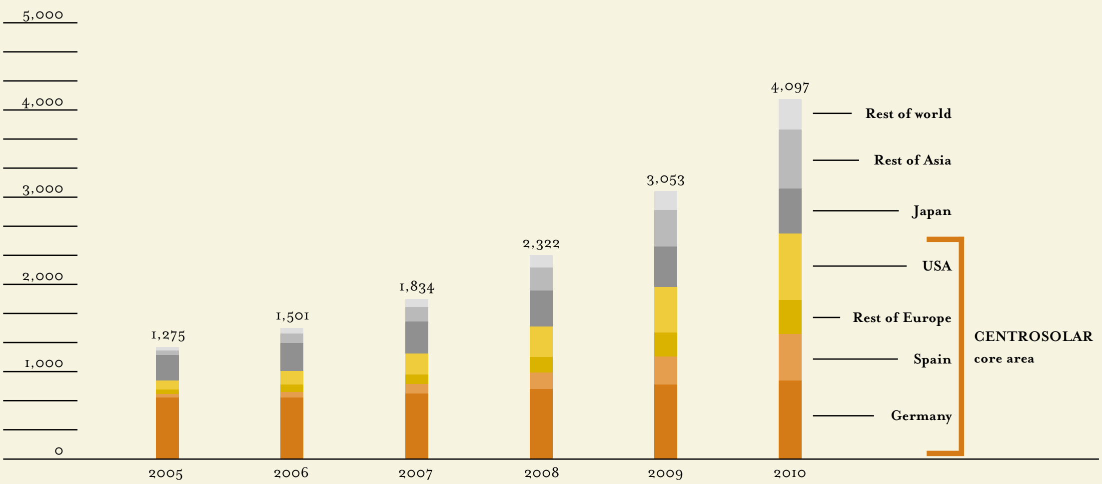
Ubbink Econergy Solar
Cologne

relative growth rates particularly in Spain, but also Italy, France and Greece, were much higher last year. That is why CENTROSOLAR has established companies of its own in those regions. A total of 425 MWp has been installed to date in the USA, including 155 MWp in 2006 alone. Experts from Bankhaus Sarasin forecast that this figure will rise to more than 750 MWp by 2010. In order to profit from this impending boom, CENTROSOLAR has now also established its own subsidiary in the USA.

Farsighted purchasing policy

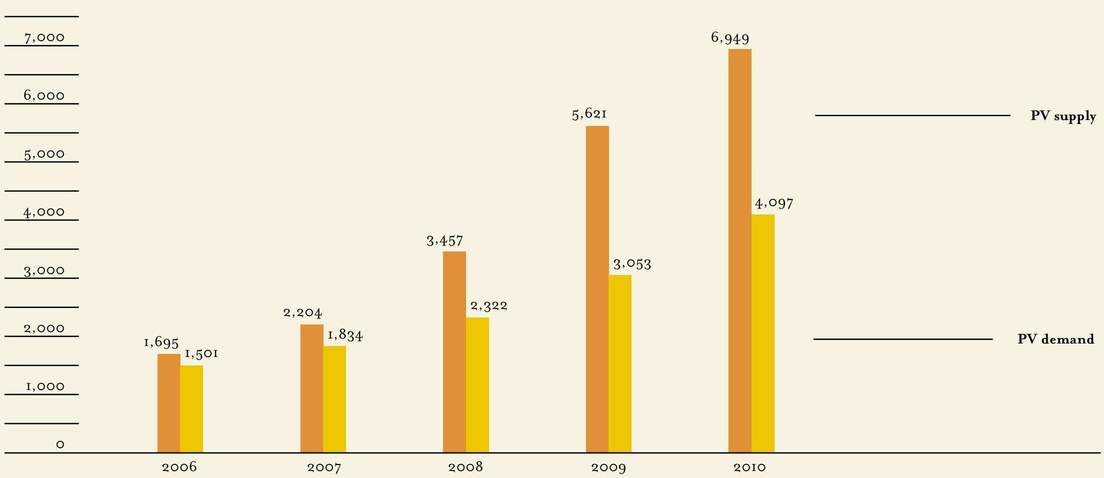
CENTROSOLAR expects that the supply of solar cells should approximately double very rapidly, by 2008. Flying in the face of the general market trend, we have therefore not entered into any long-term solar cell procurement contracts that entail long-term volume and price commitments. At the time of writing, in early 2007, the shortage of silicon and solar cells is already easing. Our financial procurement strategy has consequently proved successful. We are now in a position to maintain and possibly even increase our margins now that purchase prices are falling.

Growing demand for solar energy
[in MWp newly installed]



(Source: Sarasin)

Oversupply of solar silicium likely
[in MWp (excluding thin-film technology)]



(Source: Sarasin 2006)

Chronology of CENTROSOLAR AG in 2006

01 Acquisition of the remaining 80 % of the shares in Solara AG. This photovoltaic systems manufacturer is now fully owned by the CENTROSOLAR Group. The company has over 100 employees and is among the pioneers of the German solar market, with ten years' experience in this field.

04 CENTROSOLAR opens the world's most modern, fully automated production line for manufacturing solar modules at Doesburg, in the Netherlands. Operating three shifts a day, the subsidiary Ubbink Solar Modules B.V. has since produced some 50,000 solar modules, equivalent to an annual 10 MWp.

05 Purchase of Biohaus PV Handelsgesellschaft GmbH. CENTROSOLAR thus incorporates the specialist for PV building integration into the group. A further advantage: Biohaus has long-established contacts in Southern Europe's growth markets.

07 Asian joint venture with Jumao/Trillion Sun. CENTROSOLAR secures a 10 % interest in the Taiwanese company Trillion Sun Co. Ltd. and in its subsidiary Jumao, a manufacturer of solar modules. The company also serves as a bridgehead in Asia for the procurement of solar cells.

09 Complete integration of Solarstocc AG. CENTROSOLAR acquires the remaining 34 % shares in Solarstocc AG. This company has specialised in sales of small to medium-sized integrated systems particularly for private houses, and offers an extensive range of services, including for fitters inexperienced in dealing with PV.

10 Switch to the Prime Standard of the Frankfurt Stock Exchange. Companies whose shares are admitted to the Prime Standard must meet rigorous international standards of transparency. The trading segment is a condition of being considered by many international funds.

11 Entry into the field of solar thermal. In partnership with Wolf GmbH, CENTROSOLAR is developing its own hot water collectors, and in exchange is supplying photovoltaic technology to Wolf for its established sales channels in Southern and Eastern Europe as well as in the German OEM market.

2007

02 Purchase option for increasing the investment in Trillion Sun by a further 10 % through a capital increase by December 31, 2007. The company is to be listed on the Hong Kong Stock Exchange in 2008. Trillion Sun aims to use the proceeds of the IPO to fund its expansion in Asia.

03 Establishment of the new subsidiary Centroplan GmbH together with Pohlen Bedachungen GmbH & Co. KG. The company, in which CENTROSOLAR holds a 51 % interest, concentrates on the project planning of PV systems with an output range of 0.2 to 3 MWp on industrial roofs.

Chronology of the individual companies

1985 Establishment of Biohaus, Paderborn

1995 Development of a solar mounting system for sloping roofs (CENTROTEC)

1996 Establishment of Solara, Hamburg

1999 Development of a further solar mounting system (CENTROTEC)

2000 Flabeg hived off from the Pilkington Group (Centrosolar Glas)

2001 Biohaus becomes market leader for solar roof tiles (Biohaus)

Opening of a new solar module production plant in Wismar (Solara)

2002 Establishment of Solarstocc, Durach (Kempten)

Establishment of Flabeg Solarglas and market launch of the anti-reflective nanocoating (Centrosolar Glas)

2003 Development of the Powerstocc generation of converters (Solarstocc)

2004 Establishment of Solarsquare AG and conclusion of a 113 MWp supply agreement for solar silicon with Wacker (Solarsquare)

Purchase of patents for solar mounting systems for industrial roofs and establishment of Ubbink Econergy (CENTROTEC)

2005 Establishment of the joint venture Ubbink Solar Modules, for the production of solar modules, together with Econcern, Utrecht, and therefore contract for supply of solar cells from Solland, NL (CENTROTEC)

German Solar Award in the category "Owners and Operators of Systems for the Utilisation of Renewable Energies" (Biohaus)

2006 Environmental Award of the state of North Rhine-Westphalia for an energy-saving greenhouse with a pioneering combination of film and glass with an anti-reflective coating (Centrosolar Glas)

Market launch of the patented Quickstocc mounting system (Solarstocc)

Market launch of UniPro and PV Plate modules, thus extending the range to include products based on thin-film cells (Biohaus)

Opening of a new plant for the production of solar modules; the new plant will produce at least 10 MWp in 2006, rising to 20 MWp by 2010 (Ubbink Solar Modules)

Financial Calendar 2007

03 March 22: Annual Press Conference/ Analysts Meeting

05 May 22: Publication of 1/2007 quarterly report

May 23: Annual General Meeting

08 August 16: Publication of 2/2007 quarterly report

11 November 15: Publication of 3/2007 quarterly report

The Locations of CENTROSOLAR AG

Solar Integrated Systems

1_Solara (D)
Solara AG is among the pioneers of the photovoltaic sector in Germany. There are 100 employees at the headquarters in Hamburg and at the production plant Solara Sonnenstromfabrik Wismar GmbH in Wismar involved in the manufacturing and sale of systems for autonomous solar power supplies e.g. for sailing boats and traffic control systems, mobile homes and weekend/holiday houses, as well as grid-connected systems of all sizes.

2_Solara Sonnenstromfabrik Wismar (D)
This subsidiary of Solara AG develops and manufactures Solara S Class modules at its plant in Mecklenburg-Western Pomerania. The company possesses many years of experience in the manufacturing of particularly high-quality, custom-configured modules for private houses.

3_Solarstocc (D)
Solarstocc AG is very well established in Germany as a systems integrator that has specialised in small to medium-size integrated systems, particularly for private houses. The solar modules are manufactured in custom form. Solarstocc has also specialised in systems for plumbers and electricians. Newcomers to photovoltaics are given intensive training in situ.

4_Ubbink Solar Modules (NL)
This company is a joint venture with Econcern B.V., Utrecht, with CENTROSOLAR holding a 70 % stake and therefore being in charge of its management. The solar cells are supplied by the German-Dutch company Solland. The joint venture's procurement sources are underpinned by a supply agreement which envisages 4 MWp in 2006, with the volume steadily rising in subsequent years to 20 MWp by 2010

Solar Key Components

5_Biohaus (D)
Biohaus PV Handels GmbH, established in 1999 as a spin-off of Biohaus Paderborn, sells photovoltaic systems throughout the whole of Europe via a network of sales partners. One focal activity concerns the integration of solar systems into the building shell, a concept that has been facilitated by thin-film technology. The new offices occupied in 2004 are equipped with 13 different solar energy systems, including world firsts such as high-performance cells made by the Sunpower company and cells by the glass designer Klaus Jansen. The building has already scooped numerous awards.

6_CENTROSOLAR AG (D)
The central group company has its head offices in Munich.

7_Centroplan GmbH (D)

8_Solarsquare AG (CH)

9_Centrosolar Italia (I)

10_Centrosolar Fotovoltaico Hispania (E)

11_Centrosolar Hellas MEPE (GR)

12_Centrosolar America Inc. (USA)

1_Centrosolar Glas (D)
Centrosolar Glas GmbH & Co KG (formerly Flabeg) came into being in 2000 when a section of the Pilkington Group was hived off; it has quadrupled its revenue since then. Particularly the patent-protected nanocoating process for producing anti-reflective finishes has now achieved a notable revenue share in excess of 40 %. This method, which offers remarkable USPs and is available from only one other competitor in the world, is capable of boosting the annual yield of a PV module/solar collector by as much as 5 - 10 %.

2_Ubbink Econergy Solar (D)
In 2004, CENTROTEC acquired the product rights and patents for mounting systems of the "Econergy" brand, which are designed in particular for flat roofs, from the Dutch Econcern Group. The systems have since been sold by Ubbink Econergy Solar GmbH, based in Cologne, under the brand name of "Ubbink Solar". As a result of the transfer of this company, CENTROSOLAR is now the European market leader for plastic mounting systems for solar panels.

The Management Board

Dr. Axel Müller-Groeling

Dr. Axel Müller-Groeling (41) is an assistant Professor of Physics and responsible for strategy and the operations management of the group companies within CENTROSOLAR AG. He has more than seven years' experience in the energy sector and finance industry, focusing on strategy, risk management and postmerger integration. He was latterly Associate Principal at McKinsey.

Dr. Alexander Kirsch

[Chief Executive Officer]

Dr. Alexander Kirsch (40), a Doctor of Business Management, is the CEO and CFO of CENTROSOLAR AG. Until the beginning of 2007 he also belonged to the Management Board of CENTROTEC Sustainable AG, where he was responsible for finance, strategy and expansion among other things, as well as for acquisitions. His previous employers include McKinsey & Company.

Thomas Güntzer

Thomas Güntzer (43) is a fully trained lawyer who is responsible for M&A and expansion within CENTROSOLAR AG. He possesses 15 years of experience in investment banking and private equity. He was latterly Managing Partner of the Pari Group and worked at PPM Capital (private equity arm of Prudential plc), where he was responsible for investment operations.

The Supervisory Board

[from left to right] Dr. Bernhard Heiss (Chairman), Friedrich Lützow (Deputy Chairman), Hans Wiertz, Dr. Gert-Jan Huisman (proposed)

The Management

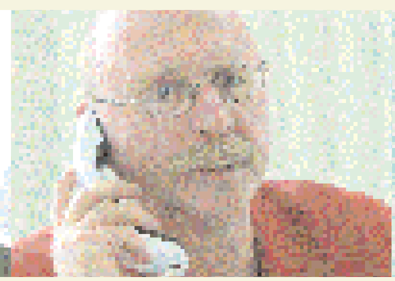
Ralf Ballasch
(43/ Managing Director of Centrosolar Glas since 2001)
The mechanical engineer has been working in the glass processing industry for 16 years, most recently as Managing Director of FLABEG Solarglas. Prior to that, he was a plant manager and profit centre manager within the Pilkington Group.

Jens Brannaschk
(39/ Management Board member of Solarstocc AG for Sales/Marketing since 2002)
A merchant by training, in 1993 he became Sales Manger of one of the largest suppliers of thermal and photovoltaic solar energy systems in Europe. In 2000 he switched GWU, which is now Sunline AG, before establishing Solarstocc AG together with his board colleague Jakob Waehrens in 2002.

Willi Ernst
(52/ Managing Director of Biohaus PV Handels GmbH since 1999)
The educational sociologist took charge of the Solar Division of Biohaus Paderborn in 1988 and set up Biohaus PV Handels GmbH in 1999 as its spin-off. He became the Germany representative of the Spanish cell manufacturer Isofotón through Biohaus in 1995. Willi Ernst is an expert in the integration of photovoltaic modules into buildings and in thin-film technology.

Ralf Hennigs
(41/ Managing Director of Solara Sonnenstromfabrik Wismar since 2001)
The Physics graduate Ralf Hennigs has been involved in the solar sector, more specifically in the production of solar modules, for over 10 years. Before becoming Managing Director of Solara Sonnenstromfabrik Wismar in 2001, hew worked for Nord Solar GmbH in Wismar.







Geerling Loois
(49/ Managing Director of Ubbink Econergy Solar since 2005)
The physicist started his career with Philips Medical Systems before switching to the solar industry in 1990. Since then, he has been involved in the development and sale of solar energy systems and solar components. He established the Spanish subsidiary (2001/2002), among other activities, on behalf of Econcern.

Klaus Reinartz
(46/ Managing Director of Centroplan GmbH since 03/2007)
The Construction Engineering graduate worked first for Conrads in Stolberg before moving to Pohlen Bedachungen GmbH in 1990. While there, he became Technical Director with power of attorney and acquired experience in the project planning of solar plants on industrial roofs. He has been running our project planning company Centroplan, in which Pohlen Bedachungen holds an interest, since the start of 2007.

Thomas Rudolph
(42/ Sole director of Solara AG since its founding in 1996)
The Business Management graduate has been working in the photovoltaics sector for 19 years. He co-developed the 1,000 Roofs Programme, for example. Before co-founding Solara AG, he was first Financial Director and then Managing Director of Solaris Sonnenenergie, Hamburg.

Ulrich Bernhard Hofmann

(36/ Vice President Strategy/Controlling of CENTROSOLAR AG since 2006)

The Business Management graduate and MBA previously worked as a Senior Consultant and expert on corporate finance at McKinsey and PriceWaterhouseCoopers. He has more than seven years' experience in the energy sector and finance industry, focusing on strategy, mergers & acquisitions, corporate appraisal and restructuring.

John van Laarhoven

(55/ Managing Director of Ubbink Solar Modules and Ubbink Econergy Solar)

A physicist, he has over 25 years' experience in the photovoltaics industry, predominantly while working for Shell Solar, where he was also responsible for the development of new modules. He in addition successfully spearheaded the sales of Ubbink Econergy Solar mounting systems between 2001 and 2004 as Managing Director of Econergy.





Dr. Stefan Strobl

(38/ In-house counsel of CENTROSOLAR AG since 2006)

Dr. Stefan Strobl, lawyer, has been the legal advisor of CENTROSOLAR AG since March 2006. After spending more than eight years at a law firm and in a multinational energy corporation, he has extensive experience of M&A and restructuring processes.

Jakob Waehrens

(41/ CEO of Solarstocc AG since 2002)

The graduate Engineer (B+M) and MBA has more than 10 years' experience in the solar business. He established Solarstocc AG in 2002 together with his fellow director Jens Brannaschk, having previously been involved in solar activities, group development/strategy, corporate acquisitions and restructuring as a director of VELUX AG and VELCAP AG.

Dr. Josef Wrobel

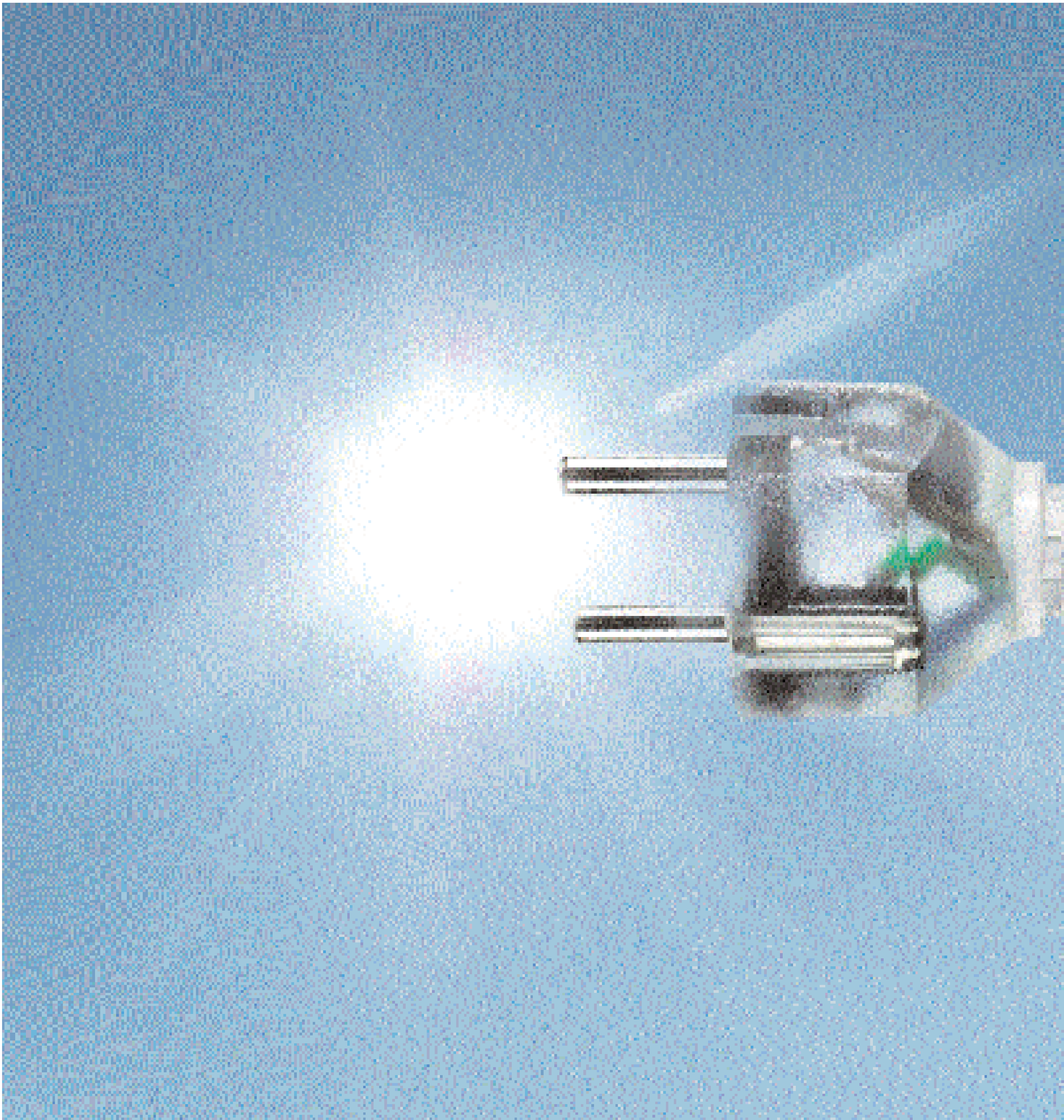
(43/ Sales Director of Ubbink Econergy Solar GmbH since 01/2007)

An economist with a background in electrical engineering, he started his career at Buderus Heiztechnik, where he was responsible for introducing solar and condensing-boiler technology from 1995. He acquired further experience as partner of a management consultancy firm that specialised in mid-corporates in the sphere of in-house installations. He was latterly Managing Sales Director of one such company.

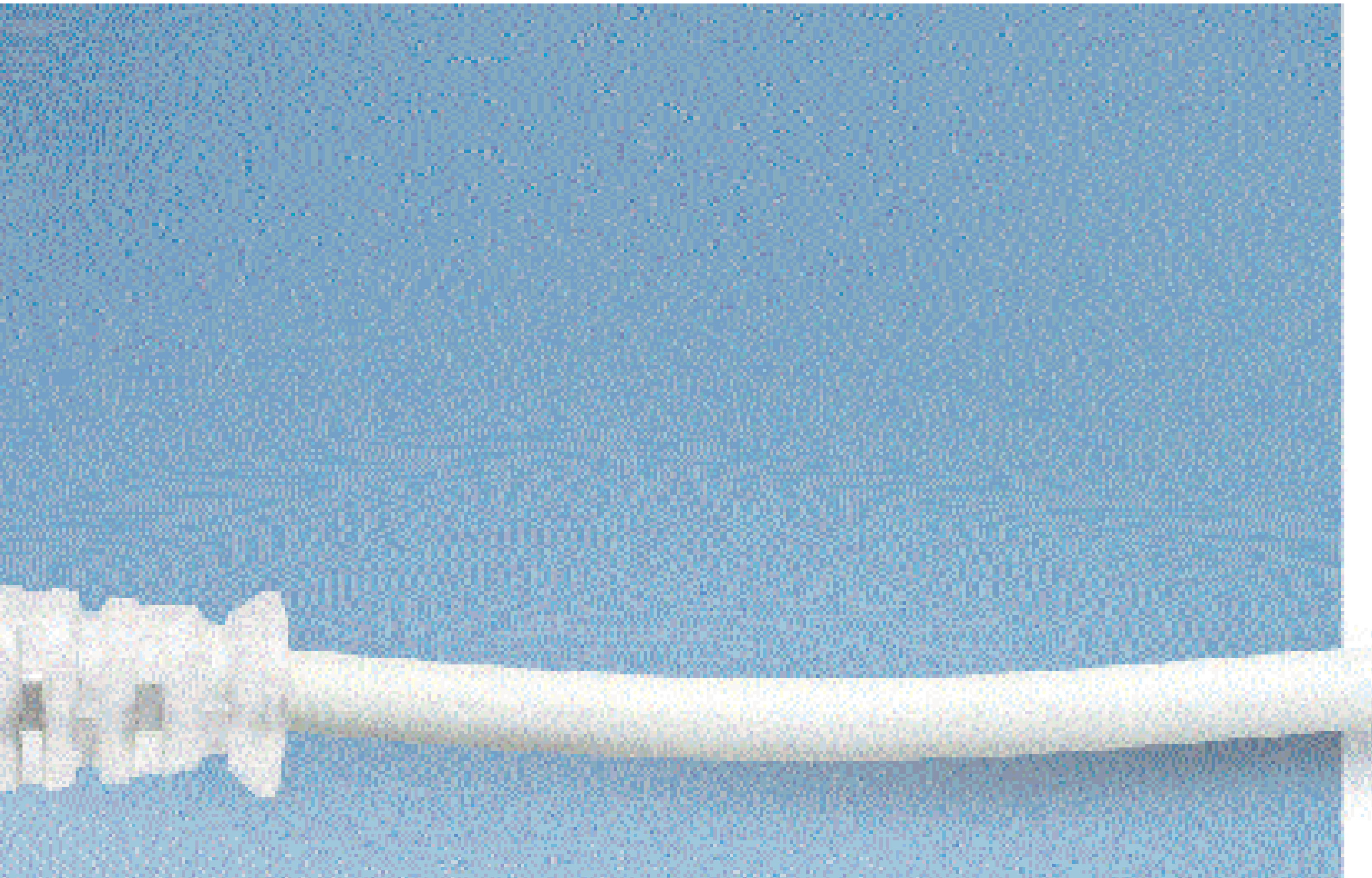
Günther Wühr

(46/ Vice President Finance of CENTROSOLAR AG since 2006)

The Business Management graduate spent over 10 years working for a company in the machinery and plant engineering sector. Subsequently he was CFO of a company in the field of renewable energies.



Segments & Products



[Plug-and-play integrated systems]

Our core business: we supply integrated systems for generating electricity from the sun's energy. Specifically for the roofs of houses – we are already the European market leader in that field. And we are now branching out into industrial roofs. This is what has attracted the best in their field to join forces under the umbrella of CENTROSOLAR.

Segment_Solar Integrated Systems_Solara

Solara photovoltaic systems – top quality "Made in Germany"

The Hamburg-based Solara AG is a comprehensive supplier of photovoltaic systems. With its M and S Series, the company is European market leader for non-grid solar energy systems, in other words systems that can operated independently of the grid. Solara also offers a high-quality family of modules for grid-connected systems in its S Class.

Solara S Class for detached and apartment houses

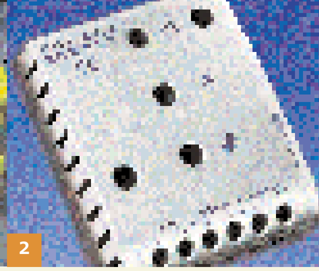
The Solara S Class modules manufactured at our plant, Solara Sonnenstromfabrik Wismar GmbH, are premium quality, made in Germany! Up to 72 high-performance solar cells convert even diffuse light into electricity. For maximum energy yield, we use special non-reflective glass. An ideal assembly principle with clamp connections on the front and preinstalled wiring with safe plug-in connections makes setting up such a solar power system child's play, and they have been awarded the VDE GS mark.

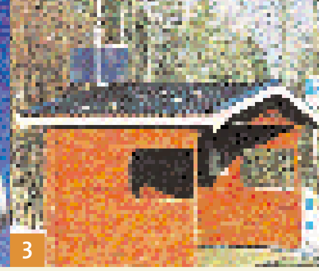
Just one illustration of its use is that 600 Solara S Class modules were installed in a 100 kWp free-standing system in Schwandorf, Bavaria. This system alone will save around 60 tons of CO_2 emissions annually for a projected 30 years.

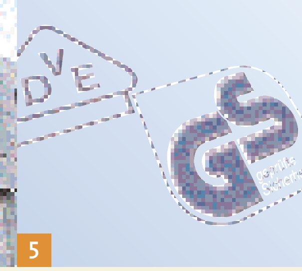
Solara S Series and M Series – the leaders for non-grid applications

The S Series leads the way among non-grid systems. Two SM440S of the Solara S Series, generating 110 Wp, are for instance sufficient to power one of the seismographic measuring stations in Italy, which provide early warnings of earthquakes. The S Series is also manufactured at our plant, Solara Sonnenstromfabrik Wismar GmbH; it consists of crystalline high-performance cells and a specially textured surface that reduces reflection of sunlight, thus increasing the light yield.

The extremely robust M Series modules are designed specifically with maritime applications in mind, for use on boats, yachts, buoys or liferafts, but are also ideal for mobile homes, weekend homes and pay-and-display ticket machines. One of the unmistakable hallmarks of Solara's quality is the stainless steel support plate that prevents breakage. This even gives the M Series promenade properties, and makes it absolutely weatherproof, impact-resistant and saltwater-resistant. M Series modules were for example installed on the Kingfisher racing yacht of the yachtswoman Ellen McArthur (the first woman to win the Vandee Globe).







1_SM40M

Solara M Series: specially for maritime use, e.g. on the wave buoys pictured above.

2_Battery manager

Controller for charging backup battery systems in mobile applications with computer connection.

3_SM100S

Solara S Series: System for communicating between a bus and a bus stop (e.g. for arrival times displays); two SM100S each with an output of 27 Wp, commissioned February 2007.

4_S Class

Solara S Class: premium quality for grid applications e.g. for integration into facades.

5_Approved safety

Solara: the first manufacturer in the world to receive the VDE GS mark for modules with assembly system.

Segment_Solar Integrated Systems_Biohaus

Biohaus – the specialist for BIPV (building integrated photovoltaics)

Biohaus is the specialist for the integration of solar modules into buildings. The best example is its own office building in Paderborn, into which 13 different solar systems are integrated.

As a PV wholesaler, Biohaus belongs to a network of sales partners in Germany and other European countries, supplying integrated systems: solar modules, converters and accessories. As well as its own systems, Biohaus sells the products of other renowned manufacturers, in particular those featuring pioneering thin-film technology. Biohaus is the largest processor and distributor of the American thin-film manufacturer UniSolar.

Compared to crystalline systems, thin-film cells guarantee very high yields even where a roof's alignment and slope are disadvantageous. Thanks to their low weight, they are unbeatable for use on the roofs of lightweight-construction industrial buildings.

Biohaus has also been supplying glazed high-performance collectors for hot water and heating water since early 2007. The new Bemo-SOL system combines thermal and photovoltaic energy generation.

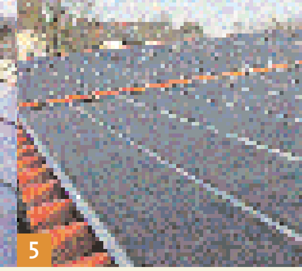
Biosol – quality made by Biohaus

Biohaus has applied 20 years of experience in the industry in developing its own brand: Biosol is the brand label under which it manufactures and sells its own solar modules and systems.

Biohaus is already the European market leader for solar roof tiles. Following the success of the Biosol XXL solar roof tile, two further systems were developed last year: Biosol UniPro and Biosol PV Plate.

UniPro is the counterpart to Biosol XXL. Whereas XXL is integrated directly into the roof, UniPro is intended for installation on roofs. PV Plate is a large-area system that is specifically suited to agricultural and industrial uses. All three products consist of thin-film cells.

All Biosol products are visually attractive and of a high standard of quality, and are backed by excellent service arrangements. Biosol puts its trust in the "Made in Germany" seal of quality – all the crystalline high-performance modules used are manufactured at CENTROSOLAR's own solar energy factories.



1_Bemo-SOL Plus combined module

The new system combines photovoltaic energy generation with solar thermal in a single system.

2_Thin-film modules for lightweight construction

The largest solar energy system in Belgium consists entirely of thin-film solar modules of the PV Plate series.

3_Production of the highest calibre

20 years of experience and innovation have been channelled into the production of Biosol tiles.

4_Biosol XXL

The large-area Biosol roof tile, featuring the solar cell of the future – thin-film technology.

5_PV Plate

Thin-film-based solar modules from Biohaus, developed specifically for large-area installation in industry and agriculture.

Segment_Solar Integrated Systems_Solarstocc

Solarstocc – complete systems supplier to the technical wholesale trade

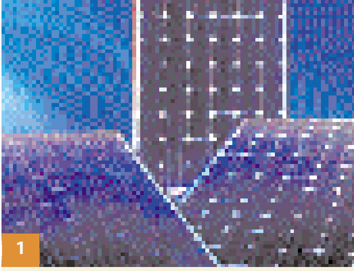
Solarstocc AG sells photovoltaic systems to business partners in the wholesale heating, plumbing and electrical supplies trade. With notable success: it posted organic growth of more than 100 % in the 2006 financial year. In addition to crystalline high-performance modules, the range includes converters and mounting systems.

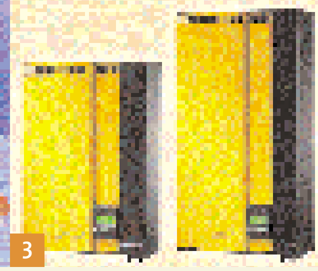
The company, based in the Allgäu region, has already extended its operations to the growth markets in other European countries. It generated one-third of its revenue in 2006 in Spain, Italy and France. Solarstocc's future aim is to be a "local partner" in all Southern European countries. It has already successfully accomplished the first steps along this road and has established a sales network in Spain.

SLP modules and Quickstocc – new benchmarks of performance and handling

The new SLP solar module series appeared on the market during the past financial year. Its high efficiency and an output of more than 200 Wp rapidly impressed both fitters and their end customers.

In patenting the new "Quickstocc" mounting system, the company sets new standards of ease of installation. This innovative mounting system is anchored on two roof battens, without the need for screws. Unlike conventional systems, it is thus securely attached irrespective of the position of the rafter. The system is in addition more secure than conventional roof hooks.





1_Versatile range of modules

Solarstocc offers the right option for every application with its range of modules.

2_Quickstocc

The innovative mounting system for a secure fit, irrespective of the position of the rafter.

3_Powerstocc

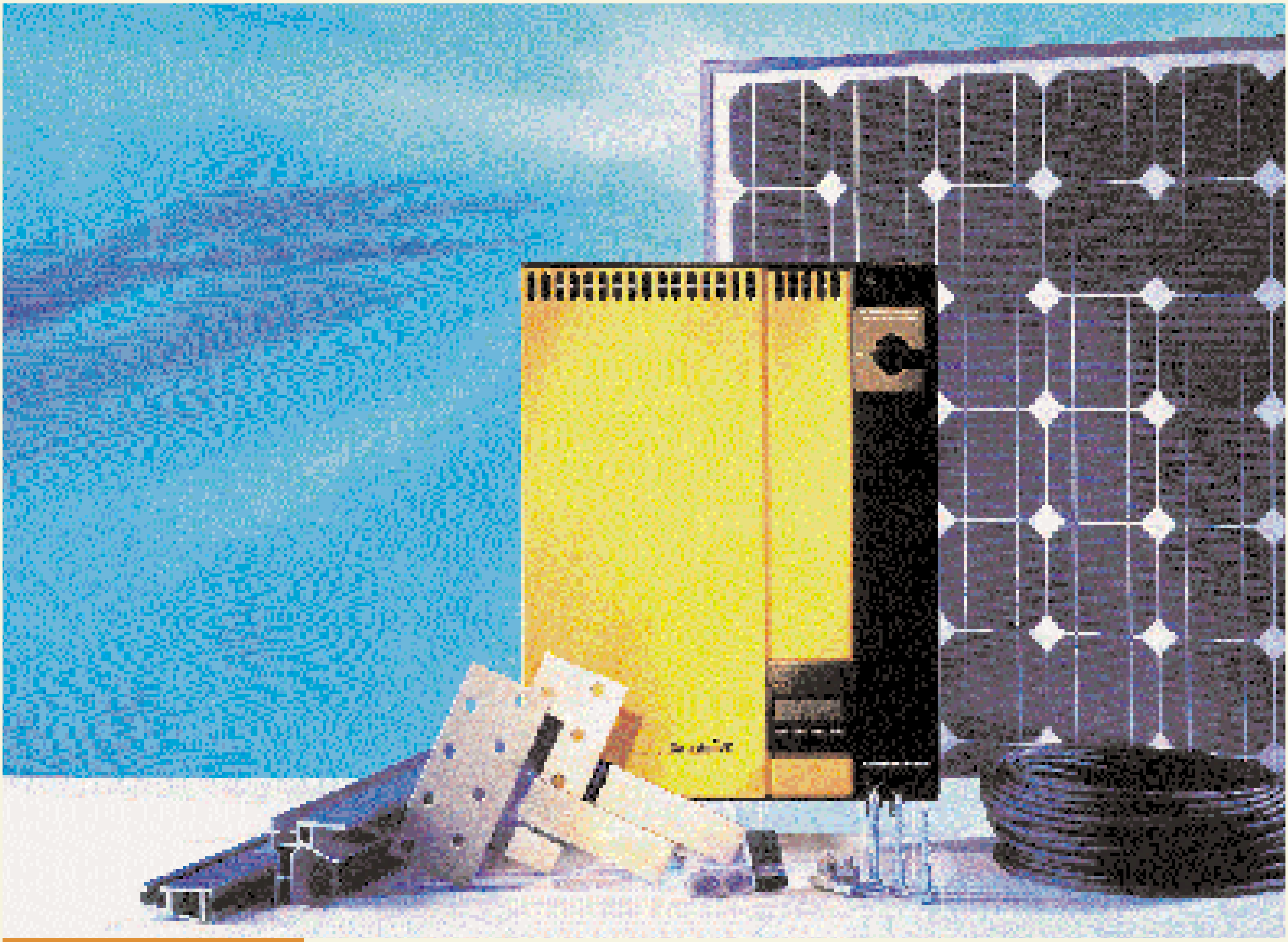
The family of converters delivers reliable performance in the 1 kWh to 6 kWh range.

4_Modules@home

Solarstocc systems are most commonly used privately, as in this development of terraced houses.

5_High-tech up the mountainside

Solarstocc systems fit on any roof, and can therefore also be found in some unusual locations.



Segment_Solar Integrated Systems_Solar Modules

Solara Sonnenstromfabrik

Solara Sonnenstromfabrik Wismar GmbH has concentrated on the production of top-quality high-performance modules. With a workforce of around 115, it manufactures both standard and special modules for off-grid and grid-connected uses on 4 – 5 production lines. All the conventional certifications, such as IEC and enclosure rating II, have of course been obtained.

S Class – premium quality

The Solara S Class modules for grid-connected applications are produced on an automated production line in standard formats for 50, 60 and 72 solar cells and have a rated output of up to 210 Wp. Solara became the first manufacturer in the world to obtain the VDE GS mark for its solar modules with mounting system. Solara naturally uses only high-performance cells, and applies the same high standards to a module's other components, such as the glass, EVA film, junction box and frame. The best possible guarantee for our customers.

S Series, M Series and solar roof tiles – more than simply standard

Solara Sonnenstromfabrik in addition has separate production facilities for building special modules. These include Biohaus' unique Biosol solar roof tiles, as well as various special modules for off-grid power generation. Sonnenstromfabrik's products are even installed on maritime buoys thanks to their robust construction.

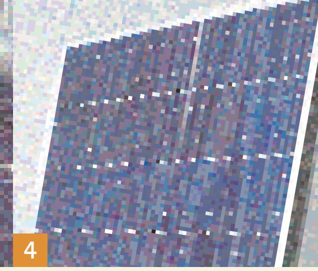
Ubbink Solar Modules BV

Ubbink Solar Modules BV is a joint venture between CENTROSOLAR AG and the Dutch company Econcern B.V., Utrecht, and manufactures quality modules. The company expects to manufacture modules with a total output of approx. 10 MWp in 2007, with production rapidly being stepped up over the next few years.

Atrium, SL and SLP modules for grid-connected systems

The most advanced process and automation technologies in the world are used in production, and only top-quality materials processed. All modules in the Atrium, SL and SLP series are equipped entirely with solar glass with a anti-reflective coating. Each of the high-performance modules consists of 50 polycrystalline silicon solar cells. They range in performance from 160 to 190 Wp.

The modules are notable for their above-average efficiency and are certified to IEC 61215 ed. 2 and IEC 61730 Class 2. The solar cells used are sourced from the German-Dutch company Solland Solar BV.



1_Tabber/stringer/ transfer

Fully automated soldering of the solar cells.

2_Performance test

All modules are tested and assessed before dispatch using internationally recognised methods.

3_Anti-reflective solar glass

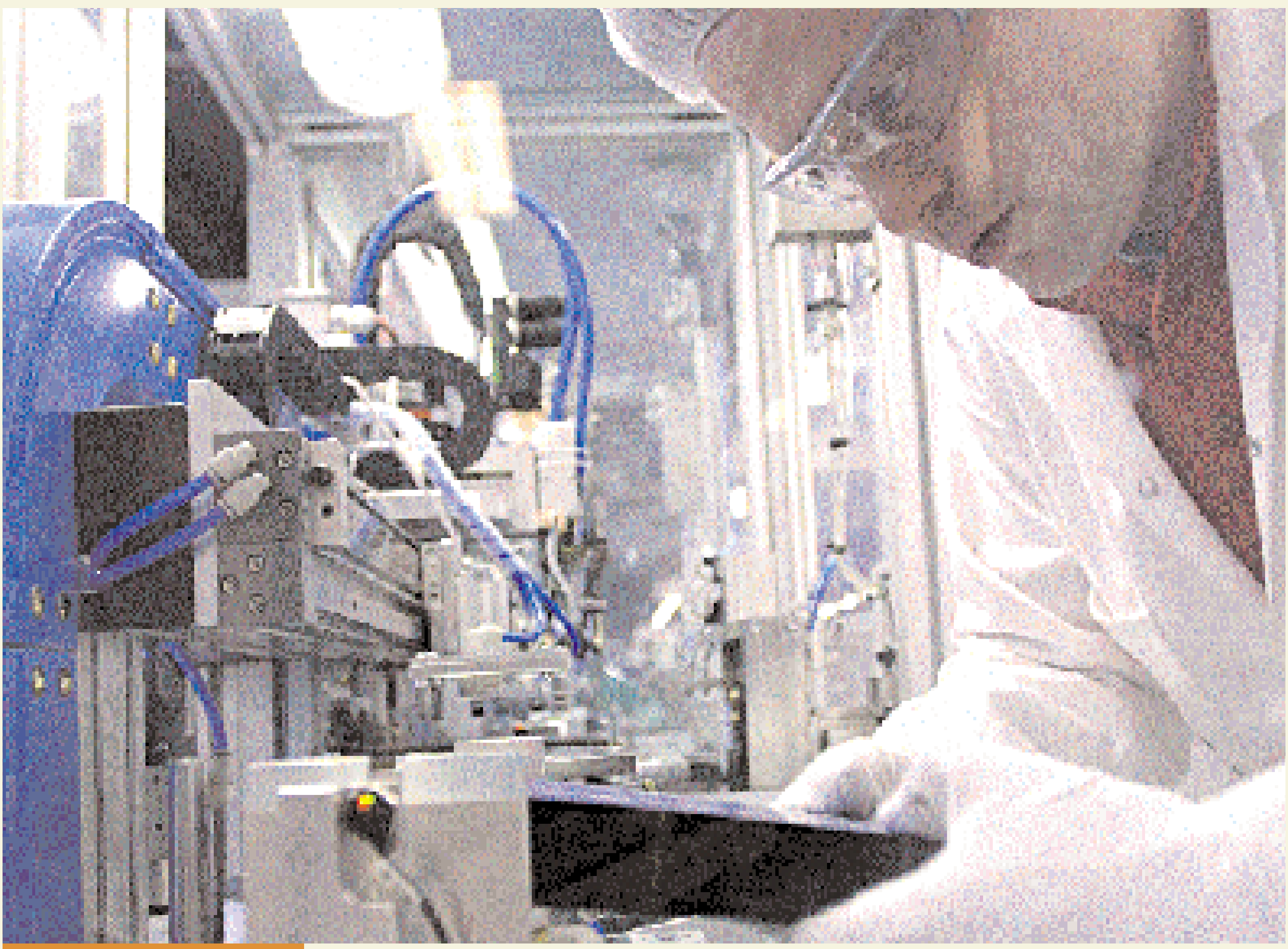
The solar glass with anti-reflective coating delivers maximum efficiency.

4_Atrium

The company's own family of modules specifically for less sunny regions of Central and Northern Europe.

5_Solar cells

The cells are supplied by Solland, the parent company of the joint venture partner Econcern.



[Segment_Solar Key Components_Solar Glass]

Centrosolar Glas – world market leader for anti-reflective solar glass

Apart from the solar cell itself, the cover is the most important component of high-performance solar modules and collectors. Hail, snow and frost all inevitably expose outdoor solar systems to a wide range of mechanical and thermal loads.

High-quality solar glass protects the solar cells and also helps to boost the system's energy yield quite appreciably. Anti-reflective coatings from Centrosolar Glas can increase the annual yield of photovoltaic modules by up to 7 %, and that of solar collectors by as much as 10 %. Centrosolar Glas is among the world's leading suppliers of solar glasses and, thanks to its patented nanocoating technology, is the market leader for anti-reflective glasses for photovoltaics and solar thermal technology.

As well as in the solar sector, these nanocoated glasses are used in greenhouses and for architectural purposes – in fact, wherever high transmission, low reflection and high robustness matter. For example, summer 2006 saw the completion of the third phase of work on Cologne Cathedral to protect the mediaeval windows with anti-reflective protective glass.

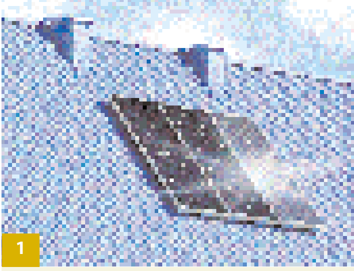
Supreme quality thanks to ultramodern nanotechnology

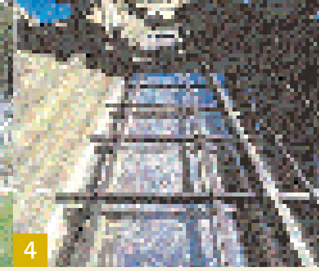
Centrosolar Glas has scooped a succession of awards for its developments. For instance, in February of last year the company won the 2006 North Rhine-Westphalia Environmental Award for Horticulture for the most innovative greenhouse (combination of glass and film).

Almost 3 million square metres of glass is finished on its advanced, highly automated systems in Fürth each year. The company can call on 40 years of experience in processing glass.

In response to tremendous demand, 2007 will see investment of some EUR 2 million more than double its production capacity for anti-reflective coatings applied using nanotechnology.

Centrosolar Glas already generates over 40 % of its revenue from glasses with anti-reflective coatings. Exports account for almost 60 % of its business. It can already boast numerous renowned module and collector manufacturers such as BP, Buderus, CENTROSOLAR, EverQ, Kyocera, Photowatt, Schüco, Sharp, Tenesol and Viessmann among its customers.





1_Centrosol HiT

PV module with and without anti-reflective solar glass. Maximum yields, minimal reflection. Boosts the yield by up to 7 % per year!

2_Centrosol HiT

The benefits of anti-reflective coatings: minimal reflection, maximum transmission – a clear-cut affair.

3_Centrofol HiT

Anti-reflective glass also in combination with film, providing transparent thermal insulation. The greenhouse of the future!

4_Centrosol HiT

Weatherproof, colour-neutral anti-reflective glass, e.g. as protective glazing on Cologne Cathedral.

5_Solar collectors

Anti-reflective glass in solar collectors boosts the yield by as much as 10 % per year!

[Segment_Solar Key Components_Mounting Systems]

Ubbink Econergy Solar – Europe's market leader for flat-roof mounting systems

Ubbink Econergy Solar develops and sells roof mounting systems for solar modules. Among its best-selling products is ConSole®, of which over 450,000 have been sold to date. This makes Ubbink Econergy Solar the undisputed world market leader in the field of flat-roof mounting systems. Its range is aimed above all at wholesalers and fitters. And Ubbink systems live up to their promise, even withstanding Hurricane Cyril, which swept across Central Europe at speeds of over 200 km/h.

Perfect project backup and service are another attribute of the company. As well as receiving extensive advice during the planning phase, users are supplied with software tools to help them realise their individual project. A dense network of sales partners in Germany and other European countries guarantees customer proximity.

Following its soaring sales in 2006, the company needed to move to larger premises. It is now housed in the same building as the Solar Institute of TÜV Rheinland in the TÜV head offices in Cologne.

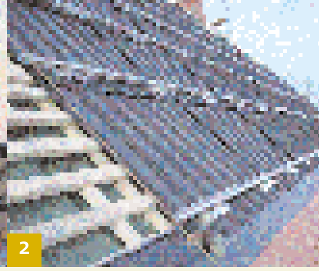
ConSole, VarioSole, InterSole – easy to install on all roof types

Ubbink Econergy Solar offers solutions for every shape of roof. The patented, TÜV-approved systems make the installation process a straightforward, quick, secure and economical affair.

The flat-roof system ConSole® is designed for modules with an output of more than 70 MWp and is ultra-light at only 4 kg. It is suitable for the mounting of all conventional module types. Installation on the flat roof could not be easier: just add gravel or paving slabs – done!

VarioSole® has been developed as a universal system for surface-mounted installation on sloping roofs. This mounting technology avoids the need to cut systems to shape, for ultra-rapid installation.

InterSole® is the name of the corresponding in-roof systems. Now that special state subsidies are available in France for roof-integrated solar systems, the InterSole® system has emerged as the market leader on French roofs.



1_Ubbink Econergy Solar

The patented systems allow straightforward, swift, secure installation.

2_InterSole

The patented in-roof mounting system, specially developed for sloping roofs.

3_VarioSole

The surface-mounted system is suitable for sloping roofs – illustrated here at our branch in Frisia.

4_The new must-have product in France

Solar panels integrated into the roof with the InterSole mounting system.

5_No drilling into the roof

On flat roofs, ConSole is simply filled with gravel to anchor the modules securely.

Shares

Share price developments

CENTROSOLAR shares, which had been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange since September 29, 2005, were admitted to the Prime Standard of Deutsche Börse on October 16, 2006. The share price fluctuated considerably during the financial year. The shares were quoted at EUR 12.40 on January 2, 2006, reached a year-high of EUR 21.50 on May 8, 2006 and closed the year on EUR 9.40. At the time of this report's compilation, the share price was around EUR 11. There was no issue price either for inclusion in the Regulated Unofficial Market or in connection with the switch to the Prime Standard. This is comparable to a privately placed capital increase in September 2005, which took place at EUR 9.50 per share.

Share price
[in EUR]

Composition of the issued capital, shareholders, restrictions

The issued capital at December 31, 2006 totalled EUR 13,292,458.-, divided into 13,292,458 bearer ordinary shares with no par value, each representing EUR 1 of capital stock. The shares have been listed on the Regulated Market (Prime Standard) of Deutsche Börse since October 16, 2006. The shares were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange from September 29, 2005 to October 15, 2006.

CENTROSOLAR Stock

International Securities Identification Number (ISIN):	DE 0005148506
German Securities Identification Number (WKN):	514850
Common Code:	22975897
Stock exchange Code:	C3O.

According to the company's information, CENTROTEC Sustainable AG indirectly holds capital stock in the company via its subsidiary Ubbink B.V., which has an interest of 33.63 %, and Guido A. Krass, who has an interest of 15.80 %. Guido A. Krass furthermore has a substantial interest in CENTROTEC Sustainable AG. There exists a voting trust agreement between Ubbink B.V. and Guido A. Krass which, at the time of compilation of the accounts, covers 37.58 % of the voting rights in the company. At the reporting date, the following lock-up agreements existed: restrictions on the sale of shares until March 31, 2007 for 751,023 shares, until September 30, 2007 for 485,174 shares and until March 31, 2008 for 219,325 shares.

Analyst coverage

CENTROSOLAR shares are observed by various international banks. Institutes such as Goldman Sachs, HSBC, M.M. Warburg, Sal. Oppenheim, Solventis and Independent Research have included CENTROSOLAR in their publications over the past eighteen months.

Transparency

CENTROSOLAR already assured transparent, regular reporting prior to its admission to the Prime Standard. Information that is capable of exerting considerable influence on the CENTROSOLAR share price has been and is disclosed without delay; since the start of listing in the Prime Standard this has been done formally through "Ad hoc information". Through supplementary information on the homepage, the company endeavours to make all important information accessible simultaneously and promptly to all investors. The company presents itself to interested investors at numerous road shows in London, Paris, Amsterdam, Frankfurt, Milan, Zurich and Vienna and by organising its own DVFA event.

2006 Corporate Governance Report of CENTROSOLAR AG

On February 26, 2002 the "Government Commission on the German Corporate Governance Code" presented a code of practice for the corporate bodies of listed companies. This Code was last updated on June 12, 2006. The objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised. CENTROSOLAR AG welcomes the sections of the Code that have been drafted with a view to upholding sustainable, entrepreneurial action by the corporate bodies.

The Code also envisages, by way of a recommendation, a "corporate governance report" as an instrument of providing information on a company's corporate governance practices. The Management Board and Supervisory Board of CENTROSOLAR AG have considered the latest version of the Code at length and explained any departures from it in a Declaration of Conformity (see below).

Management and governance structure

In keeping with German Stock Corporation Law, CENTROSOLAR AG has a two-tier management and governance structure that comprises a four-member Management Board and, in accordance with its articles of incorporation, a three-member Supervisory Board. The Management Board and Supervisory Board work together closely to the benefit of the company, The Management Board coordinates both the strategic direction and principal transactions with the Supervisory Board.

The Management Board is independently responsible for the running of the company and conducts its business. In doing so, it focuses on achieving a lasting improvement in the value of the company. It is bound by the law, the provisions of the articles of incorporation and the rules of internal procedure for the Management Board and Supervisory Board, as well as by the resolutions of the Supervisory Board and, where appropriate, the Shareholders' Meeting. The Management Board informs the Supervisory Board regularly and promptly of all relevant topics concerning the strategy and its implementation, the targets, the company's current progress and the risks facing it.

The Supervisory Board monitors and advises the Management Board. It specifies the duties of the Management Board to report and inform. The Supervisory Board issues and amends the rules of internal procedure for the Management Board. The Supervisory Board appoints and dismisses the members of the Management Board. It may appoint a Chair of the Management Board, and has done so. In accordance with the relevant statutory requirements and the rules of internal procedure for the Supervisory Board, three Supervisory Board meetings where members were present in person took place in the 2006 financial year. There were in addition four meetings where members were present by telephone, and 17 resolutions passed by written circular.

Shareholders and Shareholders' Meeting

The shareholders exercise their rights through the Shareholders' Meeting and make use of their voting rights there. Each share carries one vote. Every shareholder is entitled to take part in the Shareholders' Meeting. The Shareholders' meeting takes decisions concerning largely the appropriation of profits, discharge of the Management Board and Supervisory Board, the articles of incorporation and amendments thereto, key entrepreneurial measures, measures that change the capital such as the issue of new shared, the acquisition of treasury stock and conditional capital. It elects members of the Supervisory Board and decides on their remuneration.

Remuneration system of the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board. The remuneration of the members of the Management Board comprises an annual fixed salary and a bonus tied to individual targets. The bonus is dependent on attainment of certain targets specified at the start of the financial year. This variable portion is paid in the form of stock options via the stock options scheme, which serves to have a long-term incentivising effect by virtue of their vesting period of at least two years. The rules on the stock options scheme and the number of options that Management Board members are able to exercise are shown in the Notes to the Consolidated Financial Statements in this Annual Report. The same applies to the overall remuneration system of the members of the Management Board in individualised form. No retirement benefits and termination pledges are envisaged.

In addition to reimbursement of their out-of-pocket expenses, the members of the Supervisory Board receive a fixed annual remuneration that is laid down in the articles of incorporation. The fixed remuneration is EUR 10 thousand per year for a member of the Supervisory Board. The members of the Supervisory Board moreover receive variable remuneration amounting to 0.1 % of the total amount of the dividend distributed for the respective financial year. The Chairman of the Supervisory Board receives 2 times and the Deputy Chairman 1.5 times the fixed and variable remuneration.

The remuneration of each individual member of the Supervisory Board, as well as payments made to them for consultancy services, are presented in detail in the Notes to the Consolidated Financial Statements in this Annual Report. The conditions for the payment of a variable remuneration component were not met.

Third-party financial loss insurance (D&O cover) has been taken out for the company's Management Board and Supervisory Board members; an appropriate excess has been agreed. The managing directors and administrative board members of subsidiaries are included in this cover.

Transparency

CENTROSOLAR acts openly and responsibly, and already did so before the company pledged to observe the key tenets of the Corporate Governance Code. The overriding objective of CENTROSOLAR's corporate communication is to provide prompt, continuous, comprehensive and consistent information to all target groups and to maintain a relationship with our shareholders that is characterised by transparency. In addition to financial data, the financial calendar showing all key dates for CENTROSOLAR AG, press releases and ad hoc information, the latest developments regarding corporate governance and notifiable securities transactions pursuant to Section 15a of German Securities Trading Law (WpHG) are published on the website of CENTROSOLAR AG and disclosed to Deutsche Börse and to the Federal Financial Supervisory Authority.

Section 6.6 of the Corporate Governance Code stipulates the obligation to report immediately acquisition and sale transactions (in excess of EUR 5 thousand p.a.) by Management Board and Supervisory Board members or by other persons performing management tasks who regularly have access to inside information about the company and are authorised to make key entrepreneurial decisions. Such persons (as well as certain closly related parties) are obliged to report the transactions described in that section. However, CENTROSOLAR AG has not been notified of any such transactions for the period of the financial year in which it was subject to this obligation.

The members of the Management Board hold a total of 102,693 shares in CENTROSOLAR AG, and the members of the Supervisory Board a total of 330,000.

The stock option schemes of CENTROSOLAR AG are presented in detail in the Notes to the Consolidated Financial Statements in this Annual Report.

As mentioned above, legal transactions with members of the Supervisory Board were also conducted during the financial year. As presented in greater detail in the Declaration of Conformity, these did not constitute any conflict of interests.

The Management Board issued a dependence report. Concluding remark from the dependence report: "Pursuant to Section 312 (3) of German Stock Corporation Law, we declare that, on the basis of the circumstances known to us at the time when the afore mentioned legal transactions were conducted, our company received adequate consideration for each legal transaction in the past financial year of 2006."

Financial reporting and auditing of financial statements

The Consolidated Financial Statements are prepared by the Management Board and audited by both the independent auditors and the Supervisory Board. The Consolidated Financial Statements and interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS).

Declaration of Conformity

Pursuant to Section 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with. CENTROSOLAR AG has published the following declaration:

Declaration by the Management Board and Supervisory Board of CENTROSOLAR AG on the German Corporate Governance Code pursuant to Section 161 of German Stock Corporation Law

Background

On February 26, 2002 the "Government Commission on the German Corporate Governance Code" presented a code of practice for management boards and supervisory boards of listed companies. This Code was last updated on June 12, 2006. The objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised.

Pursuant to Section 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with.

Declaration of Conformity

The Management Board and Supervisory Board of CENTROSOLAR AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated June 12, 2006 are and have been complied with since October 13, 2006 at the latest, with the exceptions stated below.

Exceptions applicable:

1. Section 4.2.3 of the Code recommends that the remuneration of the Management Board should comprise a variable as well as a fixed com-

ponent. The variable component is, among other things, intended to be performance-related, have a long-term incentivising effect and possess a risk character. The Code quotes stock options schemes as an example. CENTROSOLAR AG has been operating a stock option scheme for the Management Board members since 2005. We believe that the scheme reflects the spirit of the Code, but we draw attention to two aspects which could be interpreted as a departure from it.

The Code recommends reference to comparative parameters. The stock options scheme envisages a performance target based on the absolute rise in the share price. This form was chosen in order to provide an incentive for success in absolute rather than relative terms.

The Code in addition recommends that the variable remuneration be capped. In the case of the stock option scheme, this was realised through allowing their exercise only within a limited time frame (for the first time two years after issue, for the last time seven years after issue). Options received as a result of the attainment of targets are not retrospectively withdrawn by the company, nor the parameters governing them altered. In addition to the aforementioned share price target, the exercising of the options is moreover linked to further internal performance targets in order to preserve a demanding but equitable form of variable remuneration.

2. Section 5.3 of the Code recommends the formation of committees on the Supervisory Board. These are, however, to be formed subject to the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board comprises three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.

3. Section 5.4.2 of the Code recommends that the Supervisory Board should include an adequate number of members who – in the board's own opinion – are deemed to be independent. A member is to be regarded as independent if they have no business or personal relations with the company or with its Management Board that could constitute a conflict of interests. In its own opinion, our Supervisory Board includes an adequate number of independent members. Although Supervisory Board members do have business relations with the company, these do not constitute a conflict of interests.

Munich, December 20, 2006

On behalf of the Management Board:

Dr. Alexander Kirsch
[Chairman]

On behalf of the Supervisory Board:

Dr. Bernhard Heiss
[Chairman]

Report of the Supervisory Board of CENTROSOLAR AG

The Supervisory Board of CENTROSOLAR AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2006 financial year, on the basis of Management Board reports, joint meetings and resolutions by written circular, in accordance with the law, the company's articles of incorporation and the rules of internal procedure.

The Supervisory Board regards it as the correct strategy to tap the market for photovoltaic systems rapidly by means of organic growth efforts and the acquisition of companies that fit in with the CENTROSOLAR strategy. The Supervisory Board shares the view of the Management Board that now that the company has successfully entered the market in Germany, its expansion into emerging markets in other countries should be a strategic priority for the future. In all, the Supervisory Board is convinced that the market for photovoltaic products is not merely economically attractive at present, but offers exceptionally high future prospects for the CENTROSOLAR Group.

Developments in 2006 included the incorporation of one company into the Centrosolar Group. CENTROSOLAR AG was in addition admitted to the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) on October 13, 2006.

The Shareholders' Meeting of the company on August 28, 2006 confirmed the court-appointed member of the Supervisory Board, Dr. Heiss, in his office.

Three Supervisory Board meetings with the members in attendance took place in the 2006 financial year. There were in addition four meetings where members were present by telephone, and 17 resolutions passed by written circular.

The Supervisory Board was informed comprehensively by the Management Board of the company's business progress, and in particular of forthcoming company acquisitions, of the development in its revenue, orders, net worth, financial performance and financial position and of the company's discernible opportunities and risks of future development. All Supervisory Board members attended all meetings and took part in resolutions by written circular in person. All members of the Supervisory Board in addition regularly discussed forthcoming projects and strategic decisions with the Management Board and with other management employees of the company by meeting in person and by means of telephone conferences. Written reports were furthermore submitted. The Management Board satisfied the information and reporting requirements laid down by the Supervisory Board in every respect.

The topics discussed at the Supervisory Board meetings were the fundamental aspects of business policy concerning the parent company and its subsidiaries, together with individual matters of sufficient significance.

The individual matters discussed comprised:

- The strategic direction
- Acquisitions in progress and in preparation
- Important individual transactions
- Changes to negotiable instruments law
- The initial public offering

- Major investment decisions
- Remuneration structures of the Management Board and management employees
- The efficiency of the Supervisory Board's own activities
- The selection and monitoring of the independent auditor
- The culture within the company and social issues
- Various topics concerning the operative companies.

Management Board decisions which required ratification by the Supervisory Board were studied and approved.

The Supervisory Board considered the disclosures made in the management report and group management report pursuant to Sections 289 (4) and 315 (4) of German Commercial Code. Reference is made to the corresponding comments in the management report and group management report, which the Supervisory Board has examined and accepted.

As the Supervisory Board has only three members, there are no committees.

All matters were discussed by the full board or with the aid of appropriate communication media.

The accounts, annual financial statements, consolidated financial statements and group management report at December 31, 2006 have been examined by the auditors Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Kassel, who have given their unqualified certification thereof. A copy of the auditors' report was sent to each member of the Supervisory Board, discussed with the auditors and approvingly acknowledged.

The Supervisory Board has examined the annual financial statements and consolidated financial statements, including group management report, as drawn up by the Management Board, as well as the dependence report drawn up by the Management Board. The examination by the Supervisory Board revealed no cause for objection. There are no objections to the concluding declaration in the dependence report. The annual financial statements of the company and the consolidated financial statements at December 31, 2006 were approved by the Supervisory Board. Both were granted the unqualified approval of the Supervisory Board and are thus established pursuant to Section 172, first sentence of German Stock Corporation Law.

The Supervisory Board expects that the company will further enhance its performance in highly promising areas of activity, and that it will generate a good return on investment in the interests of its shareholders.

Particular thanks are due to the employees, who have contributed substantially to the success of the group through their considerable dedication, expertise and creativity.

Munich, March 2007

The Supervisory Board

Dr. Bernhard Heiss
[Chairman]

Group Management Report

[Own high-quality module production operations]

We produce quality modules offering a very high energy yield. Our own production operations for solar glass (Fürth) and solar modules (Wismar, Germany, and Doesburg, Netherlands) are equipped with ultramodern production lines and R&D facilities.

CENTROSOLAR AG 2006 Group Management Report

Summary: CENTROSOLAR continues to grow faster than the rapidly growing market

CENTROSOLAR succeeded in increasing its consolidated revenue organically by almost 50 % in 2006, to more than EUR 172 million. This growth, which easily outstrips the development of the overall market, serves to endorse the company's strategy. Whereas large free-standing solar parks are increasingly experiencing price pressure, the core segment of photovoltaic systems for the roofs of private houses continues to grow profitably. By entering the segment of building-integrated photovoltaics through the acquisition of Biohaus and branching out into project development for larger-scale photovoltaic systems on industrial roofs, CENTROSOLAR has further broadened its range of products and services.

Its geographical expansion is furthermore making significant progress. CENTROSOLAR established a presence early on in the growth markets of Southern Europe through its own sales force and branches. CENTROSOLAR even ventured into the USA at the start of 2007. In the past financial year, CENTROSOLAR generated 29 % of its revenue outside Germany. This ratio is very high because Germany still accounts for well over 75 % of the total European market.

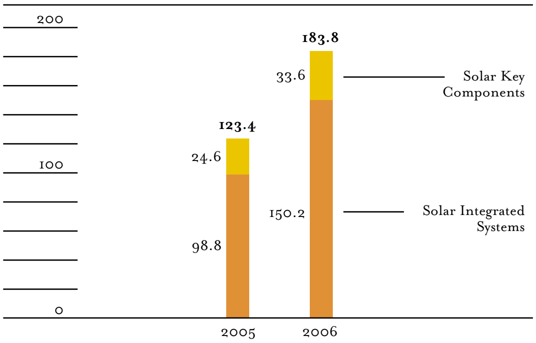
In addition to its main area of business in integrated photovoltaic systems, CENTROSOLAR is involved in attractive niche markets for mounting systems and solar glasses. This segment is currently growing faster than the market as a whole. CENTROSOLAR's nanocoated solar glasses in particular give it a USP compared with conventional glass covers offering poorer light transmission. They are sold worldwide.

Growth has gone hand in hand with a rise in earnings. EBITDA for the past financial year reached EUR 9.8 million (previous year EUR 0.2 million) after elimination of the non-recurring charges for the IPO in Deutsche Börse's Prime Standard (successfully held in October 2006) amounting to EUR 0.6 million. The EPS figure amounting to EUR 0.14 includes amortisation for newly identified assets pursuant to IFRS 3 as a result of the corporate acquisitions in 2005 and 2006 and can therefore only be compared to a limited degree with the EPS of companies that have experienced exclusively organic growth. The "cash EPS", after elimination of amortisation under IFRS 3 and the non-recurring charges for the IPO, amounts to EUR 0.61.

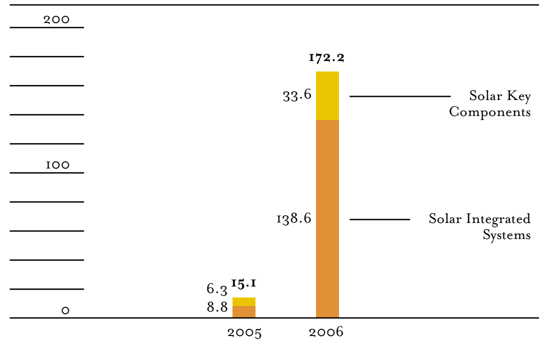
Flying in the face of the general market trend, CENTROSOLAR has not entered into any long-term procurement contracts (entailing correspondingly long-term volume and price commitments) during the past two years. Short-term purchases had to be made at higher prices than those enjoyed by competitors with long-term coverage, but this policy now allows greater flexibility, particularly now that prices are falling. A genuine downward trend in prices was already observed from mid-2006, enabling CENTROSOLAR to respond with its purchasing activities after only a slight delay.

The principal risks continue to be fluctuations in the market, both at the procurement end and at the sales end. These fluctuations are still in essence driven by state subsidies. The abolition of state schemes in Europe would probably lead to pronounced downturns in the

Pro forma* revenue of CENTROSOLAR Group
[in EUR million]



Revenue of CENTROSOLAR Group
[in EUR million]



* Assuming all companies consolidated at December 31, 2006 had already belonged to the group at January 1, 2005.

market. At present, however, a marked trend towards increasing subsidies for solar energy can be observed in Europe.

CENTROSOLAR shares, which had been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange since September 2005, were admitted to the Prime Standard of Deutsche Börse on October 16, 2006. The share price fluctuated considerably during the financial year. The shares were quoted at EUR 12.40 on January 2, 2006, reached a year-high of EUR 21.50 on May 8, 2006 and closed the year on EUR 9.40.

CENTROSOLAR is planning to increase consolidated revenue by 27 % in 2007 to at least EUR 220 million. EBITDA is to rise overproportionally to EUR 17 million. The most important strategic task for this year is to expand the company's own sales subsidiaries swiftly in Southern Europe and the USA. CENTROSOLAR's medium-term goal remains to grow faster than the market as a whole.

I. Market development

Underlying situation: subsidies for solar power on the increase worldwide

Our growth is currently dictated not so much by the state of the economy in general as by specific demand for photovoltaic systems (power-generating solar energy systems). This demand is in turn currently driven largely by state subsidies.

Germany is the pioneer in this respect: the introduction of the Renewable Energies Act (German EEG) in 2003 provided scope for operators of photovoltaic systems to feed the solar power they generate into the grid in return for attractive payments. The payments they receive are currently significantly higher than the prices paid for traditionally generated electricity. The additional costs arising from this subsidy are reapportioned to the general price of electricity and therefore do not burden the state. The overwhelming majority of customers therefore sell the solar power they generate to their regional energy supplier rather than use it themselves. The payment tariffs for grid supplies are in each case guaranteed for 20 years. Each year, the rate paid for grid supplies falls by between 5 % and 10 % per kWh. The state thus demands corresponding price cuts for newly installed PV systems of at least the same magnitude from the manufacturers of solar energy systems.

The subsidies model introduced in Germany has been recommended by the EU for all member states on the strength of its pioneering nature. A number of other European countries – Spain, Italy, France, Belgium and Greece – have now duly introduced similar payment tariff systems. Other countries are debating similar legislation. Increased subsidies for PV systems have likewise been announced overseas, above all in various US states and in China. Japan has been subsidising solar energy systems for over 20 years. This aspect of industrial policy has made Japan the world's leading manufacturer and exporter of PV modules. Germany is now the second-largest manufacturer and exporter of this technology of the future. This demonstrates that PV subsidies not only help the environment, but also create jobs.

The costs of solar modules have been steadily falling over the past 20 years. It is technically foreseeable that further technical progress will be achieved in the next few years, prompting a further rapid fall in the price of solar-generated power. As the costs of electricity generated from fossil fuels are simultaneously likely to continue rising, the costs of producing solar power could fall to the same level as traditionally generated power within 5 to 10 years, at least in Southern Europe. The above mentioned subsidy concepts are suitable for underpinning this trend by promoting volume growth and therefore reducing costs as greater experience is accumulated.

Solar energy is the only renewable energy source that lends itself to covering a significant portion of future energy requirements. Even with existing technology, an area measuring about 75 km x 75 km would be sufficient to supply all the electricity used in Germany. In view of the ever-increasing threat of global warming and the unexpected speed with which reserves of raw materials are dwindling, the political pressure to switch swiftly to clean, CO_2-neutral energy sources is growing.

Solar power still accounts for less than 1 % of the energy generated worldwide. In 50 years' time it will have to be at least 50 % if we are even remotely to maintain our quality of life. The solar industry is mushrooming, and yet is still in its infancy.

Supply: shortage of solar cells probably overcome

Market growth was hampered in recent years by the limited supply of raw materials. The reason was that solar cells are made from hyperpure silicon, the production capacity for which is only being increased with a certain time lapse. As the starting material for hyperpure silicon, chlorosilane gas, is produced at major chemical plants in tandem with other chemical products, there are only few manufacturers of this product. Although all established manufacturers (as well as a few new suppliers) have started to increase their capacities, the increase will by and large not translate into market supply until 2008 because a new production plant takes several years to build.

The yield in terms of the electrical output per kilogram of silicon has nevertheless already been increased sharply in recent years. The electrical efficiency of solar cells has been improved, and the still excessive rate of material consumption in the production of wafers (around half of the costly silicon is lost during the cutting of the solar wafers) is being steadily reduced. The supply of installable solar power capacity in megawatt peak (MWp) has consequently been rising by an annual 20 % to 30 % in recent years. Once significantly more silicon production capacity comes on stream in 2008, the supply in terms of MWp of solar cells should approximately double within a very short period.

Although further technical advances and cost reductions have been achieved, the prices for solar cells rose significantly during 2004 and 2005 as a result of silicon being in short supply.

The supply is also being boosted by the advent of novel thin-film technologies. Volume production using these technologies has not yet commenced at many manufacturers, or the target quality and volume levels have not yet been reached. We believe, however, that thin-film technology is a very interesting prospect particularly in the medium term. By contrast we regard the prospects for CIS technology, which many suppliers have been developing, as less promising in view of the short supply of indium. Because this metal is scarce, the market potential here is limited to less than one half of one terawatt. We believe that thin-film modules on the basis of amorphous and microcrystalline silicon offer the best long-term prospects, and cadmium telluride modules to a lesser degree (sources: ECN, own research).

Demand: prices cause demand in Germany to remain flat in 2006 – growth in Southern Europe

While prices for solar energy systems were on the rise, the statutory annual reduction in the payment tariffs for grid supplies in Germany took effect on January 1, 2006 (there was a corresponding further reduction on January 1, 2007). These two contrary effects meant that the installation of solar energy systems offering sufficiently attractive returns was now only viable in certain market segments in Germany. Last year, large free-standing systems in particular were only viable in regions with an above-average number of hours of sunlight.

The lack of growth in demand in Germany was not counterbalanced by growth in the "new solar markets" in Southern Europe. It is possible to install photovoltaic systems yielding even higher returns particularly in Spain. However, expansion in Spain is held back by the fact that the corresponding infrastructure of planning and installation capacity needs to grow in parallel, and the bureaucratic approval process is slowing down expansion. Similar limitations have been observed in Italy. Comparable developments are expected in France and Greece, which only introduced payment tariffs for grid supplies in the course of 2006.

The grid-connected output in Spain was around 20 MWp in 2005. The figure should be around 40 to 60 MWp for 2006. Demand, which in addition includes the buildup of inventories and systems that are partly finished but not yet connected to the grid, is likely to have at least tripled in Spain. In absolute terms, this market represented only a fraction of the global demand of approx. 1,200 to 1,500 MWp. By comparison, new facilities generating approx. 600 to 800 MWp were connected to the grid in Germany in 2005. We estimate that the level was similar for 2006 (sources: Photon, BSW, own research).

Outlook: falling prices offer prospect of renewed growth in Southern Europe and Germany in 2007

The market for preliminary products for photovoltaic systems – solar cells, wafers and silicon – is not fully flexible. As a result of the bottlenecks of recent years, this part of the value chain is characterised by longer-term contracts which mean that price adjustments take some time to filter through.

The manufacturers of solar modules accordingly had to make certain price concessions to their end customers last year without the purchase prices for solar cells having fallen by the same degree. Prices have moreover now been cut in earlier stages of the value chain, with the result that the end prices for photovoltaic systems are now unquestionably more than 10 % down on the prices at the start of 2006.

PV systems have thus regained their appeal for a broad range of applications in Germany, the world's biggest market. We are observing a significantly higher volume of demand, including for larger-scale projects. We consequently expect to see a growth in demand in Southern Europe and Germany in 2007.

II. Strategy

Product and sales strategy: concentrating on growth segments within the PV market

The CENTROSOLAR Group is divided into two business segments: Solar Integrated Systems (the largest segment, with revenue of EUR

138.6 million in the 2006 financial year), and Solar Key Components (EUR 33.6 million revenue in 2006). In all its areas of business, CENTROSOLAR focuses on market segments in which it is able to play to its strengths and thus secure a market position that it will be capable of retaining in the long term.

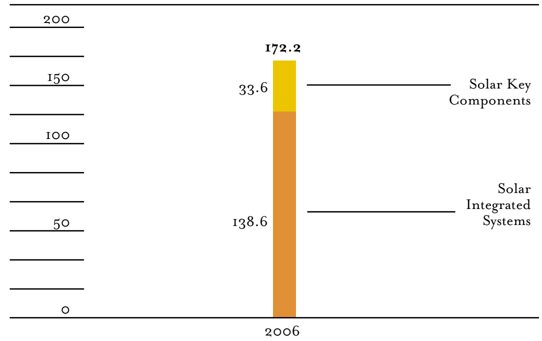
Its solar integrated systems have been designed with the focus on the growing segment of smaller systems and are distributed in particular via the specialist trade, to heating engineers and electricians. CENTROSOLAR was in addition able to tap into new specialist segments, such as building integration, during the past year. Roof-mounted solar systems attract the highest subsidies and could be realised with high returns for the end user in 2006, despite the high prices at many locations. This segment therefore enjoyed growth during the past year.

As the solar sector in Germany already dates back more than 20 years, there exists considerable potential for specialised, often highly dedicated solar installation companies which have until now served the majority of end customers. Now that solar energy systems are increasingly becoming a standard product, traditional fitters are discovering that they are able to offer these products. With their extensive customer base, they have particularly good access to end customers, with the result that this market segment is enjoying above-average growth.

The CENTROSOLAR group company Solarstocc has concentrated on high-quality systems that produce a high energy yield, are particularly robust in design and meet the requirements of a householder in respect of their visual appeal.

By offering competitive products for traditional fitters, packaged appropriately together

Revenue by segment
[in EUR million]



with accompanying services, CENTROSOLAR's strategy is to develop and expand its own brands and to generate a high level of customer loyalty. Although these qualities have until now had little differentiating effect due to the hitherto excess demand, we are convinced that this comparatively disciplined strategy within the industry will bear fruit once the market's structures become "normalised".

CENTROSOLAR has in addition established itself in a highly specialised market through the acquisition of Biohaus, a PV expert with over 20 years' experience in building integration. We create further value added for our customers by combining photovoltaics with the roof skin. Solar roof tiles are available on the basis of crystalline technology and in thin-film technology. The ultra-light, flexible thin-film modules are entirely embedded in plastic and therefore unequalled for use on roofs of lightweight-construction halls, which are unable to support heavy modules with glass covers.

Finally, the group company Solara serves the segment of non-grid-connected solar energy systems. These systems supply energy for boats, caravans, buoys, holiday homes and other consumers that are not connected to the grid. We in addition exploit expertise that has been accumulated over decades to improve the power supply in remote regions of developing countries.

The second segment encompasses the development, production and distribution of key components for solar energy systems, and in particular mounting systems and glasses with high light transmission. The customers of this segment are predominantly solar project developers and module manufacturers.

Generating revenue of EUR 30.0 million in 2006, glass covers for photovoltaic and thermal solar modules contributed the largest portion towards the overall revenue of the Solar Key Components segment. In this segment, CENTROSOLAR for instance has a patented process for the nanocoating of glass, by means of which the light transmission and therefore the efficiency of solar modules can be boosted by between 3 and 7 %. Coated solar glasses (2006: 44 % of revenue for glasses) are playing an increasingly pivotal role in boosting the efficiency of photovoltaic systems.

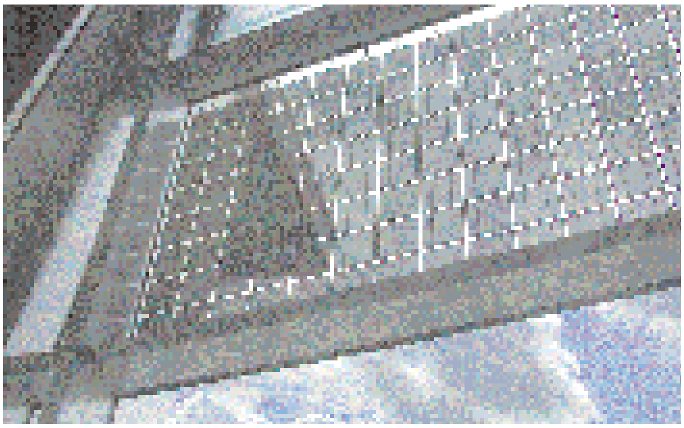
CENTROSOLAR in addition holds patents for mounting systems, for instance for a special mounting system for flat roofs that is particularly quick and easy to install, and a newly developed, patented system for sloping roofs. The latter not only appreciably reduces the installation time, but also reduces the susceptibility of the overall structure to leaks. Our hitherto unique in-roof mounting system is currently enjoying particular success. It is attracting many new customers above all in France, where special subsidies are available for roof-integrated photovoltaic systems.

Production and operational investment strategy: downstream strategy focusing on distribution, various extensions planned

CENTROSOLAR is a "downstream supplier" in the solar market's value chain. In other words, we concentrate on the designing, distribution and production of integrated systems, including solar cells and components such as glass, mounting systems, converter and accessories. Our strategic focus is on development, marketing and distribution. From a strategic viewpoint, production can be outsourced to some extent. CENTROSOLAR nevertheless has considerable internal and outsourced production capacity for modules (from solar cells), mounting systems and glass.

Capacity was well utilised in 2006, but not 100 %. As our group was only assembled in the course of 2005 and 2006, it was not possible to optimise flows of materials fully in the first year. We are already able to exploit this potential much more efficiently in 2007. The most important capital investments in 2006 as a whole were the further extension of Solara Sonnenstromfabrik's module production at a new location in Wismar and a further extension of the glass production line in Fürth, featuring the installation of a new nanocoating plant.

The starting material for solar modules, hyperpure silicon, is still creating a certain bottleneck in the value chain. Representing around 30 % of the value, silicon is still one of the most important individual components of a solar energy system. In technological terms, the production of electronic-grade silicon is an activity of industrial chemistry, to which CENTROSOLAR has no technical access, in common with most other solar companies. The industrial-scale plant required for producing silicon moreover carries a high fixed-costs and capacity-utilisation risk.



On the other hand, we believe that the intermediate stages of wafer production and cell production do not constitute a significant bottleneck. There are growing signs that the previous shortage of silicon has increasingly been overcome for the time being. Procurement is nevertheless an exceptionally important area of strategy compared with other industries.

Procurement strategy: supply agreements with medium-term flexibility

The dominant technology of photovoltaics is based on wafers made from crystalline hyperpure silicon. Only a few chemical companies in the world are capable of manufacturing this intermediate product. In view of the rising demand, most suppliers are currently extending their production capacity. This process is nevertheless moving forward only slowly, and restricted growth in 2004 and 2005. The prices for crystalline silicon have more than doubled in recent years as a result of high demand and its relative short supply, even though the production costs themselves have in actual fact probably fallen. Silicon producers have moreover concluded long-term supply agreements with many of their customers, involving high advance payments by the customers and long-term price commitments.

We explained at length in the management report for the 2005 financial year why CENTROSOLAR is only prepared to enter into long-term procurement contracts to a very limited degree, unlike most of its competitors. The core arguments were (and still are) that it can thus avoid the risk of long-term price commitments and that it expects the shortage to ease off in the next few years as a result of the rising MWp yield from the silicon material available. In March 2006, we estimated that the shortage would ease off "possibly not for the next one or two years". It actually materialised in the same year – sooner than we ourselves had expected.

If photovoltaics is genuinely to realise its market potential and make a significant contribution towards worldwide energy production, even the increased silicon capacity is still not remotely adequate. We therefore regularly reassess the procurement strategy outlined above.

The CENTROSOLAR Group has succeeded in realising significant price reductions in the purchasing of solar cells in 2007. In conjunction with increased automation and improved capacity utilisation of our own module production line, our group is therefore in a position to offer PV systems at much more attractive prices, in line with the requirements of the Renewable Energies Act. The returns for our customers are therefore even better on average than in 2006, despite the lower payment tariff for grid supplies in 2007.

Our financial procurement strategy has consequently proved successful. We paid significantly higher prices for solar cells in 2005 and 2006 than competitors with long-term agreements. Conversely, we were in a position to respond to falling market prices by securing improved purchasing terms. Although our profit margins have until now been lower than those of some competitors, we are able to maintain or even increase our margins now that purchase prices are falling.

As well as the improved prices, major advances have been made in optimising the procurement structure in 2007. Whereas we were obliged to buy from less reliable sources while materials were in short supply, we now have a portfolio of suppliers that are without exception the top players in the world for cell and module production.

Expansion strategy: position of leader in segment for private houses in Germany achieved – focus now on international expansion

A special feature of CENTROSOLAR AG is its expansion and acquisitions strategy. In 2005 and 2006, CENTROSOLAR was successfully created through the merger of seven mid-corporate PV companies. The group thus occupies a leading position in our target market of relatively small PV systems on private houses and industrial halls.

The bulk of the takeovers were conducted in 2005. In May 2006, Biohaus PV Handels GmbH, Paderborn, was acquired as a new member of the group. The interest in Solarstocc AG, Durach, was increased from 66 % to 100 % in September 2006.

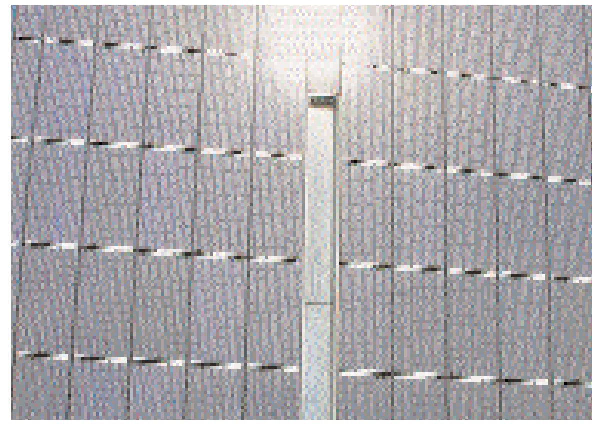
With this strong basis, which offers an extensive range of products and technologies, we are focusing our efforts on developing our own sales channels in the "new solar countries" of Spain, Italy, France and Greece. We are adopting a multi-pronged approach that involves establishing our own sales subsidiaries in the afore mentioned strategic core markets. We are in addition looking for takeover candidates in these countries. We have an indirect presence in over 45 countries worldwide through the partnership with the CENTROTEC Group.

Financing: organic growth can be financed

As a result of its tremendous growth and relative youth, the solar sector is relatively equity-intensive. CENTROSOLAR consequently pushed for early access to the capital market through its inclusion in the Regulated Unofficial Market of the Frankfurt Stock Exchange and, since October 2006, its admission to Deutsche Börse's Prime Standard. This listing not only created scope for raising cash, but also transformed CENTROSOLAR shares into a valuable currency with which to pay for acquisitions.

The equity financing and external financing arrangements required for funding the organic growth are in place. At the start of 2006, CENTROSOLAR carried out a capital increase for cash from approved capital, for 336,000 shares bringing in a total of EUR 5.1 million. In January, May and September there were three capital increases for contributions in kind for a total of 2,062,615 shares for the acquisition of Solara AG, Hamburg, and Biohaus PV Handels GmbH, Paderborn, and the increasing of the interest in Solarstocc AG, Durach, to 100 %.

The credit lines within the group companies were further extended as a result of the growth in working capital. In June 2006 new loan-financed borrowings for EUR 9.8 million were secured for Solara AG, to replace and extend the previous credit lines amounting to EUR 2.5 million. In March 2007 a further EUR 9.1 million in mezzanine equity was raised under the Hypo Vereinsbank "PREPS" scheme, a portion of which was already available for use at the end of 2006. Further smaller extensions to credit lines were also realised. We moreover expect extended credit periods with suppliers and accelerated throughput times to relieve the pressure on the additional working capital required.



Significant events occurring during and after the end of the financial year: entry into the segment for midsize roof-mounted PV systems

Biohaus PV Handels GmbH, Paderborn, was integrated into the group in May 2006. As a consequence of the takeover, Biohaus' founder family became a new shareholder of CENTROSOLAR AG, receiving a total of 694,444 new shares in the context of the acquisition of Biohaus. Biohaus is one of the oldest photovoltaics companies in Germany, with over 20 years' experience in that field. It has built up a unique resource of experience particularly in the area of building-integrated photovoltaics (BIPV), thus strategically extending CENTROSOLAR's range of products and services.

The subsidiary Solarstocc AG, Durach, was fully integrated into the group in September 2006. CENTROSOLAR had already acquired around 66 % of the company in October 2005, predominantly by way of a capital increase. With profitable growth in excess of 100 %, Solarstocc has used the financial resources from the capital increase effectively in creating value added. By acquiring the remaining shares in return for the issue of 883,948 new shares, CENTROSOLAR believes that EPS has not undergone any dilution, as CENTROSOLAR's shareholders benefit in full from the corresponding contributions to earnings by Solarstocc. As Solarstocc has already been fully consolidated since October 2005, the carrying amounts of the assets and liabilities in the consolidated balance sheet have not been remeasured.

CENTROSOLAR was admitted to Deutsche Börse's Prime Standard in October 2006. CENTROSOLAR had already seen its shares be included in the Regulated Unofficial Market in September 2005. The subsequent switch to the Prime Standard had previously been announced and accomplished as planned. This listing enables us to address a wider circle of professional institutional investors both in Germany and internationally.

Together with Pohlen Bedachungen GmbH & Co. KG, Geilenkirchen, the company Centroplan GmbH is currently being established as a planning office for PV systems on industrial roofs. As a specialist for roof maintenance and covering, Pohlen Bedachungen has access to a substantial roof area in Europe, including under long-term contracts for the maintenance of the roofs of premises belonging to major market chains. Pohlen Bedachungen has already installed various photovoltaic systems on such roofs. CENTROSOLAR is contributing its expertise in photovoltaics and building integration, e.g. based on the ultra-lightweight thin-film systems from Biohaus. Together we can thus build up a unique position in this market segment with high growth potential.

We even ventured into the USA in March 2007. The USA is considered to be the biggest market of the future for photovoltaics. A very experienced industry expert and sales professional was recruited locally to run the new branch in Arizona.

Dependence report: market-appropriate business relations

The Management Board issued a dependence report for 2006. The concluding remark from the dependence report reads: "Pursuant to Section 312 (3) of German Stock Corporation Law, we declare that, on the basis of the circumstances known to us at the time when legal transactions with affiliated companies were conducted, our company received adequate consideration for each legal transaction in the past 2006 financial year."

III. Financial review

Net worth and financial position: high equity ratio and high working capital

CENTROSOLAR is a group of highly profitable companies with a strong emphasis on the distribution end. This fact is reflected in the balance sheet structure. Unlike traditional industrial companies, the balance sheet of the CENTROSOLAR Group is characterised by high working capital, but only relatively modest fixed assets (the latter predominantly machinery for the production of glass and modules). As solar business is still relatively new, it can be financed to only a moderate degree by borrowing, as a result of which there is a high equity ratio of 49 % on the equity and liabilities side.

The net working capital at December 31, 2006 totalled EUR 26.9 million or 14 % of the pro forma annual revenue of all group companies (EUR 183.8 million). In the previous year, the net working capital amounted to EUR 7.5 million or 6 % of the pro forma annual revenue of the comprehensively consolidated companies at December 31, 2005 (EUR 123.4 million). Net working capital was made up as follows at December 31, 2006 (prior-year figures in brackets): inventories EUR 31.3 million (EUR 6.8 million), trade receivables EUR 24.6 million (EUR 7.3 million), income tax receivable EUR 0.7 million (EUR 0.3 million) and other assets EUR 2.9 million (EUR 3.5 million), in each case less trade payables and liabilities to affiliated companies (essentially for services) EUR 18.8 million (EUR 5.4 million), income tax payable EUR 2.2 million (EUR 0.1 million) and other current liabilities of EUR 11.5 million (EUR 4.9 million).

The net working capital is subject to considerable seasonal fluctuations. In the course of

2006, this figure was variously EUR 15.7 million (31/03), EUR 24.8 million (30/06) and EUR 32.7 million (30/09). Particularly the inventories and advances to suppliers (included in other assets) were significantly higher at various points during the year. This is because a substantial portion of the annual revenue is not realised until the fourth quarter, whereas procurement must be spread more evenly across the whole of the year.

The net financial position (cash in hand + short-term negotiable securities + loans originated by the enterprise – long-term and short-term financial debt) amounted to EUR -19.7 million (i.e. financial liabilities exceed cash and cash equivalents). This figure amounted to EUR -27.4 million at the end of the third quarter. The reduction in financial liabilities reflects how inventories are sold off in the main season in the fourth quarter. There was still a position of net cash at December 31, 2005 because the acquisitions of the group companies had not yet been completed. Business expansion was thus financed in part by higher leverage, to protect shareholders' equity. It is still planned to employ borrowed capital to promote a growth-driven increase in working capital. The items of accounts receivable and inventories in particular are suitable for lending against.

Special consequence of IFRS 3: new intangible assets created upon takeover

The high intangible assets represent a special case. The overwhelming portion of this balance sheet item was identified in the context of the takeovers. Pursuant to IFRS 3, as well as remeasuring the existing assets and debts of the acquired company on the basis of market values upon business combinations, intangible assets which may not be recognised during ongoing operations are in addition to be recognised. These include in particular customer relationships, supply agreements, brand names and technology.

The most important item in the intangible assets amounting to EUR 21.2 million (previous year EUR 21.4 million), resulting largely from the takeovers, is a supply agreement for solar modules and solar cells with a value of EUR 12.9 million (maturity date March 31, 2009). Intangible assets in addition include customer relationships, brand names and development work recognised as an intangible asset. The prior-year figure for intangible assets of EUR 21.4 million was increased by EUR 5.9 million largely as a result of further takeovers. Amortisation and reductions for impairment of EUR 6.1 million has correspondingly reduced this figure.

The excess of cost over the fair assets acquired is recognised as goodwill. Goodwill rose from EUR 13.4 million at December 31, 2005 to EUR 50.3 million. The increase stems largely from the takeovers of Solara AG in January 2006 and Biohaus PV Handels GmbH in May 2006. For the acquisition of the remaining 34 % in Solarstocc AG in September 2006, the carrying amounts were retained.

IV. Development and analysis of operating activities

Sales performance: record revenue of EUR 172.2 million

The CENTROSOLAR Group generated revenue of EUR 172.2 million in the 2006 financial year. This figure only includes Biohaus from May 9, 2006. All group companies posted pro forma revenue of EUR 183.8 million since January 1, 2006. The corresponding pro forma revenue of the previous year was EUR 123.4 million. This meant that organic growth in revenue reached 49 %. The consolidated revenue at December 31, 2005 was EUR 15.1 million.

Our group has thus established another revenue record. The annual revenue is nevertheless down on the company's expectations. This is because the targets had included a revenue contribution by the solar trader Solarsquare AG. A portion of Solarsquare's trading volume in the fourth quarter was marketed not by Solarsquare itself, but by its cell supplier on Solarsquare's behalf. Of the underlying gross trading volume of EUR 22.0 million, only EUR 1.8 million, corresponding to the gross profit achieved, was recognised as revenue in the IFRS Consolidated Financial Statements. In the absence of clear IFRS guidance on the recognition of revenue from commission-based business on a gross or net basis, as a precaution reference was made to US GAAP standard (EITF 99-19) for purposes of interpretation. This reporting approach substantially explains the shortfall on the revenue forecast of around EUR 200 million.

As well as this effect, seasonal business in Germany in the fourth quarter of 2006 was not as strong as in the previous year. We attribute this to two causes: on the one hand the average rates of return on plants for end customers were down, following the price increases of solar cell manufacturers in the first half of 2006, and on the other hand announcements of price cuts prompted potential customers to delay their acquisitions in anticipation of more attractive prices.

Reports in the press claimed that growth in the German market had fallen substantially. This does not tally with CENTROSOLAR's results. Organic growth, which in absolute terms was very high at almost 50 %, is rather an indication that at least the market segment that is of relevance for CENTROSOLAR grew significantly during the past year. We are working on the basis that while the major projects segment of the German market may have experienced something of a downturn, the market for smaller systems and particularly for private houses continues to grow.

The group company Solarstocc, a specialist for integrated systems for traditional heating engineers and electricians, leads the way with organic growth of more than 140 %. This demonstrates the stability of the growth trend for

Key figures, EUR '000 (Q1 – 4 / 2006)	Solar Integrated Systems	Solar Key Components	CENTROSOLAR consolidated
Revenue from third parties	138,579	33,609	172,188
Revenue from other segments	2	784	0
Change in inventories	8,955	161	9,108
Cost of materials	(125,964)	(23,639)	(148,822)
Gross profit	21,572	10,914	32,475
Personnel expenses	(7,313)	(3,645)	(10,957)
Other earnings and expenses*	(7,238)	(4,455)	(11,693)
EBITDA (adjusted for IPO costs)*	7,022	2,815	9,824
EBITDA in % of revenue*	5.1 %	8.4 %	5.7 %
* Not taken into account: IPO costs	(630)		(630)

smaller systems for private houses and the accuracy of the strategy of aiming at local fitters via the sales channel of specialist wholesalers. Local heating engineers and electricians who have not specialised in photovoltaics are one of the biggest growth segments in this market. As well as being able to offer them very easy-to-fit products, CENTROSOLAR can provide in-depth service on technical and marketing matters.

The export performance of our group is especially satisfying. Having already secured a position among the leaders in the largest national market, Germany, CENTROSOLAR is now focusing on rapidly expanding its market presence in Southern Europe as one of its top strategic priorities for the next few years. Sales totalling EUR 49.3 million were already achieved outside Germany in 2006. The principal sales markets were Spain (22.9 million), France (EUR 7.1 million), Switzerland (EUR 5.2 million) and Africa (EUR 3.4 million). Exports consequently brought in 29 % of revenue. Only very few German solar manufacturers manage to achieve similarly high figures at comparable levels of the value chain.

Price development: lower level of end prices since mid-way through year makes solar systems in Germany more attractive again

Gross profit for the group as a whole totalled EUR 32.5 million, or 18.9 % of revenue. Particularly in the fourth quarter, the gross margin was stabilised again following the weakness in the second and third quarters prompted by prices. Our purchasing activities were able to respond to the unexpectedly early fall in market prices mid-way through the year only after a slight delay.

The gross margin in the largest segment, Solar Integrated Systems, has fallen since April 2006 due to developments in end prices. This margin was 18.4 % in the first three months of the year. It dropped to 14.5 % in each of the second and third quarters. It recovered to 16.2 % in the final quarter. In absolute terms, gross profit has of course risen sharply along with revenue in each quarter.

The payment tariffs for supplies of solar power to the grid in Germany were cut by 5 % from January 1, 2007. There are currently other markets in which the payment tariffs for grid supplies are economically more attractive than in Germany. Those markets would in theory be able to accept a higher price level, though in our opinion they will still only be able to absorb a fraction of the MWp volume of the German market next year. The German market, which still accounts for almost half of demand worldwide, is consequently likely to remain the market that determines the price.

CENTROSOLAR consequently believes it is important not to enter into any long-term purchasing-end commitments. The "price" it has to pay for this strategy is that purchasing volumes currently available at short notice typically command slightly higher prices than the market norm for long-term agreements. On the other hand, CENTROSOLAR enjoys less exposure to price fluctuations. The gap between short-term market prices and typical contract prices in long-term agreements has already fallen significantly. We are not prepared to take the risk of being contractually committed in the longer term to pay prices that are no longer in line with the market.

In 2007 our company has already been able to secure significantly better purchasing terms than in 2006. This confirms our view that CENTROSOLAR can defend its profit margins (with fluctuations) despite falling end prices.

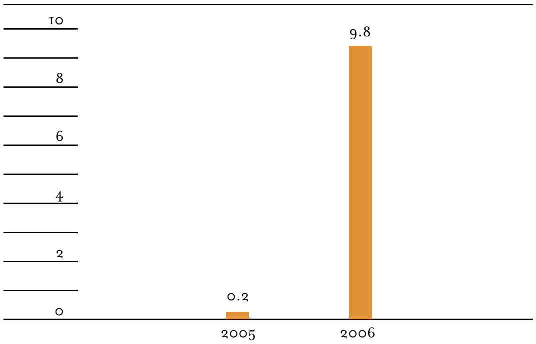
We expect that the price reductions that have already materialised should stimulate demand again, particularly in Germany. In contrast to certain "new solar countries", Germany's infrastructure is prepared, the sales channels have been established and the end customers are mentally primed. CENTROSOLAR is simultaneously investing actively in the creation of a sales network in Southern Europe.

Earnings: profitability satisfactory despite non-recurring charges, with EBITDA (pre-IPO costs) of EUR 9.8 million or 5.7 %

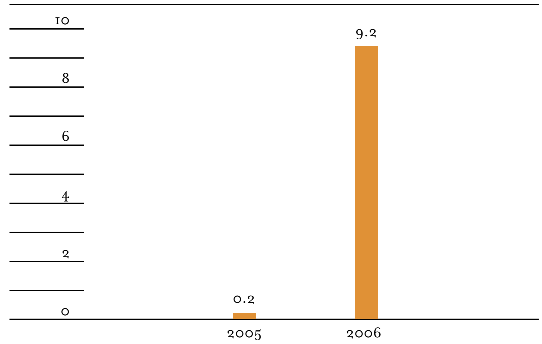
The best indication of operating profitability at CENTROSOLAR is EBITDA. At present and probably for the next three years, there will be high non-cash amortisation of intangible assets newly created pursuant to IFRS 3 as a result of business combinations, which will significantly diminish and undoubtedly distort EBIT, EAT and EPS. On the other hand, the volume of depreciation and amortisation from operative investments is of marginal significance compared with EBITDA as it amounts to approx. EUR 1.0 million.

EBITDA for the CENTROSOLAR Group amounted to EUR 9.2 million in the past financial year (previous year EUR 0.2 million). After adjustment for EUR 0.6 million in one-off expenses for the IPO in the Prime Standard of Deutsche Börse in October 2006, the EBITDA generated by operations was EUR 9.8 mil-

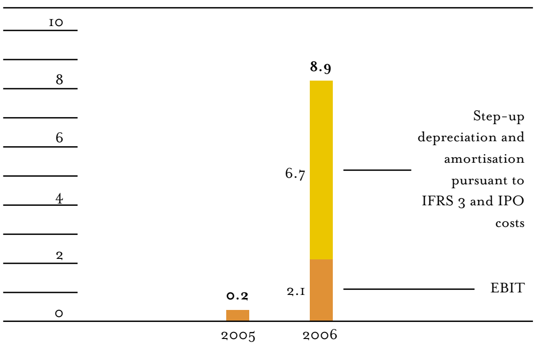
EBITDA adjusted*
[in EUR million]



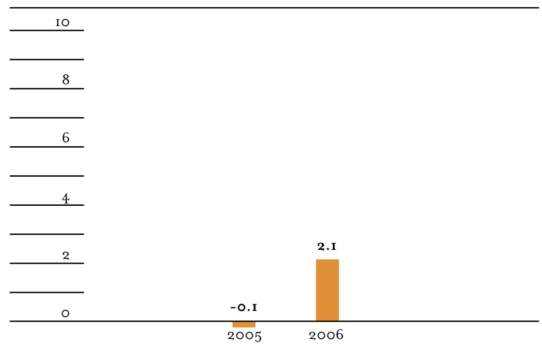
EBITDA
[in EUR million]



EBIT adjusted*
[in EUR million]



EBIT
[in EUR million]



* After elimination of IFRS 3 depreciation and amortisation and IPO costs of EUR 0.6 million.

lion. These earnings were generated predominantly in the highest-revenue Solar Integrated Systems segment, which posted EBITDA amounting to 7.0 million, or 5.1 % of revenue. This EBITDA is obtained from the gross margin of 15.6 % less personnel expenses (5.3 %) and other operating expenses (5.2 %). The highest margin was achieved in the Solar Key Components segment, in which an EBITDA of EUR 2.8 million or 8.4 % of the revenue for the segment was achieved. In that segment, both the gross profit (32.5 %) and the proportion of personnel expenses (10.8 %) and other operating expenses (13.3 %) of revenue are higher on account of the higher own contribution to value added.

In addition to the costs of the IPO, a further one-off effect of EUR 1.8 million had to be absorbed, albeit of an operational nature. Recourse against our supplier that has not yet been settled arose from one supplier relationship. This matter concerns several container-loads of imported solar modules that had been paid for in advance but, upon incoming goods checks, did not meet our company's standards of quality. As the supplier was in breach of contract for supplying products that did not meet predefined specifications but is proceeding only very slowly with exchanging or replacing them, the entire receivable from the supplier was written down as a precautionary measure. Our customer did not incur a loss as a result of our quality controls.

The main driving force behind earnings is the Solar Integrated Systems segment, which accounts for 80 % of the total. As outlined above, the gross margin eased back in the course of the year as a result of lower prices for end customers. Until the end of the third quarter, these falling end prices had to be absorbed largely without corresponding improvements on the purchasing side. This segment nevertheless achieved an entirely satisfactory EBITDA (adjusted for IPO costs) of EUR 7.0 million (previous year EUR -0.1 million). Improvements have moreover been achieved in purchasing since the fourth quarter and in particular since the start of 2007.

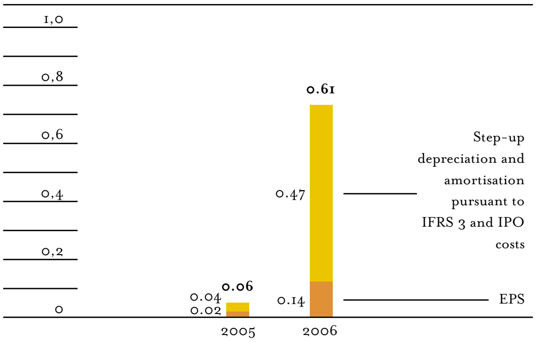
In the Solar Key Components segment, the healthy earnings were steadily improved as the year progressed. Solar Key Components posted a cumulative EBITDA for the segment of EUR 2.8 million (previous year EUR 0.4 million). Production and sales of innovative nanocoated solar glasses with an anti-reflective effect were increased by a notable degree. These patented glasses have a light yield between 3 % and 7 % higher than conventional solar glass, and the difference is translated in full into a higher current yield by modules or a higher heat yield by thermal solar collectors.

Centrosolar Glas is global in outlook and supplies its goods to all regions of the world. The volume growth of this area is consequently dictated largely by worldwide growth in photovoltaics and solar thermal. The revenue share of higher-value coated glasses has risen steadily in recent years (and currently accounts for 44 % of revenue), so this area is able to grow faster than the market as a whole in terms of value, too. Value-based growth has correspondingly had a positive impact on the profit situation.

Depreciation and reductions for impairment of EUR 7.1 million were deducted from the consolidated EBITDA of EUR 9.2 million in 2006. Only EUR 1.0 million of this constitutes "operating" depreciation and amortisation. By contrast, depreciation and amortisation pursuant to IFRS 3 amounts to EUR 6.1 million. EBIT, the informative value of which is limited by the high IFRS 3 depreciation and amortisation, is thus EUR 2.1 million. After taking into account a financial result of EUR -1.5 million, pre-tax profit reached approx. EUR 0.6 million.

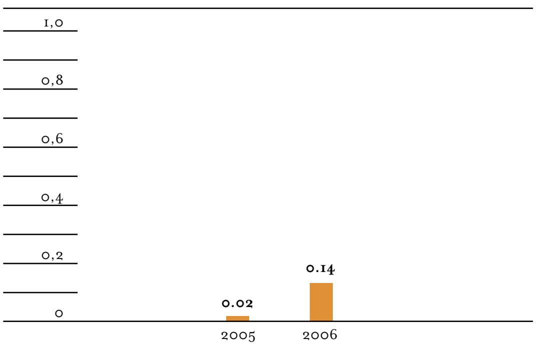
The net income for the year (after taxes) amounts to EUR 1.6 million (previous year EUR 0.0 million). The positive net amount for taxes of EUR 1.0 million stems from the ongoing tax burden of EUR 2.0 million and a positive tax effect of EUR 3.0 million from deferred taxes. Of the positive tax effect within deferred taxes, EUR 1.6 million is attributable to the optimisation of the fiscal structure of Solarsquare AG in

Cash-EPS*
[in EUR]



* After elimination of IFRS 3 depreciation and amortisation and IPO costs of EUR 0.6 million.

EPS
[in EUR]



Switzerland. The reduction in the tax rate for this company led to a partial cash-effective liquidation of the deferred tax liabilities that had been created during initial consolidation for the supply agreement for solar cells and solar modules.

Minority interests amounting to EUR -0.1 million are to be added from the net income for the year of EUR 1.6 million. The profit attributable to minority interests relates to profit attributable to, Econcern B.V., the joint venture partner of Ubbink Solar Modules. The profit attributable to the shareholders of CENTROSOLAR AG thus amounts to EUR 1.7 million (previous year EUR 0.0 million) and is spread over an average of 12.3 million shares. Earnings per share (EPS) are consequently EUR 0.14 (previous year EUR 0.02). After elimination of the IPO costs and IFRS 3 depreciation and amortisation, the "cash EPS" figure is EUR 0.61.

Cash flow: negative cash flow throughout entire year due to growth – last quarter markedly positive

As a result of the high organic growth of approx. 50 %, the cash flow from operating activities was negative for the entire year. Although the figure of EUR -9.0 million (previous year EUR -1.8 million) is based on positive earnings, the rise in working capital outweighed this effect.

Working capital fluctuates throughout the year due to seasonal factors and peaked in the autumn. A corresponding effect was likewise observed in 2006. Whereas the cash flow from operating activities was as low as EUR -21.5 million at September 30, 2006, it improved to EUR -9.0 million by the end of the year. In the course of the fourth quarter, a highly positive operating cash flow of EUR 12.5 million was therefore recorded, as expected.

The cash flow from investing activities amounted to EUR -14.9 million. This comprised EUR 7.6 million for the acquisition of Solara AG and EUR 4.0 million for the acquisition of Biohaus PV Handels GmbH. EUR 2.0 million was spent on operating investments. The biggest operating investment was an extension to the production facilities at Centrosolar Glas & Co. KG.

On the other hand, the cash flow from financing activities was positive. This was prompted by an equity increase of EUR 5.1 million in January 2006 and the raising of further financial liabilities, which were collateralised by the corresponding buildup of inventories and receivables.

Employees: 364 employees (FTE)

The number of employees rose in absolute terms by 207 FTE (full time equivalents as average for year) to 364 FTE compared with December 31, 2005. This increase is attributable predominantly to the initial consolidation of Solara in the first quarter, and Biohaus in the second. There was moreover a growth-related rise in the number of employees at Centrosolar Glas.

The remuneration systems within CENTROSOLAR are based on the legacy structures of the group companies. These typically envisage payment largely in the form of fixed remuneration. Management employees in addition receive a wide variety of remuneration components that are dependent on revenue and/or earnings targets. Most of the managing directors of the subsidiaries are in addition provided with company cars.

Over and above these systems of remuneration, CENTROSOLAR AG grants stock options to key employees and managers, both as a means of retaining their services in the long term and as an incentive to contribute towards enhancing the long-term value of the company. The members of the Management Board receive fixed salaries, plus stock options as the only variable remuneration component. No other fringe benefits are granted to the Management Board members. The remuneration of the Management Board is presented in detail in the Notes section.

Research and development, and other projects: Development of new solar thermal product area and increased international expansion

The takeover of the ventilation and heating systems manufacturer Wolf GmbH, Mainburg, by the CENTROSOLAR shareholder CENTROTEC Sustainable AG opens up new horizons for expansion for CENTROSOLAR. With Wolf's technological support, CENTROSOLAR will be bringing its own thermal solar collector onto the market under the brand name Biohaus. This will extend the CENTROSOLAR product range to cover every aspect of solar technology (the use of solar energy for power generation and for heating drinking or central-heating water).

Other focal areas of development activities are the expansion of the product range in the field of building-integrated photovoltaics (BIPV). Particularly the very light, flexible thin-film laminates using triple junction technology on the basis of amorphous silicon are ideal in this respect. In that product area, it was not possible to keep up fully with demand at the end of last year. Biosol PV plate laminates are embedded in ultra-lightweight plastic and are therefore suitable for the roofs of lightweight-construction halls that are unable to support the weight of traditional solar modules with glass covers. These products are consequently without any competitors in their market segment.

Research was also conducted in the area of glass coating. In particular, new and improved methods of coating which are designed to cut processing costs even further were tested. Another area of development work concerns the electrical optimisation of solar module wiring. Concepts to minimise the losses during serial connecting of modules of different outputs were devised. A total of around EUR 0.6 million was spent on research and development. There were in addition various technical consultations and applications developments involving customers; we allocate these to the distribution costs.

As well as adding to the product range, the close partnership with Wolf represents a key step towards increased international spread. CENTROSOLAR will supply Wolf with its own OEM photovoltaic system, which Wolf will sell via its distribution channels. On the one hand this gives CENTROSOLAR access to new groups of customers in Germany, and on the other hand Wolf's presence in more than 45 countries provides a vital boost for the internationalisation strategy.

The CENTROSOLAR Group has also been able to extend its presence internationally through its own efforts. The establishment of a sales office in Barcelona represents merely the first step in this process. In order to establish a focused local presence in all key markets throughout Europe, CENTROSOLAR is currently taking similar steps in other Southern European countries. CENTROSOLAR furthermore opened its first branch in the USA in March 2007. The aim of this strategy is rapidly to increase the export share of almost 30 %, which is already very high for the industry.

Non-financial performance indicators: environmental protection as a driving force of financial success

The non-financial as well as the financial performance indicators are to be considered here. Other important indicators include customer relationships and procurement, which have already been described in greater detail above.

The quality of the management personnel and employees is also of importance to the company's success. CENTROSOLAR enjoys the advantage of being able to combine the know-how of top managers from the solar sector, who have as much as 20 years' experience of the industry, with the expertise of experienced specialists and managers from other sectors. Thanks to this high level of market and methodological expertise, together with the skills of its M&A professionals, CENTROSOLAR has a management team of unique calibre. Among the other personnel, there are highly qualified employees who have worked for the respective subsidiaries for many years. CENTROSOLAR promotes loyalty to the company by granting independent responsibility to a high degree, thus enabling it to hold onto its employees in the long term.

In contrast to traditional companies, the relevance of environmental aspects for CENTROSOLAR centres not on emissions and pollution, but rather on reducing consumption of fossil energy sources. A photovoltaic solar energy system generates the energy consumed in its production and distribution in as little as 3 to 4 years (source: CLSA, Sarasin), then subsequently supplies zero-emissions energy with no flue gas, aesthetic interference or noise for approx. 20 to 40 years. The group companies of CENTROSOLAR supplied new power generation capacity amounting to almost 40 MWp in 2006.

V. CENTROSOLAR shares

Composition of the issued capital, shareholders, restrictions

The issued capital at December 31, 2006 totalled EUR 13,292,458.-, divided into 13,292,458 bearer ordinary shares with no par value, each representing EUR 1.- of capital stock. The shares have been listed on the Regulated Market (Prime Standard) of Deutsche Börse since October 16, 2006. The shares were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange from September 29, 2005 to October 15, 2006.

The data for CENTROSOLAR shares is as follows: International Securities Identification Number (ISIN): DE 0005148506, German Securities Identification Number (WKN): 514850, Common Code: 22975897, stock exchange code: C3O.

According to the company's information, CENTROTEC Sustainable AG indirectly holds capital stock in the company via its subsidiary Ubbink B.V., which has an interest of 33.63 %, and Guido A. Krass, who has an interest of 15.80 %. Guido A. Krass furthermore has a substantial interest in CENTROTEC Sustainable AG. There exists a voting trust agreement between Ubbink B.V. and Guido A. Krass which, at the time of compilation of the accounts, covers 37.58 % of the voting rights in the company. At the reporting date, the following lock-up agreements existed (for other shareholders): restrictions on the sale of shares until March 31, 2007 for 751,023 shares, until September 30, 2007 for 485,174 shares and until March 31, 2008 for 219,325 shares.

Provisions on the appointment and dismissal of the members of the Management Board and on changes to the articles of incorporation as well as authorisation of the Management Board to issue or buy back shares

The Management Board of the company is appointed and dismissed by the Supervisory Board. Amendments to the articles of incorporation shall fundamentally be the responsibility of the Shareholders' Meeting of the company.

The Management Board is, with the approval of the Supervisory Board, authorised to increase the company's capital stock on one or more occasions by up to EUR 2,272,033.00 (in words: two million two hundred and seventy two thousand and thirty three euros) by December 31, 2009 in return for cash and/or contributions in kind through the issue of new bearer no par value shares (approved capital I).

The Management Board is, with the approval of the Supervisory Board, authorised to exclude the shareholders' statutory subscription right in the following instances:

- for residual amounts,
- if the capital increase is for cash and the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law; this authorisation is given with the proviso that neither at the time of this authorisation becoming effective nor at the time of exercising of this authorisation may the total of ten percent of the capital stock be exceeded by the total (i) of the shares which are issued on the basis of the aforesaid authorisation, excluding the subscription right, and of the shares which are issued after this authorisation takes effect on the basis of another authorisation, valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, to utilise an amount of approved capital pursuant to Section 186 (3) fourth sentence of German Stock Corporation Law, excluding subscription rights; (ii) of those shares which may be subscribed to on the basis of the convertible or warrant-linked bonds and which are issued after this authorisation becomes effective, utilising an authorisation resolved at the time of this authorisation becoming effective, or a substitute authorisation of the former, pursuant to Section 186 (3) fourth sentence of German Stock Corporation Law, excluding subscription rights; and (iii) of the treasury stock sold, insofar as that sale after this authorisation becomes effective, on the basis of an authorisation valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, is for cash by a means other than via the stock exchange or through an offer to all shareholders,
- for capital increases for contributions in kind for the granting of shares for the purpose of acquiring companies, parts of companies or investments in companies,
- for issuing to employees of the company,
- for issuing shares in connection with the inclusion of the company's shares in an organised market as defined in Section 2 (5) of German Securities Trading Law.

The Management Board is furthermore authorised, with the approval of the Supervisory Board, to specify the further details of the effecting of capital increases from approved capital I.

The capital stock has been increased conditionally by EUR 303,000.00 ("conditional capital I"). The conditional capital increase is only effected insofar as the bearers of the option certificates issued by the company pursuant to the authorisation of the Shareholders' Meeting of September 2, 2005 exercise their subscription right to ordinary bearer shares in the company (option right). The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of option rights. The conditional capital I is divided into up to 303,000 no par value shares.

The Management Board is, with the approval of the Supervisory Board, authorised to increase the capital stock on one or more occasions by up to EUR 2,006,608.00 (in words: two million and six thousand six hundred and eight euros) by December 31, 2010 in return for cash and/or contributions in kind through the issue of new bearer no par value shares (approved capital II). The Management Board is, with the approval of the Supervisory Board, authorised to exclude the shareholders' statutory subscription right in the following instances:

- for residual amounts,
- if the capital increase is for cash and the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law; this authorisation is given with the proviso that neither at the time of this authorisation becoming effective nor at the time of exercising of this authorisation may the total of ten percent of the capital stock be exceeded by the total (i) of the shares which are issued on the basis of afore said authorisation, excluding the subscription right, and of the shares which are issued after this authorisation takes effect on the basis of another authorisation, valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, to utilise an amount of approved capital pursuant to Section 186 (3) fourth sentence of German Stock Corporation Law, excluding subscription rights; and (ii) of the treasury stock sold, insofar as that sale after this authorisation becomes effective, on the basis of an authorisation valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, is for cash by a means other than via the stock exchange or through an offer to all shareholders,
- for capital increases for contributions in kind for the granting of shares for the purpose of acquiring companies, parts of companies or investments in companies,
- for issuing to employees of the company,
- for issuing shares in connection with the inclusion of the company's shares in an organised market as defined in Section 2 (5) of German Securities Trading Law.

The Management Board is furthermore authorised, with the approval of the Supervisory Board, to specify the further details of the effecting of capital increases from approved capital II.

The capital stock is increased by EUR 868,406.00 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (conditional capital II). The conditional capital increase is only effected if the bearers of stock options issued by the company pursuant to the authorisations of the Shareholders' Meetings of March 6, 2006 and August 28, 2006 exercise their right to subscribe to ordinary bearer shares in the company (option right). The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of subscription rights. The conditional capital II is divided into up to 868,406 no par value shares.

The capital stock of the company is increased conditionally by up to EUR 1,171,000.00 through the issue of up to 1,171,000 new bearer no par value shares ("conditional capital III"). The conditional capital increase only takes place if (i) the bearers or creditors of bonds or option certificates provided by the company or by a member company of the group on the basis of the authorising resolution of the Shareholders' Meeting of September 28, 2006 until August 27, 2011 in exchange for convertible and/or warrant-linked bonds issued for cash exercise their conversion options or option rights or (ii) the bearers or creditors of the company or of a member company of the group who have a conversion obligation on the basis of the authorising resolution of the Shareholders' Meeting of August 28, 2006 meet their obligation of conversion by August 27, 2011 in exchange for convertible bonds issued for cash; in both afore mentioned cases (i) and (ii), however, only to the extent that no treasury shares are used for servicing. The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of conversion or option rights or through the fulfilment of conversion obligations.

The Shareholders' Meeting of March 6, 2006 authorised the company to acquire treasury stock using a portion of the capital stock of up to EUR 1,000,000.00, representing just under 10 % of the capital stock in existence at the time of the resolution, by the close of September 5, 2007. The authorisation may be exercised in whole or for partial amounts, on one or more occasions, for the following purposes subject to the aforementioned restrictions: for the use of shares in the company in the context of mergers with companies or acquisitions of companies, investments in companies or parts of companies, for sale at a price that does not significantly undercut the market price of the company's shares at the date of sale, or for retirement. The authorisation may not be used for the purpose of trading in treasury stock. Acquisition may be via the stock market or by means of a public offer of purchase addressed to all shareholders, at the Management Board's discretion. If the shares are acquired via the stock market, the price per share paid by the company (excluding incidental acquisition costs) may not exceed by more than 15 % or undercut by more than 15 % the average of the opening prices on the Frankfurt Stock Exchange on the three trading days prior to entering into the obligation in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). If the acquisition is by means of a public offer of purchase to all shareholders in the company, the price offered or the limits in the span of prices offered per share (excluding incidental acquisition costs) may not exceed or undercut by more than 20 % the average of the closing prices as determined by the closing auction on the three trading days prior to publication of the offer on the Frankfurt Stock Exchange in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). If considerable price differences from the purchase price offered or the limits in the span of prices offered occur after publication of a formal offer or formal request to submit offers of sale, the offer may be amended. The volume of the offer may be limited and acceptance of small numbers of up to 100 shares per shareholder offered for purchase given priority.

The company is furthermore authorised to resell shares in the company that have been acquired on the basis of the above authorisation. Their resale may also be by means other than via the stock market or by offer to all shareholders, excluding the right of subscription of the shareholders, in particular in order to offer them to third parties in the context of a merger with companies or in the context of the acquisition of companies, or to sell them to third parties at a price that does not significantly undercut the market price of shares in the company of the same class at the time of sale, i.e. that does not undercut by more than 5 % the average market price or the closing price of the shares in the company as determined by the closing auction on the date of sale on the Frankfurt Stock Exchange in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). In the latter case, the authorisation is limited to a total of no more than 10 % of the capital stock in existence at the time of the authorisation becoming effective and being exercised. Furthermore, with regard to the volume of the authorisation in the latter case, other cases of facilitated exclusion of subscription right pursuant to Section 186 (3), fourth sentence, of German Stock Corporation Law are to be included on the basis of existing authorisations. The Management Board of the company is moreover authorised to retire treasury shares in the company without requiring a further shareholders' resolution or to determine, with the approval of the Supervisory Board, that the capital stock is to remain unchanged upon their retirement and that instead the share of the capital stock of each of the remaining shares is to rise, pursuant to Section 8 (3) of German Stock Corporation Law. The authorisations to resell or retire treasury stock may be exercised in whole or for partial amounts, on one or more occasions, and individually or jointly.

Share price developments

CENTROSOLAR shares, which had been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange since September 2005, were admitted to the Prime Standard of Deutsche Börse on October 16, 2006. The share price fluctuated considerably during the financial year. The shares were quoted at EUR 12.40 on January 2, 2006, reached a year-high of EUR 21.50 on May 8, 2006 and closed the year on EUR 9.40.

VI. Opportunities and risks

Risks: management of procurement and sales in a market characterised by falling prices and rising volumes

The key risk to be considered at December 31, 2005 was indisputably the risk of silicon being in short supply. At the moment, most market observers believe that this shortage has been or will very shortly be overcome. This is a development that virtually nobody was prepared to predict 12 months ago. CENTROSOLAR was therefore evidently right to adopt the strategy of entering into few, if any, longer-term purchasing commitments.

The steering of purchasing operations nevertheless remains a major area of risk to the company in view of the limited scope for forecasting sales. Solar cells are typically produced continually throughout the year, whereas our sales have a strong seasonal emphasis towards the end of the year. CENTROSOLAR is consequently obliged during the spring and summer to build up stocks that will not be reduced again until the latter part of the year. CENTROSOLAR is thus able to avoid huge price risks resulting from multi-year long-term supply agreements, but our company is obliged to accept short-term price risks in the course of the year. There moreover exists one fixed supplier relationship with a volume of approx. 1 MWp per month, running until the end of the first quarter of 2009.

Though procurement does not currently represent such an extreme bottleneck as in 2005 and 2006, the risk of a potential undersupply remains. As production capacities for the starting material for hyperpure silicon can only be increased slowly, further periods of shortages are conceivable in future years, depending on the market's growth. The market's structure must therefore still be closely monitored in that respect.

The afore mentioned loss suffered by CENTROSOLAR resulted from the shortage at the start of last year. In order to meet material requirements without entering into long-term agreements (which by their very nature carry much higher risks), advance payments for purchases had to be made during that period. For one import transaction we did not receive the assured standard of quality, as was established during the incoming goods check, and are still involved in negotiations on the financial consequences of this transaction. CENTROSOLAR now purchases only directly from established, reliable, internationally active cell and module manufacturers. Credit periods have now been agreed with the majority of suppliers. We were already able to avert the quality risk in 2006 but had to accept financial risks at the procurement end. The financial risks have ebbed significantly in 2007, though this risk may rise again if shortages recur.

The photovoltaics sector is still dependent on state subsidies to a large degree. If these were to be abolished or reduced, the impact on the entire market structure could be drastic. However, we believe that the likelihood of subsidies for solar power being abolished has fallen further. Many European countries are following the lead given by the German Renewable Energies Act (EEG). The next review of EEG, amended in 2003, is scheduled for the end of 2007. Now that serious efforts are finally being made to reduce global warming, there is a compelling case for promoting and expanding photovoltaics. The extremely high level of acceptance of photovoltaics by the general public backs up this trend. In a survey conducted by Greenpeace in August 2004, 85 % of the population in Germany said that subsidies for solar power should be maintained or increased.

There is likewise a risk of the retail prices of solar energy systems falling in Germany but remaining high in other countries with more sun and higher subsidies. This would affect CENTROSOLAR as a company that still focuses on the German market. Germany will probably remain the largest national market for the next few years because the market volume in Spain, France and Italy will take time to reach the same level as in Germany. Whereas there has been a market for photovoltaics in Germany for 20 years, a functioning infrastructure of suppliers of systems, project developers and installation companies will first have to be created in the latter countries. CENTROSOLAR is nevertheless actively promoting international expansion. Several sales subsidiaries have already been established or are being developed in Spain, Italy, Greece, France and the USA. Those countries are expected to enjoy higher relative growth than Germany. The price levels in the various different countries have already become largely assimilated thanks to the highly transparent nature of the market.

Geographical expansion itself also harbours risks. Other companies' experience of international expansion reveals that differences in mentality and language barriers, different market structures and physical distance constitute a particular challenge. Notwithstanding this, we will turn that experience to our benefit when developing CENTROSOLAR's international subsidiaries. Geographical expansion furthermore entails advance costs. However, we already have various customers and/or potential customers in all core markets. If the revenue scenarios drawn up on the basis of these customer contacts nevertheless fail to materialise, the international subsidiaries could incur corresponding losses.

The exchange rate risks furthermore rise along with the international spread of business. The most important foreign currency is the USD, which is used for a considerable volume of purchases. For 2007, CENTROSOLAR largely adopts a hedging strategy for an upper limit to prevent it from having to make excessively costly purchases if the USD appreciates steeply. A weaker USD can thus be used to increase the profit margin.

The loss of production plant could result in delivery bottlenecks. The biggest individual plant operated by CENTROSOLAR is a stove for tempering glass. Since investing in the new glass tempering stove, an economically obsolete but technically functioning spare stove has been available. As CENTROSOLAR has two locations for module production, it has a degree of protection against possible breakdowns.

The departure of well-qualified managers could likewise seriously undermine the company. Particularly the entrepreneurs who have transferred their companies to the group play a key role, as a result of which CENTROSOLAR is keen to secure the long-term involvement of these successful individuals. CENTROSOLAR believes that the most important tool for holding onto well-qualified, enterprising individuals is to give the local management teams considerable entrepreneurial liberty. Coordination is performed by a group-wide steering committee on which all subsidiaries are represented. This committee, which jointly discusses and passes all important decisions, is simultaneously a key element of integrating the group members.

CENTROSOLAR has established a risk early warning system which has identified risk areas within the company; the probability of risks materialising and their potential impact are assessed on a regular basis. These assessments are made at the level of every subsidiary with the aid of ready-structured questionnaires and freely worded reports. Important performance indicators are in addition measured and monitored generally on a monthly basis. A risk manager has been nominated at each company; the task of these risk managers is to monitor application of the risk early warning system and suggest how the system itself might be improved as a result of new findings from the individual companies.

Opportunities: accelerated growth from rising energy prices, new subsidies and technical advances

The solar industry is still in its infancy. Larger production volumes are for the first time prompting substantial efforts to optimise the technology and the distribution network. The cost reductions per watt peak historically averaged 7 % p.a. up until 2003 (source: CLSA, ECN, own research). Thanks to rising R&D expenditure and rapidly growing expertise in the production of larger volumes, we expect costs to fall even more sharply from now on.

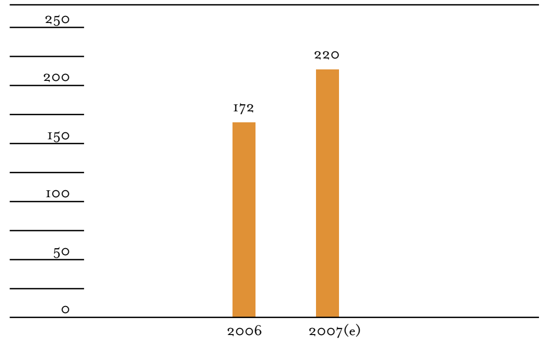
Market prices rose between 2004 to 2006 due to demand, with the result that the profit margins of companies involved in the production of silicon, wafers and cells rose sharply. We expect significant price cuts over the next few years as production capacities rise. This should further stimulate demand.

The German EEG requires industry to reduce costs by 5 % p.a. This ought to be easily attainable in technical terms. If this trend continues, state subsidies for Southern Europe should become unnecessary in around 10 years, and in around 15 to 20 years in Northern Europe. This is not a long period in the sphere of energy policy when one considers the billions with which nuclear power was subsidised over many decades.

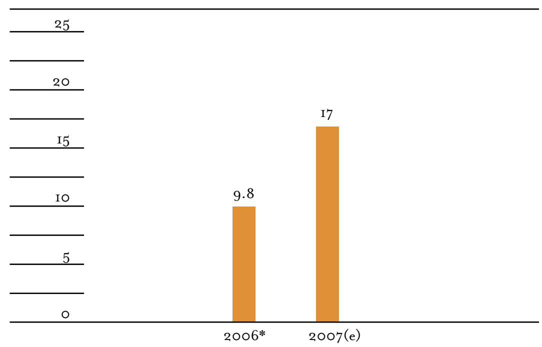
The public has at last become starkly aware of the potential consequences of global warming. There has been a growing realisation of the need to switch very rapidly to renewable energies. We believe solar energy is the only energy source that has the potential to cover a large proportion of our energy consumption in view of the volume available. In order to generate Germany's annual power consumption of 550 billion kWh per year using the technology that is currently available, an area measuring around 75 km square would have to be covered with solar modules. That is a large area, but it could undoubtedly be found.

Whereas the battle against global warming demands farsighted political action, further rises in energy prices may soon create very real pressure for change. Some sources predict an irreversible shortage of oil in as little as 10 to 20 years if the growth in demand particularly in Asia continues and only limited easily accessible sources are identified as a result of the increasingly exhaustive exploration of the Earth's crust. Although there will continue to be cyclical fluctuations in energy prices, we believe that overall there will a steady upward trend in prices.

Revenue
[in EUR million]



EBITDA
[in EUR million]



* After elimination of IPO costs of EUR 0.6 million.

The prospects specifically for CENTROSOLAR will remain bright in view of its scope for exploiting market growth, the expansion of business areas described in this management report, geographical expansion and plans for growth through targeted corporate acquisitions.

VII. Outlook

Expectations for 2007: plans for high organic growth

As before, CENTROSOLAR is planning to grow faster than the market as a whole in 2007. Various measures have been adopted and in some cases already implemented to this end.

Two new boiler manufacturers have been acquired in Germany as new OEM customers. These customers complement the existing customers in the specialist wholesale sector for plumbers and electricians.

Our employees have concluded various framework agreements for increasing supplies of solar modules and accessories with leading solar project development companies, particularly in Spain.

In France, roof-integrated photovoltaic systems attract higher subsidies than on-roof and standalone systems. Our product range for building integration ideally covers these requirements.

Our sales employees have already started work in Italy and Greece. We expect growing volumes of orders from those countries.

In Centroplan (a joint venture between roofing specialist Pohlen and BIPV specialist CENTROSOLAR) we have access to possibly unique expertise in the development and equipping of solar energy systems on industrial roofs, which attract very high subsidies in Germany. This gives CENTROSOLAR a foothold in a new area of the market in which there is relatively little competition.

The purchasing terms have been improved in several respects. The average purchase prices are lower than in the previous year, and the purchasing volume's structure has shifted in emphasis from solar modules to solar cells (which will probably account for two-thirds of the purchasing volume for 2007), coupled with a higher proportion of rapidly-growing thin-film laminates (probably likely to achieve a share of more than 10 %).

As solar modules are now produced mainly at our own plants, the costs of module production can be cut by improving capacity utilisation further and increased automation. We will moreover be able to safeguard the quality of our products even better as a result.

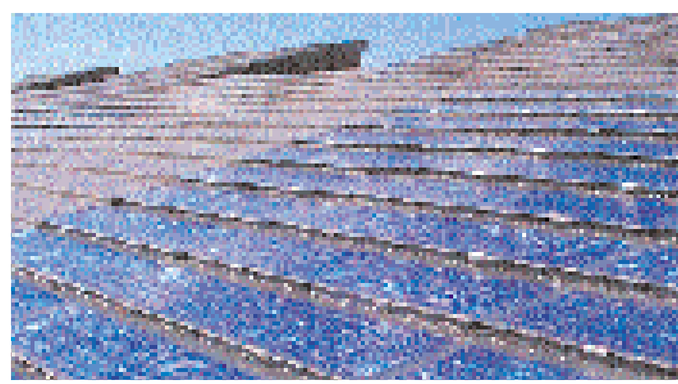
Against this backdrop, CENTROSOLAR expects the following business figures for 2007: revenue is to rise by at least 27 % to more than EUR 220 million. Thanks to the cost reductions achieved, the EBITDA margin is expected to rise from 6 % in 2006 to 7 to 8 % in 2007. EBITDA will thus rise by 70 % to EUR 17 million.

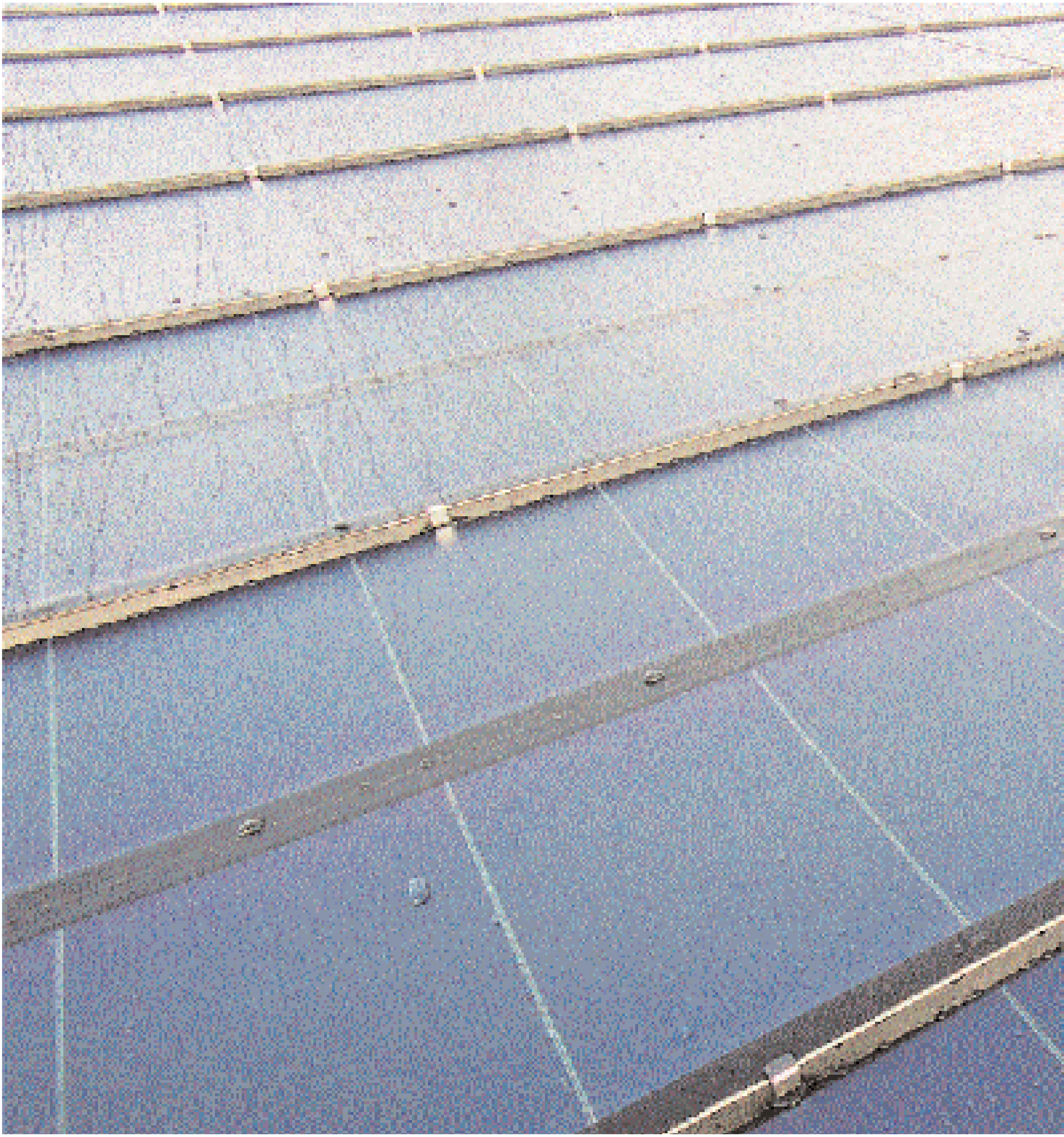
Medium-term expectations: growth remaining above the market trend

In the medium term, our aim remains to grow faster than the market as a whole. CENTROSOLAR already enjoys a leading position in the market segment for roof-mounted photovoltaic systems in Germany. With almost

30 % of revenue already coming from outside Germany, CENTROSOLAR moreover leads the way in the still nascent process of international expansion. Here again, we are planning to make swift progress in order to secure a leading position in our market segment at an early stage. Yearly growth rates of over 25 % for revenue and earnings are consequently an achievable target for the next three years.

The solar industry is in a position to contribute decisively towards reducing global warming and preserving our finite resources of fossil fuels. We will continue to do everything in our power to help solar energy to spread as swiftly as possible.





Financial Statements

[Building-integrated photovoltaics]

Thin-film technology is paving the way for new concepts that use our roofs for generating electricity. The notion of the solar tile symbolises the convergence of the roof and the solar module into a single, practical, aesthetic element. The efficiency of our thin-film modules is very high, particularly on rainy days with low levels of sunlight or if the roof's alignment is not ideal.

Consolidated Balance Sheet at December 31, 2006

Assets in EUR '000	[Notes]	**31/12/2006**	31/12/2005
Non-current assets			
Goodwill	1	50,297	13,431
Intangible assets	2	21,235	21,354
Property, plant and equipment	3	6,734	4,696
Financial investments accounted for using the equity method	4	1,038	8,558
Other loans and financial investments for using the cost method	4	2,608	0
Deferred tax	5	1,082	798
		82,994	**48,837**
Current assets			
Inventories	6	31,291	6,796
Trade account receivables	7	24,593	7,337
Income tax receivable		708	291
Securities	8	0	1,560
Cash and cash equivalents	8	6,688	12,984
Prepaid expenses and other assets	9	2,887	3,530
		66,166	**32,499**
Assets		**149,160**	**81,336**

Equality and liabilities in EUR '000

Equity and liabilities in EUR '000	[Notes]	31/12/2006	31/12/2005
Shareholders' Equity			
Share capital	10	13,292	10,894
Additional paid-in-capital	10	58,077	31,012
Share benefit reserve	10	254	51
Currency translation difference		(4)	(0)
Retained earnings		(143)	(204)
Profit attributable to share capital holders of CENTROSOLAR AG	10	1,725	61
Minority interest, presented within equity	11	323	2,385
		73,525	**44,199**
Non-current liabilities			
Pension accruals	12	938	872
Other accruals	13	1,357	615
Financial liabilities	14	16,053	10,263
Deferred tax	15	4,106	4,512
Other liabilities	16	8,237	7,636
		30,690	**23,898**
Current liabilities			
Other accruals	13	542	0
Financial liabilities	14	12,006	2,829
Trade accounts payable		18,047	4,426
Liabilities of affiliated companies		703	989
Income tax payable		2,166	71
Other liabilities	16	11,480	4,924
		44,944	**13,239**
Equity and liabilities		**149,160**	**81,336**

Consolidated Income Statement 2006

in EUR '000	[Notes]	01/01/2006 31/12/2006	01/01/2005 31/12/2005
Revenues	17	**172,188**	**15,107**
Other operating income	18	2,326	471
Changes in inventories of finished goods and work in progress		9,108	(1,683)
Production for own fixed assets capitalized		58	101
Cost of purchased materials and services	19	(148,822)	(10,804)
Personnel expenses	20	(10,957)	(1,214)
Other operating expenses	21	(14,707)	(1,752)
EBITDA		**9,194**	**225**
Depreciation and amortisation	2 3	(7,066)	(305)
Operating income (EBIT)		**2,128**	**(80)**
Interest income and expenses	22	(1,514)	(23)
Financial investments recognised using the equity method		(0)	113
Result before income taxes (EBT)		**614**	**10**
Income tax	23	991	32
Net income (EAT)		**1,605**	**42**
Profit or loss attributable to minority interest	24	(120)	(19)
Profit or loss attributable to share capital holders of CENTROSOLAR AG		1,725	61
EPS (Earnings per share in EUR)			
Earnings per share (basic)	25	0.14	0.02
Earnings per share (diluted)	25	0.14	0.02
Weighted average of ordinary shares issued (number, basic)		12,373,473	3,217,984
Weighted average of ordinary shares issued (number, diluted)		12,538,134	3,237,334

Cash Flow Statement 2006

in EUR '000	[Notes]	01/01/2006 31/12/2006	01/01/2005 31/12/2005
Net income before tax and interest (EBIT)		2,128	(80)
Depreciation	2 3	7,066	305
Gain/loss on disposal of non-current assets		35	3
Other non-cash items		(2,953)	(1,273)
Increase/decrease in provisions		(405)	6
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financial activities		(24,577)	(79)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financial activities		14,733	(546)
Interest paid		(1,244)	35
Income tax paid		(3,811)	(170)
Cash Flow from operating activities	27	**(9,028)**	**(1,801)**
Acquisition of share in participations – net of cash acquired		(12,949)	(11,469)
Purchase of property, plant and equipment/intangible assets		(1,991)	(6,058)
Proceeds from disposal of property, plant and equipment/intangible assets		37	1
Cash Flow from investing activities		**(14,903)**	**(17,527)**
Proceeds from issuance of shares		5,113	29,736
Proceeds from borrowings		14,699	4,999
Repayment of borrowings		(7,559)	(1,160)
Cash Flow from financing activities		**12,254**	**33,575**
Change in liquid funds		**(11,677)**	**14,248**
Liquid funds at the beginning of the financial year		14,259	12
Liquid funds at the end of the financial year		2,583	14,259

Statement of Movements in Equity 2006

in EUR '000	Share capital	Additional paid-in capital	Share stock options reserve	Currency translation differences	Retained earnings and profit carry-forward	Profit attributable to share capital holders of CENTROSOLAR AG	Minority interest, presented within equity	Consolidated equity
December 31, 2004	**280**	**0**	**0**	**0**	**(248)**	**43**	**0**	**76**
Payment into revenue reserves					43	(43)		0
Change in minority interest							2,404	2,404
Change from exercise of options	9,920	22,170		0				32,090
Share option plan			51					51
Deposit for revolved increase of share capital	694	8,842						9,536
Currency translation differences				0				0
Profit attributable to share of CENTROSOLAR AG						61		61
Profit or loss attributable to minority interests							(19)	(19)
December 31, 2005	**10,894**	**31,012**	**51**	**0**	**(204)**	**61**	**2,385**	**44,199**
Payment into revenue reserves					61	(61)		(0)
Change in minority interest							(1,941)	(1,941)
Change from exercise of options	2,399	27,065						29,464
Share option plan			203					203
Deposit for revolved increase of share capital								0
Currency translation differences				(4)				(4)
Profit attributable to share of CENTROSOLAR AG						1,725		1,725
Profit or loss attributable to minority interests							(120)	(120)
December 31, 2006	**13,292**	**58,077**	**254**	**(4)**	**(143)**	**1,725**	**323**	**73,525**

Segment Report 2006

in EUR '000	Solar Integrated Systems 2006	Solar Integrated Systems 2005	Solar Key Components 2006	Solar Key Components 2005	Consolidation 2006	Consolidation 2005	Total 2006	Total 2005
Revenue from third parties	138,579	8,839	33,609	6,268	0	0	172,188	15,107
Revenue from other segments	2	0	784	4	(786)	(4)	0	0
Change in inventories	8,955	(1,768)	161	84	(8)	0	9,108	(1,683)
Cost of materials	(125,964)	(6,152)	(23,639)	(4,656)	781	4	(148,822)	(10,804)
Gross profit	**21,572**	**919**	**10,914**	**1,700**	**(13)**	**(0)**	**32,475**	**2,619**
Personnel expenses	(7,313)	(531)	(3,645)	(746)	0	62	(10,957)	(1,214)
Other income and expense	(7,868)	(517)	(4,455)	(602)	(0)	(62)	(12,323)	(1,181)
EBITDA	**6,392**	**(128)**	**2,815**	**353**	**(13)**	**(0)**	**9,194**	**224**
Depreciation and reductions for impairment	(6,254)	(44)	(813)	(261)	0	0	(7,066)	(305)
EBIT	**138**	**(172)**	**2,002**	**91**	**(13)**	**0**	**2,128**	**(80)**
Interest result							(1,514)	(23)
Result from investments recognised using the equity method	(0)	113	0	0	0	0	(0)	113
EBT							**614**	**10**
Income tax							991	32
Net income (EAT)							**1,605**	**42**
Profit attributable to minority interests							(120)	(19)
Profit attributable to shareholders' of CENTROSOLAR AG							1,725	61
Selected key balance sheet figures								
Total assets	128,665	64,851	17,574	15,396	92	0	146,331	80,247
Financial investments accounted for using the equity method	1,038	8,558	0	0	0	0	1,038	8,558
Income tax receivable*							1,790	1,089
Total liabilities	27,307	15,048	13,997	4,414	0	0	41,304	19,462
Financial debt							28,059	13,092
Income tax payable*							6,272	4,583
Investment in fixed assets	48,272	20,844	1,335	8,391	0	0	49,607	29,235

* Including deferred tax

in EUR '000	Germany 2006	Germany 2005	European euro countries 2006	European euro countries 2005	Other European non-euro countries 2006	Other European non-euro countries 2005	Rest of world 2006	Rest of world 2005	Total 2006	Total 2005
Revenue from third parties	122,902	12,429	33,888	1,631	8,380	235	7,018	813	172,188	15,107
Total assets	118,533	57,856	4,215	1,746	23,583	20,645	0	0	146,331	80,247
Investment in fixed assets	49,461	10,365	130	815	16	18,055	0	0	49,607	29,235

Notes to the Consolidated Financial Statements for the financial year 2006

A__Basic data for the group

The CENTROSOLAR Group was created in the course of 2005 and was operational for its first full financial year in 2006. At the balance sheet date of December 31, 2006 CENTROSOLAR is an internationally focused group with subsidiary companies in other European countries, total revenue for 2006 of EUR 172.2 million and 364 employees (FTE = full time equivalents).

The principal areas of activity of the group are the production and sale of complete photovoltaic systems, solar modules and core components of photovoltaic systems.

In addition to the existing businesses, CENTROSOLAR defines its business purpose as creating and acquiring new business areas and companies in which photovoltaic systems or system components are developed and sold.

CENTROSOLAR AG, as the group parent, was listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the code WKN 514850 from September 29, 2005 onwards. The company has been listed in the Prime Standard since October 16, 2006. The company is entered on the Commercial Register of the Local Court of Munich under the number HRB 127486. The head offices of the group are at Walter-Gropius-Strasse 15, 80807 Munich, Germany.

The CENTROSOLAR Group was still fully consolidated in the Consolidated Financial Statements of its parent CENTROTEC Sustainable AG, Brilon, Germany, ("CENTROTEC AG") in 2006. The group parent, CENTROTEC Sustainable AG, Brilon, is listed under the codes CEV and WKN 540750 at Deutsche Börse. CENTROTEC Sustainable AG is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. The group parent's head office is located at Am Patbergschen Dorn 9, 59929 Brilon, Germany. From January 1, 2007 the CENTROSOLAR Group will only be reported by CENTROTEC AG using the equity method.

B__Standards applied

The Consolidated Financial Statements at December 31, 2006 have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) 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, IAS, IFRIC and SIC interpretations, the application of which is mandatory for the financial year from January 1, 2006 within the EU, have been applied.

The Consolidated Financial Statements have been prepared on the basis of historical cost, with the restriction that the financial assets and financial debt have been recognised at fair value with an effect on income.

The Consolidated Financial Statements prepared in accordance with IFRS for the 2006 financial year comply with Section 315a (1) of German Commercial Code (HGB). As a consequence, additional information is provided, over and above the disclosures required under IFRS, in order to comply with the requirements of German commercial law. There are furthermore changes with regard to the nature and extent of information provided in the Management Report.

CENTROSOLAR AG, as the parent company of the group, is required to prepare separate financial statements in accordance with the requirements of German commercial law.

Accounting standards applied for the first time

Certain accounting standards have been revised and published by the IASB. They wholly or partly replace earlier versions of these standards or constitute new standards. CENTROSOLAR has applied the following IFRS in full for the first time or applied the correspondingly revised standards in agreement with the corresponding transitional provisions and – insofar as necessary – adjusted the comparative figures for 2005 in agreement with the new accounting standards:

- IAS 16 Property, Plant and Equipment, acquired through exchange transactions,
- IAS 19 Employee Benefits,
- IAS 21 The Effects of Changes in Foreign Exchange Rates,
- IAS 39 Financial Instruments: Recognition and Measurement,
- IFRS 4 Insurance Contracts,
- IFRIC 4 Determining Whether an Arrangement Contains a Lease,
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds,
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

Their first-time application has no material impact on the recognition and measurement policies of the group. IFRS 6 and IFRIC 5 are of no relevance in view of the business activities of the CENTROSOLAR Group.

The effects of changes compared with the prior-year consolidated financial statements are as follows:

- IAS 1 Presentation of Financial Statements – The classification of the balance sheet items was brought in line with the approach proposed in the interpretation RIC 1 of the German Accounting Standards Committee (DRSC).

All changes to the recognition and measurement principles for the group were performed in agreement with the respective rules on implementation and transitional provisions.

New accounting standards

The management is currently examining the extent to which revised IFRS standards, and in particular IFRS 7, the application of which is mandatory from January 1, 2007 on, affect the preparation and presentation of future financial statements of CENTROSOLAR. The management is currently working on the assumption that these will not have any substantial, material effect on CENTROSOLAR's financial statements, and merely result in modifications or additions to the disclosures already being made.

The interpretation IFRIC 7 Applying the Restatement Approach under IAS 29 Reporting in Hyperinflationary Economies had already been published in November 2005. IFRIC 7 is to be applied for financial years beginning on or after March 1, 2006.

IFRIC 8 Scope of IFRS 2 in addition appeared in January 2006. IFRIC 8 is to be applied to financial years beginning on or after May 1, 2006 and deals with the question of how IFRS 2 is to be applied if the fair value of the goods or services that have been received as consideration for share-based payments is well under the fair value of the share-based payment. At the start of March 2006, IFRIC 9 Reassessment of Embedded Derivates was published; its application is mandatory for financial years which begin on or after June 1, 2006. IFRIC 10 Interim Financial Reporting and Impairment, published in July 2006, clarifies that reductions for impairment of goodwill in interim financial statements can no longer be reversed. The application of these interpretations is mandatory for financial years beginning on or after November 1, 2006. IFRIC 11 IFRS 2 Group and Treasury Share Transactions was also published in November 2006 and must be applied for financial years beginning on or after March 1, 2007. IFRIC 12 Service Concession Arrangements was likewise published in November. The application of these interpretations is mandatory for financial years beginning on or after January 1, 2008. IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10, IFRIC 11 and IFRIC 12 currently have no practical relevance for the CENTROTEC Group. IFRIC 10, IFRIC 11 and IFRIC 12 have moreover not yet been formally approved (endorsed) by the EU.

C_ Consolidation, Recognition and Measurement

Consolidation methods

The balance sheet date of the companies included in the Consolidated Financial Statements is December 31, 2006. The financial year of all the subsidiaries included in the Consolidated Financial Statements likewise ended on December 31, 2006. The income statement covers the period from January 1 to December 31, 2006 and has been prepared using the nature of expenditure method. Unless otherwise indicated, the amounts quoted in the Consolidated Financial Statements are quoted in thousand euros (EUR thousand).

The local financial statements of the domestic and foreign subsidiaries included in consolidation have been prepared using uniform recognition and measurement policies corresponding to those of the parent company, adjusted, i.e. in accordance with IAS 27 and IAS 31, examined, and where requiring auditing as individual companies, granted an unqualified audit certificate.

Where nothing is indicated to the contrary, the consolidation methods applied in these accounts have remained unchanged from the previous year.

a_Subsidiaries

Subsidiaries are included in the Consolidated Financial Statements in accordance with the rules on comprehensive consolidation, insofar as controlling influence that constitutes control over the financial and business policy of the subsidiary is exercised by the group. Controlling influence is assumed to apply where a share of more than 50 % of the shareholders' equity with voting rights is held, and where over half the voting rights are at the company's disposal. Potential voting rights that can be exercised or converted at the reporting date are taken into account. The date of first or last inclusion in the Consolidated Financial Statements within the context of full consolidation is based on the date on which controlling influence is acquired or lost.

Business combinations are reported according to the purchase method. For this purpose, all assets and liabilities as well as contingent liabilities of the acquired company in existence at the time of acquisition are measured at fair value, irrespective of the existence of minority interests. The cost of acquisition, including the transaction costs directly allocable to the acquisition, is offset against the corresponding acquirer's interest in the acquiree's net equity at the time of initial inclusion in the Consolidated Financial Statements.

The difference in amount between the cost of acquisition and the pro rata net equity is initially allocated to the assets, liabilities and contingent liabilities where its fair value differs from the carrying amount at the time of first-time consolidation. The deferred tax effects resulting from a business combination are likewise taken into account. Any remaining balance in the cost of acquisition over the fair value measurement of the net assets acquired is reported as goodwill. This is then tested for impairment on an annual basis and, if necessary, written down to the lower value determined.

Where the cost of acquisition falls below the fair value measurement of the net assets acquired, the remaining difference is recognised in the income statement.

Shares in the equity of subsidiaries that are not allocable to the group parent are reported as minority interests.

Intra-group transactions, balances, revenues, expenses and earnings, gains, losses as well as accounts receivable and payable between consolidated companies have been eliminated in accordance with IAS 27. For consolidation measures with effect on income, the effects on income taxes are accounted for and deferred taxes are recognised in accordance with IAS 12. Any intercompany profits from trade are eliminated on a pro rata basis if the companies concerned had not left the group as of the balance sheet date. In each case the data of the company managing the inventory has been taken as the basis here.

b_Joint ventures

Investments in joint ventures are reported in the Consolidated Financial Statements on the basis of the regulations on proportionate consolidation. The Consolidated Balance Sheet contains the group's share of the assets and liabilities of the joint venture. The Consolidated Income Statement contains the group's share of the income and expense items of the joint venture. Each of the assets, liabilities, income and expense items of the joint venture is combined with the corresponding items in the Consolidated Financial Statements on a pro rata basis. Unrealised gains from business transactions between the group and its joint ventures are eliminated in proportion to the company's ownership interest; unrealised losses are likewise eliminated proportionally.

c_Associated companies

Investments in associated companies are included in the Consolidated Financial Statements by the equity method if the ownership interest is between 20 % and 50 % or if the group exercises considerable influence, but no control, by another means.

Under the equity method, shares in associated companies are measured initially at cost. The carrying amount is increased or decreased to recognise the investor's profit share of the investee's earnings for the period after the date of acquisition. The share also includes goodwill arisen at the time of acquisition. This is then tested for impairment and, if impairment is established, written down to the lower goodwill determined.

Unrealised gains from business transactions between the group and its associated companies are eliminated in proportion to the company's ownership interest; unrealised losses are likewise eliminated proportionally, unless the value of the transferred asset has been diminished. Where the group's share of the loss of an associated company exceeds the carrying amount of its investment, the group does not record any further losses, unless it has assumed liabilities on behalf of the associated company or made payments for obligations of the associated company.

d_Miscellaneous investments

Investments over which the group exercises no control or no significant influence and where its ownership interest is generally not in excess of 20 % are recognised as available-for-sale financial assets. Moreover, economically insignificant investments are likewise classified as financial assets available for sale.

e_Transactions under common control

A business combination of companies under common control constitutes a merger in which ultimately all merging companies are controlled by the same party or parties both before and after the merger, and where this control is not merely temporary in nature. Business combinations of companies under common control are not recorded according to the purchase method of IFRS 3 presented above. Business combinations of this category are recognised by means of a rollover of the carrying amount, whereby – irrespective of the existence of minority interests – the carrying amounts are rolled over at the time of inclusion of the companies thus included. No exposure of undisclosed reserves and encumbrances occurs. This rollover comprises the fair value of the assets, liabilities and contingent liabilities included in the Consolidated Financial Statements. A difference between the rolled-over carrying amounts of the investment and the pro rata equity capital, as the reported net assets of the subsidiary, is netted income-neutrally within equity. Instead of any existing goodwill being netted against equity components at first-time consolidation, it is likewise rolled over with the carrying amounts.

f_Transactions with minorities

Where transactions take place with minority interests, the reporting company fundamentally has the option of recognising such transactions in an entirely income-neutral manner – resulting in direct recognition of the effects within equity – or of recognising the income effects in the income statement. The CENTROSOLAR Group exercises this option to the extent that the income effects from transactions with minorities are not reflected in the income statement, and are instead recognised directly within equity. Purchases of minority interests consequently do not result in goodwill.

Segment reporting

A group of assets and operating activities that supplies products or services and differs from other areas of business in respect of its intrinsic risks and opportunities constitutes a segment. The business activities and assets of CENTROSOLAR are divided into the following two segments, which represent the primary segment format in the Segment Report:

(1) "Solar Integrated Systems": This segment comprises the production and sale of complete photovoltaic systems and solar modules as core components of a photovoltaic system.

(2) "Solar Key Components": The activities here relate to the production and sale of coated and uncoated solar glass, and of mounting systems for photovoltaic systems.

The secondary segments use geographical criteria in distinguishing between "Domestic", "Other European euro countries", "European non-euro countries" and "Rest of world", as the economic context within these zones differs from other zones on account of their intrinsic risks and opportunities. The segment report is based on the same accounting policies as for the other sections of the Consolidated Financial Statements. Income and expense are directly attributable to the segments on the basis of source or origin.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the company is active. In the year under review, the functional currency of all consolidated companies was the euro. The Consolidated Financial Statements are likewise prepared in euro, as this is the functional currency of CENTROSOLAR AG.

Transactions conducted are translated into the functional currency using the current exchange rate at the date of the transaction. Exchange differences resulting locally from the fulfilment of such transactions in foreign currency or from the devaluation of assets denominated in foreign currencies or the upward revaluation of liabilities at the balance sheet date are recognised in the income statement in the period in question, unless they are to be recognised within equity as qualified cash flow hedges or qualified net investment hedges. The items in the financial statements of a group company reported in foreign currency are initially remeasured in their functional currency at the reporting-date rate. Exchange differences from changes in the fair value of non-monetary items in the financial statements reported in foreign currency are recognised directly within equity.

As part of the consolidation process, the financial statements of foreign group companies are translated into euro where they have been prepared in a different currency. Assets and liabilities are translated at closing rates, and expense and income items are translated at average exchange rates for the period under review. Any currency translation differences from this translation into the group reporting currency are recognised within equity with no effect on income. In the event of the disposal of business operations, translation differences hitherto recognised income-neutrally within equity are recognised within income. Where necessary, shareholders' equity is translated at historical rates. Goodwill having arisen from business combinations and fair value amounts is attributed to the respective units, reassessed in their currency and, if necessary, translated at the exchange rates valid at the reporting date. None of the companies included in the Consolidated Financial Statements is based in a hyperinflationary economy. Exclusively the euro was used as the functional currency used in the 2006 financial year for all consolidated companies.

Financial instruments

The balance sheet shows the financial instruments (investments, accounts receivable, securities, liabilities, financial debt, cash and cash equivalents) held by the company. The recognition and measurement principles are shown below. The financial instruments may entail credit risks, currency risks and interest risks. At the balance sheet date, there basically existed risks for the principal financial instruments only to the extent that is evident in these Notes.

Financial assets are generally recognised at the settlement date.

Financial assets are divided into the following categories:

- financial assets measured at fair value through profit and loss,
- loans and receivables,
- financial assets held to maturity, and
- financial assets available for sale.

The classification depends on the respective purpose for which the financial assets have been acquired. The management determines the classification of financial assets upon recognition for the first time and re-examines the classification at each reporting date.

All purchases and sales of financial assets are recognised using trade date accounting, in other words the day on which the group undertakes to buy or sell the asset. Financial assets that do not come under the category of "measured at fair value through profit and loss" are initially recognised at their fair value plus transaction costs. They are derecognised if the rights to payments from the investment have expired or been transferred and the group has in essence transferred all risks and rewards associated with their title.

Available-for-sale financial assets and assets in the category "measured at fair value through profit and loss" are measured at their fair value following initial recognition. Loans and receivables and investments held to maturity are recognised at amortised cost, using the effective interest rate method. Realised and unrealised gains and losses from the change in the fair value of assets in the category "at fair value through profit and loss" are booked to income in the period in which they arise. Unrealised gains from the change in the fair value of non-monetary securities in the category "financial assets available for sale" are recognised within equity. If securities in the category "financial assets available for sale" are sold or their carrying amount reduced for impairment, the cumulative adjustments to the fair value within equity are recognised in the income statement as a gain or loss from financial assets.

It is assessed at each balance sheet date whether there is any objective basis for impairment of a financial asset or group of financial assets. In the case of equity instruments that are classified as financial assets available for sale, a substantial or permanent fall in the fair value to less than the cost of these equity instruments is taken into account in determining the extent of impairment on these equity instruments. If such an indication exists for financial assets available for sale, the cumulative loss – measured as the difference between the cost and the fair value, less impairment losses previously established for the financial asset being considered – is derecognised from equity and recognised in the income statement. Impairment losses of equity instruments are not reversed with an income effect.

At the balance sheet dates December 31, 2006 and 2005, the group had no financial assets which came under the category of held to maturity.

Recognition and measurement principles

a_**Property, plant and equipment** is stated at cost less accumulated regular depreciation occasioned by use, pursuant to IAS 16. Subsequent costs are capitalised where these are associated with future economic benefit that can reliably be measured. Self-created plant includes shares of overheads in addition to the direct costs. Depreciation is charged according to the straight-line method. If necessary, an impairment loss is recognised for property, plant and equipment down to the recoverable amount. All expenses arising in conjunction with the maintenance of property, plant and equipment are recorded in the income statement for the period in which they are incurred.

b_**Intangible assets**: Acquired brand rights, customer bases, software and licences are capitalised at cost and amortised in accordance with their anticipated useful lives. In the same way, software developments and other development work that can be capitalised at cost are capitalised at cost and likewise amortised in accordance with their respective anticipated useful lives. Intangible assets, also comprising brand names, identified upon the acquisition of a company are amortised in accordance with the underlying expectations and not amortised on a regular basis in the event of indefinite useful life.
The customer bases acquired in connection with business combinations are amortised on the basis of anticipated use, shrinkage rates and margins, i.e. correspondingly to their economic benefits. Profitable supply agreements are amortised on the basis of the underlying terms of the agreements, correspondingly to their economic benefits.
According to IAS 38, development costs are to be capitalised as "intangible assets" insofar as certain criteria stated are met cumulatively. Capitalisation takes place if it is likely that the development activities will lead to a future economic benefit, which will cover the development costs in addition to the normal costs. Capitalised development costs are amortised on a straight-line basis once a marketable status is achieved. No development costs that represented expense in previous periods are capitalised in later periods. Research costs are not capitalised. All expenses arising in conjunction with the maintenance and upkeep of intangible assets are recorded in the income statement in the period in which they are incurred.

Impairment of non-monetary assets such as property, plant and equipment and intangible assets

Assets that are subject to depreciation and amortisation are examined for impairment if corresponding occurrences or changes in circumstances indicate that the carrying amount may possibly no longer be realisable.

Assets that have an indeterminate useful life are not depreciated or amortised. Instead, they are tested for impairment each year, irrespective of whether or not there is evidence of impairment.

The amount by which the carrying amount exceeds the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less the costs of disposal, and the value in use.

For the impairment test, assets are combined at the lowest level for which independent cash flows can be identified (cash generating units). For determining the value in use, forecast cash flows are discounted at the pre-tax interest rates applied by the market at that time, to reflect the asset-specific risks that have not been taken into account in the forecast cash flows. Non-financial assets (apart from goodwill) where the carrying amount has been reduced for impairment are in subsequent years examined for a recovery in value to the recoverable amount, but to no more than the scheduled values, i.e. without impairment loss. The reversal of impairment losses recognised in previous periods is recognised within income immediately.

Useful lives serving as the basis for depreciation and amortisation by the straight-line method for property, plant and equipment and intangible assets	**Years**
Technical equipment and machinery	3 – 14
Fixtures and office equipment	1 – 23
Brand rights, customer bases and licences	5 – 40
Patents	5 – 10
Capitalised development costs	2 – 5
Software and software developments	2 – 5

c_ **Investment subsidies and grants**: Government grants in the form of investment subsidies and grants for depreciable assets are reported as a deferred item within the non-current liabilities. They are liquidated on a straight-line basis over the anticipated useful life of the assets in question, with an income effect. Performance-related grants which either compensate for corresponding expenses or constitute income at the time they are claimed but are not associated with current or future expenses are recognised as income.

d_ **Investments** in non-associated companies are allocated to the category "available for sale". Loans originated by the enterprise are allocated to the category "loans and receivables".

e_ **Goodwill** is the excess of the cost of an investment or of assets over the market value of the acquiree's assets (on a time proportion basis) less liabilities. Goodwill is recognised as an asset, and included in the carrying amount of the investment at the time of acquisition of an associated company. It is allocated to the cash generating unit or group of cash generating units where it is assumed that they will benefit from the merger. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of other groups of assets. The cash generating unit does not necessarily correspond to distinctions made under company law. Cash generating units are determined at the lowest possible level at which monitoring is possible, and are never greater than a segment. Allocation is made on the basis of economic features. Gains and losses from the disposal of a company comprise the carrying amount of the goodwill that is allocated to the company being disposed of.
Goodwill is assessed for impairment (value in use) once a year by means of an impairment test, irrespective of whether or not there is evidence of impairment. If necessary, an impairment loss is applied. Goodwill is recognised at cost, less accumulated impairment losses. If the reasons for recognition of impairment cease to apply wholly or in part at a later stage, no corresponding reversal is made, as the goodwill is self-created rather than an item which has recovered in value. The useful life of goodwill is uncertain.

f_ **Inventories** are measured at the lower of cost or net realisable value. Raw materials and supplies are valued at the average cost. Work in progress, finished goods and merchandise are measured at average values or on the basis of cost, using the FIFO method. The cost of conversion for work in progress and finished goods consists of direct costs of materials, direct labour, other direct costs as well as appropriate shares of production-related indirect materials and indirect labour which have arisen as a result of bringing the inventories to their current location and current state, on the basis of normal capacity utilisation. Appropriate discounts are performed for sales-related risks. The net realisable value constitutes the estimated selling price in the ordinary course of business less the estimated costs of completion and sale yet to be incurred.

g_ **Accounts receivable** and other assets are recognised and measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Appropriate reductions for impairment have been recognised for identified risks, as indicated by experience. The reduction for impairment is determined from the difference between the nominal value and the anticipated future discounted cash receipts. It is distinguished directly on the assets side as soon as there is objective evidence that the principal due is not fully recoverable. Expenses for reductions for impairment are recognised in the income statement. These non-derivative financial assets are not quoted and are not held with the intention of trading these accounts receivable. They are considered to be current assets provided their maturity date is no more than twelve months from the balance sheet date.

h_**Deferred tax** relates to tax deferrals resulting from temporally diverging measurements between the commercial balance sheet prepared in accordance with IFRS and the tax balance sheets of the individual companies, as well as from consolidation processes. The deferred tax assets also include tax rebate claims resulting from the anticipated use of existing loss carryforwards in subsequent years and which are to be realised with reasonable certainty. Deferred tax is determined on the basis of the tax rates which are likely to apply in the individual countries at the time of reversal of the departures. It is furthermore based on current legislation and ordinances. Deferred tax assets and liabilities are not discounted.
Deferred tax resulting from temporary differences in connection with acquisitions is reported unless differences cannot be reversed within a foreseeable time frame or the timing of the reversal can be controlled by the company.

i_ **Cash and cash equivalents** are recorded at their nominal value. They comprise cash on hand, demand deposits, and deposits with a maturity of one month or less. Bank overdrafts repayable on demand form an integral part of the group's cash management. Bank overdrafts are therefore included as a component of cash and cash equivalents for the purpose of the cash flow statement. These amounts owed to banks and due at any time are shown in the balance sheet as financial debt.

j_ **Securities** held for the purpose of investing in liquid funds and not intended to be retained on a long-term basis are measured at fair value through profit and loss. Their anticipated date of realisation is therefore in the next twelve months. Interest and dividends received from these securities are recognised as income. Gains and losses from the disposal of these securities are included in the income statement.

k_**Prepaid expenses** include expenditures that relate to expense for future periods. They are contained in the item Other current assets.

l_ **The pension accrual** is created for pension commitments to employees of the subsidiary Centrosolar Glas GmbH & Co. KG and calculated on the basis of the present value of future commitments pursuant to IAS 19 using the projected unit credit method, taking into account future pay and pension increases and the mortality tables currently available. The pension commitments exist only for long-serving employees of the afore mentioned subsidiary. Pension commitments are no longer are given to other employees or to more recent employees of the above company. For the majority of employees, CENTROSOLAR solely pays contributions to public pension schemes. There in addition exist contribution-based commitments based on retirement benefit arrangements for individual management employees. Over and above the contribution payments, the group has entered into no further benefit obligations.

m_**Other accruals and provisions** are created for all present obligations at the balance sheet date resulting from previous business transactions or past occurrences, where the amount and due date are uncertain. These accruals are stated at the most likely, reliably estimable amount of settlement and are not netted against revenue and gains. The likelihood of the cash outflow must be more than 50 % ("more likely than not" criterion). Accruals are created only where a legal or factual obligation to third parties exists and the level of the accrual could be reliably determined. In the event of a wide range of obligations of a similar nature resulting for instance from statutory warranty obligations, they shall be determined on the basis of this group of obligations. Accruals may in certain circumstances be recognised as a liability if the likelihood of an isolated obligation materialising within the underlying overall group is slight.

n_**Liabilities and debt** are recognised at fair value including discounts or other transaction costs upon initial measurement, and subsequently at amortised cost using the effective interest rate method. Transaction costs are recognised as an expense in the period in which they are incurred. Liabilities from loans are classified as current if they are repayable within the next twelve months.

o_**Leases** where all opportunities and risks are allocable in substance to the group are classified as finance leases. They are measured at the fair value of the asset at the start of the lease term or at the lower cash value of the future leasing instalments. Every lease payment is divided up into a repayment and an interest portion. Leases where significant portions of the opportunities and risks rests with the lessor are classified as operative lease obligations.

p_**Deferred income** records revenues before the balance sheet date representing income for future periods.

q_**Shareholders' equity**: The issued capital (capital stock) comprises all no par value shares issued by CENTROSOLAR AG. These are reported as shareholders' equity. Each individual share represents a pro rata amount of the capital stock of 1.- euro.

Transaction costs incurred directly in connection with the issuing of new shareholders' equity are recognised as a deduction from equity including all associated income tax benefits. Transaction costs incurred directly in connection with the issuing of new shareholders' equity in the context of a business combination are a component of the acquisition costs and therefore of the purchase price. If a group company acquires treasury stock, the costs including ancillary costs and potential income tax effects are deducted from the shareholder's share of equity until the treasury stock has been withdrawn from circulation, reissued or sold. In the event of the reissue or sale of treasury stock, the purchase prices received, including all associated transaction costs and income tax benefits, are recognised in the shareholder's share of equity.

The reserve for remeasurement and revaluation essentially contains the values of changes from currency translation recognised with no income effect.

The minority interests comprise the equity portions allocable to minority interests, including shares of profits and losses, as well as possible amounts allocable to these from currency translation.

r_**Share-based payment systems**: CENTROSOLAR uses share-based payment systems counterbalanced by equity instruments. Stock options are granted to employees, members of the management and Management Board members on the basis of a stock option scheme. They are recognised and measured on the basis of the IFRS 2 measurement principles in the financial year. Under IFRS 2, share-based payment agreements are to be reported at the fair value of the consideration received. As the fair value of the consideration received cannot be estimated reliably, CENTROSOLAR calculates the changes to shareholders' equity indirectly, using the fair value of the stock options granted. In the absence of market prices, this fair value is determined with the aid of a measurement method (option pricing model) based on Black & Scholes. This latter estimates the price that could be achieved between knowledgeable, willing parties in an arm's length transaction for the stock options concerned at the relevant measurement date. All factors and assumptions that market players would take into consideration in determining the price and that are specified by IFRS 2 are observed. Insofar as applicable, it is assumed when determining the factors and assumptions on which the calculation is based that historical values and developments will likewise apply to future developments and can serve as a point of reference or starting point for calculation parameters. Changes to the value of the option as a result of subsequent shifts in the parameters have no influence on the expense to be recognised, as only the issue value of the option is decisive.

The expense from share-based payment transactions is distributed over the earning period by the straight-line method as a personnel expense and recognised in the additional paid-in capital for stock options until the option is exercised or lapses. Changes after the end of the earning period have no effect on income and are only recognised within shareholders' equity. If there are tax effects from share-based payment transactions, the tax effects are shown as a proportion of the personnel expense recognised under tax expense. The excess shares are deferred within equity via deferred tax assets as a surplus amount and recognised directly within equity in a separate reserve for deferred tax. Income accrued by the company at the time of exercise of stock options, less direct expenses, is allocated to the issued capital and the premium to the additional paid-in capital. Option-related reserves created are moreover allocated pro rata to the additional paid-in capital for the consideration received and for their tax effects. Cash flows from tax effects for share-based payment transactions are recorded in the cash flow statement as allocations to the additional paid-in capital as soon as the cash flow from the relevant tax return has been settled with the tax authorities.

s_**Revenue recognition**: Revenue reflects the fair value of the consideration received or still to be received for deliveries and services in the normal course of business. It is realised if it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably and has proceeded from its payment. Revenue is recognised net of sales taxes and discounts, and after elimination of intra-group transactions, when delivery has taken place and transfer of risks and rewards has been completed. Revenue for services is recorded in the period in which the service was rendered.

t_ **Financing costs** such as interest are recognised as income or expense time-proportionally and on an accrual basis that reflects the terms of the asset or liability, using the effective interest rate method. Financing costs are not included in the cost of property, plant and equipment, intangible assets and inventories.

u_ **Dividends**: Dividend revenue from investments and shareholders' entitlements to dividend payments are recognised as payments when the right to receive payment arises.

Critical assumptions and estimates

All assumptions, whether classified as critical or not, may influence the reported net worth or financial performance of the CENTROSOLAR Group as well as the representation of contingent receivables and liabilities. Assumptions are made continually and are based on past experience and/or other factors. These include expectations regarding the likelihood of events occurring, formed in the prevailing circumstances. Estimates relate to affairs that are highly uncertain at the time of recognition or up until the preparation of the financial statements They also include alternative assumptions that could have been used in the current period, or the potential changes to assumptions from one period to the next, with a potentially significant impact on the net worth, financial position and financial performance of the CENTROSOLAR Group. Changes to estimates, i.e. differences between actual values or more recent estimates and past estimates, are taken into account from the time a more accurate insight is gained. The following notes expand on the other presentations in the Consolidated Financial Statements, which refer to assumptions, uncertainties and contingencies.

Significant assumptions and estimates which entail uncertainty and are associated with risks were made in the areas of non-current assets, inventories, purchase price liabilities and accruals.

Non-current assets have either limited or unlimited useful lives. Changes in intended uses, technologies, maintenance intervals and changes in the general economic contexts or sectors in which CENTROSOLAR is active may result in the recoverable amounts of these assets changing. CENTROSOLAR therefore examines the useful lives on a regular basis to assimilate the carrying amounts with the realisable benefits by way of reductions for impairment. In spite of every effort to determine appropriate useful lives, certain situations may arise where the value of a non-current asset or group of assets is reduced and thus the economic value is below the carrying amount. As impairment occurs only sporadically, rarely for individual capital goods and not at all for entire classes, it is not possible to estimate these costs precisely as early as the preparation of the financial statements. Such costs are therefore reported only when the corresponding information is known. No general sensitivity analysis for all useful lives is performed. For acquisitions, assumptions and estimates have an influence on the purchase price allocation process.

Assumptions influence in particular the levels of goodwill and other intangible assets and in respect of their useful lives. In the context of business combinations, intangible assets (e.g. patents, customer relationships or supplier agreements) are identified and are subject to estimates in respect of several criteria (quantities, margins, useful lives, discounting rates).

Other estimates that are of significance are in respect of assessing reductions for impairment of goodwill when forecasting the availability of future financial resources and discount rates. Particularly for new business operations, the uncertainty of forecasts is greater than where operations have been in existence for a longer period of time.

Goodwill is subjected to an annual impairment test, and a sensitivity analysis is performed. The following results were obtained for the goodwill of all comprehensively consolidated companies; if the estimates of the gross margins used had been 10 % (not percentage points) lower, CENTROSOLAR would have had to reduce the carrying amounts of goodwill by approx. EUR 10.8 million. Discount rates of 9.2 % to 13.7 % were applied to the pre-tax profits. If the pre-tax interest rate used for discounting of the cash flows had been 100 basis points higher, no reduction in the carrying amounts for goodwill would have been necessary. A lowering of the assumed growth rate from 2 % to 1 % after the planning horizon (from the 5th year) would likewise not have led to any reduction in the carrying amounts for goodwill. Simultaneous changes in these key parameters can have either a compensating or an amplifying effect. Changes in the afore mentioned key parameters in the same direction would have produced a need for reductions for impairment of EUR 17.1 million.

In the case of supplier relations and supply agreements on the purchasing side, certain assumptions were made with regard to the future level of market prices on the purchasing side. Erroneous estimates can lead to a corresponding need for write-down of these assets. One supply and commission agreement with a carrying amount of EUR 12.9 million was capitalised at December 31, 2006. A reduction in the gross margins applied during measurement by 10 % (not percentage points) would have resulted in devaluation of approx.

EUR 2.1 million. A loss of income from commission-based business would reduce the purchase price liability for the company holding the agreement by a similar amount.

Where contingent purchase price liabilities cannot be determined precisely, they are determined on the basis of the accounting policies applicable to accruals and measured at their most probable value.

CENTROSOLAR grants various warranties for products. Basic warranties are recognised at the amount of the estimated expenses. Furthermore, costs for the repair or replacement of faulty products for an individual customer or for specific customer groups may arise in the course of normal business. In the event of substitution campaigns occurring, even though they are extremely rare, a special accrual is formed to cover the anticipated individual costs. As exchange campaigns occur sporadically and rarely, it is not possible to estimate these costs precisely as early as the time of sale. Such expenses are therefore recognised only when the corresponding information is known. In determining accruals for guarantees, various assumptions which affect the level of these accruals are made. Future changes in productivity, materials and personnel costs as well as quality improvement programmes have an influence on these estimates. The appropriateness of the accruals is tested on a quarterly basis.

The group is subject to the tax regimes of various countries. Estimates that are of significance are required in the creation of tax accruals and deferred tax items. Transactions and calculations within the normal course of business are subject to various uncertainties with regard to fiscal effects and recognition. The corresponding accounting policies are applied in the creation of accruals for potential liabilities that may arise as a result of future field tax investigations of past transactions. In cases where the final tax calculations deviate from the assumptions originally reported, the effects are taken into account in the income statement.

Financial risk management objectives and policies

The CENTROSOLAR Group operates internationally. In view of the variety of its activities, the group is exposed to a wide range of risks such as market risks, credit risks and liquidity risks. The group's risk management system analyses various risks and attempts to minimise negative effects on the financial position of the group. Risk management is practised in the finance departments on the basis of existing guidelines. Risk managers identify, measure, assess and support the steering of potential sources of risks.

Market risks from currency translation are limited, as transactions take place principally in euro zone countries. Only approx. 9 % of revenues arise outside the euro zone.

If parties to a contract are not in a position to meet their obligations, there exists a credit risk. The maximum credit risk is the aggregate of the carrying amounts of financial assets recognised on the balance sheet. Trade receivables exist mainly in respect of customers in Germany, Spain, France, the UK, Belgium, Denmark, Italy, Switzerland and the USA. The largest customer in the group accounts for approx. 9.7 % of revenue.

Credit risks regarding accounts receivable are in essence limited by the application of credit approvals, limits and monitoring procedures. The level of a credit limit reflects the creditworthiness of a counterparty and the typical size of the transaction volume with that counterparty. The assessment of creditworthiness is based on the one hand on information from external credit reporting agencies and on the other hand on internally acquired past experience in dealing with the counterparty in question. CENTROSOLAR has no significant concentration of credit risk with any single customer. Other assets essentially comprise receivables due from a wide range of different counterparties.

The liquidity risk is controlled by maintaining adequate levels of cash and unutilised credit lines with banks. All contractual loan arrangements are continuously met.

Credit risks on the procurement side are limited in CENTROSOLAR's case. There are a great many suppliers for many raw materials and supplies. In critical areas of procurement, at least two sources of supply exist. For the procurement of solar cells, the aim is to assure procurement via framework agreements with annually agreed quantities to cover the basic requirements for materials. Due to the high growth of this sector and the associated high demand, delivery bottlenecks may hamper growth in the "Solar Integrated Systems" segment. In the medium term, however, it is assumed that there will be no significant procurement risks in spite of the limited number of suppliers of silicon wafers, as production capacities are being increased worldwide.

Consolidated companies

The Consolidated Financial Statements of CENTROSOLAR include all direct and indirect subsidiaries of the parent company as well as the group parent pursuant to IAS 27, and also joint ventures pursuant to IAS 31. The following companies, which simultaneously constitute the CENTROSOLAR Group ("CENTROSOLAR"), were consolidated within CENTROSOLAR AG at December 31, 2006:

Company	Place and country of incorporation	Share of capital	Issued capital	Currency (ISO code)	Founded/ acquired
Comprehensive consolidation					
CENTROSOLAR AG	Munich, D	-	13,292,458	EUR	13/09/1999
"Solar Integrated Systems" segment					
Biohaus PV Handels GmbH	Paderborn, D	100 %	25,000	EUR	09/05/2006
Centrosolar Fotovoltaico Hispania S.L.	Barcelona, E	100 %	50,000	EUR	04/07/2006
Centrosolar France SARL	Mundolsheim, F	100 %	50,000	EUR	28/11/2006
Centrosolar Hellas MEPE	Athens, GR	100 %	50,000	EUR	24/11/2006
Centrosolar International B.V.	Doesburg, NL	100 %	18,152	EUR	19/08/2005
Centrosolar Italia S.r.l	Verona, I	100 %	50,000	EUR	15/12/2006
Centrosolar Schweiz AG	Bern, CH	100 %	1,000,000	CHF	07/12/2005
Centrosolar Trading GmbH	Munich, D	100 %	25,000	EUR	12/10/2005
Solara AG*	Hamburg, D	100 %	63,875	EUR	02/01/2006
Solara Holding GmbH**	Hamburg, D	100 %	25,050	EUR	21/10/2005
Solara Sonnenstromfabrik Wismar GmbH	Wismar, D	100 %	42,000	EUR	02/01/2006
Solarsquare AG	Muri, CH	100 %	100,000	CHF	19/12/2005
Solarstocc AG	Durach, D	100 %	100,296	EUR	04/10/2005
Ubbink Solar Modules B.V.	Doesburg, NL	70 %	1,500,000	EUR	11/10/2005
"Solar Key Components" segment					
Centrosolar Glas GmbH & Co KG	Fürth, D	100 %	900,000	EUR	23/08/2005
Centrosolar Glas Holding GmbH	Munich, D	100 %	25,000	EUR	23/08/2005
Centrosolar Glas VerwaltungsGmbH	Munich, D	100 %	25,000	EUR	23/08/2005
Centrosolar Grundstückverwaltungs GmbH	Munich, D	100 %	25,000	EUR	16/11/2005
Ubbink Econergy Solar GmbH	Cologne, D	100 %	25,000	EUR	11/10/2005
Proportionate consolidation					
Centroplan GmbH***	Aachen, D	50.5 %	100,000	EUR	21/12/2006
Consolidated using the equity method					
ASS (Automotive Solar Systems) GmbH	Erfurt, D	32.67 %	37,500	EUR	09/05/2006
Available-for-sale assets					
Sunarc A/S	Roenede, DK	12.5 %	1,687,000	DKK	09/05/2006
WestfalenSolar GmbH	Paderborn, D	45 %	25,000	EUR	09/05/2006

* 21.11 % of the shares had already been acquired on November 9, 2005
** The company operated under the name of Centrosolar Holding GmbH until May 30, 2006.
*** Allocated to the "Solar Integrated Systems" segment

Changes in the group

Comprehensive consolidation

By declaring exercise on January 12, 2006 of the option contract dated November 9, 2005, 78.9 % of the capital stock of Solara AG, Hamburg and of Solara Sonnenstromfabrik Wismar GmbH, Wismar, was acquired by CENTROSOLAR AG.

Biohaus PV Handels GmbH has been comprehensively consolidated since May 9, 2006 following the acquisition of 100 % of the shares.

The newly established foreign companies Centrosolar Fotovoltaico Hispania S.L., Centrosolar France SARL, Centrosolar Italia S.r.l. and Centrosolar Hellas MEPE are all fully owned subsidiaries and have been comprehensively consolidated since their establishment.

All the afore mentioned companies are allocated to the "Solar Integrated Systems" segment.

Proportionate consolidation

Centroplan GmbH, established with the joint venture partner Pohlen Solar GmbH on December 21, 2006, is consolidated proportionately on the basis of the interest of 50.5 %.

Companies consolidated using the equity method

Along with the acquisition of Biohaus PV Handels GmbH, the group acquired its 32.67 % interest in ASS (Automotive Solar Systems) GmbH on May 9, 2006. The group exercises considerable influence over this company, but no control. The company is therefore consolidated using the equity method.

Available-for-sale financial assets

The companies acquired along with Biohaus, Westfalen-Solar GmbH (45 % interest) and Sunarc A/S (12.5 % interest), are both reported as available-for-sale financial assets. In the case of WestfalenSolar, this decision has been based on the company's insignificance.

Business combinations applying the purchase method

Acquisition of Solara AG and Solara Sonnenstromfabrik Wismar GmbH

By declaring exercise on January 12, 2006 of the option contract dated November 9, 2005, 78.9 % of the capital stock of Solara AG, Hamburg and of Solara Sonnenstromfabrik Wismar GmbH, Wismar, was acquired by CENTROSOLAR AG. In view of the scope for exercising the purchase option from January 2, 2006, there already existed scope for controlling the company from that point on, with the result that it was comprehensively consolidated for the whole of 2006. The overall contribution to revenues is EUR 38,975 thousand, and EUR 3.261 thousand to the net income of the group.

The following table shows the effects of the acquisition of assets and liabilities, the calculation of the goodwill and the settlement of the Solara acquisition.

Purchase price agreements [in EUR '000]

Purchase price paid	11,516
Market value of the shares issued	7,539
Incidental acquisition costs	94
Total acquisition costs	19,149
Net assets acquired	**-6,260**
Earnings in 2005 using equity method	**113**
Goodwill 01/06	**13,002**
Goodwill 11/05	**6,556**
Total goodwill	**19,558**

The portion of the purchase price paid in cash amounts to EUR 11,516 thousand. The purchase price paid in the form of CENTROSOLAR AG shares amounts to EUR 7,539 thousand; this corresponds to 484,223 no par value shares in CENTROSOLAR AG. The assets and liabilities acquired are composed as follows:

Balance sheet items [in EUR '000]

	Market values	Carrying amounts
Cash and cash equivalents	3,981	3,981
Intangible assets	4,074	25
Property, plant and equipment	872	872
Inventories	4,342	4,342
Receivables	1,814	1,814
Prepaid expenses and other assets	18	18
Accruals	-1,175	-1,175
Trade payables	-403	-403
Other liabilities	-3,674	-3,674
Net deferred tax	-1,913	0
Net assets	**7,936**	**5,800**
78.89 % of which acquired	**6,260**	

Total purchase price to be paid in cash and cash equivalents in EUR '000	**-11,516**
Incidental acquisition costs	-94
Cash and cash equivalents acquired	3,981
Cash outflow from acquisition of Solara	**-7,629**

New intangible assets were identified from the viewpoint of the acquirer. These consist principally of brand values, identifiable customer relationships and, to a lesser extent, supplier relationships, inventories and order backlogs.

The goodwill recognised for Solara AG of EUR 19,558 thousand consists primarily of factors that are not separable or reliably measurable, and can therefore not be reported separately. These include in essence market opportunities as a result of the company's entry into business with off-grid photovoltaic systems, the strong management team, the expert, motivated employees, and synergies, e.g. from the joint use of products and business relations with other group companies, as well as potential for savings. In addition to these factors, the creation of deferred tax liabilities has a goodwill-forming effect on the intangible assets newly created in the context of initial consolidation.

Acquisition of Biohaus PV Handels GmbH

CENTROSOLAR AG acquired Biohaus PV Handels GmbH, Paderborn, in full on May 9, 2006. CENTROSOLAR AG also exercised control over Biohaus from the time of acquisition. The purchase price was paid partly in cash and partly in shares of CENTROSOLAR AG. Biohaus is a supplier of photovoltaic systems, placing the emphasis on building-integrated systems. The acquired company contributed EUR 31,143 thousand to the revenues and EUR 269 thousand to the net income of the group. If the acquisition had taken place on January 1, 2006, the contribution to revenues would have been EUR 42,766 thousand, and EUR 151 thousand to the net income of the group.

The following table shows the effects of the acquisition of assets and liabilities, the calculation of the goodwill and the settlement of the Biohaus acquisition.

Purchase price agreements [in EUR '000]

Purchase price paid	2,500
Purchase price liability	3,803
Market value of the shares issued	14,931
Incidental acquisition costs	789
Total acquisition costs	**22,023**
Net assets acquired	**-4,825**
Goodwill	**17,198**

The portion of the purchase price for Biohaus paid for in cash amounts to EUR 2,500 thousand. The purchase price paid in the form of CENTROSOLAR AG shares amounts to EUR 14,931 thousand; this corresponds to 694,444 no par value shares in CENTROSOLAR AG. The assets and liabilities acquired are composed as follows:

Balance sheet items [in EUR '000]

	Market values	Carrying amounts
Cash and cash equivalents	-736	-736
Property, plant and equipment	346	346
Intangible assets	1,800	19
Investments	3,620	2,420
Inventories	8,135	8,135
Trade receivables	1,550	1,550
Prepaid expenses and other assets	444	450
Accruals	-580	-580
Loans	-3,947	-3,947
Trade payables	-3,447	-3,447
Other liabilities	-1,695	-1,663
Net deferred tax	-665	
Net assets acquired	**4,825**	**2,547**

Total purchase price to be paid in cash and cash equivalents in EUR '000	-6,303
Purchase price liabilities at the time of acquisition	3,803
Incidental acquisition costs	-789
Cash and cash equivalents acquired	-736
Cash outflow from acquisition of Biohaus	**-4,025**

New intangible assets were identified from the viewpoint of the acquirer. These consist principally of brand values, identifiable customer relationships and, to a lesser extent, supplier relationships and development costs. The fair value measurement of the investment held by Biohaus in ASS GmbH and Sunarc A/S in addition led to the exposure of further undisclosed reserves.

The goodwill recognised for Biohaus of EUR 17,198 thousand consists primarily of factors that are not separable or reliably measurable, and can therefore not be reported separately. These include in essence market opportunities as a result of the company's entry into business with building-integrated photovoltaic systems, the strong management team, the expert, motivated employees, and synergies, e.g. from the joint use of products and business relations with other group companies, as well as potential for savings. In addition to these factors, the creation of deferred tax liabilities has a goodwill-forming effect on the intangible assets newly created in the context of initial consolidation.

Transactions with minorities

The parties to the investment and share purchase agreement dated October 5, 2005 as well as the new party Stocc Invest Beteiligungs GmbH concluded an amendment agreement in September 2006, in which the original shareholders and Stocc Invest Beteiligungs-GmbH undertook to transfer their remaining 33.5 % of the shares in Solarstocc AG to CENTROSOLAR AG in the context of a capital increase for contribution in kind. The sellers subscribed to 883,948 shares in CENTROSOLAR AG as a result. No undisclosed reserves were exposed; instead, the carrying amounts of Solarstocc AG were rolled over. The existing goodwill was thus likewise rolled over unchanged.

The amount by which the market value of the shares issued exceeded the acquired share in the carrying amounts of the assets and liabilities (EUR 9,109 thousand) was netted against equity.

D_ Notes to the Consolidated Balance Sheet and Consolidated Income Statement

1 Goodwill

Goodwill [in EUR '000]

	Total goodwill
2005	
Accumulated cost Jan 1	0
Additions for first-time consolidation	13,431
Additions	0
Disposals	0
Exchange differences	0
Accumulated cost Dec 31	13,431
Accumulated impairment Jan 1	0
Impairment	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2004	**0**
Net carrying amount December 31, 2005	**13,431**
2006	
Accumulated cost Jan 1	13,431
Additions for first-time consolidation	36,756
Additions	110
Disposals	0
Exchange differences	0
Accumulated cost Dec 31	50,297
Accumulated impairment Jan 1	0
Impairment	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2005	**13,431**
Net carrying amount December 31, 2006	**50,297**

The goodwill amounting to EUR 36,756 thousand reported at December 31, 2006 arose as a result of business combinations in the year under review. Details of its origin are provided in the notes on business combinations.

The impairment test was performed on the basis of value in use. The calculation was based on a cash flow oriented model. The calculations use as their basis values indicated by past experience on the individual service provided, as well as the approved budget for 2007, estimates of forward-looking assumptions that are planned over a period of three forecast years, and also a rollover value calculated on the basis of the third forecast year. A growth rate of 2.0 % was assumed in the calculation of the rollover value. Specific assumptions on growth rates and developments in margins were moreover made for the cash-generating units. Different revenue growth rates which are in line with or lower than the anticipated growth rates for the respective segments as indicated in the management report were used as the basis of the impairment test. Average weighted growth rates for the segments of between 6 % and 20 % apply for the forecast years. Assumptions were moreover made individually with regard to gross margins derived from values indicated by past experience and currently known price and product mix developments.

Pre-tax discount rates of 9.2 % to 13.7 % were applied in the model. This was formed from the weighted costs of borrowed capital and equity capital, with the equity capital costs derived using CAPM by incorporating beta factors for both our own shares and also for comparable companies into the calculation. The resulting interest rate was then additionally increased by a slight amount.

There was no need for write-down of the goodwill that had arisen.

Allocation of goodwill to cash generating units
[in EUR '000]

	2006	2005
Centrosolar Glas	3,790	3,790
Solarstocc	3,892	3,892
Solarsquare	5,817	5,723
Solara	19,558	0
Biohaus	17,198	0
Miscellaneous	42	26
Total	**50,297**	**13,431**

Allocation of goodwill to segments [in EUR '000]

	Solar Integrated Systems		Solar Key Components		Total	
	2006	2005	2006	2005	2006	2005
Germany	40,690	3,918	3,790	3,790	44,480	7,708
Other European euro countries	0	0	0	0	0	0
European non-euro countries	5,817	5,723	0	0	5,817	5,723
Rest of world	0	0	0	0	0	0
Total	46,507	9,641	3,790	3,790	50,297	13,431

2 Intangible assets

The classification and movements of intangible assets are shown in the following schedule:

Intangible assets [in EUR '000]

	Industrial rights and similar rights	Software	Capitalised development costs	Total intangible assets
2005				
Accumulated cost Jan 1	0	0	0	0
Additions for first-time consolidation	21,419	19	135	21,573
Additions	0	4	0	4
Disposals	0	0	0	0
Reclasses	0	0	0	0
Exchange differences	(39)	0	0	(39)
Accumulated cost Dec 31	21,380	23	135	21,538
Accumulated amortisation Jan 1	0	0	0	0
Additions	(167)	(10)	(7)	(184)
Accumulated amortisation Dec 31	(167)	(10)	(7)	(184)
Net carrying amount December 31, 2004	**0**	**0**	**0**	**0**
Net carrying amount December 31, 2005	**21,213**	**13**	**128**	**21,354**
2006				
Accumulated cost Jan 1	21,380	23	135	21,538
Additions for first-time consolidation	5,722	15	137	5,874
Additions	0	44	0	44
Disposals	0	0	0	0
Reclasses	0	0	0	0
Exchange differences	0	0	0	0
Accumulated cost Dec 31	27,101	82	272	27,455
Accumulated amortisation Jan 1	(167)	(10)	(7)	(184)
Additions	(5,128)	(17)	(41)	(5,186)
Impairment	(850)	0	0	(850)
Accumulated amortisation Dec 31	(6,145)	(27)	(48)	(6,219)
Net carrying amount December 31, 2005	**21,213**	**13**	**128**	**21,354**
Net carrying amount December 31, 2006	**20,956**	**54**	**224**	**21,235**

The additions in the context of first-time consolidation in the category Industrial rights and similar rights have already been explained in greater detail in the notes on business combinations.

In the subsidiary Solarsquare AG, one favourable supply agreement with a carrying amount of EUR 12.9 million was capitalised at the reporting date of December 31, 2006. The agreement runs until 2009. Of the amortisation total, EUR 4,115 thousand applies to this agreement. Reductions for impairment totalling EUR 850 thousand were moreover applied to these agreements as a result of delays in the fulfilment of the agreements and changing market price constellations.

3 Property, plant and equipment

The classification and movements of property, plant and equipment are shown in the following schedule:

Property, plant and equipment [in EUR '000]

	Land and buildings	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
2005					
Accumulated cost Jan 1	0	0	0	0	0
Additions for first-time consolidation	0	1,829	290	1,536	3,655
Additions	0	101	32	1,096	1,229
Disposals	0	0	(9)	0	(9)
Reclasses	0	1,573	204	(1,777)	0
Exchange differences	0	0	0	0	0
Accumulated cost Dec 31	0	3,503	517	855	4,876
Accumulated depreciation Jan 1	0	0	0	0	0
Additions	0	(115)	(71)	0	(185)
Disposals	0	0	5	0	5
Accumulated depreciation Dec 31	0	(115)	(65)		(180)
Net carrying amount December 31, 2004	**0**	**0**	**0**	**0**	**0**
Net carrying amount December 31, 2005	**0**	**3,388**	**452**	**855**	**4,696**
2006					
Accumulated cost Jan 1	0	3,503	517	855	4,876
Additions for first-time consolidation	211	748	206	52	1,218
Additions	23	968	514	382	1,888
Disposals	(27)	0	(13)	0	(40)
Reclasses	0	843	14	(858)	0
Exchange differences	0	0	0	0	0
Accumulated cost Dec 31	207	6,063	1,239	432	7,942
Accumulated depreciation Jan 1	0	(115)	(65)	0	(180)
Additions	(10)	(801)	(219)	0	(1,030)
Disposals	2	0	0	0	2
Accumulated depreciation Dec 1	(8)	(916)	(284)	0	(1,207)
Net carrying amount December 31, 2005	**0**	**3,388**	**452**	**855**	**4,696**
Net carrying amount December 31, 2006	**199**	**5,148**	**956**	**432**	**6,734**

In 2005 and 2006 the CENTROSOLAR Group operated its business exclusively from rented land and buildings. The capitalised land and buildings comprise leasehold improvements and conversions.

Technical equipment and machinery at the production plants were purchased through acquisitions, and to some extent also extended and technologically upgraded. Other furniture, fixtures and office equipment consists of various items in production, warehouses and offices. At the reporting date, the assets in course of construction consist of machinery and plant supplied but not yet accepted.

Property, plant and equipment includes assets with a carrying amount of EUR 1,267 thousand reported in the context of finance leases. These assets had fallen to the acquisition value of EUR 1,446 thousand in 2005. Depreciation amounting to EUR 179 thousand was performed on them in the financial year.

EUR 4,815 thousand of the reported property, plant and equipment was serving as security for bank loans at the reporting date.

The reclasses relate substantially to the commissioning of the module plant at Ubbink Solar Modules B.V., which was under construction at the start of the financial year.

4 Investments accounted for using the equity method, loans originated by the enterprise and investments

In the 2006 financial year these financial assets comprise one investment accounted for using the equity method, two other investments that are available for sale, and loans originated by the enterprise. Their classification and development are shown below:

Investments [in EUR '000]

	Investments accounted for using equity method	Available-for-sale financial assets	Loans originated by the enterprise	Total investments
2005				
Accumulated cost Jan 1				
Additions for first-time consolidation	8,445	0	0	8,445
Additions	113	0	0	113
Disposals	0	0	0	0
Reclasses	0	0	0	0
Exchange differences	0	0	0	0
Accumulated cost Dec 31	8,558	0	0	8,558
Accumulated depreciation Jan 1	0	0	0	0
Additions	0	0	0	0
Accumulated depreciation Dec 31	0	0	0	0
Net carrying amount December 31, 2004	**0**	**0**	**0**	**0**
Net carrying amount December 31, 2005	**8,558**	**0**	**0**	**8,558**
2006				
Accumulated cost Jan 1	8,558	0	0	8,558
Additions for first-time consolidation	1,000	915	1,705	3,620
Additions	38	59	0	97
Disposals	(8,558)	0	(72)	(8,630)
Reclasses	0	0	0	0
Exchange differences	0	0	0	0
Accumulated cost Dec 31	1,038	974	1,634	3,646
Accumulated depreciation Jan 1	0	0	0	0
Additions	0	0	0	0
Accumulated depreciation Dec 31	0	0	0	0
Net carrying amount December 31, 2005	**8,558**	**0**	**0**	**8,558**
Net carrying amount December 31, 2006	**1,038**	**974**	**1,634**	**3,646**

The investments accounted for using the equity method concern the minority interest recognised in ASS (Automotive Solar Systems) GmbH, Erfurt (interest 32.67 %). The investment was acquired in conjunction with the acquisition of Biohaus PV Handels GmbH and measured at fair value.

The investment in Solara AG recognised using the equity method, as well as in its fully-owned subsidiary Solara Sonnenstromfabrik Wismar GmbH, classified as a disposal at the start of the financial year now that these companies are comprehensively consolidated from January 2, 2006 following the acquisition of all remaining shares in them.

The companies acquired along with Biohaus, WestfalenSolar GmbH (45 % interest) and Sunarc A/S (12.5 % interest), are both reported as available-for-sale financial assets.

Investments recognised using the equity method
[in EUR '000]

	2006	2005
At Jan 1	0	0
First-time consolidation	1,000	8,445
Share of losses	0	0
Share of gains	38	113
Close of Dec 31	1,038	8,558

The share of gains amounting to EUR 38 thousand are netted against the expense from increasing the liabilities, because the proceeds are due to the seller of Biohaus rather than to the group due to contractual arrangements in the purchase agreement.

The financial investments recognised using the equity method include goodwill amounting to EUR 848 thousand. The fair value of the acquired assets was determined by reconciliation of the provisional German Commercial Code accounts with IFRS. Reconciliation revealed no need for adjustments.

Investments recognised using the equity method
[in EUR '000]

	ASS GmbH 2006
Ownership interest in %	32.67
Fixed assets	425
Current assets	1,497
Total liabilities	4,926
Revenues	14,527
Net income	157

5 Deferred tax assets

The deferred tax assets pursuant to IAS 12 are calculated on the difference between the valuations of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. The amount results substantially from loss carryforwards and differences in the valuations of property, plant and equipment.

Tax loss carryforwards
[in EUR '000]

	2006	2005
Loss carryforwards	2,694	2,155
Deferred tax on loss carryforwards	1,212	857
Reductions for impairment of loss carryforwards	0	0
Total deferred tax on loss carryforwards (net):	1,212	857

In some cases deferred tax applies to areas in which losses arose. The deferred tax in question was subjected to an impairment test based on the budget for 2007 and on longer-range plans in the event of the loss-making situation continuing. Due to fiscally non-deductible company expenses or additions, higher tax results may be necessary in order to realise these deferred tax assets.

The net values represent the total of the anticipated netted values of deferred tax assets and liabilities of a group company in respect of a taxation authority.

Deferred tax assets [in EUR '000]

	Gross		Net	
	2006	2005	2006	2005
Reversal expected within 12 months	385	857	166	798
Reversal expected after 12 months at the earliest	1,170	147	916	0
Total	1,555	1,004	1,082	798

6 Inventories

The first table provides a breakdown of the entire carrying amount of inventories. Where the cost price of inventories is higher than their market or fair value, the table shows the carrying amount of these inventories after reductions for impairment.

Of this total, EUR 30,950 thousand was serving as security for bank loans at the reporting date.

The second table shows inventories broken down according to category.

Inventories [in EUR '000]

	2006	2005
Inventory at cost	23,946	6,511
Inventory at net realisable value		
Original value at cost	8,297	570
Reduction for impairment for obsolescence	(768)	(285)
Reduction for impairment for lower net realisable value	(185)	0
Carrying amount after reduction for impairment	7,345	285
Total	31,291	6,796

Inventories by category [in EUR '000]	2006	2005
Raw materials and supplies	8,982	1,425
Work in progress	519	330
Finished goods	21,790	5,041
Total	31,291	6,796

Finished goods are measured at the net realisable value of EUR 1,987 thousand.

7 Trade receivables

Trade receivables [in EUR '000]

	2006	2005
Receivables	22,744	7,395
Receivables overdue by more than 90 days	2,054	484
Reductions for impairment	(205)	(542)
Total	24,593	7,337

The trade receivables are all due within one year. The receivables in euros total EUR 23,374 thousand, and those in foreign currency EUR 1,219 thousand. Of the total receivables, EUR 16,159 thousand was serving as security for bank loans at the reporting date. Adequate provisions for losses on receivables have been made on a case by case basis to cover identified risks. As a result of the large number of customers in various customer groups and the international customer structure, the credit risk of accounts receivable is diversified. The EUR 337 thousand change in the reductions for impairment was recognised in the income statement.

8 Securities, cash and cash equivalents

Cash and cash equivalents total EUR 6.7 million. The prior-year figure was EUR 13.0 million, which for the most part resulted from the capital increase in September 2005. Money market instruments as reported in the previous year were no longer held at the balance sheet date.

9 Other current assets

The following table shows a breakdown of other current assets. The prepaid expenses largely comprise insurance premiums and service expenses.

Other current assets [in EUR '000]

	2006	2005
Payments on account for inventories	1,045	2,618
Other assets	765	344
Receivables from sales tax	942	474
Prepaid expenses	134	94
Total	2,887	3,530

10 Shareholders' equity

General

The capital stock of CENTROSOLAR AG amounts to EUR 13,292 thousand at the time of preparation of the Consolidated Financial Statements. It was EUR 10,894 thousand at December 31, 2005. It is fully paid in. With additional paid-in capital of EUR 58,077 thousand, other retained earnings of EUR 107 thousand, a minority interest of EUR 323 thousand and profit attributable to the shareholders of EUR 1,725 thousand, the group had shareholders' equity of EUR 73,525 thousand at December 31, 2006. The additional paid-in capital consists exclusively of funds allocated to it as premium in connection with capital increases.

Proposal for the distribution of accumulated profit

According to German stock corporation regulations, the separate financial statements of the group parent CENTROSOLAR AG constitute the basis for the appropriation of profits for the 2006 financial year. A distributable dividend therefore depends, among other things, on the retained earnings reported by that company in the separate financial statements at December 31, 2006. The company reported no accumulated profit at December 31, 2006.

Treasury stock

No treasury stock was held in the financial year.

Authorisation to acquire and use treasury stock

The Shareholders' Meeting of March 6, 2006 authorised the company to acquire treasury stock using a portion of the capital stock of up to EUR 1,000,000.00, representing just under 10 % of the capital stock in existence at the time of the resolution, by the close of September 5, 2007. The authorisation may be exercised in whole or for partial amounts, on one or more occasions, for the following purposes subject to the afore mentioned restrictions: for the use of shares in the company in the context of mergers with companies or acquisitions of companies, investments in companies or parts of companies, for sale at a price that does not significantly undercut the market price of the company's shares at the date of sale, or for retirement. The authorisation may not be used for the purpose of trading in treasury stock. Acquisition may be via the stock market or by means of a public offer of purchase addressed to all shareholders, at the Management Board's discretion. If the shares are acquired via the stock market, the price per share paid by the company (excluding incidental acquisition costs) may not exceed by more than 15 % or undercut by more than 15 % the average of the opening prices on the Frankfurt Stock Exchange on the three trading days prior to entering into the obligation in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). If the acquisition is by means of a public offer of purchase to all shareholders in the company, the price offered or the limits in the span of prices offered per share (excluding incidental acquisition costs) may not exceed or undercut by more than 20 % the average of the closing prices as determined by the closing auction on the three trading days prior to publication of the offer on the Frankfurt Stock Exchange in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). If considerable price differences from the purchase price offered or the limits in the span of prices offered occur after publication of a formal offer or formal request to submit offers of sale, the offer may be amended. The volume of the offer may be limited and acceptance of small numbers of up to 100 shares per shareholder offered for purchase given priority.

The company is furthermore authorised to resell shares in the company that have been acquired on the basis of the above authorisation. Their resale may also be by means other than via the stock market or by offer to all shareholders, excluding the right of subscription of the shareholders, in particular in order to offer them to third parties in the context of a merger with companies or in the context of the acquisition of companies, or to sell them to third parties at a price that does not significantly undercut the market price of shares in the company of the same class at the time of sale, i.e. that does not undercut by more than 5 % the average market price or the closing price of the shares in the company as determined by the closing auction on the date of sale on the Frankfurt Stock Exchange in Xetra trading (or in a functionally comparable successor system taking the place of Xetra trading). In the latter case, the authorisation is limited to a total of no more than 10 % of the capital stock in existence at the time of the authorisation becoming effective and being exercised. Furthermore, with regard to the volume of the authorisation in the latter case, other cases of facilitated exclusion of subscription right pursuant to Section 186 (3), fourth sentence, of German Stock Corporation Law are to be included on the basis of existing authorisations. The Management Board of the company is moreover authorised to retire treasury shares in the company without requiring a further shareholders' resolution or to determine, with the approval of the Supervisory Board, that the capital stock is to remain unchanged upon their retirement and that instead the share of the capital stock of each of the remaining shares is to rise by this retirement, pursuant to Section 8 (3) of German Stock Corporation Law. The authorisations to resell or retire treasury stock may be exercised in whole or for partial amounts, on one or more occasions, and individually or jointly.

Approved capital I

By resolution of the Shareholders' Meeting on August 28, 2006, entered on the Commercial Register of the Local Court of Munich on September 7, 2006, the Management Board is, with the approval of the Supervisory Board, authorised to increase the capital stock of the company in the period up until December 31, 2009 on one or more occasions by up to a total of EUR 2,272,033.00, for cash and/or contributions in kind, through the issue of new bearer individual share certificates (approved capital I – designated on the Commercial Register as approved capital 2006/II). The shareholders' resolution on approved capital I envisages an authorisation for the Management Board to exclude the shareholders' statutory right of subscription in the following instances, with the approval of the Supervisory Board:

- for residual amounts,
- if a capital increase for cash takes place and the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law.

Approved capital II

By resolution of the Shareholders' Meeting on March 6, 2006, entered on the Commercial Register of the Local Court of Munich on April 24, 2006, the company's Shareholders' Meeting authorised the Management Board to increase, with the approval of the Supervisory Board, the capital stock of the company in the period up until December 31, 2010 on one or more occasions by up to a total of EUR 3,585,000.00, for cash and/or contributions in kind, through the issue of new no par value bearer shares (approved capital II – designated on the Commercial Register as approved capital 2006/I). The approved capital II has already been partly used up by the capital increase from approved capital amounting to EUR 694,444.00 against contributions in kind resolved on May 9, 2006 and entered on the Commercial Register on July 11, 2006, and by the capital increase from approved capital amounting to EUR 883,948.00 against contribution in kind resolved on August 25, 2006 and entered on the Commercial Register on October 5, 2006; it accordingly now amounts to EUR 2,006,608.00. The shareholders' resolution moreover envisages an authorisation for the Management Board to exclude the statutory right of subscription in the following instances, with the approval of the Supervisory Board:

- for residual amounts,
- if the capital increase is for cash and the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law.

Conditional capital I

By resolution of the Shareholders' Meeting on September 2, 2005, entered on the Commercial Register of the Local Court of Munich on September 30, 2005, the capital stock of the company is conditionally increased by EUR 303,000.00 (conditional capital I). The conditional capital increase only takes place if the bearers of option certificates issued by the company pursuant to the authorisation of the Shareholders' Meeting of September 2, 2005 exercise their subscription right to ordinary bearer shares in the company (option right). The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of option rights. The conditional capital I is divided into up to 303,000 no par value shares.

The 303,000 option rights have been issued to the members of the company's Management Board on the basis of the resolution by the company's Supervisory Board of September 26, 2005. The option rights may be exercised no earlier than October 1, 2007. The maximum term of the options is seven years from the time of their granting.

Conditional capital II

By resolution of the Shareholders' Meeting on March 6, 2006, entered on the Commercial Register of the Local Court of Munich on April 24, 2006, the capital stock is increased by a further EUR 717,000.00 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managing directors of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (conditional capital II). The conditional capital II was increased by EUR 151,406.00 to EUR 868,406.00 by resolution of the Shareholders' Meeting of August 28, 2006. The conditional capital increase is only effected if the bearers of stock options issued by the company pursuant to the authorisations of the Shareholders' Meetings of March 6, 2006 and August 28, 2006 exercise their right to subscribe to ordinary bearer shares in the company (option right). The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of subscription rights. The conditional capital II is divided into up to 868,406 no par value shares.

By resolution of the Shareholders' Meeting of March 6, 2006 and August 28, 2006, the latter entered on the Commercial Register of the Local Court of Munich on September 7, 2006, the Management Board is authorised, with the agreement of the Supervisory Board, to issue up to 868,406 stock options with subscription rights to shares in CENTROSOLAR AG and valid for a period of up to seven years, on one or more occasions up until December 31, 2010, as further specified by the Shareholders' Meeting, under the 2006 stock options scheme with the stipulation that each stock option carries the right to subscribe to one share in CENTROSOLAR AG. With regard to the issue of stock options to members of the Management Board, the Supervisory Board is correspondingly authorised to issue the stock options.

Members of the Management Board of CENTROSOLAR AG have subscription rights for a total of up to 521,043 stock options; members of the management boards of group companies have subscription rights for up to 260,522 stock options; selected employees and management personnel of CENTROSOLAR AG and its group companies have subscription rights for up to 86,841 stock options. The exercise price per share (subscription price) to be paid upon exercising of the options shall be 90 % of the average closing price on the stock exchange at Frankfurt am Main, calculated over the 10 trading days preceding the day of issue of the option (commercially rounded to the nearest 0.1 euro), but at least the nominal value of the share; Section 9 (1) of German Stock Corporation Law and adjustments to protect against dilution remain unaffected. The term of the options to be issued may be up to seven years from the time of their granting. The last possible date at which option rights may be granted on the basis of the authorisation issued by this resolution is December 31, 2010. The vesting period before the options may be exercised is two years from the date of issue of the option. The options may be exercised no earlier than April 1, 2008. The beneficiary may exercise the option rights only between the third and eighth stock market trading day following an Annual Press Conference or the announcement of a quarterly or half-yearly report. Exercising of the options is conditional on the market price of the company's shares (closing auction price in Xetra trading – or a comparable successor system – at the stock exchange at Frankfurt am Main) on the day on which the options may first be exercised or at a later time during the term of the options having risen by 30 % on the exercise price (profit target); the Management Board may, however specify more ambitious share price targets with the approval of the Supervisory Board. Exercising of the options may furthermore be made dependent on the attainment of individual performance targets. These are specified by the Supervisory Board for the Management Board. In the case of the Management Board, the Supervisory Board decides on whether to issue the options. In the event of exceptional, unforeseeable developments the Supervisory Board may stipulate a cap on the stock options for members of the Management Board of CENTROSOLAR AG. The Management Board is authorised to stipulate all other details regarding the issue and features of the stock options, including appropriate arrangements designed to prevent dilution. Exercise of the authorisation, however, requires the approval of the Supervisory Board.

New shares are created at the time an option is exercised. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The strike price per share (subscription price) to be paid upon exercising of the options is currently 90 % of the average closing price on the stock exchange at Frankfurt am Main, calculated from the prices on the 10 trading days preceding the day of issue of the option but at least the nominal 1 euro.

On December 20, 2006 a total of 218,000 stock options were issued to Management Board members, directors and employees. These stock options may be exercised from December 20, 2008 at the earliest.

Conditional capital III

By resolution of the Shareholders' Meeting on August 28, 2006, entered on the Commercial Register of the Local Court of Munich on September 7, 2006, the capital stock of the company was increased conditionally by up to EUR 1,171,000.00 through the issue of up to 1,171,000 new no par value bearer shares (conditional capital III). The conditional capital increase only takes place if (i) the bearers or creditors of bonds or option certificates provided by the company or by a member company of the group on the basis of the authorising resolution of the Shareholders' Meeting of September 28, 2006 until August 27, 2011 in exchange for convertible and/or warrant-linked bonds issued for cash exercise their conversion options or option rights or (ii) the bearers or creditors of the company or of a member company of the group who have a conversion obligation on the basis of the authorising resolution of the Shareholders' Meeting of August 28, 2006 meet their obligation of conversion by August 27, 2011 in exchange for convertible bonds issued for cash; in both afore mentioned cases (i) and (ii), however, only to the extent that no treasury shares are used for servicing. The new shares qualify for profits from the start of the financial year in which they are issued through the exercising of conversion or option rights or through the fulfilment of conversion obligations. The Management Board is authorised to specify the further details of the effecting of the conditional capital increase.

Authorisation to issue convertible bonds and/or warrant-linked bonds

By resolution of the Shareholders' Meeting of August 28, 2006 the Management Board is, with the approval of the Supervisory Board, authorised to issue bearer or registered convertible bonds and/or warrant-linked bonds with or without maturity cap up to EUR 30,000,000.00 on one or more occasions until August 27, 2011 and to grant the bearers or creditors of debt instruments conversion or option rights to no par value registered shares in the company representing a portion of the capital stock amounting to a total of EUR 1,171,000.00 as further specified in the terms of the convertible or warrant-linked bonds. The convertible or warrant-linked bonds shall be specified by the Management Board, with the approval of the Supervisory Board. This includes determination of the conversion or option price for no par value registered shares in the company. The conversion or option price must amount to either at least 80 percent of the average of the company's share prices in the closing auction in Xetra trading on the 10 trading days prior to the resolution by the Management Board on the issue of the convertible and/or warrant-linked bonds, or to at least 80 percent of the average of the company's share prices in the closing auction in Xetra trading throughout the period over which the subscription rights to the convertible and/or warrant-linked bonds are traded on the Frankfurt Stock Exchange. The shareholders have a fundamental subscription right to the convertible and/or warrant-linked bonds. The Management Board is, however, authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right to the debt instruments for a total nominal amount of up to EUR 30,000,000.00 insofar as the issue price does not significantly undercut the theoretical market value of the debt instruments as determined using established investment mathematics methods. However, this authorisation to exclude subscription rights shall apply only insofar as the shares issued or to be issued to service the conversion or option rights do not exceed 10 percent of the company's capital stock. The Management Board is, with the approval of the Supervisory Board, authorised to specify the further details of the debt instruments' issue and features, and in specific the interest rate, the issue price and the maturity.

Stock option schemes

Stock options based on conditional capital I and conditional capital II were issued to members of the Management Board of CENTROSOLAR AG, to management bodies of the group companies and to employees of the group. In the event of their exercise, the company shall deliver new shares from a corresponding capital increase. Settlement in cash or buy-back of the options by the company is not envisaged.

The changes in the number of stock options and of their weighted average exercise prices are shown in the following table:

Total options

	2006 Options	2006 Avg. exercise price	2005 Options	2005 Avg. exercise price
Start of year	303,000	9.50	0	
Granted	218,000	8.40	303,000	9.50
Forfeited	0		0	
Exercised	0		0	
Expired	0		0	
End of year	521,000	9.04	303,000	9.50
of which exercisable	0		0	

The dates of granting and expiry of the stock options outstanding at the end of the year are as follows:

Granting of stock options

	Exercise price	Date of issue	Date of expiry	Outstanding end 2006	Outstanding end 2005
Granted 2005	9.50	26/09/2005	25/09/2012	303,000	303,000
Granted 2006	8.40	20/12/2006	19/12/2013	218,000	0
Total				**521,000**	**303,000**

The weighted average fair value of the options issued in 2006 is EUR 2.341 per option (2005: EUR 1.328 per option). The options were measured using the Black&Scholes formula, and earnings were adjusted to reflect the discrepancies between the above option schemes and the assumptions in the Black&Scholes model. In specific, a volatility of 50 % was used in the measurement of the options, derived from the historical volatility of CENTROSOLAR shares (previous year 42 % based on comparable shares and indices, in the absence of a share price history for CENTROSOLAR shares). No dividends were assumed. The risk-free interest rate was taken as 4.0 % (previous year 2.5 %). The actual assumed maturity was taken as 3 years (2005: 2.5 years) on the basis of corresponding experience at other companies.

The following adjustments were moreover made: a discount of 15 % (2005: 15 %) was applied to reflect the fact that no perfect market conditions exist (for example, lack of tradeability, hedging, no short selling, transaction costs). As the options cannot be exercised if the specified threshold (performance target) is not reached, a discount of approx. 26 % (2005: 35 %) was applied, derived from the probability of the threshold not being reached, the latter in turn being calculated on the basis of volatility. A discount of 0.5 % (2005: 0.5 %) was applied for the possibility of the Supervisory Board capping the value of the option.

The actual number of options that are expected to be exercised is significantly lower than the total number of options granted in 2006. The exercising of the options is also tied to further personal performance targets over and above the threshold for exercising already reflected in the value of each option. These comprise revenue and EBITDA targets for the options issued in 2006. On the basis of the comparison of revenue and EBITDA expectations with the target formulae of the option rights and on the basis of the anticipated fluctuation during the vesting period, the expected figure for the number of options actually exercised is 101,645 (2005: 303,000).

A personnel expense amounting to EUR 203 thousand arose in the 2006 financial year from the stock option schemes described above (previous year: EUR 51 thousand). A further personnel expense of EUR 387 thousand (2005: EUR 352 thousand) will arise in subsequent periods from the stock option schemes outstanding at December 31.

11 Minority interests

The minority interests comprise the outside shares in the consolidated shareholders' equity from the comprehensively consolidated company Ubbink Solar Modules, B.V., and amount to EUR 323 thousand.

12 Pension accruals

Employees' entitlements to defined benefit plans are based on direct contractual pledges and comprise the payment of retirement benefits which are payable upon reaching pensionable age. The level of the payments depends in essence on the number of years' service completed and the pensionable salary prior to the start of benefit payments.

The accrual for pension plans recognised in the balance sheet corresponds to the present value of the share of retirement benefits earned at the balance sheet date, taking account of future increases (defined benefit obligation), after adjustment for accumulated, unrecognised actuarial gains and losses and unrecognised past service cost.

The pension accrual was calculated using the projected unit credit method pursuant to IAS 19, which also takes account of anticipated pay and retirement benefit increases. The extent of the accrual has been calculated using actuarial methods and the latest mortality tables (Heubeck 2005).

Principal actuarial assumptions [in %]

	2006	2005
Pensionable age (years)	60 – 63	60 – 63
Discount rate	4.25	4.0
Assumed salary increases	1.25	1.5
Assumed pension increases	1.0	1.0
Employee turnover	4.5	4.5

The total pension accruals reported on the balance sheet are derived as follows:

Retirement benefit payments [in EUR '000]

	2006	2005
Present value of non-fund-financed obligations	851	872
Unrecognised actuarial losses	87	0
Pension accrual	938	872

The amounts recognised in the pension accrual on the balance sheet developed as follows:

Development in accruals [in EUR '000]

	2006	2005
At start of financial year	872	0
From commitments taken on thruogh corporate acquisitions	0	820
Total expense recognised in the income statement	70	52
Payments made	(4)	0
At end of the financial year	938	872

The amounts recognised in the income statement are as follows:

Pension cost [in EUR '000]

	2006	2005
Current service cost	35	44
Interest expense	35	8
Actuarial gains recognised in the current year	0	0
Total	70	52

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR -5 thousand arose in the 2006 financial year. The corresponding figure in the previous year was 0.

13 Other accruals

The following table shows the movements in accruals in the year under review:

Accruals [in EUR '000]

	31/12/2005	Added	Used	Liquidated	31/12/2006
Warranty obligations	615	1,604	(249)	441	**1,530**
Miscellaneous other accruals	0	384	(15)	0	**369**
Total	615	1,988	(264)	441	**1,899**

Of the total accruals, EUR 542 thousand have less than one year to maturity.

The accrual for warranty obligations is calculated for each type of revenue according to values indicted by experience, as well as for specific individual cases. We moreover refer to the notes on assumptions and estimates.

The other accruals include deferrals of investment subsidies received for Sonnenstromfabrik Wismar for investment in fixed assets.

14 Financial debt

The following table shows liabilities to banks and other lenders, broken down according to general credit facilities and other loans.

Liabilities [in EUR '000]

	Original principal amount	Outstanding amount at Dec. 31, 2006	Outstanding amount at Dec. 31, 2005	Interest rate	Exit date
General credit facilities	18,375	4,105	255	5.4 – 8.5 %	No repaymant schedule
Other loans	23,657	22,751	12,837	4.6 – 7.8 %	2007 - 2013
Finance leases		1,203	0		
Total	**42,032**	**28,059**	**13,092**		

Liabilities maturities schedule [in EUR '000]

	Outstanding amount at Dec. 31, 2006	Of which maturity < 1 year	Of which maturity < 5 years	Of which maturity > 5 years
General credit facilities	4,105	4,105	0	0
Other loans	22,751	7,664	11,549	3,538
Finance leases	1,203	237	816	150
Total	**28,059**	**12,006**	**12,365**	**3,688**

The carrying amounts of all liabilities from general credit facilities and other loans due within one year are broadly in line with their market values.

The value of financial debt discounted with the zero-coupon swap rates is EUR 612 thousand above the carrying amounts.

In the case of the other loans, the fixed interest rates in the individual loan agreements expire at various times between 2007 and 2013, with the result that the risk is adequately diversified.

The following table indicates the level of securities furnished:

Securities for liabilities to credit institutions [in EUR '000]

	2006	2005
Intangible assets	**3**	250
Property, plant and equipment	**4,815**	3,697
Inventories	**30,950**	2,300
Receivables	**16,159**	5,865
Other assets	**0**	0
Total	**51,927**	12,112

There existed two finance lease agreements pursuant to IAS 17 (finance leases) at the balance sheet date.

The following tables show the finance lease obligations with corresponding discounted and nominal leasing instalments including the interest component, broken down according to the term and category of the leased articles.

Finance leases (present value) [in EUR '000]

	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
2005	0	0	0	0
2006	**1,203**	**237**	**816**	**150**

Finance leases (nominal) [in EUR '000]

	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
2005				
Technical equipment and machinery	0	0	0	0
Of which interest portion	0	0	0	0
Present value	0	0	0	0
2006				
Technical equipment and machinery	1,435	245	982	208
Of which interest portion	232	8	166	58
Present value	**1,203**	**237**	**816**	**150**

15 Deferred tax liabilities

The deferred tax liabilities pursuant to IAS 12 are calculated on the difference between the measurements of assets and liabilities in the IFRS balance sheet and the tax balance sheet. These result among other things from fair value adjustments in the context of company mergers. The net values represent the total of the anticipated netted values of deferred tax assets and liabilities of a group company in respect of a taxation authority.

Deferred tax liabilities [in EUR '000]

	Gross		Net	
	2006	2005	**2006**	2005
Reversal expected within 12 months	**891**	1,606	**724**	680
Reversal expected after 12 months at the earliest	**3,688**	3,113	**3,382**	3,832
Total	**4,579**	4,719	**4,106**	4,512

16 Other liabilities

The following table shows the individual components of other liabilities. The miscellaneous other liabilities include sales tax payments outstanding, amongst other things.

Other non-current liabilities [in EUR '000]

	2006	2005
Outstanding purchase price payments for acquisitions	**8,237**	7,601
Miscellaneous other liabilities	**0**	36
Total non-current	**8,237**	7,636

The outstanding payment instalments for acquisitions of EUR 4,353 thousand refer to the acquisition of Solarsquare and of EUR 3,883 thousand to the acquisition of Biohaus. Of the obligation relating to Biohaus, EUR 2,001 thousand stems from the obligation to pass on the proceeds of the sale of investments held by Biohaus to the seller of Biohaus. The balance of EUR 1,882 thousand depends on the condition that Biohaus achieves earnings targets specified in the purchase agreement.

Other current liabilities [in EUR '000]

	2006	2005
Vacation and overtime	291	102
Outstanding invoices	818	743
Employee remuneration	476	26
Bonus payments to customers	153	101
Taxation and social premiums	1,959	487
Outstanding instalments for acquisitions	5,224	2,989
Miscellaneous other liabilities	2,559	476
Total current	11,480	4,924

To hedge scheduled purchases of materials based on USD, various forward contracts maturing no later than July 2007 were concluded. At the reporting date, the market value derivative financial instruments was EUR (34) thousand, which was lower than the miscellaneous other liabilities. The losses of EUR 2 thousand resulting from these were included in the income statement. The transactions concluded at the reporting date have a volume of USD 5.1 million.

17 Revenues

The revenues reflect the fair value of the consideration received or to be received for the sale of goods in the normal course of business. Revenues are reported net of sales tax, returns, discounts and price reductions, and after elimination of intra-group sales.

The revenues of the Solar Integrated Systems segment include revenues from long-term construction contract not yet completed at the balance sheet date amounting to EUR 1,157 thousand, measured according to the P-O-C method. For these contracts, costs of sales amounting to EUR 1,157 thousand had arisen. No profit contribution was therefore realised by this segment.

If the outcome of a construction contract can be determined reliably and it is probable that the contract will be profitable, the contract revenue is recognised over the duration of the contract. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The stage of completion corresponds to the percentage of the contract costs incurred by the balance sheet date compared with the expected total costs of a contract. Costs arising during the current financial year in connection with future activities for a contract are not included in the contract costs in determining the stage of completion.

18 Other operating income

The breakdown of other operating income is as follows:

Other operating income [in EUR '000]

	2006	2005
Costs passed on, cost refunds	636	129
Government grants	227	66
Liquidation of accruals	292	18
Other	1,171	258
Total	2,326	471

The government grants include green tax rebates due to the high power consumption for glass processing and investment subsidies from the EU regional development fund at the Wismar plant. Government grants for costs are recognised over the period in which the corresponding costs which they are intended to cover arise.

Government grants for investments are reported as a deferral within the non-current liabilities. They are liquidated on a straight-line basis over the anticipated useful life of the assets in question, with an income effect.

19 Cost of purchased materials and services

Cost of purchased materials [in EUR '000]

	2006	2005
Cost of materials	143,134	10,067
Cost of services	5,911	744
Supplier discounts	(223)	(7)
Total	148,822	10,804

20 Personnel expenses and total employees

Personnel expenses [in EUR '000]

	2006	2005
Wages and salaries	9,033	899
Social insurance	1,166	213
Share-based payment	203	51
Pension cost – defined contribution plans	485	0
Pension cost – defined benefit plans	70	52
Personnel expenses	10,957	1,215

Employees

	2006		2005	
	Average	At reporting day	Average	At reporting day
FTE	341	364	157	157
Individuals	365	392	170	170

21 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses [in EUR '000]

	2006	2005
Outward freight	1,727	273
Promotional costs	660	45
Maintenance costs	823	103
Legal and consultancy costs	1,519	43
Energy	1,882	276
Travel expenses and fleet	592	88
Sales commissions	474	158
Insurance	425	41
Packaging	919	120
Waste disposal	81	12
Rent for buildings	1,235	164
Operating leasing/other rent	120	17
IT expenses	167	33
Communication	127	10
Other personnel expenses	161	17
Patent protection	72	12
Warranty	195	0
Other taxes	23	2
Disposal of assets	37	3
Exchange rate losses	90	29
Miscellaneous	3,377	306
Total	14,707	1,752

Other operating expenses totalled EUR 14,707 thousand. The item Miscellaneous includes reductions for impairment to claims for substitute delivery from one supplier of Solarstocc, for which an item amounting to EUR 1,794 thousand had been created due to quality problems and overstepped delivery schedules.

Various items contain costs for the switch to the Prime Standard trading segment, which amounted to EUR 630 thousand. The expenses are included in full in the income statement, as the switch of trading segment did not involve a capital increase.

The income statement includes research costs and non-capitalised development cost amounting to EUR 638 thousand. This comprises EUR 469 thousand for personnel expenses, EUR 111 thousand for cost of purchased materials and EUR 57 thousand for other operating expenses.

Obligations as lessee

The following table shows the non-capitalised operating lease obligations (operational leasing) at the reporting date, with the corresponding lease instalments broken down by maturity and minimum remaining period, as well as by category of the leased articles. The present value of the operating lease obligations is EUR 3,002 thousand.

Operational leasing [in EUR '000]

	Total	Due in 1 year	Due in 1 to 5 years	Due in over 5 years
2005				
Property	2,099	375	1,080	643
Vehicles	169	53	116	0
Technical equipment and machinery	6	4	2	0
Other equipment	0	0	0	0
Total	**2,274**	**432**	**1,198**	**643**
2006				
Property	3,266	717	2,210	339
Vehicles	166	86	80	0
Technical equipment and machinery	28	11	18	0
Other equipment	347	92	255	0
Total	**3,808**	**907**	**2,562**	**339**

22 Interest income and expense

Interest income and expense is broken down as follows:

Financial result [in EUR '000]

	2006	2005
Interest income	278	110
Interest expense on loans	(1,788)	(128)
Other interest expenses	(5)	(5)
Total	**(1,514)**	**(23)**

23 Income tax expense

Income tax expense is composed as follows:

Income tax expense [in EUR '000]

	2006	2005
Income tax expense for the current financial year	(2,044)	(77)
Tax deferral	3,035	109
Total	**991**	**32**

The relationship between actual tax expense and anticipated tax expense is as follows:

Reconciliation of actual tax expense with anticipated tax expense [in EUR '000]

	2006	2005
Result before income taxes	614	(103)
Anticipated tax expense	(234)	49
Difference due to foreign tax rates	231	0
Tax effect from non-deductible expenses	(213)	(22)
Tax effect from non-taxable income	(181)	0
Tax effect from changes in tax rates	1,550	0
Adjustments from previous financial years	(162)	5
Total	**991**	**32**

The effect from the change in tax rates is attributable to the relocation of Solarsquare AG, Switzerland, to Muri. The tax rate in that canton is lower than in the canton of the company's previous registered office in Meggen.

Deferred tax [in EUR '000]

	2006	2005
Deferred tax assets		
Unused loss carryforwards	1,212	857
Pension and similar obligations	64	147
Other accruals	0	0
Other liabilities	197	0
Property, plant and equipment	0	0
Inventories	0	0
Trade receivables	82	0
Intangible assets	0	0
	1,555	1,004
Deferred tax liabilities		
Property, plant and equipment	233	0
Inventories	32	0
Intangible assets	4,067	4,719
Financial debt	24	0
Trade receivables	13	0
Other liabilities	79	0
Other accruals	131	0
Advances received	0	0
	4,579	4,719
Deferred tax, balance (liabilities)	3,024	3,715

Deferred tax by country (reported net) [in EUR '000]

	2006	2005
Switzerland	1,172	3,728
Germany	1,852	(13)
Deferred tax, balance (net)	3,024	3,715

24 Profit attributable to minority interests

A share of profits is attributable to the other shareholders of Ubbink Solar Modules BV in 2006. The share of losses of other shareholders in Ubbink Solar Modules is EUR 120 thousand.

25 Earnings per share

The earnings per share (basic) and the diluted earnings per share are illustrated in the following tables. The basic earnings per share are calculated on the basis of the profit or loss for the period attributable to the shareholders in relation to the number of shares issued, weighted over the course of the year.

Earnings per share

	2006	2005
Consolidated net income in EUR '000	1,725	61
Weighted average ordinary shares issued, '000	12,373	3,218
Basic earnings per share in EUR	0.14	0.02

The diluted figure includes potential shares from stock options in the number of shares to be taken into account, over and above the number of shares in the basic figure. The diluted earnings per share are based on the assumption that all stock options issued through stock option schemes that could be exercised if the balance sheet date were the end of the contingency period have actually been exercised. The dilutive effect is calculated on the assumption that the issue of shares on the basis of potential exercise of options is made at fair value, the latter being the average quoted price of the shares during the financial year in question. The exercise price for the options, which is increased by the expense already recognised as personnel costs pursuant to IFRS 2, is deducted from this. The relationship between fair value and exercise price produces the dilutive effect. The number of options issued, weighted with the dilutive effect, is treated as an issue of ordinary shares for no consideration. Such ordinary shares generate no proceeds and have no effect on the net profit attributable to ordinary shares outstanding. Therefore such shares are dilutive and they are added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

Stock option tranches	Conditional capital No.	Date of issue	Date of expiry	Outstanding end 2006	Outstanding end 2005
2005 tranche	1	26/09/2005	25/09/2012	303,000	303,000
2006 tranche	2	20/12/2006	19/12/2013	218,000	0
Total				521,000	303,000

Diluted earnings per share

	2006	2005
Consolidated net income in EUR '000	**1,725**	61
Weighted average ordinary shares issued, '000	**12,373**	3,218
Assumed creation of new dilutive shares from stock options granted (weighted average)	**165**	19
Weighted average diluted ordinary shares issued, '000	**12,538**	3,237
Diluted earnings per share, EUR	**0.14**	0.02

26 Segment report

In line with its internal reporting structure, the company is organised into the "Solar Integrated Systems" and "Solar Key Components" segments (primary segments). This is simultaneously the basis of value-based corporate management within the CENTROSOLAR Group. The revenues from external customers for these two areas, together with the inter-segmental revenues for each segment, in each case exceed 10 % of total external and inter-segmental revenues.

The "Solar Integrated Systems" segment comprises the activities of Solarstocc AG and Solarsquare AG, and also Solara AG since January 2, 2006. The solar module production lines operated by Ubbink Solar Modules B.V. and Solara Sonnenstromfabrik Wismar GmbH have likewise been allocated to this segment. The solar modules constitute the central technical component of a photovoltaic system and are also easily the most important component of the system in terms of value.

An integrated system also includes such components as converters, mounting systems, control and monitoring devices and the accompanying software. This area, together with the production and sale of glass covers, comprises the "Solar Key Components" segment.

Details of which of the companies included in the Consolidated Financial Statements are allocated to which individual segments are indicated in the presentation of the consolidated companies.

The "Solar Integrated Systems" segment also includes the figures for CENTROSOLAR AG. Inter-segmental business has been priced according to the arm's length principle. Pricing is comparable to third party transactions, possibly less cost items (in particular distribution costs), which do not occur in inter-segmental transactions. Income and expenditure are allocated directly to the individual companies within the individual segments.

Inter-segmental relationships, i.e. relationships and transactions between the individual segments, are eliminated from the consolidation column. This simultaneously reconciles the figures with those in the Consolidated Financial Statements.

The depreciation and amortisation for the segments represent the loss of value by the segments' assets, and the investments the additions to the fixed assets for the segments. The segment assets include the fixed assets and current assets for each segment. Entitlements to income tax rebates and deferred tax assets capitalised are not included. The segment liabilities include the operating liabilities and accruals for each segment. Income tax liabilities, deferred tax liabilities and financial debt are not included.

Segment report [in EUR '000]

	Solar Integrated Systems		Solar Key Components		Consolidation		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenue from third parties	138,579	8,839	33,609	6,268	0	0	172,188	15,107
Revenue from other segments	2	0	784	4	(786)	(4)	0	0
Change in inventories	8,955	(1,768)	161	84	(8)	0	9,108	(1,683)
Cost of materials	(125,964)	(6,152)	(23,639)	(4,656)	781	4	(148,822)	(10,804)
Gross profit	**21,572**	**919**	**10,914**	**1,700**	**(13)**	**(0)**	**32,475**	**2,619**
Personnel expenses	(7,313)	(531)	(3,645)	(746)	0	62	(10,957)	(1,214)
Other income and expense	(7,868)	(517)	(4,455)	(602)	(0)	(62)	(12,323)	(1,181)
EBITDA	**6,392**	**(128)**	**2,815**	**353**	**(13)**	**(0)**	**9,194**	**224**
Depreciation and reductions for impairment	(6,254)	(44)	(813)	(261)	0	0	(7,066)	(305)
EBIT	**138**	**(172)**	**2,002**	**91**	**(13)**	**0**	**2,128**	**(80)**
Interest result							(1,514)	(23)
Result from investments recognised using the equity method	(0)	113	0	0	0	0	(0)	113
EBT							**614**	**10**
Income tax							991	32
Net income (EAT)							**1,605**	**42**
Profit attributable to minority interests							(120)	(19)
Profit attributable to shareholders' of CENTROSOLAR AG							1,725	61
Selected Key Balance Sheet Figures								
Total assets	128,665	64,851	17,574	15,396	92	0	146,331	80,247
Financial investments accounted for using the equity method	1,038	8,558	0	0	0	0	1,038	8,558
Income tax receivable*							1,790	1,089
Total liabilities	27,307	15,048	13,997	4,414	0	0	41,304	19,462
Financial debt							28,059	13,092
Income tax payable*							6,272	4,583
Investment in fixed assets	48,272	20,844	1,335	8,391	0	0	49,607	29,235

* Including deferred tax

[in EUR '000]	Germany		Other European euro countries		European non-euro countries		Rest of world		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenue from third parties	122,902	12,429	33,888	1,631	8,380	235	7,018	813	172,188	15,107
Total assets	118,533	57,856	4,215	1,746	23,583	20,645	0	0	146,331	80,247
Investment in fixed assets	49,461	10,365	130	815	16	18,055	0	0	49,607	29,235

The result for the Solar Integrated Systems segment includes reductions for impairment of EUR 1,794 thousand under other expenses and EUR 850 thousand under depreciation and amortisation.

E_ Other Particulars

27 Cash flow statement

The Consolidated Cash Flow Statement shows how the group's cash and cash equivalents changed in the course of the financial year under review as a result of cash inflows and outflows. A distinction is made between cash flows from operating activities on the one hand and cash flows from investing and financing activities on the other. The cash flows from operating activities were determined according to the indirect method. By contrast, the interest result and the income taxes paid are based on cash flows. "Financial resources" includes cash on hand, demand deposits, deposits with a time to maturity of one month or less, and bank overdrafts repayable on demand, as recorded in the Consolidated Financial Statements.

The cash flow from operating activities totalled EUR -9,028 thousand and was dominated by the rise in working capital.

The financial resources consist almost exclusively of demand deposits and the availment of current accounts with major, leading commercial banks. Cash and cash equivalents are made up as follows:

Breakdown of financial resources [in EUR '000]

	2006	2005
Cash and cash equivalents	6,688	12,984
Securities	0	1,560
Bank overdrafts repayable on demand (included in "Bank liabilities" item)	(4,105)	(285)
Total	2,583	14,259

Short-term credit facilities to secure constant liquidity have been arranged with several different credit institutions. At the balance sheet date, the available borrowing facilities from current account, guarantee/surety or discount lines amounts to EUR 18.4 million.

Substantial non-cash transactions result from the issue of stock options and from purchase price liabilities incurred. The Consolidated Cash Flow Statement has been presented after adjustment for these.

1_Contingent liabilities

The customary warranty obligations are assumed, for which an accrual has been formed. In the context of its ordinary business activities, the company moreover regularly enters into contingent liabilities from guarantees, cheques and bills of exchange, among other things. Furthermore, contingent liabilities may arise from areas of the group in which there exist statutory arrangements on partial retirement but for which no accrual has been recognised, as it is unlikely that employees in those areas will call upon the existing statutory arrangements. Accruals were formed for areas in which the probability of use is greater than 50 %.

CENTROSOLAR AG moreover releases its designated sponsors, Commerzbank AG and Close Brothers Seydler AG, from liability in connection with their sponsoring activities, subject to this liability not resulting from gross negligence or fault on the part of the designated sponsor. In the context of a joint venture agreement concluded on July 4, 2005 between Econcern B.V, Ecoventures B.V, Ecostream B.V. and Ubbink B.V. as well as Ubbink Solar Modules B.V., there exist statutory and other restrictions that in essence envisage a mutual preemptive right of the shareholders to shares in Ubbink Solar Modules B.V.

Group companies have concluded various agreements with firms of consultants and specialists in the fields of electronic data processing, law, ecommerce, advertising, investor relations and the optimisation of production and logistics. All agreements have been concluded for specified tasks.

Overall, it is assumed that substantial liabilities will not arise as a result of the contingent liabilities, or only to the extent evident in these Notes.

Litigation

Disputes arising from the supply relationships with Isofotón S.A.

Biohaus PV Handels GmbH ("Biohaus") has concluded a comprehensive partnership agreement with Isofotón S.A. ("Isofotón") for the supply of various Isofotón products. Biohaus provided its supplier Isofotón with the name of a contact with a possible supplier of silicon. Isofotón made a payment on account for the delivery of silicon to that supplier and set up an additional working shift for processing this silicon at its factory in Malaga. However, the supplier has not yet supplied any silicon to Isofotón. In connection with the price and volume negotiations in accordance with the partnership agreement for 2006, Isofotón has now informed Biohaus that it no longer feels bound by its remaining obligation to deliver for 2006 on account of the supplies of silicon that remain to materialise. Isofotón moreover asserts that it has incurred a loss of EUR 1,500 thousand in the continuing absence of silicon supplies and as a result of the additional working shift set up. The price and volume negotiations for 2007 moreover proved unsuccessful. For its part, Biohaus insists on fulfilment of Isofotón's remaining obligations to deliver and has not settled Isofotón's supplier invoices in the light of possible claims for compensation against Isofotón. If no agreement is reached within the price and volume negotiations pursuant to the partnership agreement, there is the threat of a lawsuit by Isofotón for payment of the supplier invoices outstanding and for compensation, and of a lawsuit by Biohaus for fulfilment of Isofotón's obligation to deliver on the basis of the partnership agreement, and for compensation.

Allegations of deficient photovoltaic system

In a lawsuit (independent proceedings for securing evidence) between a customer of Solarstocc AG (wholesaler) and its customer, a claim was made based on the deficiency of a photovoltaic system produced by Solarstocc AG. Solarstocc AG was served with notice of the lawsuit. It cannot be excluded that recourse for the costs of exchanging the photovoltaic system amounting to EUR 140 thousand will be made against Solarstocc AG in the event of the lawsuit finding against it.

2_Significant events occurring after the balance sheet date

Acquisition of investments and establishment of new companies

CENTROSOLAR AG is establishing a new national subsidiary for the US market, under the name of Centrosolar America Inc. The company will be based in Phoenix, Arizona. The company will be endowed with an issued capital of USD 20 thousand.

Along with payment of the purchase price on February 5, 2007 CENTROSOLAR AG acquired a 10 % interest in Trillion Sun International Co. Ltd, Hong Kong. The purchase price was USD 960,000 (EUR 743,034.06). The investment is reported from that date as an available-for-sale financial asset.

Entry of newly established companies on the Commercial Register

- In the 2006 financial year, the new company Centrosolar France SARL, Mundolsheim, was established. The company was entered on the Commercial Register in Strasbourg on January 11, 2007.
- In the 2006 financial year, the new company Centrosolar Italia S.r.l., Verona, was established. The company was entered on the Commercial Register in Verona on January 19, 2007.
- In the 2006 financial year the company Centrosolar Hellas MEPE, Athens, was established and the share capital paid in. The company was established in Greece on January 24, 2007 through publication in the local Official Gazette.
- In the 2006 financial year, the new company Centroplan GmbH was established. CENTROSOLAR AG holds 50.5 % of the share capital. The company was entered on the Commercial Register in Aachen on February 6, 2007.

Purchase of real estate in Fürth

To safeguard the future of the Fürth location for the CENTROSOLAR Group the company acquired the real estate in Fürth, Siemensstraße 3, including inventory (hoists, cranes, lifting platforms, lines etc.) from Flabeg Grundstücksverwaltungs GmbH, Fürth, for EUR 3.0 million by notarised purchase agreement in December 2006. Ownership, benefits and costs pass to Centrosolar Grundstücksverwaltungs GmbH along with the payment of the purchase price in full on March 9, 2007. The production plant of Centrosolar Glas GmbH & Co. KG is located on the real estate.

To finance the purchase of the real estate, the company has already received a commitment to extend credit from IKB Deutsche Industriebank AG for the amount of EUR 2,640 thousand and from Centrosolar Glas GmbH & Co. KG for EUR 1 million.

3_Related party disclosures

Legal transactions with the CENTROTEC Group/Ubbink B.V.

Following its inclusion in the CENTROTEC Group, management charges have been passed on to the company by CENTROTEC Sustainable AG in essence for operational management services performed by employees and the management (including one Management Board member) of CENTROTEC Sustainable AG. These charges are fundamentally passed on to all subsidiaries of CENTROTEC Sustainable AG and, in the case of CENTROSOLAR AG, relate to such services as consultancy on accounting matters, strategy, legal question, projects, communication and IT. A total amount of EUR 185 thousand was charged by CENTROTEC Sustainable AG in the 2006 financial year.

In August 2005, Ubbink B.V., the main shareholder of the company, and Ubbink Econergy Solar GmbH concluded a production agreement. In it, Ubbink Econergy Solar GmbH commissions Ubbink B.V. exclusively with the production of the module mounting systems "ConSole" and "InterSole". Ubbink B.V. acquired the expertise and the corresponding patents for the module mounting systems "Console" and "Intersole" in the context of the shareholder agreement with Econcern B.V., Ecoventures B.V. and Ecostream B.V. The production agreement has been concluded for a fixed term of 5 years and is thereafter automatically extended for one further year if neither party terminates it. The goods supplied by Ubbink B.V. to Ubbink Econergy Solar are billed on terms that are typical for the market. Cost accounting factors that are comparable to those applied in third party transactions are used. Cost savings to reflect the more straightforward communication and processing are generally built into the pricing structure. In the 2006 financial year, the total amount charged for supplies of goods was EUR 2,260 thousand.

Ubbink B.V. furthermore rebilled EUR 7 thousand to CENTROSOLAR AG in 2006 for these costs, and costs amounting to EUR 250 thousand were claimed from Ubbink Solar Modules B.V. Conversely, Ubbink Solar Modules B.V. passed on personnel expenses amounting to EUR 26 thousand to Ubbink B.V.

Solara AG sold goods to Centrotherm Systemtechnik GmbH to the value of EUR 0.8 thousand.

Ubbink Econergy Solar GmbH sold mounting systems to the value of EUR 4 thousand to Ubbink France SAS.

On July 23, 2006 CENTROTEC Sustainable AG granted the company a loan for EUR 1,000 thousand repayable at any time until July 31, 2006, on generally accepted market terms. The loan was drawn on June 26, 2006 and repaid on July 19, 2006; EUR 4.8 thousand in interest was paid by CENTROSOLAR AG.

Conversely, CENTROSOLAR AG performed consultancy services on behalf of CENTROTEC Sustainable AG and its subsidiary Centromedical AG and billed EUR 25 thousand for these.

Legal transactions with the Pari Group and Guido Alexander Krass

Guido Alexander Krass holds an interest in Pari Holding GmbH. Pari Holding GmbH could therefore be classified as a related party. Other companies of the Pari Group could likewise be classified as related parties, for example Pari Capital AG. Hans Wiertz, Supervisory Board member of CENTROSOLAR AG, is a Management Board member of Pari Capital AG and Managing Director of Pari Holding GmbH. The company conducted the following legal transactions with these companies of the Pari Group:

The company, as recipient, concluded two consultancy and service agreements dated July 1, 2005 and August 1, 2005 with Pari Holding GmbH. The subject of these consultancy and service agreements comprises services in connection with corporate acquisitions and mergers, the locating of, establishing of contacts with and acquisition of potential target companies, as well as the provision of offices and the performing of administrative services, including for accountancy services, rents and other administrative costs. In the context of this agreement, the company made a payment amounting to EUR 70 thousand to Pari Holding GmbH in the 2006 financial year. The payments reflect the costs incurred by Pari Holding GmbH.

In 2006, CENTROSOLAR AG furthermore paid an amount totalling EUR 600 thousand for the arranging and supporting of corporate acquisitions. The consultancy fee of Pari Holding GmbH for equity raising was incurred for the arranging of the investment in Biohaus PV Handels GmbH in 2006 and amounted to staggered rates ranging from 3 % to 5 % of the equity arranged, The full performance-related fee reflects the generally accepted market rates for capital raising.

There moreover exists an agreement with Pari Capital AG on the performing of general services, in particular for support for affiliated companies. The remuneration for these services totalled EUR 1.9 thousand in the 2006 financial year.

The company, as the party paying for the services, moreover concluded a consultancy agreement with Pari

Capital AG dated October 1, 2005. The subject matter of this consultancy agreement was the performing of services by the former Management Board member of Pari Capital AG, Thomas Güntzer, in connection with acquisitions and the development of the group. The company settled consultancy services amounting to EUR 32 thousand with Pari Capital AG in the 2006 financial year.

Pari Holding GmbH paid the company EUR 4.5 thousand for legal consultancy services.

Pari Holding GmbH claimed EUR 0.2 thousand in expenses for office supplies.

Acquisition of the shares of Solarstocc AG

By the investment and share purchase agreement dated October 5, 2005 CENTROSOLAR AG acquired 66.52 % of the capital stock of Solarstocc AG in the context of a purchase and contribution agreement. The remaining shares are held by Dansk Photovoltaik A/S, Denmark, and Jens Brannaschk (referred to collectively as the "original shareholders"). The purchase price amounting to EUR 2.46 million was paid by the company and made available to Solarstocc AG on the basis of a loan agreement between Dansk Photovoltaik A/S and Solarstocc AG dated October 5, 2005. The balance of the loan incurs interest at 6 % p.a. and is to be repaid in instalments of EUR 820 thousand at each of June 30, 2007, June 30, 2008 and December 31, 2008. The repayment of these instalments shall only take place if certain EBIT targets are met. If these EBIT targets are not met, the instalments concerned are to be repaid in twelve equal amounts beginning on January 15, 2009. The loan may be repaid at any time without early redemption penalties.

The original shareholders in addition made loans amounting to approx. EUR 256 thousand available to Solarstocc AG. The latter loans are likewise to be repaid in three equal instalments by December 31, 2008 if corresponding EBIT targets are met by Solarstocc AG. The loan incurs interest at 5 % p.a. If an EBIT target is not met, the related instalments are to be repaid in twelve equal amounts beginning on January 15, 2009.

Dansk Photovoltaik A/S transferred its shares in Solarstocc AG to Stocc Invest Beteiligungs GmbH in August 2006. The parties to the investment and share purchase agreement dated October 5, 2005 as well as the new party Stocc Invest Beteiligungs GmbH concluded an amendment agreement in September 2006, in which the original shareholders and Stocc Invest Beteiligungs GmbH undertook to transfer their remaining 33.5 % of the shares in Solarstocc AG to CENTROSOLAR AG in the context of a capital increase for contribution in kind. Jens Brannaschk subscribed to 423,046 ordinary shares and Stocc Invest Beteiligungs GmbH to 460,902 ordinary shares in the company in the context of the capital increase for contribution in kind.

Both Management Board members of Solarstocc AG, Jacob Waehrens (indirectly via Stocc Invest Beteiligungs-GmbH, over which he holds control) and Jens Brannaschk (directly), are thus directly and indirectly shareholders of CENTROSOLAR AG.

Acquisition of the shares of Solara AG

On November 9, 2005 CENTROSOLAR AG concluded an option contract on the acquisition of all shares in Solara AG from the former shareholders of Solara AG (Thomas Rudolph, Vattenfall Europe Venture GmbH, Hans Jacobs and Ralf Hennigs) by way of a contribution in kind, in exchange for the granting of shares in the company as well as payment of a cash purchase price. By declaring exercise of November 9, 2005 CENTROSOLAR AG acquired 21.1 % of the shares in Solara AG. The remaining 78.9 % shares in Solara AG were acquired by declaring exercise in January 2006. There existed an outstanding tranche of the purchase price amounting to EUR 4.0 million from the underlying investment contract, which has been paid by the end of 2006.

Acquisition of the shares of Biohaus PV Handels GmbH

By a purchase and contribution agreement of May 9, 2006 CENTROSOLAR AG acquired all shares in Biohaus PV Handels GmbH from the previous shareholders, including Willi Ernst, in exchange for payment of a cash purchase price and the granting of 694,444 shares in CENTROSOLAR AG by way of a contribution in kind. The cash purchase price rises if Biohaus PV Handels GmbH achieves a specified EBIT in the years 2006 and 2007.

Rental agreement with Willi Ernst

Biohaus PV Handels GmbH concluded a rental agreement dated May 1, 2006 with Willi Ernst, the lessor, for the business premises in Paderborn and, as of the same date, a rental agreement for a warehouse and production hall. Willi Ernst is a shareholder of the company and Managing Director of Biohaus PV Handels GmbH. Both agreements are fixed until December 31, 2008 and are each extended by a further one year unless they are terminated with six months' notice to the end of the year. The rents are EUR 4,080 (plus incidental costs of approx. EUR 650) per month, and approx. EUR 6,900 (plus incidental costs of approx. EUR 1,100) per month.

Supply relationship with ASS

Biohaus PV Handels GmbH maintains a constant supply relationship with its minority interest ASS Automotive Solar Systems GmbH. In this connection, Biohaus PV Handels GmbH sold goods (predominantly solar cells) to the value of EUR 1,100 thousand and purchased goods to the value of EUR 3,741 thousand in the financial year.

Sale of Sunways convertible bond to Willi Ernst

By deed of May 9, 2006 Biohaus PV Handels GmbH sold a convertible bond of Sunways AG, Konstanz, with a nominal value of EUR 450 thousand to Willi Ernst. The purchase price is EUR 1,500 thousand, and is due upon resale of the convertible bond by Willi Ernst, but by December 31, 2007 at the latest. The entitlement of Biohaus PV Handels GmbH to the purchase price is secured by retention of title.

Profit participating loan from Ralf Ballasch

On March 14, 2006 Herr Ballasch as the lender concluded an agreement on a profit participating loan with Centrosolar Glas GmbH & Co. KG. The loan proceeds are due for repayment on December 31, 2008, but repayment shall only be made if payment obligations of Centrosolar Glas GmbH & Co. KG at the due date in respect of financing banks are not placed at risk. Repayment shall otherwise be correspondingly postponed. As well as fixed interest, Herr Ballasch receives an additional profit share that is dependent on an annual EBIT target. Payment of the profit share is due following establishment of the annual financial statements of Centrosolar Glas GmbH & Co. KG for the 2008 financial year.

Loan agreement with Karen-Margrethe Henry Olsen

Solarstocc AG concluded an agreement dated June 1, 2005 with Karen Margrethe Henry Olsen, according to which Solarstocc AG receives a loan of DKK 750,000. Mrs Olsen is a relative of Mr Waehrens, Management Board member of Solarstocc AG. The loan incurs interest at 10 % p.a. and ended on June 1, 2006.

Supply of solar modules to Sauerland Solar Fund GmbH & Co. KG

Both Management Board members of the company, Dr. Alexander Kirsch and Dr. Gert-Jan Huisman, have interests in Sauerland Solar Fund GmbH & Co. KG. They are furthermore directors of the general partner of Sauerland Solar Fund GmbH & Co. KG. In 2006, Ubbink Solar Modules B.V., Ubbink Econergy Solar GmbH and Biohaus PV Handels GmbH supplied solar modules to the value of approx. EUR 1,698 thousand to Sauerland Solar Fund GmbH & Co. KG at generally accepted market terms.

Consultancy agreement with Friedrich Lützow

The company furthermore concluded a framework consultancy agreement with the Supervisory Board member Friedrich Lützow on September 16, 2005. The framework consultancy agreement envisages the provision of ad hoc consultancy for the company by Herr Lützow on legal questions arising in the course of normal business operations, as well as on special questions relating to tax law:

- determination of the taxation basis and risks in connection with the purchase of companies,
- creation of concepts for tax optimisation in connection with the purchase and sale of companies,
- consultancy on the tax-optimised conversion of group and corporate structures.

A remuneration of EUR 350 per hour for his services, plus statutory sales tax, is to be paid as consideration. The company's Supervisory Board approved the agreement on September 29, 2006. In the 2006 financial year, Mr Lützow invoiced the company for EUR 59 thousand. An amount of EUR 6 thousand was invoiced to Centrosolar Glas GmbH & Co. KG.

4_Management Board and Supervisory Board

Management Board

The Management Board of CENTROSOLAR AG comprised the following members in the financial year:
Dr. Alexander Kirsch, merchant, Munich, Germany, Chairman, also member with responsibility for Finance
Dr. Axel Müller-Groeling, physicist, Norderstedt, Germany, member with responsibility for Strategy and Operations Management
Thomas Güntzer, lawyer, Munich, Germany, member with responsibility for Expansion, M&A and Human Resources
Dr. Gert-Jan Huisman, merchant, Nijkerk, Netherlands, member with responsibility for Integration (until January 3, 2007)

The following disclosures on the remuneration of the Management Board are made not as Notes/disclosures pursuant to IFRS, but on the basis of the statutory requirements of German Commercial Code: The total remuneration of the Management Board was EUR 847 thousand in the financial year. Of this total remuneration, fixed cash remuneration accounted for EUR 645 thousand and remuneration from stock options, the value of which was determined using the measurement rules of IFRS 2, for EUR 202 thousand. In the 2006 financial year, 115,500 options with a fair value of EUR 2.341 per option were issued to the Management Board members. As a portion of the options is tied to the attainment of individual targets, the prospective target attainment rate was estimated, with the result that a prospective total of 83,531 exercisable options was used for the purpose of determining the personnel expense pursuant to IFRS 2. The remuneration from stock options has not been booked as an expense in the separate financial statements of CENTROSOLAR AG, in accordance with the German Commercial Code. This was recognised as an expense in the IFRS Consolidated Financial Statements. The cash remuneration includes salaries and the employer's share of social security contributions paid. The fixed cash remuneration constitutes a non-performance-related remuneration component. The remuneration from stock options can be regarded as remuneration components with a long-term incentivising effect. No other performance-related remuneration or other benefits were paid.

Each individual received the following respective amounts in the 2006 financial year: Dr. Alexander Kirsch received a fixed cash payment of EUR 235 thousand as well as a payment amounting to EUR 51 thousand in the form of stock options, in other words a total of EUR 286 thousand; he was granted 38,500 new options. Dr. Axel Müller-Groeling received a fixed cash payment of EUR 233 thousand as well as a payment amounting to EUR 51 thousand in the form of stock options, in other words a total of EUR 284 thousand; he was granted 38,500 new options. Thomas Güntzer received a fixed cash payment of EUR 177 thousand as well as a payment amounting to EUR 51 thousand in the form of stock options, in other words a total of EUR 228 thousand; he was granted 38,500 new options. Dr. Gert-Jan Huisman received a payment amounting to EUR 50 thousand in the form of stock options, in other words a total of EUR 50 thousand; he was not granted any new options.

In the year under review of 2006, the members of the Management Board belonged to the following regulatory bodies pursuant to Section 125 (1) third sentence of German Stock Corporation Law:

Kirsch, Alexander, Dr.	Solara AG, Hamburg, Germany Pari Private Equity AG, Munich, Germany Rolf Schmidt Industriplast A/S, Kolding, Denmark (until April 4, 2006)
Huisman, Gert-Jan, Dr.	---
Güntzer, Thomas:	Solarstocc AG, Durach, Germany (Chairman) Solara AG, Hamburg, Germany (Deputy Chairman) Centrosolar Schweiz AG, Berne, Switzerland (Board of Directors) Centrosolar Italia S.r.l., Verona, Italy (Board of Directors) iTAC Software AG, Dernbach, Germany
Müller-Groeling, Axel, Dr.:	Solarstocc AG, Durach, Germany (Deputy Chairman), Solara AG, Hamburg, Germany (Chairman)

Supervisory Board

The Supervisory Board of CENTROSOLAR comprised the following members in the financial year:
Dr. Bernhard Heiss, lawyer, Munich, Germany; Chairman
Friedrich Lützow, tax consultant, Germering, Germany; Deputy Chairman
Hans Wiertz, merchant, Stollberg, Germany.
The total remuneration of the Supervisory Board was EUR 45 thousand in the financial year, in accordance with the articles of incorporation. Dr. Bernhard Heiss received Supervisory Board remuneration of EUR 20 thousand, Friedrich Lützow EUR 15 thousand and Hans Wiertz EUR 10 thousand. There exist consultancy agreements with the Supervisory Board members Dr. Bernhard Heiss and Friedrich Lützow, on the basis of which consultancy services provided over and above the scope of the tasks of the Supervisory Board are charged for by the hour. Mr Lützow received fees totalling EUR 59 thousand for tax consultancy in the 2006 financial year. Dr. Heiss did not charge any fees for legal consultancy in the financial year. There were no loans to members of the Supervisory Board.

In the year under review of 2006, the members of the Supervisory Board belonged to the following regulatory bodies pursuant to Section 125 (1) third sentence of German Stock Corporation Law:

Heiss, Bernhard, Dr.:	MME Moviement AG, Hamburg, Germany (Chairman) Kögel Holding AG, Munich, Germany Süddeutscher Verlag GmbH, Munich, Germany

	Altium Capital AG, Munich, Germany CENTROTEC Sustainable AG, Brilon, Germany (Deputy Chairman) Langenscheid KG, Munich, Germany (Deputy Chairman)
Lützow, Friedrich:	Pari Private Equity AG, Munich, Germany Eurohealth AG, Munich, Germany

5_Corporate Governance Code

Pursuant to Section 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with.

The Management Board and Supervisory Board of CENTROSOLAR AG have declared the extent to which the recommendations of the Government Commission on the German Corporate Governance Code are complied with. The regularly submitted declarations and explanations are permanently available on the website of CENTROSOLAR AG. We moreover make reference to the comments elsewhere in this Annual Report.

6_Independent auditors' fees

The auditors of CENTROSOLAR AG are Pricewater houseCoopers AG. The amounts shown below contain neither fees for the foreign member companies of the PwC network nor fees for other auditors of group subsidiaries.

Expenses for auditor PwC AG [in EUR '000]

Expenses for auditing of the financial statements	153
Other certification or consultancy services	225
Tax consultancy services	0
Other services	0
Total expenses for 2006	**378**

The other certification and consultancy services relate to services provided in connection with the change of trading segment.

7_Date and authorisation for issue of the financial statements

The financial statements were approved by the Management Board and authorised as a whole for issue on March 16, 2007. The Supervisory Board signed off the financial statements on March 19, 2007.

Munich, March 21, 2007

Dr. Alexander Kirsch, Chairman and Finance

Dr. Axel Müller-Groeling, Strategy and Operations

Thomas Güntzer, M&A and Expansion

Auditor's Report

We have audited the consolidated financial statements prepared by the CENTROSOLAR AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January, 1, to December, 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Kassel, March 21, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Plaum	Siemon
Auditor	Auditor

Imprint

Text
CENTROSOLAR AG

Concept
MetaCom, Hanau
Georg Biekehör

Design/Production
MetaCom, Hanau
Jens Gloger, Viktor Diebold

Photos
CENTROSOLAR Group
Image agencies
Ulli Hartmann
Bert Bostelmann

Print
Joh. Schulte, Marsberg

CENTROSOLAR AG

Walter-Gropius-Straße 15
D-80807 München
Tel. +49 (0) 89. 201 80 0
Fax +49 (0) 89. 201 80 555
E-Mail: info@centrosolar.com
www.centrosolar.com

Solar Key Components

Ubbink Econergy Solar GmbH
Taubenholzweg 1
D-51105 Köln
Tel. +49 (0)221. 788 707 - 0
Fax +49 (0)221. 788 707 - 99
E-Mail: info@ubbinksolar.com
www.ubbinksolar.com

Centrosolar Glas GmbH & Co. KG
Siemensstraße 3
D-90766 Fürth
Tel. +49 (0)911. 95 098 - 0
Fax +49 (0)911. 95 098 - 519
E-Mail: info@centrosolarglas.com
www.centrosolarglas.com

Solar Integrated Systems

Solarstocc AG
Karlsberger Str. 3
D- 87471 Durach
Tel. +49 (0)831. 54 02 14 - 0
Fax +49 (0)831. 54 02 14 - 5
E-Mail: info@solarstocc.com
www.solarstocc.com

Solara AG
Behringstr. 16
D-22765 Hamburg
Tel. +49 (0)40. 39 10 65 - 0
Fax +49 (0)40. 39 10 65 - 99
E-Mail: info@solara.de
www.solara.de

Ubbink Solar Modules
Verhuellweg 9
NL-6980 AA Doesburg
Tel. +31 (0) 313. 480 200
Fax +31 (0) 313. 473 859
E-Mail: info@ubbink.nl

Biohaus PV Handels GmbH
Otto-Stadler-Str. 23c
D-33100 Paderborn
Tel. +49 (0)5251. 500 50-0
Fax +49 (0)5251. 500 50-10
E-Mail: pv@biohaus.de
www.biohaus.de

Project Development

Centroplan GmbH
Am Pannhaus 2-10
D-52511 Geilenkirchen
Tel. +49 (2451) 62 03-30
Fax +49 (2451) 62 03-39
E-Mail: info@centroplan.de
www.centroplan.de

France_Centrosolar France SARL
Lyon
E-Mail: info.france@centrosolar.com

Greece_Centrosolar Hellas MEPE
Thiseos 1a, Delvinou 2a
GR-14671 N. Erythrea / Athen
Greece
E-Mail: info.hellas@centrosolar.com

Italy_Centrosolar Italia S.r.l.
V.le del Lavoro 33
I-37036 S. Martino B.A. Verona
E-Mail: info.italia@centrosolar.com

Switzerland_Solarsquare AG
Thunstrasse 162
CH-3074 Muri b. Bern
Tel. +41 (0)31 952 60 66
Fax +41 (0)31 952 60 67
E-Mail: info@solarsquare.com
www.solarsquare.com

Spain_Centrosolar Fotovoltaico Hispania S.L.
World Trade Centre
Moll de Barcelona s/n, Edi. Est. ofic 613
E-08039 Barcelona
E-Mail info.espana@centrosolar.com

USA_Centrosolar America Inc.
16847 E. Parkview Ave. #205
US-Fountain Hills, AZ 85268
E-Mail: info.america@centrosolar.com

_CENTROSOLAR AG_Walter-Gropius-Straße 15_D-80807 München_Tel. +49 (0) 89-20 18 0-0_Fax +49 (0) 89-20 18 0-555__info@centrosolar.com_www.centrosolar.com_