Capacity. Production. Efficiency. **Grid Parity.**

CENTROSOLAR Group AG

Annual Report 2007

CENTROSOLAR GROUP AG

Highlights 2007

Integrated systems
for private houses

We are one of the market leaders in Germany for photovoltaic systems on private houses. We strengthened this position across Europe in 2007. And we are likely to continue posting above-average growth rates for integrated systems: the German Renewable Energies Act (EEG) envisages the highest subsidies for privately operated roof-mounted systems.

Project development
Large-scale systems for industrial roofs

Through our joint venture partner, we have access to over 3 million square metres of roof throughout Europe. We entered this field of activity in 2007 and generated revenue of EUR 25 million in our very first year. The level of orders already in hand leads us to expect revenue of EUR 50 million for 2008. Tendency rising.

Solar modules
Ultramodern production

Our assembly lines for quality modules at Doesburg and Wismar are among the most advanced in the world. The highly automated production capacity was doubled in the course of 2007. We are now doubling capacity at Doesburg once more and building an entirely new plant at Wismar.

Solar glass
Unique position for anti-reflective nanocoatings

We are a leading manufacturer of solar glass and enjoy a unique position as a supplier of anti-reflective nanocoated products. Our production capacity is currently the only factor limiting our revenue growth. Having expanded our solar glass production plant, we can look forward to continuing high growth rates.

Mounting systems
Patented solutions

We are a leading supplier of plastic systems for flat roofs and in-roof mounting systems for pitched roofs. Secure support and speed of installation: these were the advantages of our patented products that helped to double our annual revenue from mounting systems.

Exports
Europe/USA

We have succeeded in expanding very rapidly into other countries. Export revenue rose by around 45 % in 2007 and accounted for 33 % of total revenue. We are on track to generate over half our revenue through operations in Spain, Italy, France, Greece and the USA in 2008.

Key Figures
2007

P&L

	31.12.2007 EUR '000	31.12.2007 % Revenue	31.12.2006 EUR '000	31.12.2006 % Revenue	Change
Revenue	220,323	100.00 %	172,188	100.00 %	28.0 %
Gross profit	46,148	20.95 %	32,475	18.86 %	42.1 %
EBITDA (adjusted) **	15,044	6.83 %	9,824	5.71 %	53.1 %
EBIT (adjusted) * **	13,370	6.07 %	8,904	5.17 %	50.2 %
EBITDA	15,039	6.83 %	9,194	5.34 %	63.6 %
EBIT	4,761	2.16 %	2,128	1.24 %	123.7 %
EAT attributable to shareholders	1,372	0.62 %	1,725	1.00%	-20.5 %

Cash Flow Statement

	31.12.2007 EUR '000	31.12.2007 % Revenue	31.12.2006 EUR '000	31.12.2006 % Revenue	Change
Cash Flow I (EAT + depreciation/amortisation)	11,693	5.31 %	8,671	5.04 %	34.8 %
Cash Flow from operating activities	(10,908)	-4.95 %	(9,028)	-5.24 %	-20.8 %
Cash Flow from investing activities	(12,244)	-5.56 %	(14,903)	-8.65 %	17.8 %

Balance Shet

	31.12.2007 EUR '000	31.12.2007 % Total	31.12.2006 EUR '000	31.12.2006 % Total	Change
Net Working Capital	48,458	27.96 %	26,540	17.79 %	82.6 %
Fixed Assets	75,000	43.28 %	79,304	53.17 %	-5.4 %
thereof Goodwill	49,429	28.52 %	50,297	33.72 %	-1.7 %
Net financial position ***	(44,371)	-25.61 %	(19,738)	-13.23 %	-124.8 %
Shareholders' equity	75,255	43.43 %	73,525	49.29 %	2.4 %
Balance sheet total	173,288	100.00 %	149,160	100.00 %	16.2 %

Shares and EPS

	31.12.2007	31.12.2006
Number of shares (weighted average outstanding; basic)	13,292,458	12,373,473
EPS (in EUR; basic)	0.10	0.14
„Cash-EPS" (in EUR; basic) * **	0.68	0.61

	02.01.2007	Year-high	Year-low	31.12.2007
Share price in EUR	9.38	12.49	8.51	9.11

Employees

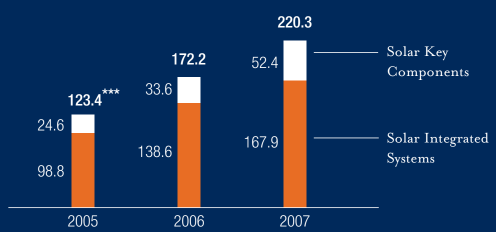
	31.12.2007	31.12.2006	Change
Total (in FTE)	473	364	29.95 %

	31.12.2007	31.12.2006
* excluding IFRS 3 depreciatios in EUR '000	8,605	6,146
** excluding costs for listing in stock market in EUR '000	5	630

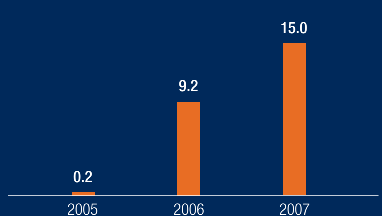
*** Liquid Funds + short-term investments + lendings - financial liabilities

Key Figures
at a Glance

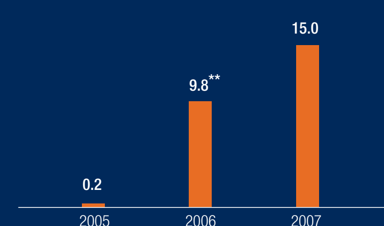
Revenue
in EUR million



EBITDA
in EUR million

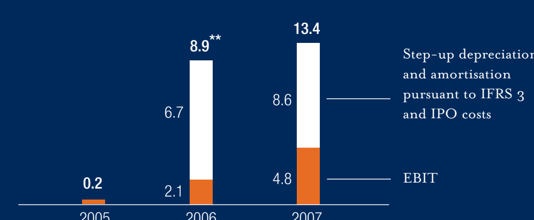


EBITDA adjusted **
in EUR million



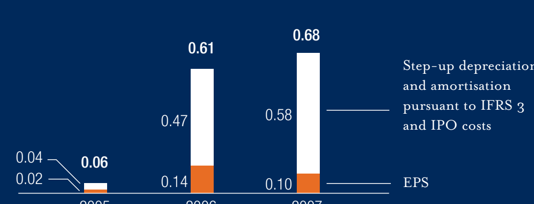
EBIT
in EUR million

EBIT adjusted * **
in EUR million



EPS
in EUR

Cash-EPS * **
in EUR



	31.12.2007	31.12.2006
* excluding IFRS 3 depreciatios in EUR '000	8,605	6,146
** excluding costs for listing in stock market in EUR '000	5	630

*** Pro Forma Revenue unter the assumption that all companies consolidated as of Dec. 31. 2006 had belonged to the group as of Jan. 1, 2005

Contents

We had to ask ourselves how solar energy might narrow the gap on conventional power sources. The key factors:

Report of the Supervisory Board of CENTROSOLAR Group AG for the financial year 2007

The Supervisory Board of CENTROSOLAR Group AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2007 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 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.

One important focal area of the Supervisory Board's work was the merger of the three German operating companies within the group, Solarstocc AG, Solara AG and Biohaus PV Handels GmbH, to form Centrosolar AG. As a result of this merger the three aforementioned companies surrendered their previously separate goods management systems and transferred them to a new, uniform platform. The Supervisory Board monitored the associated risks comprehensively and promptly. The organisational and human resources measures were likewise scrutinised and checked in depth.

The procurement of important components such as cells, modules and assembly systems was likewise a regular topic of discussion between the Management Board and Supervisory Board. The special situation in the Spanish market has created the prospect of temporary shortages in the market, which have so far been successfully mastered thanks to the active intervention of the Management Board.

In the Key Components area, measures and investment plans designed to increase production capacities swiftly in order to bring them in line with demand were discussed on a regular basis.

The Shareholders' Meeting of the company on May 23, 2007 elected Dr. Gert-Jan Huisman to the Supervisory Board in place of Hans Wiertz, who had surrendered office. Dr. Gert-Jan Huisman was then elected Chairman of the Supervisory Board and Dr. Bernhard Heiss his Deputy.

Five Supervisory Board meetings in which members participated in person or by telephone took place in the 2007 financial year. In addition, eight resolutions were passed by means of telefax circular.

The Supervisory Board was informed promptly and comprehensively by the Management Board of the company's current and future 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 other relevant aspects of corporate planning and of the group's strategic development. Discrepancies in business progress between actual performance and the plans and targets were discussed individually with the Supervisory Board and examined by it on the basis of the documents presented. Particular attention was devoted to considering the business opportunities, but also the risk situation, risk management and compliance.

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 significance to the group.

The individual matters discussed comprised the strategic direction, acquisitions in progress and in preparation, important individual transactions, changes to negotiable instruments law, major investment decisions, remuneration structures of the Management Board and management employees, the efficiency of the Super-

visory Board's own activities, the selection and monitoring of the independent auditor, the culture within the company and social issues and 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, management report, consolidated financial statements and group management report at December 31, 2007 have been examined by the auditors PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Essen, 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, 2007 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.

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 2008
The Supervisory Board

Dr. Gert-Jan Huisman
[Chairman of the Supervisory Board]

Dr. Axel Müller-Groeling

Dr. Axel Müller-Groeling (born 1964), PhD of Physics, is repsonsible for strategy and operative management of the daughter companies of the CENTROSOLAR Group AG. A former McKinsey associate partner, he gained more than seven years of experience in the energy and financial services industry. In particular he focused on strategy, risk management and post-merger integration.

Dr. Alexander Kirsch

[Chairman of the Management Board]

Dr. Alexander Kirsch (born 1966), PhD of Business Administration, is the CEO and CFO of CENTROSOLAR Group AG. Since 1998 he has also been a board member of CENTROTEC Sustainable AG. He executed the IPO of CENTROTEC as well as subsequent acquisitions/post merger integrations and has experience in carrying out operative excellence projects.

Thomas Güntzer

Thomas Güntzer (born 1962), a fully qualified German lawyer, is responsible for International Sales and major projects as well as M&A and Human Ressources at CENTROSOLAR Group AG. He has 15 years of experience in investment banking and private equity. Formerly he worked as a Managing Partner at Pari Group and for PPM Capital, the private equity arm of Prudential PLC, where he was responsible for private equity investments.

Letter to Shareholders

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

We have done our homework.

CENTROSOLAR Group AG started out slightly more than two years ago with the aim of putting together an integrated solar group from six different medium-sized solar business. But not only that. We simultaneously established and developed five sales subsidiaries in Southern Europe. We then branched out into the USA and drastically increased the capacity of all our production plants. Finally, while already progressing full steam ahead we substantially expanded our range of products and services.

Too much at once, you might think? We beg to differ. Doing our homework properly – particularly when it came to the internal merger of the three companies Biohaus, Solara and Solarstocc to create a uniform, effective organisation – involved considerable outlay during the past year. Quantifiable outlay in the form of non-recurring costs, and non-quantifiable outlay in the form of unrealised revenue. Our employees worked day and night on successfully executing this restructuring as well as the many other steps involved in expanding our business. They deserve due credit for this.

Despite the costs involved, the extensive measures described above were undoubtedly necessary. They are an essential response to trends that are still unfurling. There will be consolidation in our market's supplier structure despite (or rather, because of) high market growth. Meanwhile demand is shifting increasingly away from Germany and towards the sunnier regions of Europe and other parts of the world. And our customers are demanding more tailormade concepts that go beyond the established norm.

We are fully aware of the dangers of overstretching ourselves. That is why we are concentrating entirely on our core business: the manufacturing and sale of integrated photovoltaic systems and of component parts for them. This market offers double-digit growth rates for many years to come.

Solar power is not yet able to compete economically with fossil fuels, the price of which does not include the external costs of the environmental pollution that they cause. But the gathering pace of technical progress will mean it is likely to achieve "grid parity" in certain regions of the world within the next 5 – 7 years (in other words, solar power will cost no more than power drawn from the grid). For the greater part we have avoided committing ourselves to long-term purchase prices for solar cells because these prices are falling ever more rapidly. Although our current profit margins are consequently lower than those of competitors that have entered into long-term agreements, in the medium term we expect to see market prices fall below even the lowest price levels of most long-term agreements.

Instead of gambling on price developments through long-term agreements, we are concentrating on how we can best bring down the costs of solar power. We are doing this by increasing the light transmission of solar glasses, improving the ease of installation of mounting systems and therefore cutting installation costs, introducing leaner solar module assembly and, last but not least, by making the distribution of solar systems more efficient.

We did our homework very thoroughly in 2007 and are consequently able to start 2008 all the stronger for it. Compared with the past year we expect revenue to rise by around 40 % and the operating result (EBITDA) to climb by approximately 50 %. In the opening months of the new year, all the evidence is that the measures we have taken are working. We therefore believe that we will again meet our targets in 2008, as we did in 2007.

With best wishes,

Dr. Alexander Kirsch

[Chairman of the Management Board]

2007 Corporate Governance Report of CENTROSOLAR Group AG

The "German Corporate Governance Code" was last amended on June 14, 2007. Its 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 Group 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 Group 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 Group AG has a two-tier management and governance structure that comprises a three-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 where necessary. 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 keeping with the relevant statutory requirements and the rules of internal procedure for the Supervisory Board, five Supervisory Board meetings in which members participated in person or by telephone took place in the 2007 financial year. In addition, eight resolutions were 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 shares, the acquisition of treasury stock and conditional capital. It moreover elects the Supervisory Board members.

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 the 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

The company acts openly and responsibly. It adopted this approach even before it pledged to observe the key tenets of the Corporate Governance Code. The overriding objective of its corporate communication is to provide prompt, continuous, comprehensive and consistent information to all target groups and to maintain a relationship with its shareholders that is characterised by transparency. In addition to financial data, the financial calendar showing all key dates for CENTROSOLAR Group 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 ("Directors' Dealings") are published on the website of CENTROSOLAR Group AG and disclosed to both Deutsche Börse and to the Federal Financial Supervisory Authority.

Section 6.6 of German Corporate Governance Code stipulates that, in addition to the disclosure of "Directors' Dealings" that is required by law, directors' holdings and holdings of related financial instruments by Management Board and Supervisory Board members are to be disclosed if they amount directly or indirectly, and individually or collectively, to more than 1 % of the shares issued by the company.

The members of the Management Board held a total of 164,591 shares in CENTROSOLAR Group AG, and the members of the Supervisory Board a total of 400,607 shares, at December 31, 2007

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

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

The Management Board issued a dependence report. 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 at the time when the aforementioned legal transactions were conducted, our company received adequate consideration for each legal transaction in the past 2007 financial year."

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 German Corporate Governance Code has been and is complied with. CENTROSOLAR Group AG has published the following declaration:

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

Background

The "German Corporate Governance Code" was last amended on June 14, 2007. Its 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 Group AG declare that the recommendations of the "German Corporate Governance Code" as amended on June 14, 2007 are and have been complied with, with the exceptions stated below:

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 component. The variable component is, in particular, 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 Group AG has been operating a stock options 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 options scheme, this was realised through allowing the exercise of options 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 shall, however, be dependent on 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, March 2008

On behalf of the Management Board:

Dr. Alexander Kirsch
[Chairman]

On behalf of the Supervisory Board:

Dr. Gert-Jan Huisman
[Chairman]

High purity silicon.
Rising capacity.

Solar wafers are made from high purity solar silicon. The extremely thin wafers are cut from set blocks of polycrystalline silicon or from monocrystals. The few established manufacturers of the high purity silicon starting material, which is still in short supply, are dramatically increasing their capacity. And entirely new manufacturers are entering the market.

All in all, market experts (Sarasin, CLSA, Photon) expect that photovoltaic capacity expressed in terms of megawatt peak (MWp) will more than double between 2007 and 2009.

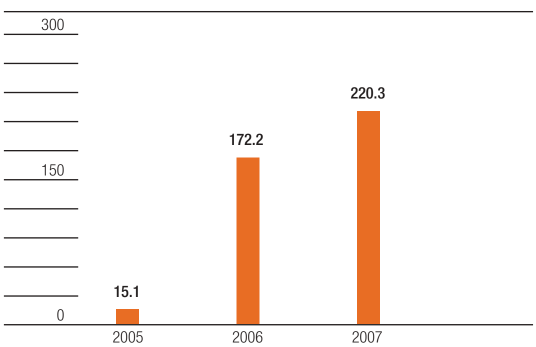
0. Summary

CENTROSOLAR in 2007: Above-average revenue growth and disproportionately steep rise in earnings

By systematically pursuing a strategy of expansion, CENTROSOLAR Group AG (hereinafter also referred to as "CENTROSOLAR", formerly CENTROSOLAR AG) enjoyed a marked rise in revenue and earnings in the past financial year of 2007. Both segments, Solar Integrated Systems and Solar Key Components, were able to achieve revenue growth above that of the solar market in general. Both segments also posted a disproportionately sharp increase in earnings at EBITDA level compared with revenue growth. Revenue and EBITDA for 2007 were in line with the planning horizon.

The company overall saw revenue grow by 28 % in 2007, from EUR 172.2 million to EUR 220.3 million. Compared with the figures for the previous year, gross profit improved from EUR 32.5 million (18.9 % of revenue) to EUR 46.1 million (21.0 % of revenue). This represents an increase of 42.1 %. The rise in gross profit filtered through directly to EBITDA, which rose by 53.1 % from EUR 9.8 million to EUR 15.0 million (prior-year figure adjusted by EUR 0.6 million for IPO costs). The EBITDA return in relation to revenue is thus 6.8 % (prior-year period 5.7 %). In the other earnings figures, amortisation for newly identified assets pursuant to IFRS 3 as a result of the corporate acquisitions in 2005 and 2006 was included. After adjustment for these purely accounting deductions which do not affect cash flow, the cash EPS figure was EUR 0.68 (previous year EUR 0.61).

Revenue of CENTROSOLAR Group AG
[in EUR million]



Which were the principal elements of our expansion strategy that we succeeded in implementing in 2007?

(1) On its international markets, CENTROSOLAR recruited a large number of additional employees for Technical Service and Sales operations at its branches in Spain, France and Italy. The rise in our export revenue to 32.5 % in 2007 (previous year 29 %) justified increasing our activities in our export markets in this way. We expect further, even sharper growth internationally in 2008.

(2) Together with a joint venture partner, the new international business area of large-scale solar roof systems (typical output 0.2 – 1.0 MWp per roof) was established. It already made a profitable contribution of approx. EUR 25.6 million to revenue in 2007. In this area alone, we expect domestic and export revenue to double to at least EUR 50 million in 2008.

(3) The most important internal measure in 2007 was the merger project "Bringing the Best Together": the three core companies of the Solar Integrated Systems segment, Solara, Biohaus and Solarstocc, were merged to form Centrosolar AG. The name of the listed parent company was changed to "CENTROSOLAR Group AG".

(4) Centrosolar Glas notched up further successes in the past year. Production capacity for the patented nanoglass was massively increased. Although this highly light-transmissible glass is somewhat more expensive than conventional solar glass, our customers can more than recoup the extra outlay thanks to the module's higher output. Revenue for this area correspondingly soared by 50 % from EUR 30.8 million to EUR 46.1 million. Thanks to the increased revenue share of higher-grade nanoglass, we actually expect solar glass revenue to approach EUR 70 million in the current financial year, with profit margins rising yet further.

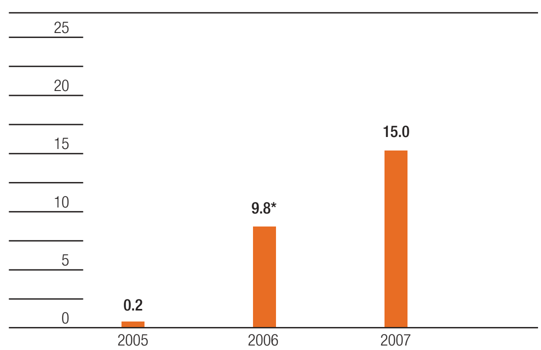
(5) Ubbink's mounting systems are also faring extremely well. This product area has enjoyed growth rates for revenue and EBITDA of over 100 % p. a. in each of the past two years. All in all, these patented plastic systems that cut installation time to the minimum contributed EUR 7.7 million to consolidated revenue in the past year.

For the past three years, we have consciously rejected the idea of concluding long-term procurement contracts. This strategy again meant that we had to accept elevated purchase prices for cells in the past financial year. However, we expect to see a modest drop in prices in 2008 and 2009 thanks to the increased availability of solar cells. We will then be able to capitalize fully on this market trend and achieve purchase prices close to or even below the level of most of the long-term contracts that our competitors have entered into.

Although there was a significant rise in the operating earnings figures, the share price at best moved sideways. The shares were traded within a range of EUR 8.50 to 12.50 throughout 2007. Following the successfully implemented expansion policy and in anticipation of the impending end to IFRS 3 depreciation and amortisation, coupled with a further rise in the revenue and earnings forecasts for 2008, the fundamental data point towards a rising share price.

Viewed overall, both segments, Solar Integrated Systems and Solar Key Components, progressed as envisaged in our plans in 2007. The growth rates are ahead of the market itself, and we expect this to remain the case in 2008. In the Solar Integrated Systems segment, we will probably virtually double our module production

EBITDA
[in EUR million]



* after elimination of IPO costs of EUR 0.61 million

capacity thanks to the sustained growth in demand in CENTROSOLAR's core markets and are thus set to increase our value added. Within Solar Key Components, we likewise expect value added to rise further as a result of an increasing shift in orders in favour of our nanoglass, thus boosting profitability. All in all, we expect EBITDA to reach around EUR 22 million in 2008, with revenue climbing to EUR 310 million.

1. Group structure and business activities

1.1. The segments

The Solar Integrated Systems segment of CENTROSOLAR Group AG focuses on the development, production and international sale of photovoltaic solar modules and integrated systems, principally for use on roofs. The starting products required for its own module production operations include solar cells, which are sourced from suppliers. The second segment, Solar Key Components, in addition develops, manufactures and sells key components such as solar glass and coating systems. The customers who buy our mounting systems include fitters and wholesalers, but also competitors in our Solar Integrated Systems segment. Our solar glass is sold predominantly to manufacturers of photovoltaic modules and thermal collectors.

Sales locations of the CENTROSOLAR Group

The CENTROSOLAR Group comprises the seven well-established photovoltaics companies Solara, Biohaus, Solarstocc, Ubbink Solar Modules, Ubbink Econergy Solar, Centrosolar Glas and Solarsquare, as well as newly established companies such as Centroplan and international subsidiaries in the group's core sales markets. The original companies Solara AG, Biohaus PV Handels GmbH and Solarstocc AG merged to form Centrosolar AG with effect from September 1, 2007. CENTROSOLAR Group AG, with its registered office in Munich, acts as the listed holding company for all subsidiaries.

1.2. Principal locations worldwide

CENTROSOLAR has established a sales and service network that offers customer proximity in Germany and Southern Europe, with bases in Germany (Hamburg, Berlin, Paderborn, Kempten) and subsidiaries in Spain, France, Switzerland, Italy and Greece. The company in addition has a presence in the USA and China through one subsidiary (Arizona) and one joint venture (Trillion Sun, Hong Kong).

2. Management and control

By agreement with the Management Board of the holding company, responsibility for operational management is delegated to the boards or managing directors of the subsidiaries. Management and control over operational management is exercised through its integration into the group's supervisory and control systems. Targets for the individual entities are defined as part of an annual budget process at individual company level; these targets also serve as the basis for the variable remuneration components of Management Board members and management employees in the form of an options scheme (see Corporate Governance Report, available on our homepage www.centrosolar.com). In addition to operating and financial targets, CENTROSOLAR Group AG gives maximum priority to customer satisfaction with its products and service.

The central group holding company has its head offices in Munich. Its function is to steer and monitor all the group companies. It also handles central services such as M&A, Controlling, Financing, Legal, Human Resources etc. on behalf of the entire group.

CENTROSOLAR Group AG

The Management Board
Dr. Alexander Kirsch
Thomas Güntzer
Dr. Axel Müller-Groeling

Ulrich Hofmann, *Strategy*

Dr. Stefan Strobl, *Legal Counsel*

Günther Wühr, *Finance*

Dr. Thomas Kneip, *Business Development*

Rafael del Granado, *International Sales*

CENTROSOLAR Group AG (simplified)

- Ubbink Econergy Solar GmbH — 100 %
  - Spanien, Frankreich, Italien, Griechenland, USA
- Centrosolar Glas GmbH & Co. KG — 100 %
- Solarsquare AG — 100 %
- Centroplan GmbH — 51 %
- Ubbink Solar Modules B.V. — 70 %
- Centrosolar AG — 100 %
  - Solara Sonnenstrom-fabrik GmbH — 100 %

3. Market development

3.1. The solar market:"German model" finding international acclaim

There is only little correlation between the market for photovoltaic systems for power generation and national or international economic cycles. This market is driven much more by state subsidy programmes, but also by general developments in energy prices and growing environmental awareness among consumers and the public. All three factors contributed towards market growth in the year under review, which market observers (such as the German Solar Industry Association, referred to below as BSW) believe was in the order of 30 % worldwide.

In absolute terms, estimates again view Germany as the biggest market for photovoltaic (PV) systems, as in the previous year. The sustained boom in Germany was kicked off by the 2003 Renewable Energies Act (German EEG), which guarantees operators of PV systems attractive rates for grid supplies of solar power for a period of 20 years.

This "German model", which has assured the German market considerable growth rates over the past four years (source: BSW), is now also blazing a trail in other countries. Since 2003 Belgium, France, Italy, Greece and Spain have introduced state subsidy schemes that mirror the basic principle of the German EEG. The Netherlands followed suit at the start of 2008. Proposals to create such incentives are already making headway in other European countries such as the Czech Republic, Poland and Portugal, but also in China and various US states.

The catalyst behind this debate was a voluntary commitment made by most industrial nations at the UN Climate Change Conference in Bali in autumn 2007 to increase substantially the contribution of renewable energies towards their respective energy mixes. Among the group of renewable energies, photovoltaics is set increase overproportionally in most economies because, as the "German model" has shown, it can be implemented very rapidly without burdening the public fisc.

The speed with which it can be implemented was also demonstrated in Spain in the year under review. The Royal Decree was passed on June 1, 2007, guaranteeing a payment tariff of 41.75 cents/KWh (euro cents/kilowatt peak) for a maximum of 25 years for grid-connected systems of between 100 KWp and 10 MWp (megawatt peak). The total newly installed rated output for which these payment tariff rates are available was provisionally capped at 371 MWp. However, 85 % of this 371 MWp was already achieved in 2007, so transitional arrangements currently apply up until the end of September 2008. A draft follow-on programme with lower payment tariffs already exists.

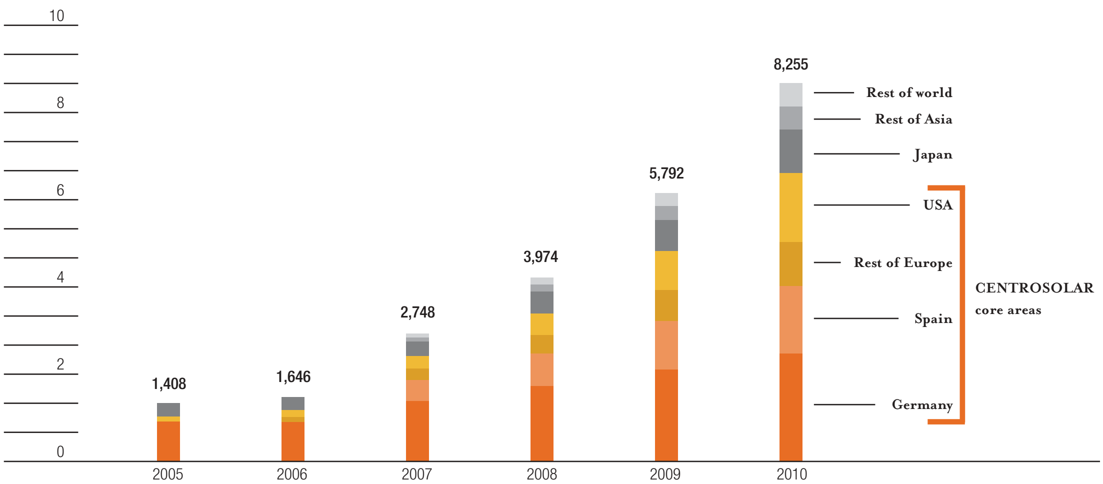
An amendment to the German EEG was proposed in autumn 2007 by the German Environment Minister. He recommends that the payment tariffs for solar power be maintained, though at higher rates of degression than the current 5 % per year. The payment tariff is to be reduced by 7 % (previously 5 %) for roof systems (up to 1 MWp) or by 8.5 % (previously 6.5 %) for free-standing systems in 2009 and 2010, then fall by a further percentage point from 2011. Roof systems of more than 1 MWp are to attract

Centrosolar AG

The Management Board
Dr. Jiri Bursik
Dr. Josef Wrobel
Günther Wühr

Centrosolar AG was created in 2007 through the merger of the three photovoltaic integrated system suppliers Solara, Biohaus and Solarstocc. The range focuses on integrated photovoltaic systems, including their servicing, covering every aspect from project planning and configuring to training and installation. As a systems integrator, the company produces and sells photovoltaic systems for private houses and industrial properties. The previous brand strategy was further refined in 2007: Solara is now the quality brand for off-grid stand-alone systems. Biohaus is the expert for solutions involving thin-film technology for building-integrated photovoltaics, and Solarstocc is the product brand that is available exclusively via the technical wholesale trade.

Growing demand for solar power
[In MWp (newly installed)]



(Source: Sarasin 2007)

a generally lower basic rate of only 25.48 cents/kWh from 2008. The EEG has always included annual rates of degression to promote a steady decrease in production costs.

The announcement should give a further big boost to demand in 2008 in Germany for the market segment addressed by CENTROSOLAR: systems for private houses. From 2009 the payment tariffs will probably be more attractive in other countries, with the result that the German market could lose momentum. Compared with other suppliers, however, CENTROSOLAR should be able to profit from such an amendment because in relative terms our core business area of roof systems up to 1.0 MWp will attract the highest subsidies in Germany after 2009.

3.2. Falling production costs/rising energy prices: Photovoltaics en route to attaining grid parity

State subsidy programmes such as the German EEG are intended to increase the share of power generated by solar, but also to help photovoltaics become competitive compared with power generation from fossil fuels such as oil, gas and coal. In the past year prices for PV systems fell by around 5 %, as envisaged in the EEG. Meanwhile there was a marked increase in the cost of conventionally generated power, reducing the price difference compared with photovoltaics still further. Experts estimate that energy prices will continue to rise and the prices of PV systems will continue to fall, with the result that solar

Centroplan GmbH

Management
Klaus Reinartz

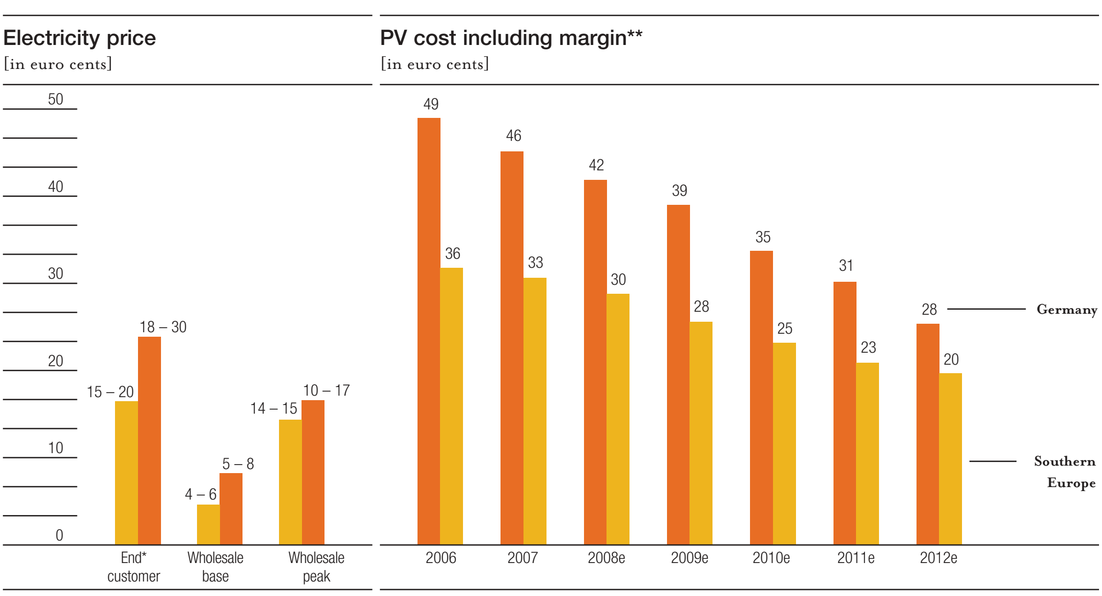
Centroplan GmbH, based in Geilenkirchen, is a joint venture between CENTROSOLAR Group AG and Pohlen Bedachungen GmbH & Co. KG. The partnership between these companies brings together two core skills: in roofing and in photovoltaic systems. Since its establishment in 2007, the company has specialised in the installation of medium to large-scale solar systems on roofs and as free-standing arrangements, and has covered all of Europe reach right from the outset. Centroplan takes charge of all services involved in the realisation of photovoltaic systems on behalf of its customers, from analysing the property or site to turnkey commissioning of the system.

power will be competitive in many regions such as Southern Europe, but also in the Southwest of the USA, by the middle of the next decade. This "grid parity" is also a goal of CENTRO-SOLAR Group AG.

In addition to rising prices for fossil fuels, cheaper photovoltaic systems are a key factor in grid parity being achieved. On the one hand the aim is to reduce the production costs for the materials used in a PV system through higher unit totals. The market has made considerable progress in this respect, though the potential is limited. The much more significant factor is the electrical conductivity of solar cells. Consider this example: the material and installation costs in relation to yield for a solar module with an output of 220 Watt are only half the costs of a module of the same size but with an output of 110 Watt. For this reason, among others, we believe that the future prospects are brighter for the much higher-performance crystalline solar cell technology than for thin-film technology, modules of which currently cost less to manufacture but are inferior in performance.

As the electrical output of solar cells rises, the significance of their cost changes. At present the photovoltaic system's semiconductor, the solar cell, still accounts for over 50 % of the total cost of a system. But with increasing output other materials such as glass, and in particular the system's installation, come to account for a far greater share of costs.

Our contribution towards achieving grid parity is as follows: we are increasing the electrical conductivity of solar modules by means of the nanocoated solar glass. We are reducing the increasingly significant cost components of other materials by improving productivity in module manufacturing, glass production and accessories production. Finally, our patented mounting

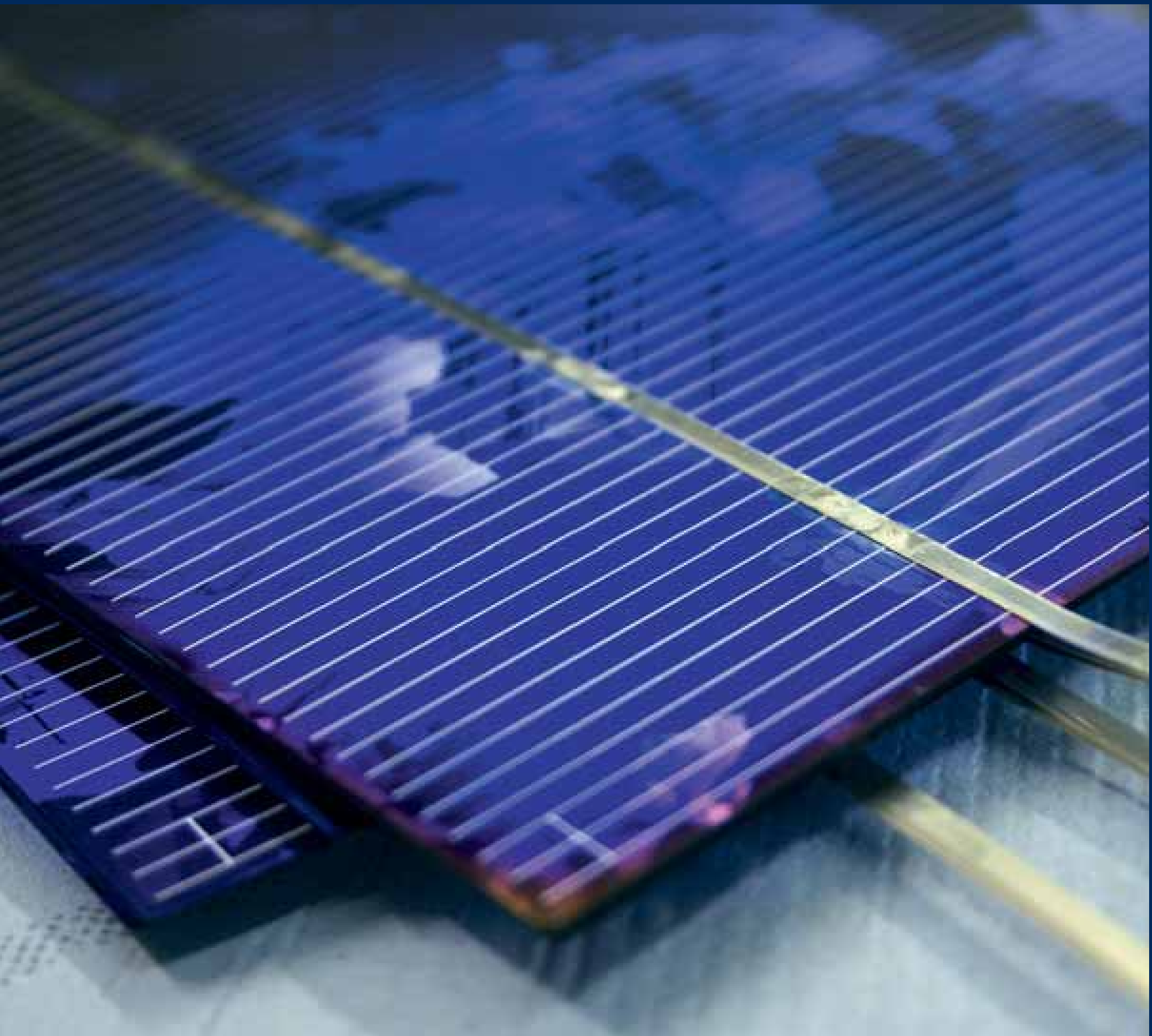


* lowest in France (60 % nuclear power), highest in Italy
** Margins and market prices higher today. Calculation basis: solar parks, total investment payback 10 years
(Quelle: own estimates)

Solara Sonnenstromfabrik Wismar GmbH

Management
Ralf Hennigs

Solara Sonnenstromfabrik Wismar GmbH, in Mecklenburg-Western Pomerania, builds standard or special versions of quality modules for grid-connected systems and stand-alone solar power generation. Its production capacity at the end of 2007 was already 30 MWp. At an investment outlay of some EUR 20 million, it is now erecting an entirely new, highly automated manufacturing plant for solar modules with an annual capacity of 150 MWp near the existing production location in Wismar. The increase in capacity has been prompted by the sharp rise in demand in the markets which the company has recently entered in Southern Europe and the USA.



systems allow the photovoltaic systems to be installed faster – a factor that will become increasingly important in future.

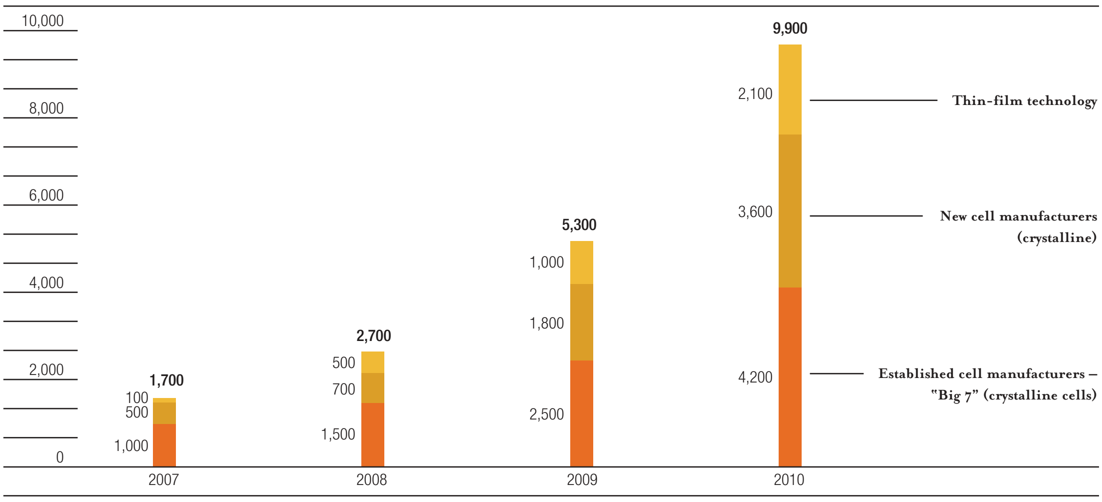
3.3. Supply market: Bottleneck likely to be overcome from 2009 with more solar silicon available

Solar silicon, the starting material for wafers, currently accounts for almost one-third of the cost of manufacturing a PV system because the market prices for this substance are still high. The manufacturing costs for all subsequent production stages such as solar cell and module fabrication have already come down thanks to the arrival of industrial-scale mass production. Yet the prices for hyperpure silicon have actually risen because it is in such short supply. The few established manufacturers of chlorosilane gas, the starting material used in refining silicon into hyperpure solar-grade silicon, are nevertheless bringing extra capacity on stream. And numerous new manufacturers, predominantly in China, have recently arrived on the scene. All in all, market experts (Sarasin, CLSA, Photon) expect that the extra capacity for hyperpure silicon production as well as the gradual rise in the energy efficiency of PV systems and increased use of offcuts for wafer and cell production will at least double the supply of photovoltaic systems in terms of megawatt peak (MWp) by 2009, compared with 2007.

2008 and 2009 will see the biggest surge in supply since 2003. Whether demand will rise equally steeply in the short term is, however, questionable. We therefore expect to see sharper falls in prices, in particular for solar cells, from 2009 on. With prices beginning to tumble, the prospect of grid parity will draw closer in a number of regions and this is also likely to prompt a rise in demand. The latter effect will, however, be somewhat delayed and will only kick in once prices have come down significantly,

Rapid supply expansion

[MWp supply]



Supply of solar cells (crystalline silicon technology "cSi") based on the forecast silicon supply from established silicon manufacturers and new silicon manufacturers, plus thin-film
(Sources: Prometheus, Sarasin, manufacturer announcements, own estimates)

Ubbink Solar Modules B.V.

Management
John van Laarhoven

The module production plant Ubbink Solar Modules in Doesburg, the Netherlands, is jointly owned by CENTROSOLAR and Econcern B.V., Utrecht, the Netherlands. CENTROSOLAR holds a 70 % stake and is therefore in charge of its management. The solar cells are supplied by Ecostream, a subsidiary of Econcern. The joint venture's procurement sources for Solland cells are underpinned by a supply agreement which envisages a steadily increasing volume from 7.5 MWp in 2007 to 20 MWp by 2010. Two additional lines are currently being built at Doesburg at an investment outlay of EUR 2 million, taking the annual capacity up to 45 MWp.

with the result that we expect a slight oversupply for a number of years. We certainly do not expect the prices of solar cells to remain at the current high level in tandem with a sharp rise in supply. For this reason, we have been very restrained in concluding long-term sourcing agreements at fixed prices (see below).

3.4. Technologies: Thin-film technology making inroads

The current shortage of silicon capacity has helped to promote alternatives to crystalline solar technology. Over the past year thin-film solar technology's share of the photovoltaics market has risen significantly in both absolute and relative terms. Thin-film modules based on amorphous silicon and cadmium telluride modules are increasingly common. High expectations are likewise being pinned on thin-film systems using other technologies, such as copper indium selenite (CIS) or tandem layers of amorphous and microcrystalline silicon thanks to their higher energy yield compared with amorphous silicon, though their industrial-scale stability has not yet been demonstrated. The raw material on which CIS depends, indium, is moreover very scarce, as a result of which volume will remain limited. For the foreseeable future, however, even thin-film technology, with its higher energy yield, will be fundamentally unable to match the efficiency of crystalline silicon cells in converting light into power.

We believe that in the long term, crystalline solar technology and thin-film technology will complement each other rather than being in competition. Crystalline solar technology will cover those market segments in which there is demand for high electrical efficiency per unit area. Thin-film technology comes into its own for systems that are very low-cost to install (e. g. certain free-standing systems). Flexible thin-film systems are a special case, because they are embedded in plastic instead of being under a glass cover. CENTROSOLAR uses these systems e. g. on roofs of lightweight-construction halls which cannot support heavy glass modules. There is effectively no alternative to thin-film technology for this application.

4. Strategy

4.1. Product and sales strategy: Focus on integrated PV systems for roofs and key components for the general PV market

CENTROSOLAR Group AG continues to concentrate on those market segments of the PV market that promise higher growth rates in revenue and earnings in the medium term. Our two segments Solar Integrated Systems and Solar Key Components address sub-markets in which we will continue to be able to set ourselves apart from the growing number of international players. In the market for integrated PV systems, which covers a wider range of products, we have focused specifically on roof systems. In partnership with our indirect shareholder CENTROTEC Sustainable AG, which holds approx. 34 % of our shares, we have access to the growing market for technical roof products. Our sales intermediaries in Germany – the

Centrosolar Glas GmbH & Co. KG

Management
Ralf Ballasch

The Fürth-based company has been involved in the solar glass business for more than 10 years, initially under the ownership of Pilkington and then Flabeg. Centrosolar Glas is a leading supplier of low-iron solar glass and, thanks to its patented nanocoating technology, is the world market leader for anti-reflective coated glasses for photovoltaics and solar thermal technology. These highly transmissible, low-reflection glasses are also used in the construction of greenhouses, for windows in buildings and in lamps and lighting technology. The production lines for glass finishing were extended in 2007, raising their annual capacity to around 5 million square metres. A separate subsidiary was in addition established in South Korea to act as a bridgehead for further business expansion in Southeast Asia. Centrosolar Glas employs a workforce of over 200.

roofers, heating engineers and electricians who source our PV systems from the technical wholesale trade – have access to millions of square metres of roof.

CENTROSOLAR originally concentrated on smaller sloping-roof systems for private houses. The project planning company Centroplan GmbH, a majority interest which CENTROSOLAR set up in conjunction with Pohlen Bedachungen, extended its activities to include large flat industrial roofs. Thanks to our project development expertise, we are also able to develop and build turnkey free-standing systems. Our joint venture partner enjoys access to more than 3 million m^2 of industrial roofs throughout the whole of Europe. Pohlen Bedachungen is the roofing partner of major retail chains such as ALDI, and manages their roofs. This combination of Pohlen as the roof expert and CENTROSOLAR as the PV specialist has enabled us to tap into a market of considerable volume. To round off the concept, we cooperate closely with financing partners that operate the solar systems. Pohlen and CENTROSOLAR for example supply solar systems for DCM Solar Fonds 1, an investment fund which on its own brings in revenue of around EUR 60 million for CENTRSOLAR. Further investment funds are in the pipeline.

In strategic terms, we are aiming above all for volume growth for the Solar Integrated Systems segment in the current market phase because this will then generate the necessary momentum for our international expansion. Higher-value growth will be contributed by the smaller but comparatively much more profitable Solar Key Components segment. In this latter area we manufacture and sell mounting systems and solar glasses. Our customers are a cross-section of the entire international solar industry. Our products in this segment are protected by numerous patents e. g. for anti-reflective coatings for solar glass and certain mounting systems, and we even enjoy a kind of sole supplier status for these products. Alongside a smaller competitor from Denmark, we are for instance the only company to supply anti-reflective solar glass. The nanocoating developed and patented by our subsidiary Centrosolar Glas increases the light transmission and therefore the energy yield of PV solar modules by 3 – 5 % and of solar collectors by more than 5 %. This is a compelling reason for many leading module manufacturers to use our solar glasses, because the extra cost is more than recouped by the modules' higher output.

Large-scale roof system

Ubbink Econergy Solar GmbH

Management
Geerling Loois

Cologne-based Ubbink Econergy Solar develops and sells roof mounting systems for solar modules and enjoys an outstanding market position for flat-roof mounting systems as well as in-roof mounting systems. Its range is aimed above all at wholesalers and fitters. 2007 saw rapid sales growth in excess of 100 %. And the current growth prospects remain bright.

Console® – patented system for flat-roof installation

The product mix of volume growth from integrated PV systems and high-profit value growth from key components equips us for pushing ahead with our strategy of expansion and simultaneously financing it from cash flow.

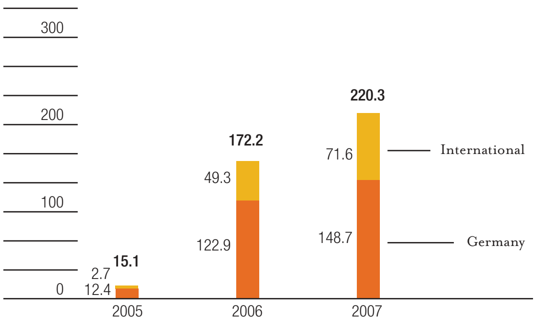
4.2. Sales strategy: International expansion

We are a growing company thanks to our expanding product portfolio and international sales strategy. In 2006 and 2007 we established our own subsidiaries in Spain, France, Switzerland, Italy, Greece and the USA. We already had a presence in the Netherlands through Ubbink Solar and in China through our interest in Jumao (Trillion Sun). Then there are the many regional companies and representatives throughout the CENTROTEC organisation that sell CENTROSOLAR PV systems and components in conjunction with their own energy-saving products for buildings. The success of this rapid but – in terms of cost – cautious international expansion is reflected in the increase in international revenue in both absolute and relative terms, at comparatively low cost. In 2007 our export revenue rose by 45.3 %, taking the export ratio to 32.5 %. We expect to see an even sharper rise in 2008, with export revenue on track to overtake domestic revenue for the first time.

4.3. Procurement strategy: Falling prices for cells expected

With the supply of cells expected to double by 2009, CENTROSOLAR believes that there will be a moderate but noticeable drop in purchase prices for solar cells. We have therefore only entered into long-term procurement contracts to a limited extent. We conclude short-term supply agreements for our module production operations and have decided to take the hit from currently higher purchase prices so that we can then benefit from an expected drop in market prices from 2009. Although this approach currently reduces our profit margins for integrated PV systems, we are able to compensate thanks to

Revenue of CENTROSOLAR Group AG, consolidated
[in EUR million]



Solarsquare AG

Management
Rupert Paris

The Swiss-based solar trading company Solarsquare AG was acquired in 2006. This move secured CENTROSOLAR Group AG a sales platform in the neighbouring markets of Switzerland. Solarsquare AG in addition boasts an outstanding infrastructure for the procurement of solar silicon and solar cells and the international trading of solar modules.

Solar module production

the higher margins earned in the meantime by solar key components. The aim of this procurement strategy is to safeguard the future of the company, because it involves making only few long-term price commitments.

4.4. Production strategy: Value chain steadily growing

CENTROSOLAR manufactures and sells PV systems and components. In the Solar Key Components segment we start with semi-finished articles such as glass, which we transform into special solar glass by means of annealing and coating processes. Our mounting system incorporates pressed aluminium sections or semi-finished plastic parts that are processed into complete systems at our own production plants or by CENTROTEC.

Generating value added internally through manufacturing and finishing activities, coupled with our systems expertise, are also the hallmarks of our production strategy for integrated PV systems. Within the production chain for solar module manufacturing we buy in cells and use them to make standard and special modules at our plants in Doesburg (the Netherlands), Wismar and Paderborn (Germany) as well as external production partners. The range includes monocrystalline and polycrystalline solar modules, plus thin-film "solar roof tiles" and solar roof sheeting that are visually appealing when integrated into the building's architecture, and moreover attractively priced. We therefore have a virtually complete value chain for key components, in addition to a value chain downstream of solar modules.

Our depth of value added is moreover increasingly spreading in the direction of solar module manufacturing. We have embarked on substantially expanding of our module production operations in 2008 in an effort to become one of the biggest module producers in Central Europe by 2010, with 200 MWp of production capacity in Germany and the Netherlands alone. Integrating upstream production process stages is an option that we would prefer to consider in tandem with technology partners, e. g. in order to secure a supply of high-quality cell material on attractive terms. Boosting our margins by upstream integration only makes sense in the long term if sophisticated production engineering is able to offer cost advantages compared with established cell production capacities.

The current level of value added in our integrated PV systems is already more than one-third. Thanks to the foreseeable fall in cell costs,

Centrosolar Fotovoltaico España S.L.

Director
Gerson Castillo

CENTROSOLAR Group AG has been represented in Spain for the past year through its subsidiary Centrosolar Fotovoltaico España S.L. The subsidiary, led by Gerson Castillo, has already enjoyed notable success over that short period. The total project volume in MWp already secured for 2008 by the Barcelona-based team is for an installed capacity running into double figures.

however, this level will automatically rise. As has already happened in the computer industry, for example, systems expertise, logistics, project planning, assembly and marketing acquire growing importance as a new technology develops, whereas the contribution of semiconductor manufacturing to value added gradually falls. CENTROSOLAR is nevertheless eager to integrate as many process stages as possible into its production strategy because this will make it easier to overcome supply bottlenecks in rapidly growing markets.

5. Significant events

5.1. Merger of Biohaus, Solara and Solarstocc to form Centrosolar AG

The most significant event in the past financial year was the launch of our merger project "Bringing The Best Together": the three core companies in the Solar Integrated Systems segment, Solara, Biohaus and Solarstocc, all three of which sell integrated photovoltaic systems for all areas of solar power generation, were combined under the umbrella of "Centrosolar AG". The name of the listed parent company was changed to "CENTROSOLAR Group AG". The merger enables the original core companies to exploit synergy effects in the domains of purchasing, production, marketing and sales. Each brand is now promoted by every sales company and subsidiary. The management team of the new Centrosolar AG has also been reorganised.

The names of the three original companies live on as product brands: "Biohaus", for example, will be retained as a name representing 20 years of experience in the integration of crystalline modules, and the specialist for demanding integration concepts through its thin-film cells. "Solara" will continue to supply its own modules complete with VDE GS certification, as the epitome of quality products "Made in Germany", together with high-grade off-grid solar systems. "Solarstocc", which made a name for itself with high-performance integrated systems specifically in the specialist heating/plumbing and electrical supplies trades, will focus on this rapidly growing sales channel throughout Europe.

5.2. Raising of PREPS funds

To strengthen its equity position, mezzanine equity was raised through the PREPS scheme. The net funds of EUR 9.1 million accrued by the company are granted as participatory rights for 7 years with no regular capital repayments, and attract ongoing interest at 7.8 % p. a. In the event of net income (consolidated or reported in the separate balance sheet of CENTROSOLAR) of more than EUR 15 million, a supplement of 1.0 % is payable for that financial year, and a supplement of 2.0 % for a financial year in which net income exceeds EUR 20 million. The profit-sharing was approved by the Shareholders' Meeting of CENTROSOLAR Group AG on May 23, 2007.

5.3. Significant events occurring after the balance sheet date

Purchase of real estate at Wismar: Solara Sonnenstromfabrik Wismar GmbH acquired undeveloped real estate, comprising several plot numbers with a total area of 47,350 m2, from Wirtschaftsförderungsgesellschaft Wismar mbH on February 8, 2008. The real estate is for the

Centrosolar France SARL

Director
Eric Sauvage

The subsidiary Centrosolar France SARL likewise has the task of providing local customers with expert advice and support. This young company supplies integrated photovoltaic systems to the French solar market. The company is based near Lyon. France is already one of the group's principal sales markets.

erection of a new production plant for the manufacturing of crystalline solar modules. The buyer made a contractual undertaking to invest EUR 6 million on the real estate. In parallel, a contract to construct the building was concluded with a general contractor and various orders placed with suppliers of production machinery. Overall, the company is planning an investment volume of around EUR 22 million. To finance the project, two loans and hire purchase contracts to a total value of EUR 10.7 million have already been concluded. Credit commitments for a further EUR 6.4 million have been obtained. The remainder of the financing will be covered by public subsidies (grants).

Settlement with the supplier Isofoton: by the settlement dated January 31, 2008 the disputes from a supplier relationship were resolved on the basis that Centrosolar AG undertakes to pay EUR 1.3 million and Isofoton waives all further claims. Centrosolar AG realises an other operating income of EUR 1.3 million from this settlement because the liability recognised had been higher by that amount.

6. Dependence report: Adequate consideration for all legal transactions

The Management Board issued a dependence report for 2007. 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 2007 financial year."

7. Financial review, development and analysis of operating activities

7.1. Financial position: Adequate financial leeway created for growth in 2008

Thanks to its the generally short-term procurement contracts, CENTROSOLAR's level of tied-up capital is lower than that of other comparable solar companies. The solar industry is nevertheless relatively equity-intensive as a result of its enormous growth and relative youth. As a listed company, CENTROSOLAR will remain receptive to the idea of raising additional equity or borrowed capital in order to finance a good market position in the world market. In view of sustained demand in our sales markets, the risks of this ambitious expansion policy are reasonable when weighed up against the opportunities it affords.

The net financial position (cash and cash equivalents + securities + loans originated by the enterprise – financial debt) at the end of the fourth quarter was EUR -44.4 million, EUR 24.7 million lower than at December 31, 2006. In addition to the payment of EUR 9.1 million in mezzanine equity through the "PREPS" scheme at the start of 2007, a new bank loan for the merged Centrosolar AG together with Solara Sonnenstromfabrik Wismar GmbH and Solarsquare AG was arranged in September and October 2007.

The CENTROSOLAR Group as a whole had unutilised credit lines amounting to more than EUR 25 million at December 31, 2007. This provides ample scope for financing the company's organic growth over the current financial year, too. Only if we were to embark upon exter-

Centrosolar Italia S.r.l.

Management
Wojciech Swietochowski

Centrosolar Italia S.r.l. very rapidly succeeded in gaining a foothold in the Italian solar market. Through the Verona-based company, established in January 2007, CENTROSOLAR Group AG is able to assure locally based support for its Italian clients. Centrosolar Italia S.r.l. soon made a name for itself as a reliable supplier and a source of guaranteed quality products.

nal growth or step up the breadth or depth of our production capacity even further than planned would an increase in capital stock through the issue of further shares probably become necessary.

7.2. IFRS 3 depreciation and amortisation on purchase price allocations: Expected to fall below EUR 2 million from 2009

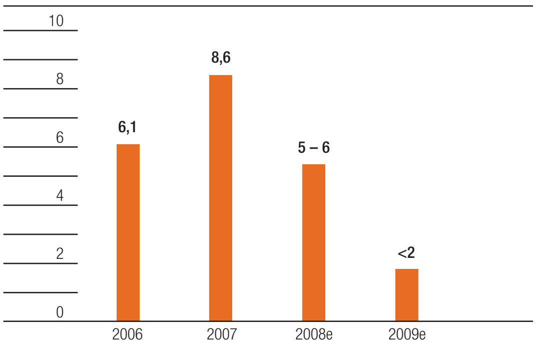
Whereas there have been substantial improvements in operating earnings at EBITDA level, they have not yet filtered through fully to the EBIT operating result. The reason is the depreciation and amortisation on revalued and newly created assets (purchase price allocations) in the context of initial consolidation pursuant to IFRS 3, which reached a provisional peak of EUR 8.6 million in the past year (previous year EUR 6.1 million). This depreciation and amortisation will fall by EUR 5.5 million in 2008 and ought to be less than EUR 2 million in 2009 (barring further acquisitions). According to IFRS 3, tangible and above all intangible assets and liabilities acquired through corporate acquisitions are to be recognised at their fair values. These capitalised assets substantially comprise supplier and customer contracts or relations, brands and development work. In our case they are to be depreciated and amortised and therefore adversely affect the income statement, even though there is no cash effect. After elimination of this depreciation and amortisation pursuant to IFRS 3, EBIT at December 31, 2007 would have amounted to EUR 13.4 million (6.1 % of revenue) compared with EUR 8.9 million (5.2 % of revenue) in the prior-year period.

7.3. Sales performance: 33 % exports

Overall, CENTROSOLAR Group AG increased its consolidated revenue from EUR 172.2 million in 2006 to EUR 220.3 million in 2007, thus meeting its guidance. 33 % of revenue was generated outside Germany. Southern Europe was again the most important growth area. Of the total export revenue of EUR 71.6 million, EUR 20.0 million was achieved in Spain, EUR 19.3 million in Switzerland (again in part from end customers in Spain), EUR 12.2 million in France and EUR 3.1 million in America.

Our new project business operations for larger-scale systems on industrial roofs also achieved a remarkably good sales performance in the past financial year. CENTROSOLAR Group AG was appointed project partner of the investment fund "DCM Solar Fonds 1". This fund is investing a total of some EUR 160 million in photovoltaic systems on around 35 roofs of industrial properties in Germany and Spain. The size of the individual roof systems is generally between

IFRS 3 depreciation and amortisation
[in EUR million]



Centrosolar Hellas MEPE

Management
Panos Kilimis

In the short time since its establishment, our Greek subsidiary Centrosolar Hellas MEPE has already clinched various projects for roof-mounted systems in the Athens area. Greece is still a relatively small market. Photovoltaics is nevertheless expected to boom in this sun-drenched country.

0.2 and 1 MWp. "DCM Solar Fonds 1" represents the first of a number of closed-end publicly offered investment funds for photovoltaic systems that will be launched in the future. In addition to the CENTROSOLAR subsidiary Solarsquare AG, Pohlen Bedachungen GmbH and Centroplan GmbH – the joint venture between CENTROSOLAR and Pohlen Bedachungen – are involved as project partners. The investment fund will generate additional revenue volume likely to be in excess of EUR 50 million for the CENTROSOLAR Group in 2008. The long-term significance of this partnership is even more revealing: by teaming up in this way, the partners DCM, Pohlen Bedachungen and CENTROSOLAR are able to demonstrate their unique expertise in the turnkey development, operation and financing of industrial roof systems. All the partners are keen to extend this concept swiftly. With the partner Pohlen Bedachungen, which acts as roofing contractor to various logistics and industrial companies, CENTROSOLAR is therefore establishing an additional significant sales channel over and above the plumbing and electrical trade.

7.4. Market price development: Lower end prices for systems force down solar cell prices

The price level for solar modules and integrated systems came down by more than 5 % compared with the previous year. This effect temporarily diminished gross profit in the Solar Integrated Systems segment, because equipment sold in the first quarter was to a considerable extent from stock acquired in 2006. In the wider context, the fall in prices is nevertheless to be viewed as a positive development. Lower prices appreciably improve the rates of return for end customers and render photovoltaic systems a more attractive proposition not just for private operators, but also for professional fund investors in Germany, and demand consequently rose yet further in 2007 for systems both for private houses and for larger solar parks. At the purchasing end, improved prices have been secured from all major solar cell suppliers. CENTROSOLAR has thus demonstrated that it is capable of passing changes in market prices back up the chain, to the purchasing end. As we have only a relatively limited volume of purchase contracts that specify prices for a multi-year time frame, our company is able to respond more flexibly than others to such market price fluctuations.

7.5. Earnings: Disproportionately steep rise

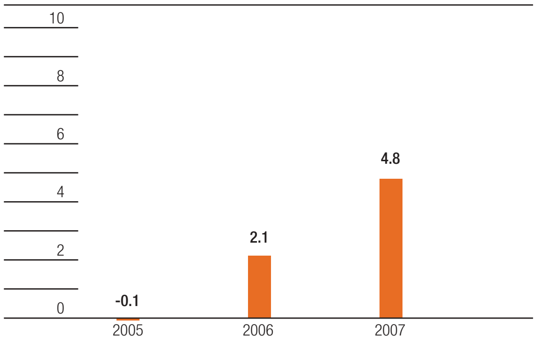
Despite the non-recurring charges amounting to approx. EUR 0.5 million for the merger of group companies to form Centrosolar AG and the increase in provisions for warranties by EUR 1.2 million (from EUR 0.9 million to EUR 2.1 million), the EBITDA operating result showed an improvement on the previous year from EUR 9.8 million to EUR 15.0 million. This meant that our earnings forecast of January 19, 2007 (EUR 17 million EBITDA excluding non-recurring charges) was achieved. Despite IFRS depreciation and amortisation of EUR 8.6 million being higher than the previous year in 2007, EBIT climbed to EUR 4.8 million last year, which was more than double the prior-year

Centrosolar America Inc.

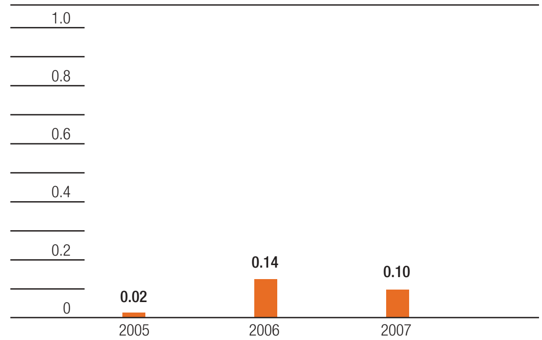
Management
Ron Tovella

The establishment of the US branch in 2007 under the management of Ron Tovella, who has worked in the US solar industry for many years, was the group's first overseas sales venture. The office and store are based in Phoenix, Arizona.

EBIT
[in EUR million]



EPS
[in EUR]



level of EUR 2.1 million. The net interest expense was up on the previous year. This was attributable to the expansion in business volume that was financed as planned by extending credit lines with banks, without the need to raise equity. Net interest changed from EUR -1.5 million in 2006 to EUR -3.3 million in 2007.

The effective tax rate for the current period reflects the cut in corporation tax rates in Germany. The outcome was tax expense of just EUR 0.1 million, compared with tax expense of EUR 1.0 million for the previous year. After adjustment for non-recurring effects, the effective tax rate for the group is expected to be 25 % over the next few years. The net profit for the period is thus EUR 1.4 million. Of this amount, EUR 0.04 million is attributable to minority interests. The profit attributable to the shareholders of CENTROSOLAR Group AG is thus EUR 1.37 million (prior-year period EUR 1.7 million). The unadjusted EPS for 2007 is EUR 0.10, compared with EUR 0.14 for the previous year. After elimination of the after-tax effect of the aforementioned IFRS 3 depreciation and amortisation and also of the IPO costs in the previous year, there remains a cash EPS of EUR 0.68 for the year under review, compared with EUR 0.61 for the previous year.

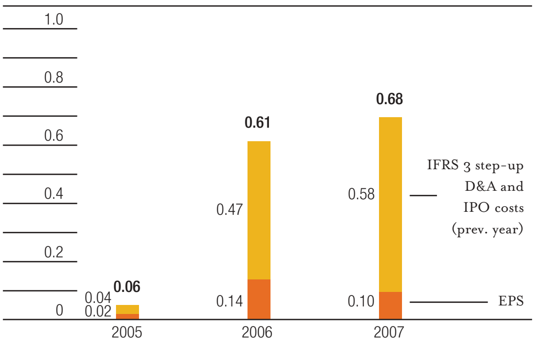
7.6. Segment results

Solar Integrated Systems: Vigorous rise in EBITDA figures – only module capacity holding back revenue growth

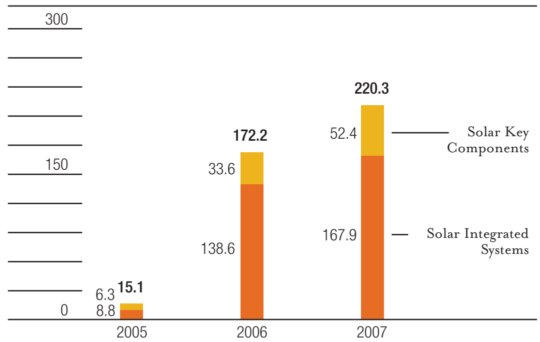
Revenue for this segment grew by 21.1 %, from EUR 138.6 million to EUR 167.9 million. The availability of modules remained the limiting factor for revenue growth.

This development reflects among other things the general market situation, which continues to features a shortage of high-quality solar modules in Europe. Whereas Chinese-built modules in particular are in ample supply, there is an acute shortage of quality modules "Made in Germany". CENTROSOLAR therefore began the rapid expansion of its own production capacity for solar modules at the start of 2008. The increase

Cash-EPS
[in EUR]



Revenue by segment
[in EUR million]



from approx. 40 MWp at the start of 2007 to an initial 85 MWp as an average for 2008 will, however, probably not suffice to keep up entirely with actual demand.

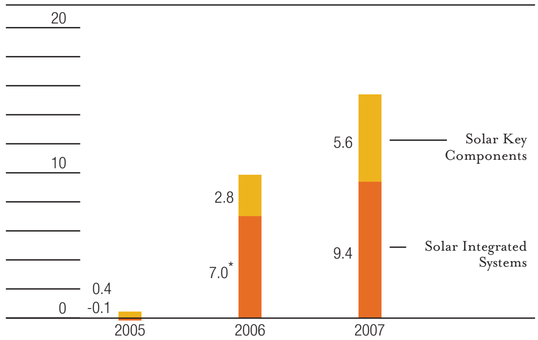
CENTROSOLAR consequently purchases considerable volumes of solar modules from external production partners in Europe and Asia, in most cases CENTROSOLAR having supplied or procured the solar cells. There are plans to boost the revenue portion from internally manufactured modules. The expansion that is already under way will increase its short-term ability to supply, but also provide greater depth of value added and therefore improve the margin.

In spite of the lower market prices commanded by solar systems, our company has actually experienced a rise in gross profit for the segment instead of a fall. Gross profit as a proportion of revenue amounted to 18.0 % in 2007 (equivalent to EUR 30.2 million), compared with 15.6 % (EUR 21.6 million) in the previous year. The improvement in gross profit also demonstrates that the CENTROSOLAR Group was able to reduce its purchase prices for solar cells. Despite the aforementioned non-recurring charges for merging the individual group companies and the increase in provisions for warranties for this area, the EBITDA operating result for the Solar Integrated Systems segment improved from EUR 7.0 million in the previous year (after elimination of IPO costs) to EUR 9.5 million. Because of the high IFRS 3 depreciation and amortisation, which increased from EUR 5.8 million to EUR 8.2 million, EBIT reached EUR 0.6 million in 2007 compared with EUR 0.1 million in the previous year. IFRS 3 depreciation and amortisation will be substantially lower from 2008.

Solar Key Components: Growth doubles thanks to expanded volume and increased value added

Revenue for this segment rose by 56.0 %, from EUR 33.6 million in 2006 to EUR 52.4 million in 2007. The EBITDA operating result for the Solar Key Components segment soared by 100 % from EUR 2.8 million to EUR 5.6 mil-

EBITDA by segment
[in EUR million]



* 2006 figure adjusted for EUR 0.6 million IPO costs

lion. In this segment, the EBIT figure is also meaningful (IFRS 3 depreciation and amortisation here was a comparatively low EUR 0.3 million). EBIT doubled from EUR 2.0 million to EUR 4.2 million. There are structural factors behind this development in revenue and earnings, which should therefore continue. There are three main effects at work here:

(1) As the world market leader for solar glass, we are able to achieve a similar rate of increase in the area of glass processed each year to the growth rate for the market for photovoltaic modules.
(2) Our customers are moreover gradually switching from uncoated solar glasses to our patented nanocoated solar glasses. This increases the revenue per square metre of glass by a further 50 % to 70 %.
(3) In addition to business with solar glasses (85 – 90 % of the segment's revenue), the patented plastic mounting systems are enjoying growth rates of well over 100 % p. a.

7.7. Balance sheet and cash flow: Slightly higher working capital at reporting date

The balance sheet total at December 31, 2007 was EUR 173.3 million, showing an increase of EUR 24.0 million or 16.2 % on December 31, 2006. The increase is largely attributable to the rise in working capital – above all of inventories in the form of solar cells and modules – of EUR 28.8 million and capital expenditure of EUR 9.1 million. Net working capital showed an increase of EUR 22.0 million compared with December 31, 2006, from 26.5 million to EUR 48.5 million, producing a negative cash flow from operating activities of EUR 10.9 million. The 2006 cash flow from operating activities was EUR 9.0 million.

It should be noted in this connection that there were atypically high stocks of solar cells and modules at the end of the year, reducing the operating cash flow and working capital accordingly. Only some of these solar modules were at our distribution centres; the remainder were still in transit to us and the solar cells were still awaiting processing. This was because external production partners commenced and completed module production later than agreed, with the result that the scheduled quantities of solar modules were either unavailable or available late for the fourth quarter. In contrast to the previous year, however, we have not observed a fall in module prices in the first quarter, with the result that these products can by and large be sold at the prices they would have commanded in 2007.

The company had invested predominantly in corporate acquisitions in 2006. The emphasis shifted to property, plant and equipment in

2007, accounting for EUR -12.2 million of cash flow from investing activities. The purchase of the factory building of Centrosolar Glas, the increased production capacity for glass coating and the extension of the thermal treatment line have already prompted appreciable growth in revenue and earnings for Centrosolar Glas in the year in progress.

The property housing Centrosolar Glas in Fürth (Germany), including areas for extensions, was acquired in January 2007. The property was purchased from the previous owner of Centrosolar Glas, the Flabeg Group. The property, on a site measuring more than 22,500 m^2 and with an effective floor area of over 19,000 m2, was acquired for the sum of EUR 3.1 million. The acquisition was refinanced largely through a property loan. The ongoing burden from interest, capital repayments and the usual maintenance costs, less rental income from third-party tenants, broadly corresponds to the rent previously paid by Centrosolar Glas to the former owner.

The net financial liabilities rose as a result of the buildup of working capital, expanded module production operations and the property investment. This compares with the figure of EUR 44.4 million at the end of 2007. Total borrowings amounting to EUR 14.7 million were raised substantially on the basis of credit lines and through the payment of EUR 9.1 million in mezzanine equity via the "PREPS" scheme. In the context of the structuring of the new Centrosolar AG, the credit side was also restructured and the framework for credit lines substantially broadened. The extended credit lines mean that the growth in working capital anticipated next year can be financed in full.

Solar module warehouse at Doesburg (NL)

8. Research and development; production

CENTROSOLAR Group AG is pursuing a policy of innovation that can be defined by two terms: grid parity and building integration.

8.1. Grid parity: lower costs – higher effectiveness

Solar power needs to be able to compete as soon as possible with methods of power generation that use fossil fuels. At each individual stage in the generation process up to the finished, grid-connected system, there is potential for cutting the production costs in absolute terms and maximising the power yield in relation to those costs. We have set ourselves the task of identifying and realising those potential savings. Energy efficiency per unit area is of secondary importance to us. For those production stages upstream of the solar cell that we do not ourselves cover, we look to achieve the lowest possible EUR per KWp values. Concepts involving thin-film technology, particularly if they are lighter and can be installed more easily, therefore play a very important role for us. In all production stages downstream of the solar cells, we strive to realise a high final price/performance ratio for the integrated photovoltaic system through our own development efforts.

8.2. Solar module production: maximum automation

Our own module plants are among the most advanced in the world. Supreme quality coupled with minimal costs are achieved through a high level of automation. A typical CENTROSOLAR production line for solar modules has an annual capacity of 20 MWp. The machinery will cost around EUR 2 million and the workforce will comprise six well-trained specialists. Such an effective module production line is the result of many years of optimisations realised hand in hand with the plant suppliers. In the year under review, this optimisation work focused on the tabber/stringer/transfer, where the solar cells are soldered together fully automatically.

Development work on solar modules

8.3. Solar glass production: Higher energy yield at relatively little extra cost

The standard solar glasses used for covering crystalline modules have a low iron content and are already highly light transmissible. But their energy yield can be coaxed up by an extra 3 – 5 % by giving the solar glass an additional nanocoating that increases transmission. This was the starting point for development work by our subsidiary Centrosolar Glas, which has invented and patented a dip-coating method that permits such increases in the power yield at relatively little extra cost. The effectiveness of this technique was further optimised last year, for instance by always dipping two sheets simultaneously back to back.

8.4. Advanced-design mounting systems: Reduced balance of system costs

The solar cells currently still account for over 50 % of the overall cost of a solar energy system. That will change. The high rate of technical progress and falling costs of solar cells will soon mean that the other costs, in particular for accessories and installation, account for the greater part of the system We are therefore focusing our attention on optimising those cost components ("balance of system cost"). Particularly in our core market of integrated systems for independent fitters, ease of handling the mounting system is of decisive importance. Work is currently in progress on an even higher-quality, easier-to-assemble on-roof system.

8.5. Aesthetically appealing and low-cost: Integrating photovoltaics into roofs and buildings

Falling system prices and fresh scope for integrating perfectly into the roof or exterior of a building will give photovoltaics a huge boost. CENTROSOLAR helps to recess solar modules discreetly in a roof's surface by means of in-roof mounting systems. Such integrated systems need to be back-ventilated effectively in order to maintain the energy yield. This was a development priority for our subsidiary Ubbink Econergy, which rapidly became the market leader in France with its latest system. In-roof systems are preferred there because of their more satisfying appearance, but also because higher payment tariffs are granted to in-roof systems in France. By adopting new bonding techniques we for instance to make it possible to lay thin-film modules on industrial roofs at minimal cost, thus boosting the rate of return for the end customer even further and generating market shares for CENTROSOLAR.

PV modules that replace the previous roofing altogether are even more cost-effective and aesthetically appealing. Quite apart from saving the cost of roof tiles, the effect is very neat. The first products of this type, such as the BIOSOL solar roof tile, have already been successfully launched on the market. The general direction of future development projects will be to integrate the building elements roof and PV system both functionally and optically. The development trend is towards increasing customisation of modules on the one hand and incorporating additional functions (such as sealing, insulation, accessibility etc) on the other.

Solar modules integrated into a greenhouse

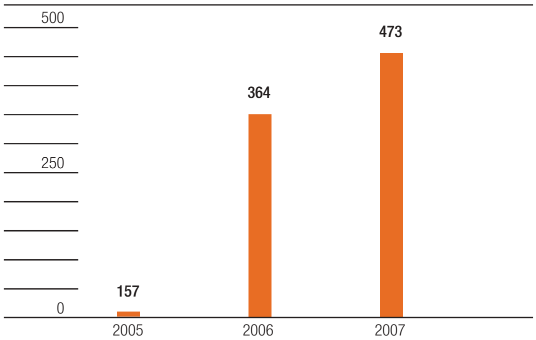
9. Non-financial performance indicators:

Our employees play an instrumental role in our financial success

The key non-financial performance indicators are customer relationships, procurement, the quality of management and employees, and of course the trend towards greater environmental protection and the promoting of renewable energies.

There was a renewed rise in the number of employees. Whereas there were 364 FTE (full time equivalents as average for year) in the 2006 financial year, the CENTROSOLAR Group employed 473 people at the end of 2007. This is a rise of 30.0 %. This sharp growth in the workforce is attributable mainly to the rapid expansion of production operations at Wismar, Doesburg and Fürth. Increased export business also prompted the recruitment of additional personnel.

Employees
[in FTE]



As well as their fixed salary, key employees and senior managers receive variable cash payments that are linked to the attainment of individual performance targets. The individuals that we rank as key performers (selected employees, directors and board members of subsidiaries and the Management Board members of the parent company in addition participate in the stock options scheme of CENTROSOLAR Group AG.

10. CENTROSOLAR shares

The shares of CENTROSOLAR Group AG are listed on the Frankfurt Stock Exchange under the following data: International Securities Identification Number (ISIN): DE 0005148506, German Securities Identification Number (WKN): 514850, Common Code: 22975897, stock exchange code: C3O.

10.1. Share price developments

The shares of CENTROSOLAR Group AG have been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange since September 29, 2005. They were admitted to the Prime Standard of Deutsche Börse on October 16, 2006. The share price was very volatile in the past financial year but movements were largely sideways. The shares opened the year at EUR 9.38. The trading price peaked on February 26 at EUR 12.49 and fell to a year-low of EUR 8.51 on November 22. The shares of CENTROSOLAR Group AG closed the year at EUR 9.11 (December 28, 2007).

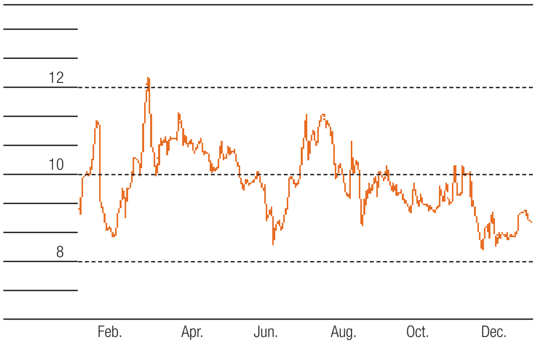
10.2. Composition of the issued capital, shareholders, restrictions

The issued capital at December 31, 2007 totalled EUR 13,292,458.00, divided into 13,292,458 no-par-value bearer ordinary shares of EUR 1.- each.

10.3. Investment structure

According to the information available to the company and dating from 2006 (no new notices pursuant to Section 21 of German Securities Trading Law on changes in voting rights have been received), 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 %. There exists a voting trust agreement between Ubbink B.V. and Guido A. Krass which covers 37.58 % of the voting rights in the company. At the reporting date, the fol-

Share price 2007
[in EUR]



lowing lock-up agreements existed: restrictions on the sale of shares until March 31, 2008 for 219,325 shares.

10.4. Analyst coverage

Various international banks observe the performance of CENTROSOLAR Group AG shares. Institutes such as Goldman Sachs, HSBC Trinkaus, M.M. Warburg, Sal. Oppenheim, Solventis and Independent Research have included CENTROSOLAR in their publications in recent years.

10.5. Transparency

CENTROSOLAR Group AG adopts a transparent and regular approach to reporting. Information that could affect the share price is published without delay in the form of "Ad hoc announcements". The company in addition makes supplementary information available on its homepage so that it is simultaneously available to all interested parties. We strive to raise our profile among prospective investors by holding regular roadshows in all major European cities.

10.6. 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 no par value bearer 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 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; 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 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 aforementioned 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.

11. Opportunities and risks

11.1. Risks: Management of procurement and sales in a market characterised by falling prices and rising volumes

The shortage of solar cells eased somewhat in the past year. 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, and one long-term agreement until 2016 for currently for approx. 0.17 MWp per month (rising to 0.25 MWp in 2009).

The risk of a potential undersupply therefore 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 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). It is nevertheless also evident that the subsidy rates are being reduced in many cases. Particularly in Germany, a much higher degression of payment tariffs has been announced. In Spain, the current programme expires in September 2008. A follow-on programme has been announced but not yet approved. There is firstly the risk of markets disappearing entirely due to the absence or abolition of subsidies.

There is also 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, Switzerland 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, in which a considerable volume of purchases is conducted. For 2008, CENTROSOLAR largely adopts a hedging strategy for an upper limit to prevent it from having to make excessively costly purchases if there is steep appreciation in the USD. A weaker USD can thus be used to increase the profit margin.

The failure of production plant could result in delivery bottlenecks. The biggest individual items of plant operated by CENTROSOLAR are stoves for tempering glass. CENTROSOLAR currently has large module production facilities at two locations. Here too, plant failure would be difficult to compensate for in the short term. The planned construction of a new module plant at Wismar, which is also to incorporate the existing Wismar production line, represents an added risk as the plant's start-up could be delayed or could fail altogether.

During the past financial year production defects in modules from an external production partner prompted complaints. These complaints have in the meantime largely been resolved. The provisions for warranties were nevertheless increased as a precautionary measure. Future risks of this kind are countered by systematic auditing of suppliers, and in particular solar cell manufacturers and external module production partners.

The departure of well-qualified managers could likewise seriously undermine the company. The entrepreneurs who transferred their companies to the group play less of a key role than one year ago. CENTROSOLAR is nevertheless keen to secure the long-term involvement of specific entrepreneurs and to this end has set up an Advisory Council within Centrosolar AG. CENTROSOLAR believes that the most important tool means of 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. The stock options scheme furthermore has an integrating effect because it provides financial incentives to participate in the overall success of the group.

The merger project "Bringing The Best Together" harbours a specific risk. This project was launched to oversee the merger of Biohaus, Solara and Solarstocc into Centrosolar AG. The project has largely been completed, though further integration tasks remain to be tackled. These include in particular the further improvement of the central goods management computer system, the reorganisation of the management structure including optimising, standardising and streamlining internal processes across all locations, and adjustments to the human resources structure. While there was added outlay for certain areas in the 2007 financial year, the synergy benefits of the project will gradually emerge over the coming years. Failure of the remaining tasks constitutes a considerable risk.

Any threats to the company's survival come less from individual risks than from an entirely conceivable chain reaction or simultaneous occurrence of several risks. Particularly the risk of a rise or only a slight fall in the procurement prices for solar cells, coupled with a sharp drop in selling prices, would undoubtedly threaten its survival. Unlike many competitors who are currently still procuring materials more cheaply than ourselves on the basis of long-term agreements, we counter this risk by having entered into relatively few long-term price commitments in terms of our overall purchasing volume.

11.2. Risk early warning system

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 generally on a monthly or quarterly basis, or in some cases annually, and monitored at the corresponding intervals by the Management Board. 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.

11.3. Financial risk management

The financial risks which are perceived to exist within the group in the sphere of foreign currency, interest rates and receivables are managed by various different measures. Foreign exchange risks arise in particular as a result of a certain volume of purchasing activities in the US dollar zone, whereas sales are predominantly in the euro zone. Hedges in the form of put options with a term of less than one year taken out by the company in the past financial year for the greater portion of procurement volumes in the dollar zone, in its capacity as the holding company. The credit liabilities have been concluded predominantly at flexible interest rates, with a small portion of them secured by means of interest rate swaps. To counter debt defaults, advance payment is usually required from first-time customers and customers with limited or unclear creditworthiness. Alternatively letters of credit are used for billing, particularly for export business. Factoring is another measure available in this area.

11.4. Opportunities: Accelerated growth from rising energy prices, new subsidies and technical advances

We believe the solar industry offers extraordinary prospects for growth. 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 and have since remained at a relatively high level, with the result that the profit margins of companies involved in the production of silicon, wafers and cells have risen sharply. We expect significant price cuts over the next few years as production capacities rise. This should further stimulate demand.

German EEG requires the industry to reduce costs by between 5 % and 9 % p.a. This ought to be attainable in technical terms. If this trend continues, state subsidies for Southern Europe should become unnecessary in less than 10 years, and in around 10 to 15 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 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.

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.

12. Outlook

12.1. Medium-term prospects: Further growth in volume and above all value

CENTOSOLAR Group AG has further elaborated its specific business policy since going public, and successfully realised it. Following the establishment and acquisition of the individual specialist companies and the creation of the combined group structure, various capital measures were implemented to lay the foundations for dynamic, organic growth. In order to stage a successful international expansion campaign, the three individual companies that supply integrated photovoltaic systems were combined to form a single, effective entity with three market-specific product brands, and its product range was made internationally available. In parallel, the product range was extended to include larger stand-alone systems for industrial roofs.

The respective market positions of the companies in the Solar Key Components segment were bolstered by a targeted marketing and production strategy so that the additional profits generated could be used to promote the international expansion of the entire group. This strategy of volume growth for integrated photovoltaic systems and value growth for solar key components has been a success. The task now is to refocus the Solar Integrated Systems segment on higher long-term returns. Measures to extend the value chain by substantially increasing module production capacity are already being implemented. It is now time to profit from falling market prices or low-cost joint venture production for cell procurement, and also to exploit our own systems expertise more intensively in developing simpler solar systems that are quicker to install and even more effective to operate.

CENTROSOLAR will continue to expand internationally within specific regions. Our focus is now also shifting to sales markets outside Europe where we have already established a bridgehead. The USA is undoubtedly the most important market. But CENTROSOLAR has also substantially increased its sales capacity in European markets. We therefore expect that we will already generate more revenue outside Germany in 2008 than in Germany itself, which will remain our largest national market.

With regard to the product portfolio, the project planning business handled by Centroplan will be stepped up through partnerships with more retail chains and roof owners. We will take our high-margin glass finishing activities into additional profitable niches on top of the core area of solar glasses, by virtue of our unique position in the field of nanocoating. The aim of these individual measures is to see EBITDA growth (+40 %) outstrip revenue growth (+30 %) for the 2008 financial year. Revenue of EUR 310 million and EBITDA of EUR 22 million are the targets for 2008. We expect growth in revenue and earnings to reach at least 25 % in 2009.

As a growth company, CENTROSOLAR will for the time being hold fast to its established ploughback policy. This means that it will use profit to enhance the corporate value yet further, rather than distributing it in the form of dividends. With IFRS 3 depreciation and amortisation set to fall from EUR 8.6 million in

2007 to around EUR 5.5 million in 2008 and less than EUR 2 million in 2009 (assuming there are no further takeovers), a healthy leap in earnings at EBIT, EAT and EPS level can be expected.

12.2. Economic conditions: verdict remains positive

CENTROSOLAR continues to view the state of the German sales market as positive, despite the forthcoming amendment to German EEG. The anticipated degression will give sales a further boost in 2008. Falling market prices could provide renewed stimulus for demand in 2009. Internationally, the underlying situation will come to favour photovoltaics even more strongly. The "German model" is likely to be adopted both elsewhere in Europe and overseas, too. The continuing debate about CO_2 emissions and the urgent need for action will help to establish the solar industry within the energy mix of industrial nations. Photovoltaics can therefore look forward to a dynamic development that will be reminiscent of the way the oil and gas industry has boomed over the past 100 years. Even setting ecological necessity aside, rising energy prices will add to the appeal of alternative methods of power generation such as photovoltaics. Grid parity – the ability of solar power to compete even without state subsidies – would then mark the final breakthrough for PV technology. Companies that have been involved from the outset, such as CENTROSOLAR, will then be outstandingly well positioned to exploit the megatrend of "new energies" thanks to their international market presence.

Munich, March 22, 2008

Dr. Alexander Kirsch
[Chairman and Finance]

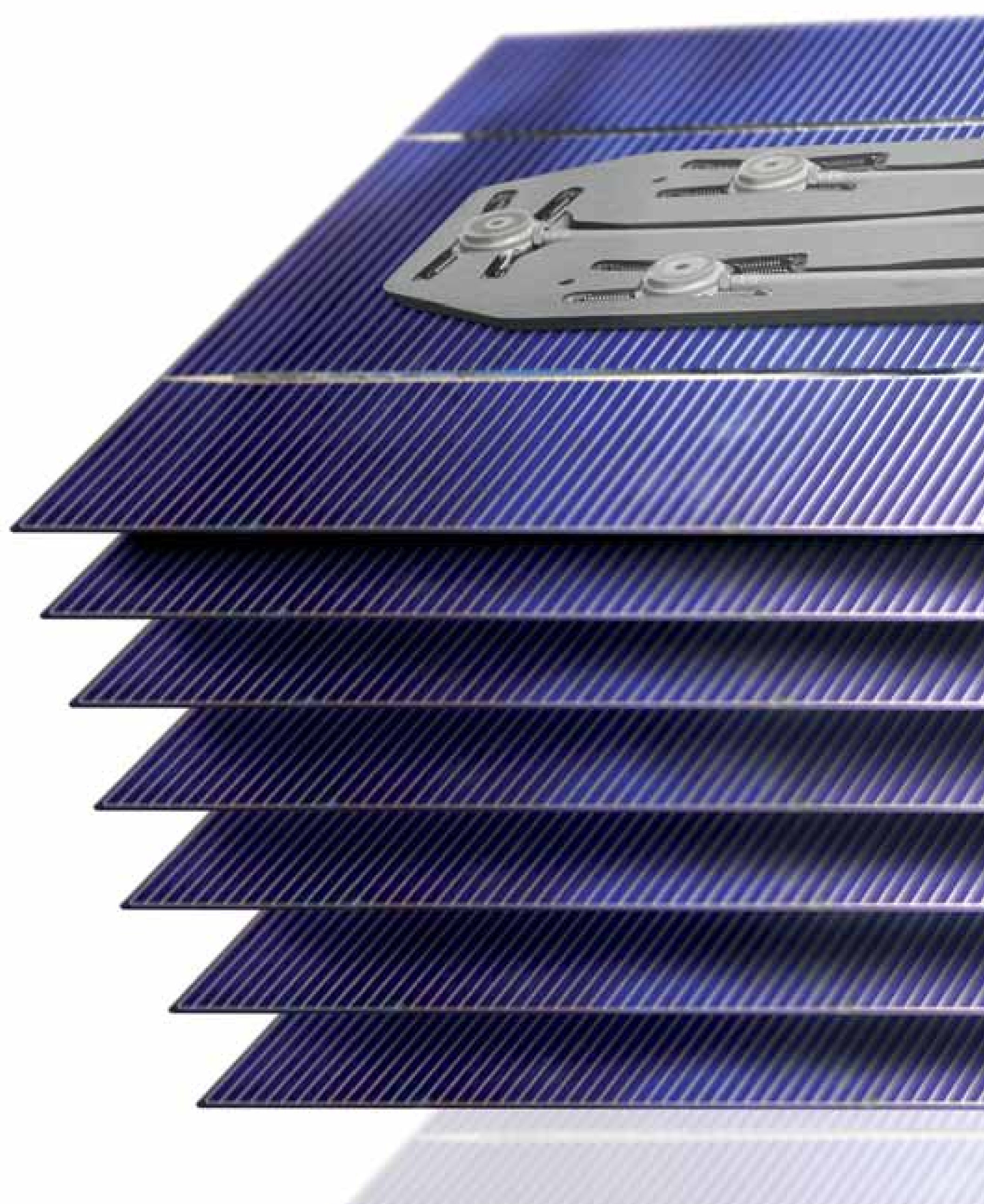
Thomas Güntzer
[International Sales & Major Projects, M&A and Human Resources]

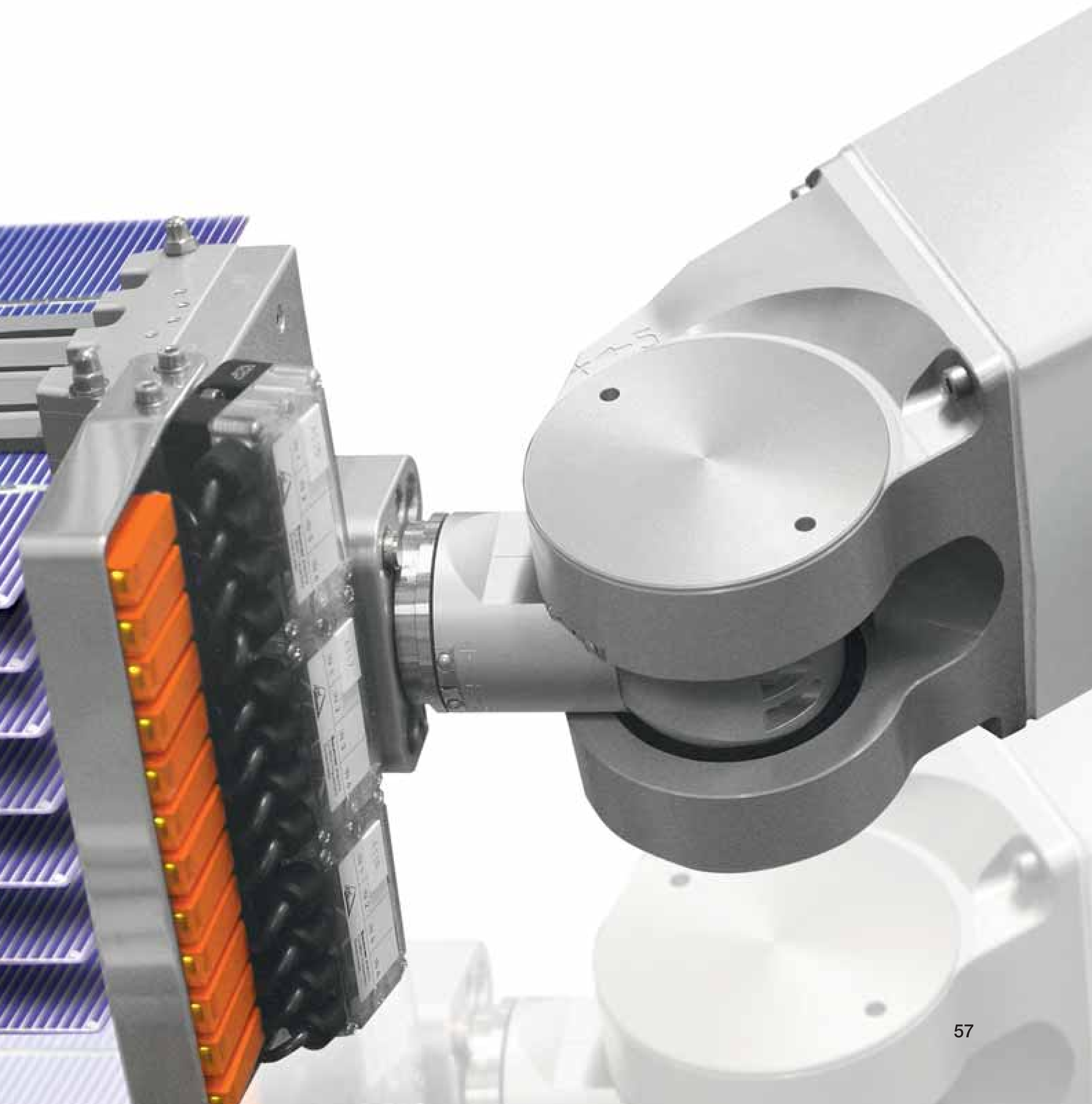
Dr. Axel Müller-Groeling
[Strategy and Operations]

Capacity
Production
Efficiency

Solar cells.
Industrial production.

The solar industry is still in its infancy. The cost reductions per watt peak initially averaged 7 % p. a. up until 2003 (source: CLSA, ECN, own research). The substantially higher production volumes are now prompting a huge effort to optimise industrial production. Thanks to rising R&D expenditure and the rapid buildup of expertise in the production of larger volumes, the prices of solar cells are expected to come down more sharply from 2009 on.





Consolidated Balance Sheet
at December 31, 2007

Assets

in EUR '000	Notes	31/12/2007	31/12/2006
Non current assets			
Goodwill	1	49,429	50,297
Other intangible assets	2	13,280	21,235
Property, plant and equipment	3	12,291	6,734
Financial investments accounted for using the equity method	4	0	1,038
Other Loans and other Financial investments accounted for using the cost method	4	2,119	2,608
Deferred tax	5	1,065	916
		78,183	**82,828**

Current assets			
Inventories	6	53,814	31,291
Trade account receivables	7	23,502	24,593
Receivables from Joint Venture		26	0
Income tax receivable		878	708
Deferred tax	5	141	166
Derivative financial instruments	8	40	0
Cash and cash equivalents	9	8,025	6,688
Other assets	10	8,680	2,887
		95,105	**66,332**
Assets		**173,288**	**149,160**

Equity and liabilities

in EUR '000	Notes	31/12/2007	31/12/2006
Shareholders' equity			
Share capital	11	13,292	13,292
Additional paid-in-capital	11	58,126	58,077
Revenue reserves			
Share benefit reserve	11	555	254
Currency translation difference and fair value adjustment of derivative financial instruments (Equity differences)	11	(39)	(4)
Retained earnings and other Reserves	11	1,581	(143)
Profit attributable to share capital holders of CENTROSOLAR Group AG	11	1,372	1,725
Minority interest, presented within equity	12	368	323
		75,255	**73,525**
Non current liabilities			
Pension accruals	13	998	938
Other accruals	14	2,815	1,357
Finacial liabilities	15	19,596	16,053
Deferred tax	18	1,081	8,237
Other liabilities	17	528	3,382
		25,018	**29,967**
Current liabilities			
Other accruals	14	831	542
Finacial liabilities	15	32,952	12,006
Trade accounts payable	16	22,306	18,047
Liabilities to affiliated companies		0	703
Income tax payable		2,244	2,166
Deferred tax	17	1,622	724
Other liabilities	18	13,060	11,480
		73,015	**45,668**
Equity and liabilities		**173,288**	**149,160**

Consolidated Income Statement
2007

in EUR '000	Notes	01/01/2007 31/12/2007	01/01/2006 31/12/2006
Revenues	19	**220,323**	**172,188**
Other operating income	20	3,260	2,326
Changes in inventories of finished goods and work in progress		576	9,108
Production for own fixed assets capitalized		126	58
Cost of purchased materials and services	21	(174,751)	(148,822)
Personnel expenses	22	(15,775)	(10,957)
Other operating expenses	23	(18,720)	(14,707)
EBITDA		**15,039**	**9,194**
Depreciation and amortisation	2, 3	(10,279)	(7,066)
Operating income (EBIT)		**4,761**	**2,128**
Interest income	24	304	278
Interest expenses	24	(3,564)	(1,792)
Result before income taxes (EBT)		**1,500**	**614**
Income tax	25	(85)	991
Net income (EAT)		**1,415**	**1,605**
Profit or loss attributable to minority interest	26	43	(120)
Profit or loss attributable to share capital holders of CENTROSOLAR Group AG		1,372	1,725
EPS (Earnings per share in EUR)			
Earnings per share (basic)	27	0.10	0.14
Earnings per share (diluted)	27	0.10	0.14
Weighted average shares outstanding (in numbers; basic)		13,292,458	12,373,473
Weighted average shares outstanding (in numbers; diluted)		13,292,458	12,538,134

Consolidated Cash Flow Statement
2007

in EUR '000	Notes	01/01/2007 31/12/2007	01/01/2006 31/12/2006
Operating income (EBIT)		4,761	2,128
Depreciation	2, 3	10,279	7,066
Loss on disposal of non-current assets		164	35
Other non-cash items		(1,731)	(2,953)
Increase/decrease in provisions		1,808	(405)
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		(27,448)	(24,577)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		4,420	14,733
Interests received and paid		(2,702)	(1,244)
Income taxes paid		(458)	(3,811)
Cash Flow from operating activities	29	**(10,908)**	**(9,028)**
Acquisition of share in participations – net of cash acquired		(3,348)	(12,949)
Purchase of property, plant and equipment/intangible assets		(9,092)	(1,991)
Proceeds from disposal of property, plant and equipment/intangible assets		196	37
Cash Flow from investing activities		**(12,244)**	**(14,903)**
Proceeds from issuance of shares		0	5,113
Cash Flow from investing activities		14,715	14,699
Proceeds from borrowings		(5,230)	(7,559)
Cash Flow from financing activities		**9,485**	**12,253**
Change in liquid funds*		**(13,667)**	**(11,677)**
Liquid funds at the beginning of the financial year	29	2,583	14,259
Liquid funds at the end of the financial year	29	(11,084)	2,583

* Liquide Mittel abzgl. Kontokorrentkredite

Statement of Movements in Equity
2007

in EUR '000	Share capital	Additional paid-in capital	Share stock options reserve	Equity differences	Retained earnings and profit carry-forward	Profit attributable to share capital holders of CENTRO-SOLAR Group AG	Minority interest, presented within equity	Consoli-dated equity
December 31, 2005	**10,894**	**31,012**	**51**	**0**	**(204)**	**61**	**2.385**	**44.199**
Payment in 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
Curreny translation differences				(4)				(4)
Profit attributable to share of CENTROSOLAR Group 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**
Payment in revenue reserves					1,725	(1,725)		0
Change in minority interest								0
Change from exercise of options								0
Share option plan		49	301					350
Deposit for revolved increase of share capital								0
Fair value adjustment of derivative financial instruments								0
Curreny translation differences				(35)				(35)
Profit attributable to share of CENTROSOLAR Group AG						1,372		1,372
Profit or loss attributable to minority interests							44	44
December 31, 2007	**13,292**	**58,126**	**555**	**(39)**	**1,581**	**1,372**	**368**	**75,255**

Segment Report
2007

By Segment	Solar Integrated Systems		Solar Key Components		Consolidation		Total	
in EUR '000 Notes **28**	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
P&L key figures								
Revenue from third parties	167,891	138,579	52,432	33,609	0	0	220,323	172,188
Revenue from other segments	3	2	1,603	784	(1,606)	(4)	0	0
Inventory changes	40	8,955	538	161	(2)	0	576	9,108
Cost of purchased materials and services	(137,738)	(125,964)	(38,618)	(23,639)	1,606	4	(174,751)	(148,822)
Gross profit	**30,195**	**21,572**	**15,955**	**10,914**	**(2)**	**0**	**46,148**	**32,475**
Personnel expenses	(11,163)	(7,313)	(4,612)	(3,645)	(0)	62	(15,775)	(10,957)
Other income and expenses	(9,544)	(7,868)	(5,790)	(4,455)	0	(62)	(15,334)	(12,323)
EBITDA	**9,488**	**6,392**	**5,553**	**2,815**	**(2)**	**0**	**15,039**	**9,194**
Depreciation and amortisation	(8,885)	(6,254)	(1,394)	(813)	0	0	(10,279)	(7,066)
EBIT	**604**	**138**	**4,159**	**2,002**	**(2)**	**0**	**4,761**	**2,128**
Interest income and expenses							(3,260)	(1,514)
Result of financial assets At Equity Entities		0					0	0
EBT							**1,500**	**614**
Income tax							(85)	991
Net income (EAT)							**1,415**	**1,605**
Profit or loss attributable to minority interests							(43)	(120)
Profit attributable to share capital holders of CENTROSOLAR Group AG							1,372	1,725
Balance sheet key figures								
Total Assets	151,426	128,665	29,450	17,574	(9,646)	92	171,231	146,331
Financial assets, at equity	0	1,038	0	0	0	0	0	1,038
Entitlement to income tax rebates *							2,088	1,790
Total liabilities	33,523	27,307	15,275	13,997	(7,680)	0	41,118	41,304
Financial liabilities							52,548	28,059
Income tax payable*							4,398	6,272
Investments								
Investments in fixed and intangible assets	2,933	48,272	5,102	1,335	0	0	8,035	49,607

	Germany		Other Euroean countries		European non-euro countries		Rest of world		Total	
in EUR '000	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue from third parties	148,706	122,902	37,832	33,888	22,970	8,380	10,815	7,018	220,323	172,188
Total Assets	151,808	118,533	8,357	4,215	10,897	23,583	169	0	171,231	146,331
Investment in fixed and intangible assets	7,421	48,010	609	121	2	0	3	0	8,035	49,607

* including deferred tax

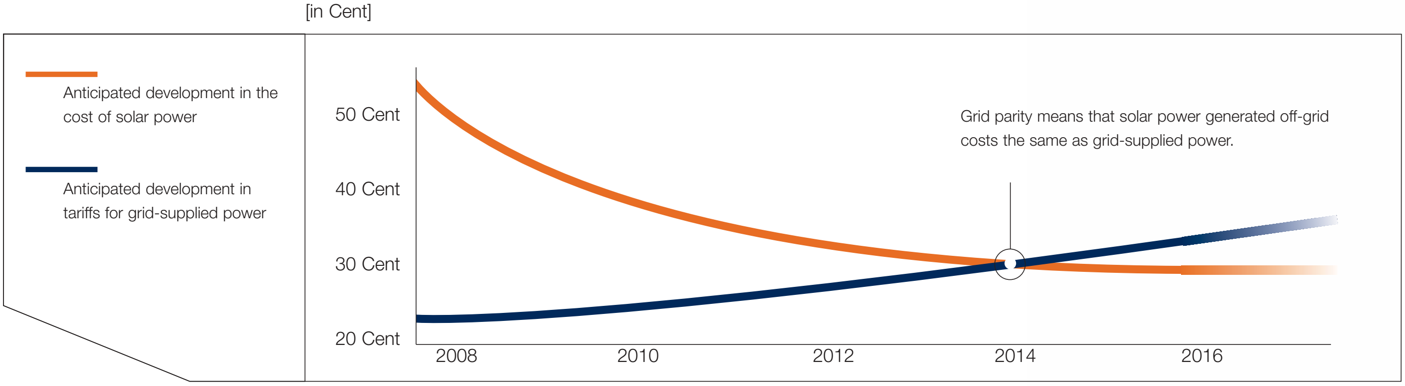
Solar modules.
Greater efficiency.

One of our contributions towards achieving grid parity swiftly is the following: we are increasing the electrical conductivity of solar modules with our patented nanocoated solar glass. The standard solar glasses used for covering crystalline modules have a low iron content and already offer very high light transmission. But their energy yield can be coaxed up by an extra 3 – 5 % by giving the solar glass an additional nanocoating that increases transmission

Photovoltaics en route to attaining grid parity

Over the past year prices for PV systems fell by around 5 %, as envisaged in the German Renewable Energies Act (EEG). Meanwhile the cost of conventionally generated power is on the increase, narrowing the price gap with photovoltaics still further. Experts estimate that solar power will be competitive in many regions such as Southern Europe, but also in the Southwest of the USA, by the start or middle of the next decade.

Grid Parity Curve
[in Cent]



Source: ECN, Photon, Deutsche Bank, own estimates and analyses

CENTROSOLAR Group AG (formerly CENTROSOLAR AG)
Notes to the Consolidated Financial Statements for the financial year 2007

A_ Basic data for the group

Following the start-up phase in the years 2005 and 2006, the CENTROSOLAR Group experienced its first full financial year with all the acquired companies in 2007. At the reporting date of December 31, 2007, CENTROSOLAR is an internationally focused group with operations in European countries and in the USA. With revenue for the full year of 2007 totalling EUR 220 million, the group had 473 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 key components of photovoltaic systems.

As well as 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 Group AG, as the group parent, had been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the code WKN 514850 from September 29, 2005. 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, Germany, under the number HRB 127486. The head offices of the group are at Walter-Gropius-Strasse 15, 80807 Munich, Germany.

Whereas the CENTROSOLAR Group was still fully consolidated in the Consolidated Financial Statements of its parent CENTROTEC Sustainable AG, Brilon, Germany, ("Centrotec AG") in 2006, this close relationship no longer applied from January 1, 2007, with the result that CENTROSOLAR now prepares the Consolidated Financial Statements for the largest group of companies to be included.

B_ Standards applied

The Consolidated Financial Statements at December 31, 2007 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, 2007 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 debt have been recognised at fair value with an effect on income.

The Consolidated Financial Statements prepared in accordance with IFRS for the 2007 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 Group 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

Accounting standards have been revised and published by the IASB. They wholly or partly replace earlier versions of these standards or constitute new standards. CENTROTEC 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 2006 in agreement with the new accounting standards:

- IAS 1 Amendment: Capital Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IFRIC 7 Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

All the standards and interpretations listed have been adopted into European law by the European Union.

The application of IAS 1 Amendment, IFRS 7, IFRIC 8 and IFRIC 10 are of relevance for the company in the year under review. The first-time application of the amended standards has no material impact on the recognition and measurement policies of the group. IFRS 7 merely results in additional and modified disclosures.

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 following new standards and interpretations are to be observed from the 2008 financial year or later:

- IAS 1 revised (2007)
- IAS 23 Amendment
- IFRIC 11, IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRS 8 Operating Segments

IAS 1 (revised 2007) envisages that all income and expense, including the income and expense reported earnings-neutrally under equity, must now be reported in a statement of comprehensive income. Considerably extended disclosures on income and expense recognised earnings-neutrally within equity are moreover envisaged (other comprehensive income). The application of IAS 1 (revised 2007) is not expected to have any material impact on the net worth, financial position and financial performance of the group.

The amended version of IAS 23, Borrowing Costs, will abolish the option in the currently valid standard of immediately recognising borrowing costs as an expense where they can be allocated directly to a qualifying asset. Application of the amended IAS 23 means that it will be mandatory to capitalise these borrowing costs as part of the cost of that asset. The application of IAS 23 Amendment is is expected to make a difference of EUR 200 thousand to EUR 300 thousand.

The IFRIC published the interpretation IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" in November 2006. IFRIC 11 was adopted into European law by the European Union on June 1, 2007. The interpretation specifies how IFRS 2 is to be applied to share-based payment agreements that involve equity instruments of a company or equity instruments of another company in the same group. The interpretation is to be applied for financial years beginning after March 1, 2007. The application of IFRIC 11 will have no material impact on the net worth, financial position and financial performance of the group.

In November 2006 the IFRIC published the interpretation IFRIC 12 "Service Concession Arrangements". IFRIC 12 has not yet been adopted into European law by the European Union. IFRIC 12 specifies how holders of concessions under service concession arrangements are to apply existing IFRS in order to recognise the obligations entered into and rights received under the service concession arrangements. The IFRIC 12 rules are to be applied for financial years beginning on or after January 1, 2008. The application of IFRIC 12 is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In June 2007 the IFRIC published the interpretation IFRIC 13 "Customer Loyalty Programmes". IFRIC 13 has not yet been adopted into European law by the European Union. IFRIC 13 regulates the recognition and measurement of revenues from sales processes and therefore associated expenditure for obligations resulting from customer loyalty programmes (e. g. reward, bonus and loyalty programmes) that are operated either by manufacturers and service providers themselves or by third parties. IFRIC 13 is to be applied for financial years beginning after June 30, 2008. The application of IFRIC 13 is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In July 2007 the IFRIC published the interpretation IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". IFRIC 14 has not yet been adopted into European law by the European Union. IFRIC 14 essentially regulates the interaction between an obligation existing at the balance sheet date to pay additional contributions into a pension plan and the provisions of IAS 19 on the limit of a positive balance between plan assets and the defined benefit obligation. The application of IFRIC 14 is mandatory for all financial years beginning after December 31, 2007. The application of IFRIC 14 is not expected to have any material impact on the net worth, financial position and financial performance of the group.

The IASB published IFRS 8 "Operating Segments" in November 2006. Application of the standard becomes mandatory for financial years beginning from January 1, 2009. Both the structure and content of segment reporting will then be brought in line with the reports presented regularly to the internal decision-makers. IFRS 8 was adopted into European law by the European Union in November 2007. The application of IFRS 8 for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

C_ Consolidation, Recognition and Measurement

Consolidation methods

The balance sheet date of the companies included in the Consolidated Financial Statements is December 31, 2007. The financial year of all the subsidiaries included in the Consolidated Financial Statements likewise ended on December 31, 2007. The income statement covers the period from January 1 to December 31, 2007 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 at the level of the cash generating units 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. For consolidation measures with an effect on income, the effects on income taxes are accounted for and deferred taxes are recognised. 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 value 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.

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 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 stated amounts 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.

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 euro was the functional currency of all consolidated companies apart from Centrosolar America Inc., which uses the US dollar as its functional currency. The Consolidated Financial Statements are likewise prepared in euros, as this is the functional currency of CENTROSOLAR Group 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 euros 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 adjustments of stated amounts to fair values are 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 hyper-inflationary economy.

The following table shows important exchange rates and their development:

Foreign currency translation	Rate at reporting day		Average rate	
ISO Code	**31/12/2007**	31/12/2006	**2007**	2006
USD	1.4721	1.3170	1.3705	1.3213
CHF	1.6547	1.6081	1.6427	1.5976
GBP	0.7334	0.6707	0.6843	0.6817

Financial instruments

The balance sheet shows the financial instruments (investments, accounts receivable, liabilities, 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 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 at the settlement date, in other words the date 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 impaired not just temporarily, 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.

The fair values of quoted investments are based on the current bid price on an active market. If no active market exists for financial assets or if the assets are not quoted, the fair values are determined by means of appropriate measurement methods.

At the balance sheet dates December 31, 2007 and 2006, the group had no financial assets which came under the category of held to maturity.

Recognition and measurement principles

(a) **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 performed, 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 recorded. Goodwill is recognised at cost, less accumulated impairment losses. If the reasons for application of an impairment loss on the basis of an impairment test wholly or partly cease to exist in a subsequent period, that impairment loss is not written up accordingly.

(b) **Miscellaneous 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, 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. If evidence of impairment emerges between the scheduled test dates as a result of unscheduled occurrences, an impairment test is performed irrespective of when the next scheduled impairment test is.

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**
Brand rights, licences and customer bases	5 – 40
Patents/technologies	5 – 25
Software and software developments	3 – 5
Capitalised development costs	5 – 25
Buildings	10 – 30
Technical equipment and machinery	3 – 15
Fixtures and office equipment	3 – 10

(c) **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.

(d) **Investment subsidies and grants**: Government grants are reported at fair value if it is relatively certain that the grant will be made and the group satisfies the necessary conditions to receive the grant. They are reported as deferred items within other provisions and 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.

(e) **Non-current investments**: Investments in non-associated companies are recognised initially at fair value and subsequently at amortised cost. They are assigned to the category "available for sale". Credit (loans originated by the enterprise) is assigned to the category "loans and receivables". If necessary, an impairment loss down to the recoverable amount is recognised. Investments comprise investments in associated companies, non-associated companies and other loans originated by the enterprise.

(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.
Customer-specific construction contracts are normally recognised applying the percentage of completion method. Contract costs are recognised when they arise. Contract revenue is only recognised to the extent that costs are recoverable. 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. All ongoing construction contracts with balances due from customers are reported under assets, unpaid partial invoices are shown under trade receivables, and contracts with balances due to customers are shown under liabilities. No orders were reported using the percentage of completion method at the balance sheet date of December 31, 2007.

(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 on the assets side as soon as there is objective evidence that the principal due is not fully recoverable. 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 loans and receivables within 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. Deferred tax is fundamentally classified as non-current on the balance sheet.

(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 debt.

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

(k) **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. In the case of existing plan assets, the present value determined is reduced by their fair value and adjusted to reflect as yet unrecognised actuarial gains and unrecognised past service cost. Actuarial gains and losses are taken into account where they exceed 10 % of the extent of the liability or value of the asset. These are indicated by experience adjustments and changes to actuarial assumptions. The amount in excess of this corridor is booked to the income statement over the period of the average remaining working lives of the active workforce. Unrecognised past service cost is recognised immediately as an expense unless it is to be distributed on a straight-line basis until a benefit becomes vested. The pension commitments exist only for long-serving employees of the aforementioned subsidiary. Pension commitments are not 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. The employees are able to make use of various company-assisted schemes for funding their retirement that involve converting pay into pension contributions (direct insurance, pension fund, benevolent fund). Over and above the contribution payments, the group has entered into no further benefit obligations.

There in addition exist employer-financed, contribution-based commitments based on retirement benefit arrangements for individual management employees. Over and above the contribution payments, the group has not entered into any further benefit obligations. This applies in particular if a fund outside the group does not maintain sufficient assets to settle the claims made against it from current and previous financial years.

(l) **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.

(m) **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.

(n) **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 capital and an interest portion. Leases where significant portions of the opportunities and risks rests with the lessor are classified as operative lease obligations.

(o) **Deferred income** records revenues before the balance sheet date representing income for future periods. They are reported under other liabilities.

(p) **Shareholders' equity**: The issued capital (capital stock) comprises all no par value shares issued by CENTROSOLAR Group AG. These are reported as shareholders' equity. Each individual share represents a pro rata amount of the capital stock of EUR 1. One share carries one voting right; there are no non-voting shares.

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, as well as changes in the value of interest rate hedging instruments.

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.

(q) **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 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.

(r) **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 intragroup 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.

(s) **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.

(t) **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 normally occurs only sporadically for individual capital goods and not at all for entire classes, it is not possible to estimate these expenses precisely as early as the preparation of the financial statements. 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 relate in particular to levels of goodwill as well as intangible assets and liabilities, and also in respect of their useful lives with the result that the residual goodwill changes. 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 longer.

Goodwill is subjected to an annual impairment test, and a sensitivity analysis is performed. Impairment testing was carried out as at October 1, 2007.

The following results were obtained for the goodwill of all cash generating units:

If the estimates of the gross margins used had been 10 % (not 10 percentage points) lower, the market values of the cash generating units would have fallen in total by approx. EUR 83.7 million. However, this would not have led to any reduction in the carrying amounts for goodwill. A discount rate of 8.4 % was applied to the free cash flows.

If the interest rate serving as the basis for discounting of the cash flows had been 100 basis points higher, this would have led to a reduction in the market values of the cash-generating units of approx. EUR 39.6 million. The carrying amounts for goodwill would not have needed to be written down.

A lowering of the assumed growth rate from 2 % p. a. to 1 % p. a. after the planning horizon (from the 5th year) would have lowered the market values by approx. EUR 6.5 million, but 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 aforementioned key parameters in the same direction would have produced a need for reductions for impairment of EUR 0.4 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 5.2 million was capitalised at December 31, 2007. A reduction in the gross margins applied during measurement by 10 % (not percentage points) would have resulted in devaluation of approx. EUR 1.0 million.

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. 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 jurisdictions 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.

The forward-looking statements made in the Consolidated Financial Statements are based on current expectations, assumptions and estimates by the management of the CENTROSOLAR Group. These statements are not to be interpreted as guarantees that the forecasts made have proved correct. Rather, future developments and occurrences are dependent on a wide range of factors that are subject to risks and uncertainties inter alia in the areas described above, the influencing factors of which lie outside the sphere of influence of the CENTROSOLAR Group. Actual developments may therefore depart from any implicit or explicit forward-looking statements made.

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 sales transactions take place principally in eurozone countries. Only approx. 7 % of revenues arise outside the eurozone. At the procurement end, there exist risks essentially in connection with the purchasing of solar cells in Asia in USD.

Currency hedging transactions were concluded to hedge against the USD risks. The measurement of these cash flow hedges, which are used for hedging future cash flows, is reported under equity and liabilities until the income effect of the underlying transaction is realised. If the cash flow hedge does not satisfy the documentation requirement or is to be regarded as not effective, gains or losses are recognised with an effect on income.

To minimise the interest rate risks, interest cap certificates to hedge the interest rates of variable-rate loans were taken out. The measurement of these cash flow hedges follows the principle of IAS 39. Market value changes in these cash flow hedges, which are used for hedging future cash flows, are reported under equity and liabilities until the income effect of the underlying transaction is realised. If the cash flow hedge does not satisfy the documentation requirement or is to be regarded as not effective, gains or losses are recognised with an effect on income.

Cash flows from these interest rate and currency hedges are assigned to the cash flow from operating activities and recognised as income. The fair value is determined by applying valuation models of the relevant partner bank and is based on the market circumstances at the relevant balance sheet date.

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, Belgium, Italy, Switzerland and the USA.

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. Receivables are protected to a great extent by credit sale insurance. CENTROSOLAR has no significant concentration of credit risk with any single customer. The largest customer in the group accounts for 10.4 % of revenue.

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 Group AG at December 31, 2007:

Company	Place and country of incorporation	Share of capital (%)	Issued capital	Currency (ISO-Code)	Founded/ acquired
Fully consolidated					
CENTROSOLAR Group AG	Munich, D	-	13,292,458	EUR	13.09.1999
"Solar Integrated Systems" segment					
Centrosolar AG *	Hamburg, D	100	100,296	EUR	04/10/2005
Centrosolar Fotovoltaico España 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	24/11/2004
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	Muri, CH	100	1,000,000	CHF	07/12/2005
Centrosolar Trading GmbH	Munich, D	100	25,000	EUR	12/10/2005
Solara Sonnenstromfabrik Wismar GmbH	Wismar, D	100	42,000	EUR	02/01/2006
Solarsquare AG	Muri, CH	100	100,000	CHF	19/12/2005
Ubbink Solar Modules B.V.	Doesburg, NL	70	1,500,000	EUR	11/10/2005
Centrosolar America Inc.	Fountain Hills, USA	100	10	USD	03/04/2007
"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 Verwaltungs GmbH	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	Geilenkirchen, D	50.5	100,000	EUR	21/12/2006
Available-for-sale financial asstes					
Sunarc A/S	Roenede, DK	12.5	1,687,000	DKK	09.05.2006
WestphalenSolar GmbH	Paderborn, D	45	25,000	EUR	09.05.2006
Trillion Sun International Co. Ltd.	Hong Kong, CN	10	11,111	HKD	05.02.2007
Centrosolar Glas Korea Inc.	Seoul, KR	100	50,000,000	KRW	13.12.2007

* Created by change of name and transfer of place of incorporation of Solarstocc AG (registered September 11, 2007), with which Solara Holding GmbH, Solara AG and Biohaus PV Handels-GmbH were merged.

Centroplan GmbH is consolidated by the proportionate method rather than comprehensively, as its articles of incorporation envisage common control with the joint-venture partner.

WestphalenSolar GmbH and Centrosolar Glas Korea Inc. are recognised as available-for-sale financial assets in view of the lesser significance of these companies.

Changes in the group

Fully consolidated

By resolution of the Shareholders' Meeting of May 23, 2007 the former CENTROSOLAR AG was renamed CENTROSOLAR Group AG. The change was entered on the Commercial Register, dated June 6, 2007.

Biohaus PV Handels GmbH and Solara AG were merged with Solarstocc AG with effect from January 1, 2007 by the merger agreement dated July 12, 2007. At the same time the name of this company was changed to Centrosolar AG and the place of incorporation transferred from Durach to Hamburg. This entry on the Commercial Register was made on September 11, 2007. Solara Holding GmbH had already been merged with Solarstocc AG by merger agreement dated May 15, 2007. This merger was entered on the Commercial Register on June 14, 2007.

Centrosolar America Inc. was established in the year under review and allocated to the Solar Integrated Systems segment.

Proportionate consolidation

There were no changes in this category compared with the previous financial year.

The following figures represent the 50.5 % interest of the group in the assets, liabilities, revenues and earnings of the joint-venture company. The figures are included in the Consolidated Balance Sheet and Consolidated Income Statement.

	2007	2006
Non-current assets	4	0
Current assets	231	51
Long term debt	0	0
Current liabilities	175	1
Net assets	60	50
Income	347	0
Expense	(337)	(1)
Earnings after tax	10	(1)

There exist no contingent liabilities that would be allocable to the group, nor any contingent liabilities of the joint venture itself.

Companies consolidated using the equity method

On March 30, 2007 Biohaus PV Handels GmbH (now Centrosolar AG) sold its 32.67 % interest in ASS (Automotive Solar Systems) GmbH, Erfurt, for a price of EUR 78 thousand. The proceeds of the sale are due in full to the sellers of Biohaus PV Handels GmbH. The investment had an equity carrying amount of EUR 1,038 thousand in the accounts dated December 31, 2006. The sale was processed with no effect on earnings, as there exists a purchase price liability corresponding to the carrying amount of the disposal.

Available-for-sale financial assets

Along with payment of the purchase price on February 5, 2007 CENTROSOLAR Group AG acquired a 10 % interest in Trillion Sun International Co. Ltd, Hong Kong. The purchase price was USD 960,000 (EUR 743,034.06).

On December 13, 2007 CENTROSOLAR Glas Korea Inc., Seoul, Korea, was established as a fully-owned subsidiary of Centrosolar Glas GmbH & Co. KG. The company does not currently have any business operations, but rather has the task of exploring the sales prospects for glass with anti-reflective coatings on the Korean market. For the time being, it will therefore be recognised as a financial asset available for sale.

Disclosures on financial instruments

Categories of financial instruments

The following table provides an overview of the classification of financial assets, receivables and other financial instruments on the assets side in accordance with the requirements of IFRS 7.8 (a) to (f):

Categories of financial assets by class in EUR '000	Fair Value; held for trading	Receivables	Available for sale	Total carrying amounts	Fair Value
2007					
Investments accounted for using the equity method	0	0	0	**0**	0
Financial assets at cost	0	0	1,949	**1,949**	1,949
Loans originated by the enterprise	0	170	0	**170**	-
Trade receivables	0	23,502	0	**23,502**	-
Derivative financial instruments	40	0	0	**40**	40
Other assets	0	3,739	0	**3,739**	-
Total financial assets	**40**	**27,411**	**1,949**	**29,400**	-
2006					
Investments accounted for using the equity method	0	0	1,038	**1,038**	1,038
Financial assets at cost	0	0	974	**974**	974
Loans originated by the enterprise	0	1,633	0	**1,633**	-
Trade receivables	0	24,593	0	**24,593**	-
Derivative financial instruments	0	0	0	**0**	0
Other assets	0	2,887	0	**2,887**	-
Total financial assets	**0**	**29,113**	**2,012**	**31,125**	-

The following table provides an overview of the classification of debt, liabilities and other financial instruments on the equity and liabilities side in accordance with the requirements of IFRS 7.8 (a) to (f):

Categories of financial liabilities by class in EUR '000	Fair Value; held for trading	Liabilities	Total carrying amounts	Fair Value
2007				
Long-term borrowings	0	19,596	**19,596**	-
Short-term borrowings	0	32,952	**32,952**	-
Trade liabilities	0	22,306	**22,306**	-
Derivative financial instruments	0	0	**0**	0
Other long-term borrowings	0	1,081	**1,081**	-
Sonst. kurzfr. Verbindlichkeiten	0	11,132	**11,132**	-
Other short-term borrowings	**0**	**87,067**	**87,067**	-
2006				
Long-term borrowings	0	16,053	**16,053**	-
Short-term borrowings	0	12,006	**12,006**	-
Trade liabilities	0	18,047	**18,047**	-
Derivative financial instruments	34	0	**34**	34
Other long-term borrowings	0	8,237	**8,237**	-
Sonst. kurzfr. Verbindlichkeiten	0	8,847	**8,847**	-
Other short-term borrowings	**34**	**63,190**	**63,224**	-

The following table provides an overview of the effects of financial instruments on the income statement of the company:

Effect on earnings of financial instruments
in EUR '000

	Interest	Subsequent measurement	Reduction for impairment	Net Earnings
2007				
Fair value; held for trading	0	40	(184)	**(144)**
Receivables	0	0	(639)	**(639)**
Available-for-sale financial assets	13	0	0	**13**
Liabilities	(3,564)	0	0	**(3,564)**
Total	**(3,551)**	**40**	**(823)**	**(4,334)**
2006				
Fair value; held for trading	0	(2)	0	**(2)**
Receivables	0	0	(1,586)	**(1,586)**
Available-for-sale financial assets	25	0	0	**25**
Liabilities	(1,792)	0	0	**(1,792)**
Total	**(1,767)**	**(2)**	**(1,586)**	**(3,355)**

D_ Notes to the consolidated balance sheet and consolidated income statement

1 Goodwill

Goodwill

in EUR '000	Total goodwill
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**
2007	
Accumulated cost Jan 1	50,297
Additions for first-time consolidation	0
Additions	12
Disposals	(881)
Exchange differences	0
Accumulated cost Dec 31	49,429
Accumulated impairment Jan 1	0
Impairment	0
Accumulated impairment Dec 31	**0**
Net carrying amount December 31, 2006	**50,297**
Net carrying amount December 31, 2007	**49,429**

An 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 planned provisional budget for 2008, 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 -20 % and 54 % 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.

A standard discounting rate of 8.4 % for the results after tax was 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	2007	2006
Centrosolar Glas	3,790	3,790
Solarstocc	0	3,892
Solarsquare	5,817	5,817
Solara	0	19,558
Biohaus	0	17,198
Centrosolar AG *	39,779	0
Miscellaneous	42	42
Total	**49,429**	**50,297**

* created through merger of Solarstocc, Solara and Biohaus

Allocation of goodwill to cash generating units

in EUR '000	Solar Integrated Systems 2007	Solar Integrated Systems 2006	Solar Key Components 2007	Solar Key Components 2006	Total 2007	Total 2006
Germany	39,821	40,690	3,790	3,790	43,611	44,480
European non-euro countries	5,817	5,817	0	0	5,817	5,817
Total	**45,638**	**46,507**	**3,790**	**3,790**	**49,429**	**50,297**

2 Miscellaneous 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
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**
2007				
Accumulated cost Jan 1	27,101	82	272	27,455
Additions for first-time consolidation	0	0	0	0
Additions	36	555	2	593
Disposals	0	(2)	0	(2)
Reclasses	16	0	0	16
Exchange differences	0	0	0	0
Accumulated cost Dec 31	27,153	635	274	28,062

Intangible assets

in EUR '000	Industrial rights and similar rights	Software	Capitalised development costs	Total intangible assets
2007				
Accumulated amortisation Jan 1	(6,144)	(27)	(48)	(6,219)
Additions	(8,432)	(80)	(50)	(8,563)
Impairment	(0)	0	0	(0)
Accumulated amortisation Dec 31	(14,577)	(107)	(99)	(14,782)
Net carrying amount December 31, 2006	**20,956**	**54**	**224**	**21,235**
Net carrying amount December 31, 2007	**12,577**	**528**	**175**	**13,280**

All assets were acquired.

Under industrial rights and similar rights for the subsidiary Solarsquare AG, one favourable supply agreement with historical cost a of EUR 18.1 million and a carrying amount of EUR 5.2 million was capitalised at the reporting date of December 31, 2007. The agreement runs until March 2009. Of the amortisation total for the financial year, EUR 7,684 thousand applies to this agreement.

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
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
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 31	(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**

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
2007					
Accumulated cost Jan 1	207	6,063	1,239	432	7,942
Additions for first-time consolidation	0	0	0	0	0
Additions	3,644	1,988	722	1,088	7,443
Disposals	(0)	(210)	(63)	0	(272)
Reclasses	(142)	371	185	(429)	(16)
Accumulated cost Dec 31	3,709	8,212	2,083	1,091	15,096
Accumulated depreciation Jan 1	(8)	(916)	(284)	0	(1,207)
Additions	(113)	(1,256)	(347)	0	(1,716)
Disposals	0	85	33	0	118
Reclasses	6	4	(10)	0	0
Accumulated depreciation Dec 31	(116)	(2,081)	(608)	0	(2,805)
Net carrying amount December 31, 2006	**199**	**5,148**	**956**	**432**	**6,734**
Net carrying amount December 31, 2007	**3,594**	**6,131**	**1,475**	**1,091**	**12,291**

The reclasses in the financial year relate to capitalised leasehold improvements that were allocated to the category of furniture, fixtures and office equipment. The adjustment was necessitated by the need for uniform recognition principles for the merger to form Centrosolar AG. The reclasses from assets in course of construction in essence concern the commissioning of additional plant for Centrosolar Glas in Fürth, which was under construction at the start of the financial year.

The additions to technical equipment and machinery were occasioned principally by investment in extensions to the Fürth, Wismar and Doesburg production plants, with the focus on Fürth.

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.

Technical equipment and machinery includes assets with a carrying amount of EUR 1,082 thousand reported in the context of finance leases. These assets had been added at historical costs of EUR 1,475 thousand. Depreciation amounting to EUR 214 thousand (previous year EUR 179 thousand) was applied to them in the financial year. The accumulated depreciation amounts to EUR 393 thousand.

EUR 4,599 thousand of the reported property, plant and equipment was serving as security for bank loans at the reporting date.

4 Investments accounted for using the equity method, loans originated by the enterprise and available-for-sale financial assets

The investment accounted for using the equity method in the 2006 financial year in ASS (Automotive Solar Systems) GmbH, Erfurt (interest 32.67 %) was sold in the year under review, with the result that no financial assets allocated to that category were now reported at December 31, 2007. Four investments are classified as available for sale. The classification and development of these financial assets, as well as of loans originated by the enterprise, 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
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)
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**
2007				
Accumulated cost Jan 1	1,038	974	1,634	3,646
Additions	0	974	83	1,057
Disposals	(1,038)	0	(1,547)	(2,585)
Accumulated cost Dec 31	0	1,949	170	2,119
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, 2006	**1,038**	**974**	**1,634**	**3,646**
Net carrying amount December 31, 2007	**0**	**1,949**	**170**	**2,119**

The investment acquired in Trillion Sun International Co. Ltd., Hong Kong (interest 10 %) and the newly established Centrosolar Glas Korea Inc., Seoul (interest 100 %) are both allocated to the financial assets available for sale.

The disposal of the loans originated by the enterprise relates to the netting of a receivable from the seller of the former Biohaus PV Handels GmbH against a purchase price liability.

Investments recognised using the equity method

in EUR '000	**2007**	2006
At Jan 1	1,038	8,558
First-time consolidation	0	1,000
Disposals	(1,038)	(8,558)
Share of losses	0	0
Share of gains	0	38
At Dec 31	**0**	**1,038**

Investments recognised using the equity method

in EUR '000	ASS GmbH 31/12/2007	ASS GmbH 31/12/2006
Ownership interest in %	0	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 pension accruals.

Deferred tax assets

in EUR '000	2007	2006
Loss carryforwards	5,368	2,694
Deferred tax on loss carryforwards	2,069	1,212
Reductions for impairment of loss carryforwards	0	0
Measurement difference for pension accruals	424	393
Deferred tax on pension accruals	63	64
Other	1,283	1,458
Deferred tax on other	201	279
Total deferred tax (gross):	**2,333**	**1,555**

The figure stated for the deferred tax assets on tax loss carryforwards takes account of the probability of their being realised. 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

	Gross		Net	
in EUR '000	2007	2006	2007	2006
Reversal expected within 12 months	896	385	141	166
Reversal expected after 12 months at the earliest	1,420	1,170	1,065	916
Total	**2,316**	**1,555**	**1,206**	**1,082**

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 the inventories, an amount of EUR 2,682 thousand (previous year 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	2007	2006
Inventory at historic costs	53,626	23,946
Inventory at net realisable value		
Original value at historic costs	631	8,297
Reduction for impairment for obsolescence	(443)	(768)
Reduction for impairment for lower net realisable value	0	(185)
Carrying amount after reduction for impairment	188	7,345
Total	**53,814**	**31,291**

Reductions for impairment amounting to EUR 20 thousand (previous year EUR 0 thousand) were recognised in the income statement.

Inventories by category

in EUR '000	2007	2006
Raw materials and supplies	22,172	8,982
Work in progress	1,341	519
Finished goods	30,301	21,790
Total	**53,814**	**31,291**

7 Trade receivables

The following table provides an overview of the overdue, unimpaired financial assets and the financial assets that are neither overdue nor unimpaired. Impairment arose exclusively in the trade receivables category, with the result that only that area is shown in detail.

Trade receivables

in EUR '000	2007	2006
Receivables not overdue or overdue by less than 30 days	18,905	19,124
Receivables overdue by more than 30 days	3,370	484
Receivables overdue by more than 60 days	374	3,136
Receivables overdue by more than 90 days	989	2,054
Reductions for impairment	(136)	(205)
Total	**23,502**	**24,593**
Of which unimpaired	23,330	24,334

With regard to the unimpaired receivables and loans originated by the enterprise, there is no evidence at the reporting date that the debtors will not meet their payment commitments. The trade receivables are all due within one year. The receivables in euros total EUR 23,482 thousand, and those in foreign currency EUR 20 thousand (USD). No sensitivity analysis of the effect of possible fluctuations in the USD exchange rate on the income statement of the CENTROSOLAR Group was performed in view of the lesser significance of its effect on earnings.

The reductions for impairment developed as follows:

	2007	2006
At Jan 1	205	542
Additions due to first-time consolidation	0	102
Allocated	26	103
Used	(5)	(72)
Liquidated	(90)	(470)
At Dec 31	**136**	**205**

To finance peaks in working capital, one subsidiary has scope for transferring trade receivables by way of an internal relationship to a bank (factoring). The company retains the opportunities and risks incumbent upon a portion of the receivables as well as the obligation to reimburse the bank for interest (but not the principal amount) in the event of late settlement of the receivable. At the balance sheet date an amount of EUR 602 (previous year EUR 0 thousand) thousand was determined for the opportunities and risks outstanding and included in the Consolidated Balance Sheet. This amount corresponds to the carrying amount of the non-transferred components of the receivables, and is reported under other assets. The total carrying amount of the original receivables in this case is EUR 5,942 thousand (previous year EUR 0 thousand)

Of the total receivables, EUR 6,628 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 changes in the reductions for impairment were recognised in the income statement.

8 Derivative financial instruments

The CENTROSOLAR Group has concluded various interest rate swaps. These constitute derivative financial instruments held for trading and are measured at fair value with an effect on earnings.

In addition, the group had concluded forward contracts in the year under review to hedge for the foreign exchange risk from purchases in USD. No forward contracts were still open at the balance sheet date. As the transactions do not satisfy the special requirements of IAS 39 for hedge accounting, they are allocated to the derivative financial instruments held for trading.

Derivative financial instruments held for trading are classified as current assets or liabilities. The full fair value of a derivative hedging instrument is classified as non-current provided the maturity of the hedged instrument exceeds 12 months; it is otherwise classified as current.

The following table provides an overview of the derivative financial instruments recognised at December 31, 2007:

Derivative financial instruments

in EUR '000	Assets 2007	Assets 2006	Total liabilities 2007	Total liabilities 2006
Interest rate swap – cash flow hedges	0	0	0	0
Interest rate swap – held for trading	40	0	0	0
Forward contracts – available for trading	0	0	0	34
Total	**40**	**0**	**0**	**34**
Of which current portion	40	0	0	34

Derivative financial instruments yielded the following profit contributions:

Effects on profit of derivative financial instruments

in EUR '000	2007	2006
Realised interest rate swaps – cash flow hedges	0	0
Unrealised interest rate swaps – cash flow hedges	0	0
Realised interest rate swaps – available for trading	0	0
Unrealised interest rate swaps – available for trading	40	0
Realised forward contracts – available for trading	(184)	(2)
Total	**(144)**	**(2)**

The fixed, agreed interest rates at the balance sheet date vary between 4.13 and 5.37 %. The Euribor serves as a variable interest rate.

9 Cash and cash equivalents

Cash and cash equivalents totalled EUR 8.0 million at the reporting date (December 31, 2007). The prior-year figure was EUR 6.7 million. This item comprised substantially credit balances in current and overnight accounts.

10 Other current assets

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

Other current assets

in EUR '000	2007	2006
Payments on account for inventories	2,050	1,045
Other assets	1,689	765
Receivables from sales tax	4,628	942
Prepaid expenses	313	134
Total	**8,680**	**2,887**

11 Shareholders' equity

General

The capital stock of CENTROSOLAR Group AG amounted to EUR 13,292 thousand at the time of preparation of the Consolidated Financial Statements. It was likewise EUR 13,292 thousand at December 31, 2005. It is fully paid in. With additional paid-in capital of EUR 58,126 thousand, other retained earnings of EUR 2,097 thousand, a minority interest of EUR 368 thousand and profit attributable to the shareholders of EUR 1,372 thousand, the group had shareholders' equity of EUR 75,255 thousand at December 31, 2007. The additional paid-in capital consists exclusively of funds allocated to it as premium in connection with capital increases.

The group's capital management approach pursues in particular the objective of safeguarding the company as a going concern and increasing the value of the company's equity in the long term. To this end, it strives for an optimum capital structure, depending on the specific risks within the subsidiaries. This involves for instance the use of borrowed capital to finance low-risk assets and transactions as well as only the selective granting of sureties by the group parent or subsidiaries for loans to other parts of the group. In view of the specific view that is taken of individual financing arrangements, global debt indicators at group level are not regarded as a useful control variable.

Appropriation of profit

According to German stock corporation regulations, the separate financial statements of the group parent CENTROSOLAR AG Group constitute the basis for the appropriation of profits for the 2007 financial year. A distributable dividend therefore depends, among other things, on the reporting of an accumulated profit by that company in the separate financial statements. The company reported no accumulated profit at December 31, 2007.

Treasury stock

As in the previous year, no treasury stock was held in the financial year. The authorisation to acquire treasury stock expired on September 5, 2007.

Approved and conditional capital

Approved capital

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 no par value bearer shares (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 1, 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 Group 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 Group 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 Group 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 Group 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 Group 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 aforementioned 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 bearer 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 ten 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 ten 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 Group 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

	2007		2006	
	Options	Average exercise price	Options	Average exercise price
Start of year	521,000	9.40	303,000	9.50
Granted	234,000	8.40	218,000	8.40
Forfeited	39,000	8.40	0	
Exercised			0	
Expired	89,202	8.40	0	
End of year	**626,788**	9.23	**521,000**	9.04
of which exercisable	303,000		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 2007	Outstanding end 2006
Granted 2005	9.50	26/09/2005	25/09/2012	303,000	303,000
Granted 2006	8.40	20/12/2006	19/12/2013	89,235	218,000
Granted 2007	8.00	29/11/2007	28/11/2014	234,000	0
Total				**626,235**	**521,000**

The weighted average fair value of the options issued in 2007 is EUR 2.256 per option (2006: EUR 2.341 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 (250 days) of 50 % was used in the measurement of the options. It was derived from the historical volatility of CENTROSOLAR shares, which fluctuated considerably by between 47 % and 57 % in the 2007 calendar year. No dividends were assumed, in line with the current dividend policy. The risk-free interest rate was taken as 4.0 % (previous year 4.0 %) on the basis of the market rates at the time of issue. The actual assumed maturity was taken as 3 years (2006: 3 years) on the basis of corresponding experience at other companies.

The following adjustments were moreover made: a discount of 15 % (2006: 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 % (2006: 26 %) was applied, derived from the probability of the threshold not being reached, the latter in turn being calculated on the basis of volatility. No discount (2006: 0.5 %) was applied for the possibility of the Supervisory Board capping the value of the option.

The vesting period for the options granted in 2005 has expired. All options from that issue can now be exercised.

Of the 218,000 options granted in 2006, 39,000 options have already lapsed due to fluctuation among management and employees. Of the remaining options, a further 89,212 options were forfeited due to supplementary individual performance targets not having been attained in full. Consequently, 58.8 % of the options granted originally remain outstanding. The number of options currently outstanding from the total granted is therefore 89,235. This figure is lower than the anticipated number of 101,645 options which served as the provisional basis for determining the cost in 2006.

For the options granted in 2007, it is likewise to be expected that the number of options subsequently exercised will be much lower than the number of options granted. 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. As in the previous year, these again comprise revenue and EBITDA targets for the options issued in 2007. Based on experience of target attainment and fluctuation in 2007 as well as estimates, the number of options that will eventually be exercised has provisionally been estimated at 90,840.

A personnel expense amounting to EUR 301 thousand arose in the 2007 financial year from the stock options schemes described above (previous year: EUR 203 thousand). A further personnel expense of EUR 263 thousand (2006: EUR 387 thousand) will arise in subsequent periods from the stock options schemes outstanding at December 31.

12 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 368 thousand.

13 Pension accruals

Employees' entitlements to defined benefit plans are based on direct contractual commitments 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 accruals were 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 accruals has been calculated using actuarial methods and the latest mortality tables (Heubeck 2005).

Principal actuarial assumptions

in %	2007	2006
Pensionable age (years)	63	60 – 63
Discount rate at Dec. 31	5.6	4.25
Assumed salary increases	1.25	1.25
Assumed pension increases	1.25	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	2007	2006
Present value of non-fund-financed obligations	721	851
Unrecognised actuarial gains	277	87
Pension accruals	**998**	**938**

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

Development in accruals

in EUR '000	2007	2006
At start of financial year	938	872
Total expense recognised in the income statement	67	70
Payments made	(7)	(4)
At end of the financial year	**998**	**938**

The amounts recognised in the income statement are as follows:

Pension cost

in EUR '000	2007	2006
Current service cost	31	35
Interest expense	36	35
Actuarial gains recognised in the current year	0	0
Total	**67**	**70**

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR -0.3 thousand arose in the 2007 financial year. The corresponding figure in the previous year was EUR -5.4 thousand. The present value of the defined benefit obligation is the carrying amount.

Pension payments amounting to EUR 6 thousand are expected for 2008.

14 Other accruals

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

Accruals

in EUR '000	31/12/2006	Added	Used	Liquidation	31/12/2007
Warranty obligations	1,530	2,158	(241)	(488)	2,959
Miscellaneous other accruals	369	353	(35)	0	687
Total	**1,899**	**2,511**	**(276)**	**(488)**	**3,646**

Of the total accruals, EUR 831 thousand (previous year 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.

Complaints were received in the past financial year due to discrepancies between the actual yield of modules and the forecast yield. These complaints have in the meantime largely been resolved. The provisions for warranties were nevertheless increased as a precautionary measure. Future risks in this area are countered by systematic quality auditing of suppliers, and in particular solar cell manufacturers.

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

15 Financial debt

The following table shows financial debt to banks and other lenders:

Financial debt

in EUR '000	Original principal amount or credit line	Outstanding amount at Dec. 31, 2007	Outstanding amount at Dec. 31, 2006	Interest rate	Exit date
General credit facilities	* 46,581	19,109	4,105	6.0 – 7.5 %	Until further notice
Bank loans	17,843	16,316	0	5.4 – 8.5 %	2008 – 2016
Other loans	17,611	16,065	22,751	4.2 – 7.8 %	2008 – 2014
Finance leases	1,475	1,058	1,203	not applicable	2010 – 2011
Total	**83,510**	**52,548**	**28,059**		

* The amount shown here is a credit facility granted, and not a loan amount originally paid out

Financial debt maturities schedule

in EUR '000	Outstanding amount at Dec. 31, 2007	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
General credit facilities	19,109	19,109	0	0
Bank loans	16,316	10,367	4,838	1,112
Other loans	16,065	3,232	808	12,025
Finance leases	1,058	244	814	0
Total	**52,548**	**32,952**	**6,460**	**13,137**

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

In the case of the other loans, the fixed interest rates in the individual loan agreements expire at various times between 2008 and 2014, with the result that the risk is adequately diversified.

Of the general credit facilities, there is a credit line for EUR 52,000 thousand for Centrosolar AG. A used portion of this credit line amounting to EUR 9,800 thousand is reported under bank loans, insofar as the facility was used for 3-month Euribor loans. A further EUR 42,200 thousand of this credit line is reported under general credit facilities.

Of the total financial debt described above, the interest rate for a portion of EUR 28,998 thousand is based on the interest rate for 3-month Euribor loans rather than laid down in the form of fixed-interest agreements until the maturity date. An increase in this rate by 100 base points with average use of the facility in the 2008 financial year amounting to the closing value at December 31, 2007 would lead to an additional interest expense of EUR 290 thousand for the 2008 financial year, to be recognised in the income statement. Exchange rate movements have no effect on the income statement because all financial debt is drawn in euros.

In the 2007 financial year the company raised a Mezzanine loan for a nominal amount of EUR 9,500,000 under the PREPS scheme. These PREPS funds are granted as participatory rights for 7 years with no regular capital repayments, and attract ongoing interest at 7.8 % p. a. In the event of net income (consolidated or reported in the separate balance sheet of CENTROSOLAR Group AG) of more than EUR 15 million, a profit share in the form of an interest supplement of 1.0 % is payable for that financial year, and a profit share in the form of an interest supplement of 2.0 % for a financial year in which net income exceeds EUR 20 million. The profit-sharing was approved by the Shareholders' Meeting of CENTROSOLAR Group AG on May 23, 2007. Prior to its approval, the funds were granted in the form of a subordinated loan bearing non-profit-dependent interest surcharge of 1.0 % p. a. The loan will be repaid in a single lump sum on

March 4, 2014. Withholding tax was retained on the interest payments to PREPS on the basis of the participatory rights agreement.

The following table indicates the level of securities furnished:

Securities for liabilities to credit institutions

in EUR '000	2007	2006
Intangible assets	0	3
Property, plant and equipment	4,599	4,815
Inventories	2,682	30,950
Receivables	6,628	16,159
Other assets	0	0
Total	**13,909**	**51,927**

There existed two finance lease agreements pursuant to IAS 17 (Finance Leases) at the balance sheet date. The technical equipment and machinery was classified as a finance lease as the item of equipment in question is a special machine of only minimal second-hand value and the term of the lease covers a large part of the customary useful life. In the vehicles category, there is a residual value agreement with an option to buy.

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 Jahren
2006	1,203	237	816	150
2007	1,058	244	814	0

Finance leases (present value)

in EUR '000	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 Jahren
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**
2007				
Technical equipment and machinery	1,189	245	944	0
Vehicles	35	8	27	0
Nominal value	**1,224**	**253**	**971**	**0**
of which interest portion	166	9	157	0
Present value	**1,058**	**244**	**814**	**0**

The following table shows what cash outflows, broken down into interest and capital payments, may arise in future periods from financial liabilities due:

Analysis by maturity of financial liabilities

in EUR '000	Carrying amount 31/12/2007	2008 Interest	2008 Capital	2009 Interest	2009 Capital	2010 to 2016 Interest	2010 to 2016 Capital
Bank loans	16,316	513	10,367	303	1,254	510	4,695
Other loans	16,065	1,217	3,232	1,200	400	4,379	12,433
Finance leases	1,058	9	244	9	244	149	569
General credit facilities*	19,109	308	19,109	0	0	0	0
Other non-interest-bearing liabilities	12,213	0	12,213	0	0	0	0
Trade liabilities	22,306	0	22,306	0	0	0	0
Derivative financial liabilities	0	0	0	0	0	0	0
Total	**87,066**	**2,047**	**67,471**	**1,512**	**1,898**	**5,038**	**17,697**

* The general credit facilities may be terminated by the lender at short notice and are therefore allocated to the first time band; short-term repayment does not reflect the management's expectations.

16 Trade payables

The trade payables include liabilities in various foreign currencies. The following table provides an overview of which carrying amounts in euros existed in each foreign currency at the balance sheet date, and what effects a movement in the exchange rate have on the company's income statement if the exchange rates change by 5 % by the time of payment.

Sensitivity of foreign currency liabilities

in EUR '000	Carrying amount 31/12/2007	Exchange rate change	Effect income statement
USD	771	5 %	39
CHF	314	5 %	16
GBP	2	5 %	0
Total	**1,087**		**54**

17 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 adjustments to stated amounts 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 2007	Gross 2006	Net 2007	Net 2006
Reversal expected within 12 months	646	891	528	724
Reversal expected after 12 months at the earliest	2,631	3,688	1,622	3,382
Total	**3,277**	**4,579**	**2,150**	**4,106**

18 Other liabilities

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

Other non-current liabilities

in EUR '000	2007	2006
Outstanding purchase price payments for acquisitions	948	8,237
Miscellaneous other liabilities	133	0
Total non-current	**1,081**	**8,237**

Other current liabilities

in EUR '000	2007	2006
Vacation and overtime	549	291
Outstanding invoices	1,531	818
Employee remuneration	847	476
Bonus payments to customers	503	153
Taxation and social premiums	2,685	1,959
Outstanding instalments for acquisitions	6,179	5,224
Miscellaneous other liabilities	766	2,559
Total current	**13,060**	**11,480**

The outstanding payment instalments for acquisitions of EUR 6,626 thousand refer to the acquisition of Solarsquare and of EUR 500 thousand to the acquisition of Biohaus.

19 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, after deduction of returns, discounts and price reductions, and after elimination of intra-group sales.

The figure for the year under review includes EUR 120 thousand in revenue from long-term construction contracts measured according to the PoC method (zero profit method). (Previous year EUR 1,157 thousand; calculated on a stage of completion basis.)

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.

20 Other operating income

The breakdown of other operating income is as follows:

Other operating income

in EUR '000	2007	2006
Costs passed on, cost refunds	536	636
Government grants	286	227
Liquidation of accruals	488	292
Other	1,950	1,171
Total	**3,260**	**2,326**

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 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.

21 Cost of purchased materials and services

Cost of purchased materials

in EUR '000	2007	2006
Cost of materials	164,226	143,134
Cost of services	11,018	5,911
Supplier discounts	(493)	(223)
Total	**174,751**	**148,822**

Costs for temporary workers amounting to EUR 4,033 thousand are included in the cost of services.

22 Personnel expenses and total employees

Personnel expenses

in EUR '000	2007	2006
Wages and salaries	13,088	9,033
Share-based payment	350	203
Social insurance	1,646	1,166
Pension cost – defined contribution plans	624	485
Pension cost – defined benefit plans	67	70
Personnel expenses	**15,775**	**10,957**

The wages and salaries include severance payments of EUR 484 thousand for departing board members of the subsidiary Centrosolar AG.

Employees

	2007		2006	
	Average	At reporting date	Average	At reporting date
FTE	458	473	341	364
Individuals	772	493	365	392
Of which employed at companies included pro rata:				
FTE	3	3	0	0
Individuals	3	3	0	0

At the reporting date, the employee totals quoted include 104 FTE (previous year 175 employees) who are employed on a temporary basis by the group. The average for the year was 90 FTE (previous year 151 FTE). The corresponding costs are reported under cost of purchased materials/cost of services.

23 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

in EUR '000	2007	2006
Outward freight	2,782	1,727
Promotional costs	1,264	660
Maintenance costs	1,129	823
Legal and consultancy costs	1,223	1,519
Energy	2,089	1,882
Travel expenses and fleet	1,088	592
Sales commissions	485	474
Insurance	457	425
Packaging	1,003	919
Waste disposal	104	81
Rent for buildings	1,376	1,235
Operating leasing/other rent	101	120
IT expenses	409	167
Communication	207	127
Other personnel expenses	256	161
Patent protection	76	72
Warranty	1,381	195
Other taxes	63	23
Losses from the disposal of assets	360	37
Exchange rate losses	11	90
Miscellaneous	2,857	3,377
Total	**18,720**	**14,707**

The income statement includes research costs and non-capitalised development cost amounting to EUR 556 thousand. This comprises EUR 287 thousand for personnel expenses, EUR 105 thousand for cost of purchased materials and EUR 164 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 7,284 thousand.

Operational leasing

in EUR '000	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
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**
2007				
Property	4,924	1,006	3,586	332
Vehicles	313	146	167	0
Technical equipment and machinery	2,949	600	2,041	308
Other equipment	376	145	231	0
Total	**8,562**	**1,897**	**6,025**	**640**

24 Interest income and expense

Interest income and expense is broken down as follows:

Financial result

in EUR '000	**2007**	2006
Interest income	304	278
Interest expense for bank loans	(1,625)	(1,105)
Interest expense for other loans	(1,267)	(684)
Other interest expenses	(671)	(5)
Total	**(3,260)**	**(1,514)**

25 Income tax expense

Income tax expense is composed as follows:

Income tax expense

in EUR '000	**2007**	2006
Income tax expense for the current financial year	(2,170)	(2,044)
Tax deferral	2,085	3,035
Total	**(85)**	**991**

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	**2007**	2006
Result before income taxes	1,500	614
Anticipated tax expense 38.15 %	(572)	(234)
Difference due to foreign tax rates	1,092	231
Tax effect from non-deductible expenses	(715)	(213)
Tax effect from non-taxable income	(6)	(181)
Tax effect from changes in tax rates	162	1,550
Adjustments from previous financial years	(58)	(162)
Total	**(85)**	**991**

Deferred tax

in EUR '000	**2007**	2006
Deferred tax assets		
Unused loss carryforwards	2,069	1,212
Pension and similar obligations	63	64
Other accruals	7	0
Other liabilities	179	197
Property, plant and equipment	15	0
Inventories	0	0
Trade receivables	0	82
Intangible assets	0	0
	2,333	**1,555**

Deferred tax liabilities		
Property, plant and equipment	181	233
Inventories	0	32
Intangible assets	2,701	4,067
Financial debt	127	24
Trade receivables	20	13
Other liabilities	33	79
Other accruals	215	131
Advances received	0	0
	3,277	**4,579**
Deferred tax, balance (liabilities)	**(944)**	**(3,024)**

Deferred tax by country (reported net)

in EUR '000	**2007**	2006
Switzerland	(425)	(1,172)
Germany	(613)	(1,852)
Netherlands	94	0
Deferred tax, balance (net)	**(944)**	**(3,024)**

At December 31, 2007 a corporation tax rate of 15.0 % (December 31, 2006: 25 %) was used for calculating the deferred tax. The calculations in addition assumed a solidarity surcharge of 5.5 % on the corporation tax in each year, and an effective trade tax rate of approx. 17 % (December 31, 2006: 11.77 %). Taking into account the solidarity surcharge and the trade earnings tax, the effective tax rate used in calculating deferred tax for the domestic companies is therefore 32 % (December 31, 2006: 38.15 %). The tax rate changes are based on the Corporation Tax Reform 2008.

26 Profit attributable to minority interests

A share of profits of EUR 43 thousand is attributable to the other shareholders of Ubbink Solar Modules BV in 2007.

27 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

	2007	2006
Consolidated net income in EUR '000	1,372	1,725
Weighted average ordinary shares issued, '000	13,292	12,373
Basic earnings per share in EUR	0.10	0.14

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, 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 2007	Outstanding end 2006
2005 tranche	1	26/09/2005	25/09/2012	303,000	303,000
2006 tranche	2	20/12/2006	19/12/2013	89,788	218000
2007 tranche	3	29/11/2007	28/11/2014	234,000	0
Total				**392,788**	**521,000**

Diluted earnings per share

	2007	2006
Consolidated net income in EUR '000	1,372	1,725
Weighted average ordinary shares issued, '000	13,292	12,373
Assumed creation of new dilutive shares from stock options granted (weighted average)	0	165
Weighted average diluted ordinary shares issued, '000	13,292	12,538
Diluted earnings per share, EUR	0.10	0.14

28 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 activities of Centrosolar AG and Solarsquare AG belong to the "Solar Integrated Systems" segment. 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 Group 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 represents 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 2007	Solar Integrated Systems 2006	Solar Key Components 2007	Solar Key Components 2006	Consolidation 2007	Consolidation 2006	Total 2007	Total 2006
Revenue from third parties	167,891	138,579	52,432	33,609	0	0	220,323	172,188
Revenue from other segments	3	2	1,603	784	(1,606)	(4)	0	0
Change in inventories	40	8,955	538	161	(2)	0	576	9.108
Cost of materials	(137,738)	(125,964)	(38,618)	(23,639)	1,606	4	(174,751)	(148,822)
Gross profit	**30,195**	**21,572**	**15,955**	**10,914**	**(2)**	**0**	**46,148**	**32,475**
Personnel expenses	(11,163)	(7,313)	(4,612)	(3,645)	(0)	62	(15,775)	(10,957)
Other income and expense	(9,544)	(7,868)	(5,790)	(4,455)	0	(62)	(15,334)	(12,323)
EBITDA	**9,488**	**6,392**	**5,553**	**2,815**	**(2)**	**0**	**15,039**	**9,194**
Depreciation/amortisation and reductions for impairment	(8,885)	(6,254)	(1,394)	(813)	0	0	(10,279)	(7,066)
EBIT	**604**	**138**	**4,159**	**2,002**	**(2)**	**0**	**4,761**	**2,128**
Interest result							(3,260)	(1,514)
Result from investments recognised using the equity method		(0)		0		0		(0)
EBT							**1,500**	**614**
Income tax							(85)	991
Net income (EAT)							**1,415**	**1,605**
Minority interests							(43)	(120)
Profit attributable to shareholders of CENTROSOLAR Group AG							1,372	1,725

Selected key balance sheet figures

	Solar Integrated Systems 2007	Solar Integrated Systems 2006	Solar Key Components 2007	Solar Key Components 2006	Consolidation 2007	Consolidation 2006	Total 2007	Total 2006
Total assets	151,426	128,665	29,450	17,574	(9,646)	92	171,231	146,331
Financial investments accounted for using the equity method	0	1,038	0	0	0	0	0	1,038
Income tax receivable*							2.088	1.790
Total liabilities	33,523	27,307	15,275	13,997	(7,680)	0	41,118	41,304
Financial debt							52,548	28,059
Income tax payable*							4,398	6,272
Investment in fixed assets	2,933	48,272	5,102	1,335		0	8,035	49,607

in TEUR	Germany 2007	Germany 2006	Other European euro countries 2007	Other European euro countries 2006	European non-euro countries 2007	European non-euro countries 2006	Rest of world 2007	Rest of world 2006	Totalt 2007	Totalt 2006
Revenue from third parties	148,706	122,902	37,832	33,888	*22,970	8,380	10,815	7,018	220,323	172,188
Total assets	151,808	118,533	8,357	4,215	10,897	23,583	169	0	171,231	146,331
Investment in fixed assets	7,421	48,010	609	121	2	0	3	0	8,035	46,607

* includes revenue of EUR 19.2 million that is billed in euros.

29 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 -10,908 thousand and was dominated by the rise in working capital, above all for raw materials.

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	**2007**	2006
Cash and cash equivalents	8,025	6,688
Bank overdrafts	(19,109)	(4,105)
Total	**(11,084)**	**2,583**

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 letter of credit facilities amounts to EUR 55.5 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.

E_ Other particulars

1_ Contingent liabilities

The customary warranty obligations are assumed, for which an accrual has been formed where claims are probable. 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 Group 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. (whose place as contracting party was taken by CENTROSOLAR Group AG) as well as Ubbink Solar Modules B.V., there exist statutory and other restrictions that in essence envisage a mutual pre-emptive right of the shareholders to shares in Ubbink Solar Modules B.V.

In the 2007 financial year the company raised a Mezzanine loan for a nominal amount of EUR 9,500,000 under the PREPS scheme. These PREPS funds are granted as participatory rights for 7 years with no regular capital repayments, and attract ongoing interest at 7.8 % p. a. In the event of net income (consolidated or reported in the separate balance sheet of CENTROSOLAR Group AG) of more than EUR 15 million, a profit share in the form of an interest supplement of 1.0 % is payable for that financial year, and a profit share in the form of an interest supplement of 2.0 % for a financial year in which net income exceeds EUR 20 million.

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

The company became project partner of the investment fund "DCM Solar Fonds 1", which was launched by DCM Deutsche Capital Management AG. The fund is investing a total of some EUR 160 million in photovoltaic systems on around 35 roofs of industrial properties in Germany and Spain. "DCM Solar Fonds 1" represents the first of a number of closed-end publicly offered investment funds for photovoltaic systems that will be launched in the future. In the context of this investment fund, CENTROSOLAR Group AG assumed joint liability on behalf of Pohlen Solar GmbH, which is installing these solar systems, for a project-based credit line for EUR 20 million. The credit line may, however, only be drawn by Pohlen by consultation with CENTROSOLAR Group AG.

Overall, it is assumed that over and above the situations described here, no substantial liabilities will arise as a result of the contingent liabilities, or only to the extent evident in these Notes.

2_ Litigation

Disputes with trade representatives

Two trade representatives initiated legal action against Centrosolar AG in connection with the payment of commissions and goodwill compensation. The total value of the claims made is around EUR 330 thousand.

3_ Significant events occurring after the balance sheet date

Purchase of real estate in Wismar

Solara Sonnenstromfabrik Wismar GmbH acquired undeveloped real estate, comprising several plot numbers with a total area of 47,350 m^2, from Wirtschaftsförderungsgesellschaft Wismar mbH on February 8, 2008. The real estate is for the erection of a new production plant for the manufacturing of crystalline solar modules. The buyer made a contractual undertaking to invest EUR 6 million on the real estate. In parallel, a contract to construct the building was concluded with a general contractor and various orders placed with suppliers of production machinery. Overall, the company is planning an investment volume of around EUR 22 million spread over two phases.

To finance the project, two loans and hire purchase contracts to a total value of EUR 10.7 million have already been concluded. Credit commitments for a further

EUR 6.4 million have been obtained. The remainder of the financing will be covered by public subsidies (grants).

Settlement agreement with Isofoton S.A.

By the settlement dated January 31, 2008 the disputes from a supplier relationship were resolved on the basis that Centrosolar AG undertakes to pay EUR 1,250 thousand and Isofoton waives all further claims. Centrosolar AG has posted other operating income of EUR 1,283 thousand as a result of this settlement.

4_ Related party disclosures

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

In October 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 as arm's length transactions. 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 2007 financial year, the total amount charged for supplies of goods was EUR 4,944 thousand.

Since 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 of CENTROTEC Sustainable AG. In the case of the company, these charges relate to such services as consultancy on accounting matters, strategy, legal question, projects, communication and IT. A total amount of EUR 133 thousand was charged by CENTROTEC Sustainable AG in the 2007 financial year.

Ubbink B.V. in addition rebilled CENTROSOLAR Group AG a total of EUR 525 thousand for such costs in the 2007 financial year.

Centrosolar Glas GmbH & Co. KG sold special glass to the value of EUR 550 thousand in arm's length transactions to Wolf GmbH, a subsidiary of CENTROTEC Sustainable AG, during the 2007 financial year.

The company provided consultancy services for medimondi AG, another subsidiary of CENTROTEC Sustainable AG, in the 2007 financial year, charged EUR 9 thousand for these services and provided office space, for which rent of EUR 6 thousand was paid.

At the end of the financial year there were receivables amounting to EUR 468 thousand and liabilities of EUR 636 thousand in respect of companies belonging to the CENTROTEC Group.

Legal transactions with the Pari Group and Guido Alexander Krass

Guido Alexander Krass, a shareholder in the company, 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 (now Pari Capital GmbH). Hans Wiertz, a former Supervisory Board member of the company, 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 the latter agreement, the company made a payment amounting to EUR 47 thousand to Pari Holding GmbH in the 2007 financial year. The payments reflect the costs incurred by Pari Holding GmbH. No remuneration arose in connection with the former agreement.

The company, as the party paying for the services, moreover concluded a consultancy agreement with Pari Capital AG (now Pari Capital GmbH) 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 13 thousand with Pari Capital AG in the 2007 financial year.

There were liabilities to the Pari Group amounting to EUR 3 thousand at the end of the financial year.

Post-contractual competition ban for Jens Brannaschk

Jens Brannaschk is a shareholder in the company and surrendered office on the Management Board of Centrosolar AG with effect from September 17, 2007. On the basis of a post-contractual competition ban in his contract of employment, he is entitled to compensation amounting to 75 % of the his final remuneration. EUR 33 thousand was consequently paid to Jens Brannaschk in 2007; the outstanding liability from this arrangement is EUR 73 thousand.

Rental agreement with Jakob Waehrens

Jakob Waehrens is a shareholder in the company and surrendered office on the Management Board of Centrosolar AG with effect from August 31, 2007. Centrosolar AG rented offices from Mr Waehrens at the Durach location up until the time of his surrendering office and paid EUR 11 thousand in rent.

Acquisition of the shares of Solarstocc AG, now Centrosolar AG

By the investment and share purchase agreement dated October 5, 2005 the company acquired 66.52 % of the capital stock of Solarstocc AG, now Centrosolar AG, in the context of a purchase and contribution agreement. The sellers were Dansk Photovoltaik A/S, Denmark, and Jens Brannaschk (referred to collectively as the "original shareholders"). Dansk Photovoltaik A/S is dependent on Jakob Waehrens.

The purchase price amounting to EUR 2.46 million was paid by the company and made available to Solarstocc AG, now Centrosolar AG, on the basis of a loan agreement between Dansk Photovoltaik A/S and the latter 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 will only take place if certain targets for the operating result (EBIT) 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, now Centrosolar 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, now Centrosolar 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.

The residual loan payable plus interest amounted to EUR 2,670 thousand at the end of the financial year.

Loan agreement with Karen-Margrethe Henry Olsen

Solarstocc AG, now Centrosolar AG, concluded an agreement dated June 1, 2005 with Karen Margrethe Henry Olsen, according to which Centrosolar AG receives a loan of DKK 750,000. Mrs Olsen is a relative of Jakob Waehrens. The loan incurs interest at 10 % p. a. and ended on February 20, 2008.

The residual loan payable amounted to EUR 220 thousand at the end of the financial year.

Agreements with Willi Ernst

Willi Ernst is a shareholder in the company and surrendered office on the Management Board of Centrosolar AG with effect from September 24, 2007. In return for his surrendering of office, a severance payment was agreed with Willi Ernst based on his final remuneration and the remaining term on his contract of employment. Severance payments of EUR 60 thousand were made to Willi Ernst in the 2007 financial year; the outstanding liability from this arrangement is EUR 58 thousand.

Biohaus PV Handels GmbH, now Centrosolar AG, 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. 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.

By deed of February 14, 2007 Willi Ernst moreover extended a loan amounting to EUR 1 million to Biohaus

PV Handels GmbH, now Centrosolar AG, which was repaid on October 8, 2007. The loan attracted interest at 2.5 % p. a. above the six-month Euribor.

By deed of May 2, 2007 Biohaus PV Handels GmbH, now Centrosolar AG, bears the costs for three personal sureties for bank loans accepted by Willi Ernst in favour of this company; the fee amounts to 1.5 % of the total surety.

By a purchase and contribution agreement of May 9, 2006 the company acquired all shares in Biohaus PV Handels GmbH, now Centrosolar AG, 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 Group AG by way of a contribution in kind. The cash purchase price rises if Biohaus PV Handels GmbH, now Centrosolar AG, achieves a specified EBIT in the years 2006 and 2007 and/or specified interests are sold ("Biohaus agreement").

By deed of May 9, 2006 Biohaus PV Handels GmbH, now Centrosolar AG, 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 was 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, now Centrosolar AG, to the purchase price was secured by retention of title. By way of a settlement and clearing agreement, this purchase price entitlement was netted against purchase price increase entitlements of Willi Ernst from the Biohaus agreement, with the result that an amount of EUR 500,000 was ultimately paid to Willi Ernst in January 2008.

Agreement with Thomas Rudolph

Thomas Rudolph is a shareholder in the company and surrendered office on the Management Board of Centrosolar AG with effect from September 24, 2007. In return for his surrendering of office, a severance payment was agreed with Thomas Rudolph based on his final remuneration and the remaining term on his contract of employment. Severance payments of EUR 105 thousand were made to Thomas Rudolph in the 2007 financial year; the outstanding liability from this arrangement is EUR 158 thousand.

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.

The loan payable amounted to EUR 83 thousand at the end of the financial year.

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

The Management Board member of the company Dr. Alexander Kirsch and the former Management Board member 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 the 2007 financial year Ubbink Solar Modules B.V, Ubbink Econergy Solar GmbH and Centrosolar AG supplied solar modules to the value of approx. EUR 590 thousand to Sauerland Solar Fund GmbH & Co. KG in arm's length transactions.

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 Friedrich 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 350.00 per hour for his services, plus statutory sales tax, is to be paid as consideration. The Supervisory Board of the company has approved the contract and regularly examines the activities of Friedrich Lützow. In the 2007 financial year, Friedrich Lützow invoiced the company for EUR 47 thousand.

There remained a liability of EUR 18 thousand at the end of the financial year.

Supplier relationship with Gühring Automation GmbH

The Supervisory Board member Dr. Bernhard Heiss is a shareholder of Gühring Automation GmbH, Stetten. The CENTROSOLAR Group sold solar modules of a total value of EUR 896 thousand to Gühring Automation GmbH in 2007 in arm's length transactions.

5_ Management Board and Supervisory Board

Management Board

The Management Board of CENTROSOLAR Group AG comprised the following members in the financial year:

Dr. Alexander Kirsch, merchant, Munich, Germany, member with responsibility for Finance, also Chairman

Thomas Güntzer, lawyer, Munich, Germany, member with responsibility for International Sales & Major Projects, M&A and Human Resources

Dr. Axel Müller-Groeling, physicist, Norderstedt, Germany, member with responsibility for Strategy and Operations Management

Dr. Gert-Jan Huisman, merchant, Nijkerk, Netherlands, member with responsibility for Integration until January 3, 2007

The total remuneration of the Management Board was EUR 1,001 thousand in the financial year. Of this total remuneration, fixed cash remuneration accounted for EUR 791 thousand and remuneration from stock options EUR 210 thousand, the value of which was determined using the measurement rules of IFRS 2. In the 2007 financial year, 120,000 options with a fair value of EUR 2.256 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 46,200 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 Group 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 2007 financial year: Dr. Alexander Kirsch received fixed cash remuneration of EUR 307 thousand as well as a payment amounting to EUR 70 thousand in the form of stock options, in other words a total of EUR 377 thousand; he was granted 40,000 new options. Dr. Axel Müller-Groeling received fixed cash remuneration of EUR 261 thousand as well as a payment amounting to EUR 70 thousand in the form of stock options, in other words a total of EUR 331 thousand; he was granted 40,000 new options. Thomas Güntzer received fixed cash remuneration of EUR 223 thousand as well as a payment amounting to EUR 70 thousand in the form of stock options, in other words a total of EUR 293 thousand; he was granted 40,000 new options.

In the year under review of 2007, 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.:	Centrosolar AG, Hamburg, Germany (Deputy Chairman)
	Pari Private Equity AG, Munich, Germany
Güntzer, Thomas:	Centrosolar AG, Hamburg, Germany
	Solarsquare AG, Muri, Switzerland (Board of Directors)
	Centrosolar Italia S.r.l., Verona, Italy (Board of Directors)
	Centrosolar Hellas MEPE, Athens, Greece
	iTAC Software AG, Dernbach, Germany
Müller-Groeling, Axel, Dr.:	Centrosolar AG, Hamburg, Germany (Chairman)
	Centrosolar America Inc, Fountain Hills, USA

Supervisory Board

The Supervisory Board of the CENTROSOLAR Group comprised the following members in the financial year:

Dr. Gert-Jan Huisman, merchant, Nijkerk, Netherlands; Chairman from May 23, 2007

Dr. Bernhard Heiss, lawyer, Munich, Germany; Chairman until May 23, 2007, thereafter Deputy Chairman

Friedrich Lützow, tax consultant, Germering, Germany; Deputy Chairman until May 23, 2007

Hans Wiertz, merchant, Stollberg, Germany; until May 23, 2007

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 17 thousand, Friedrich Lützow EUR 12 thousand, Dr. Gert-Jan Huisman EUR 12 thousand and Hans Wiertz EUR 4 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 47 thousand for tax consultancy in the 2007 financial year. There were no loans to members of the Supervisory Board.

In the year under review of 2007, 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.:	Trailer International GmbH, Pullach, German (Chairman) CENTROTEC AG, Brilon, Germany (Deputy Chairman) Süddeutscher Verlag GmbH, Munich, Germany (Chairman) AR Altium Capital AG, Munich, Germany Langenscheid KG, Munich, Germany (Deputy Chairman of Advisory Council)
Lützow, Friedrich:	Pari Private Equity AG, Munich, Germany Eurohealth AG, Munich, Germany

6_ 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 Group 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 Group AG. We moreover make reference to the comments elsewhere in this Annual Report.

7_ Independent auditors' fees

The auditors of CENTROSOLAR Group AG are PricewaterhouseCoopers 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	156
Other certification or consultancy services	22
Tax consultancy services	8
Other services	0
Total expenses for 2007	**186**

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

8_ 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 12, 2008. The Supervisory Board signed off the financial statements on March 12, 2008.

Munich, March 22, 2008

Dr. Alexander Kirsch, Chairman and Finance

Thomas Guentzer, International Sales & Major Projects, M&A and Human Resources

Dr. Axel Müller-Groeling, Strategy and Operations

Independent Auditors' Report

We have audited the consolidated financial statements prepared by CENTROSOLAR Group AG, Munich – comprising the balance sheet, the income statement, the statement of movements in equity, the cash flow statement and the notes – for the financial year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of German Commercial Code, is the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the 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 financial performance 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 Management Board, 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 IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of German Commercial Code, 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.

Munich, March 22, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Banschbach	Florian Horn (p.p.)
Independent auditor	Independent auditor

Responsibility Statement by the Management

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

Munich, March 22, 2008

Dr. Alexander Kirsch
Thomas Güntzer
Dr. Axel Müller-Groeling

In line with international practice, we have concentrated our reporting on the Consolidated Group. The detailed individual annual financial statements under HGB are available on the homepage of CENTROSOLAR Group AG or at the Corporate Office, on request.

Financial calendar

March 20	Publication of 2007 accounts
May 15	Publication of 1/2008 Quarterly Report
July 15	2008 Annual General Meeting of Shareholders
August 14	Publication of 2/2008 Quarterly Report
November 12	Publication of 3/2008 Quarterly Report

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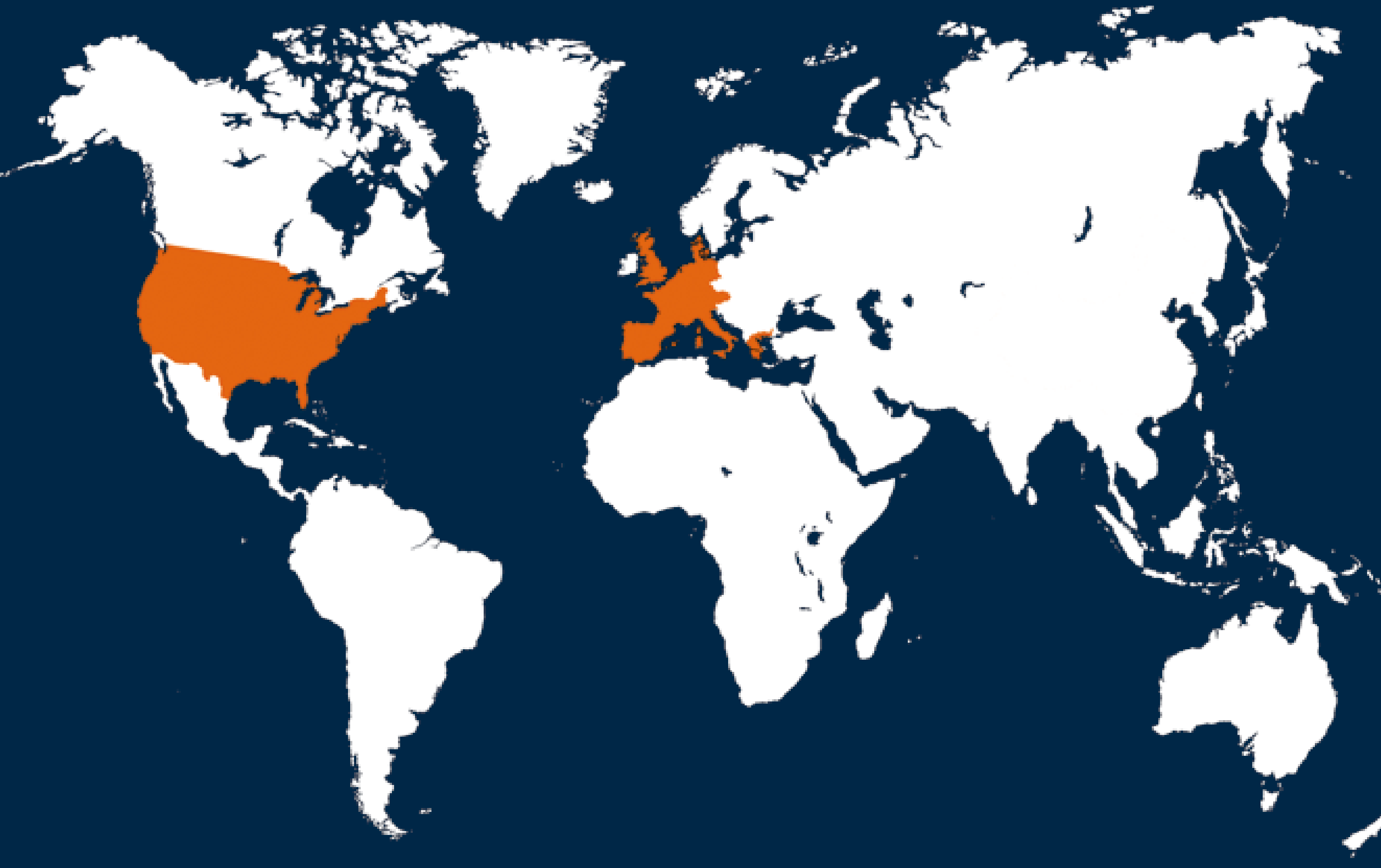

Imprint

Text
CENTROSOLAR Group AG

Concept/Text
MetaCom, Hanau
Georg Biekehör

Design/Production
MetaCom, Hanau
Jens Gloger, Viktor Diebold

Photos
CENTROSOLAR Group AG
Image agencies
Ulli Hartmann
Bert Bostelmann
Visual Design
Photon Pictures

Print
Joh. Schulte, Marsberg
Printed on Heaven 42,
pure white, soft silk finished
manufactured by IGEPA,
made of ressources of
environmentally sound forestry
and other controlled origins

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