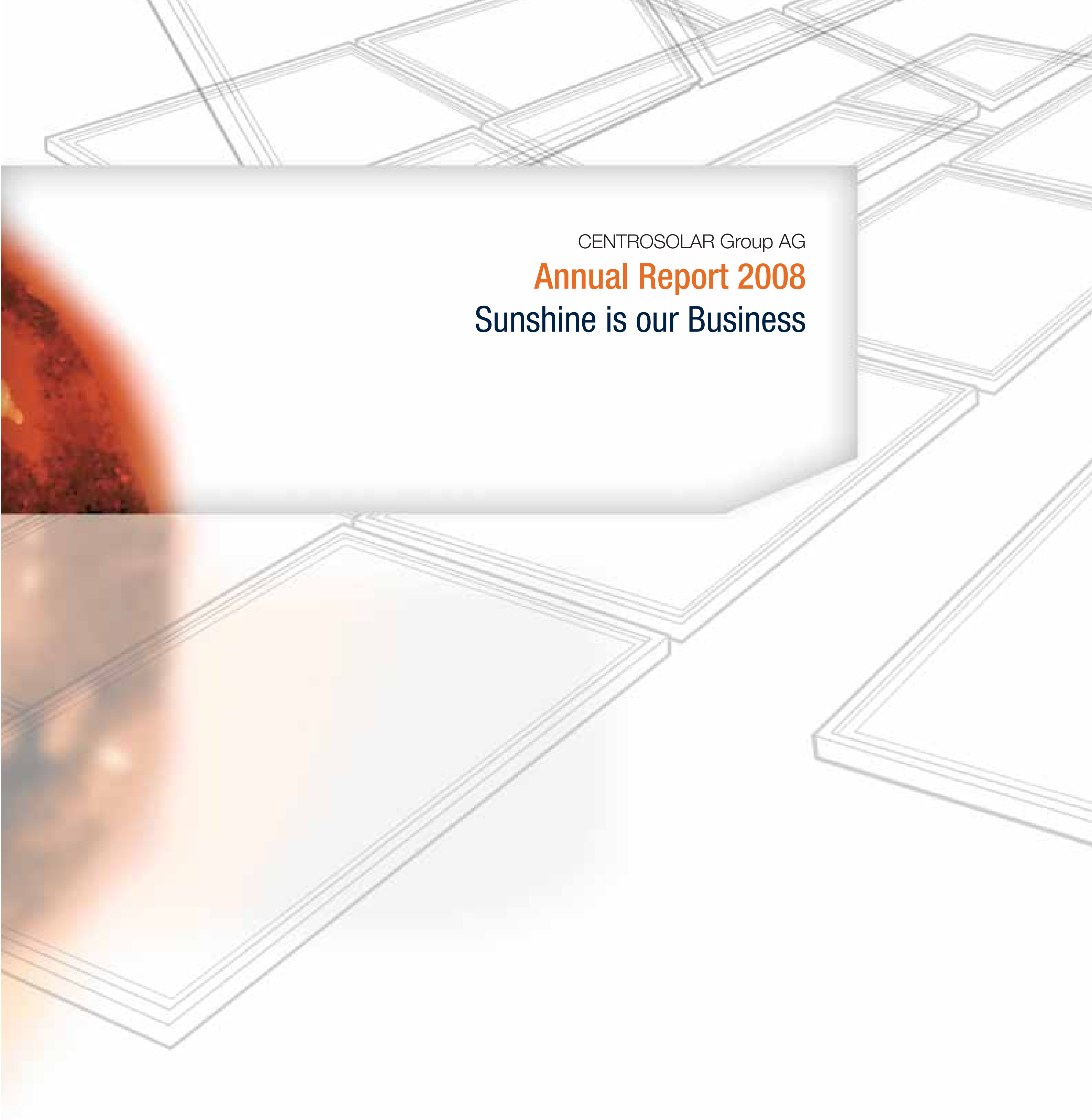
CENTROSOLAR Group AG

Annual Report 2008

Sunshine is our Business



CENTROSOLAR
GROUP AG

Sunshine is our Business.
Roof systems are our speciality.

Our vision: to become the world's leading photovoltaic business for PV roof systems and components, as well as for turnkey PV roof projects.

Our mission: to use the sun's energy in creating sustainable value for our customers and suppliers, our employees and shareholders, and indeed for society as a whole.

Key figures
2008

P&L	31/12/2008 EUR '000	% Revenue	31/12/2007 EUR '000	% Revenue	Change
Revenue	332,604	100.00 %	220,323	100.00 %	51.0 %
Gross profit	64,167	19.29 %	46,148	20.95 %	39.0 %
EBIT (adjusted)*	18,156	5.46 %	13,370	6.07 %	35.8 %
EBITDA	21,352	6.42 %	15,039	6.83 %	42.0 %
EBIT	12,005	3.61 %	4,761	2.16 %	152.2 %
EAT attributable to shareholders	4,335	1.30 %	1,372	0.62%	216.0 %

Cash Flow Statement	31/12/2008 EUR '000	% Revenue	31/12/2007 EUR '000	% Revenue	Change
Cash Flow I (EAT + depreciation/amortisation)	13,729	4.13 %	11,693	5.31 %	17.4 %
Cash Flow from operating activities	(6,592)	-1.98 %	(10,908)	-4.95 %	39.6 %
Cash Flow from investing activities	(30,140)	-9.06 %	(12,244)	-5.56 %	-146.2 %

Balance Sheet	31/12/2008 EUR '000	% Total	31/12/2007 EUR '000	% Total	Change
Net Working Capital	68,577	30.94 %	48,458	27.96 %	41.5 %
Fixed Assets	84,772	38.24 %	75,000	43.28 %	13.0 %
thereof Goodwill	49,429	22.30 %	49,429	28.52 %	0.0 %
Net cash **	(74,009)	-33.39 %	(44,371)	-25.61 %	-66.8 %
Shareholders' equity	90,047	40.62 %	75,255	43.43 %	19.7 %
Balance sheet total	221,675	100.00 %	173,288	100.00 %	27.9 %

Shares and EPS	31/12/2008	31/12/2007
Number of shares (weighted average outstanding; basic)	14,075,618	13,292,458
EPS (in EUR; basic)	0.31	0.10
„Cash-EPS" (in EUR; basic) *	0.70	0.68

	02/01/2008	Year-high	Year-low	31/12/2008
Shares price in EUR	9.63	10.12	2.88	3.39

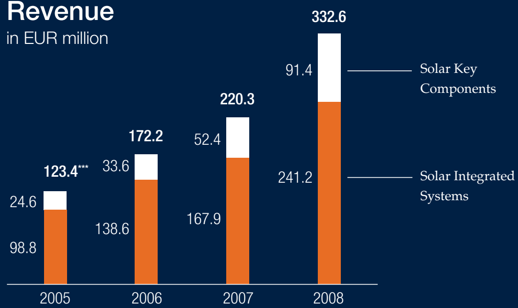
Employees	31/12/2008	31/12/2007	Change
Total (in FTE)	809	473	71.04 %

	31/12/2008	31/12/2007
* excluding IFRS 3 depreciations in EUR '000	6,151	8,605

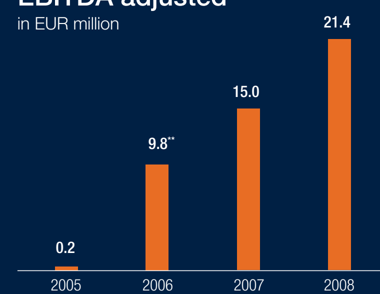
** Liquid Funds + short-term investments + lendings - financial liabilities

Key figures
at a glace

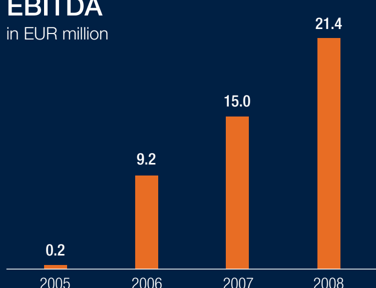
Revenue
in EUR million



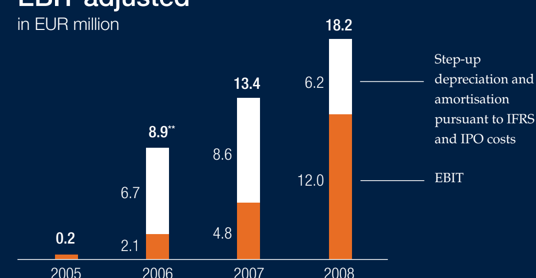
EBITDA adjusted **
in EUR million



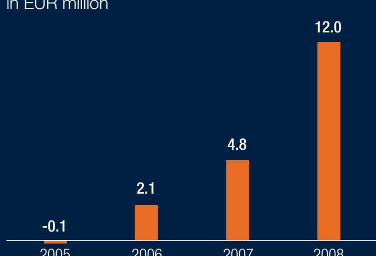
EBITDA
in EUR million



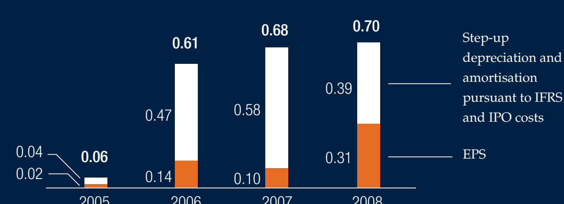
EBIT adjusted * **
in EUR million



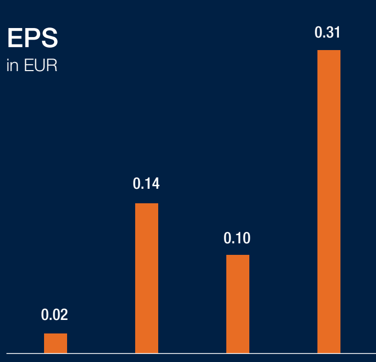
EBIT
in EUR million



Cash-EPS * **
in EUR



EPS
in EUR



	31/12/2008	31/12/2007
* excluding IFRS 3 depreciations in EUR '000	6,151	8,605
** excluding costs for listing in stock market in EUR '000	0	5
*** Pro Forma Revenue under the assumption that all companies consolidated as of Dec. 31, 2006 hab belonged to the group as of Jan. 1, 2005		

Letter to Shareholders

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

The buzzword is "financial crisis". Our economy is said to be facing a serious crisis. Possibly the most serious economic crisis since 1929. We need to act in order to bolster economic growth. Idealistic notions of protecting the climate will have to be put on ice for the time being. Or maybe not...

It is possible to stabilise the economy while protecting the environment at the same time. In fact, we have to do that. The biggest single burden on Germany's gross domestic product is our energy consumption. We spend around EUR 65 billion each year on oil and gas alone, before the cost of remedying environmental damage has even been considered. The former World Bank Chief Economist Nicholas Stern reckons that every euro spent today on protecting the world's climate saves at least EUR 5 – and maybe as much as EUR 20 – in damage to the climate.

Energy conservation and climate protection are the most effective stimulus programmes available. As well as creating jobs right now, they above all safeguard our long-term prosperity. As a manufacturer of photovoltaic systems, we are ready to play our part. Last year, the employees of our group manufactured, sold and installed solar plants all over Europe, but also in the USA, with an aggregate output of around 80 Megawatts. Those plants avoid more than 70,000 tonnes of CO_2 emissions each year.

Our company has nevertheless not been immune to the financial crisis. Thanks to their reliable yields, photovoltaic systems in particular tend to be financed through borrowing. The squeeze on credit hit our industry full on last autumn. Within a matter of weeks it moved from barely being able to keep up with demand to witnessing a marked drop in prices. As well as being caught up in the general weakening of demand, our company was directly affected: our joint venture partner Qimonda AG was among the casualties of the economic crisis and filed for bankruptcy on January 21, 2009.

As matters stand we know we can get over Qimonda's bankruptcy and absorb the further consequences of the financial and economic crisis. Thanks to our flexible purchasing strategy, we will be able to turn the fall in solar cell prices to our advantage in the medium term. Solar power is becoming much cheaper. Until now, the main selling point of solar plants has been their reliable yield (assuming they are of an adequately high technical standard). Those yields are now both reliable and high. The capital market has nothing remotely as attractive to offer.

The solar market has shifted from a seller's market to a buyer's market. Customers can now choose from a number of suppliers. Those looking for a useful life of more than 20 years will opt for quality modules manufactured in Europe. Tradesmen want good service and technical support. For them, we have established a dense network of sales depots and technical service over recent years. There is growing demand for intelligent solutions. We are in a position to meet that demand, as a leading integrator of photovoltaics into roofs

Despite the financial crisis, we achieved our targets for 2008. 2009 will undoubtedly be a difficult year. We will need to concentrate even more closely on our objectives and conduct business with even greater discipline. All in all, however, we are able to look to the future with considerable optimism.

With best wishes,

Dr. Alexander Kirsch
[Chairman of the Management Board]

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.

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.

Management >

International Sales
Rafael del Granado

Research & Development
Dr. Johannes Kneip

Business Development
Dr. Thomas Kneip

Legal Counsel
Dr. Stefan Strobl

Finance
Günther Wühr

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

The Management Board >

CENTROSOLAR Group AG

The holding company.

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 R&D, M&A, Controlling, Financing, Legal, Human Resources etc. on behalf of the entire group.

The subsidiaries.

The CentroSolar Group was created in 2005 through the merger of the seven well-established photovoltaics businesses Solara, Biohaus, Solarstocc, Ubbink Solar Modules, Ubbink Econergy Solar, Centrosolar Glas and Solarsquare. We have achieved strong organic growth ever since, and have extended our scope through the establishment of Centroplan, through setting up international subsidiaries and through the merger of Solara AG, Biohaus PV Handels GmbH and Solarstocc AG to form the new Centrosolar AG. In 2008 we established the solar cell manufacturer Itarion Solar Lda, in which we hold a minority interest of 49 %. CentroSolar Group AG, with its registered office in Munich, acts as the listed holding company for all the other subsidiaries portrayed on the following pages.

1
Centrosolar America Inc.
Scottsdale/USA

2
Centrosolar Fotovoltaico España S.L.
Barcelona/Spain

3
Centrosolar France SARL
Ecully/France

4
Centrosolar Italia S.r.l.
Verona/Italy

5
Centrosolar Hellas MEPE
Athen/Greece

International branches >

CENTROSOLAR Group AG

Branches and locations.

6
Itarion Solar Lda
Solar cell manufacturing
Vila do Conde/Portugal

7
Solarsquare AG
Solar trader
Bern/Switzerland

8
Renusol GmbH
Mounting systems
Cologne/Germany

9
Centroplan GmbH
Project planning
Geilenkirchen/Germany

10
Ubbink Solar Modules B.V.
Module manufacturing
Doesburg/Netherlands

11
Centrosolar AG
Systems integration
Hamburg/Germany

12
Centrosolar Sonnenstromfabrik GmbH
Module manufacturing
Wismar/Germany

13
Centrosolar AG
Systems integration
Paderborn/Germany

14
Centrosolar Glas GmbH & Co. KG
Solar glass
Fürth/Germany

15
CENTROSOLAR Group AG
Parent company
Munich/Germany

16
Centrosolar AG
Systems integration
Durach/Germany

Management >

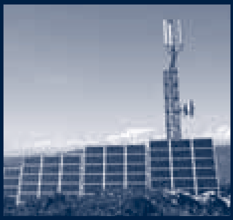
Managing Director
Bernhard Pawlik

Managing Director
Dr. Josef Wrobel

Managing Director
Günther Wühr

Private houses

Building integration



Stand-alone systems

> Products

Centrosolar AG
Roof systems for private houses.

Centrosolar AG sells PV modules and integrated systems via the technical wholesale trade to roofers, electricians and heating systems engineers. These tradesmen install these smaller plug & play systems on the roofs of their customers' homes. Centrosolar, with offices in Hamburg, Paderborn and Durach, also supplies custom photovoltaic solutions with crystalline or thin-film modules and special off-grid (stand-alone) PV systems.

Edwin Kreutzer
Solar engineer and manager of an electrical retailer

Project
Electrical retailers

"Centrosolar stands for high-quality solar modules, as well as optimally matched mounting systems and innovations that are developed with an eye to practicality, such as Quickstocc. For me and my customers, that's a future-proof investment."

500 **firms of fitters** in Germany alone take part in our PV installation training courses each year. Their close contacts with millions of homeowners create a broad sales basis. The model of a 3-tier sales structure, passing via the technical wholesale trade and fitters to the end customer, is so successful that we are now adopting it internationally.

< Projects

Heinz-Theo Tetsch
CEO of DCM Deutsche Capital Management AG

Project
DCM Solarfonds

"Together with Pohlen Solar and CENTROSOLAR, we have successfully converted over 400,000 m² of roof area into solar plants over the past two years through the investment fund "DCM Solar Fonds 1". Follow-on projects are already in the pipeline."

1.5

MegaWatts is the output of the photovoltaic system on the roof of ALDI's distribution centre in Altenstadt. The 43,070 m² flat roof was fitted with 6,720 solar modules of the Solarsquare SQ 200 series by Centroplan. This is just one example of a whole number of roofs belonging to the grocery discounter on which Centroplan installed solar systems in 2008.

Management >

Managing Director
Klaus Reinartz

Roof system
Kleinaitingen

Roof system
Regenstauf

Roof system
Roth

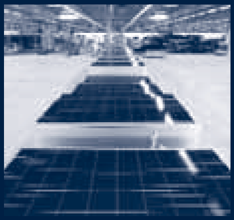
< References

Centroplan GmbH
Turnkey major projects.

Centroplan is our joint venture with Pohlen Bedachungen which, as one of Europe's biggest roofing companies, has access to over 5 million m² of roof area in Europe. Centroplan plans solar systems (0.2 – 1 MWp) for the roofs of international chain stores such as Carrefour, Aldi and Metro, and supplies them for turnkey installation. The crystalline solar modules or super-light thin-film modules used are supplied by CentroSolar, thus generating potential for growth internally.

Management >

Managing Director
Ralf Hennigs



Solar module
production line

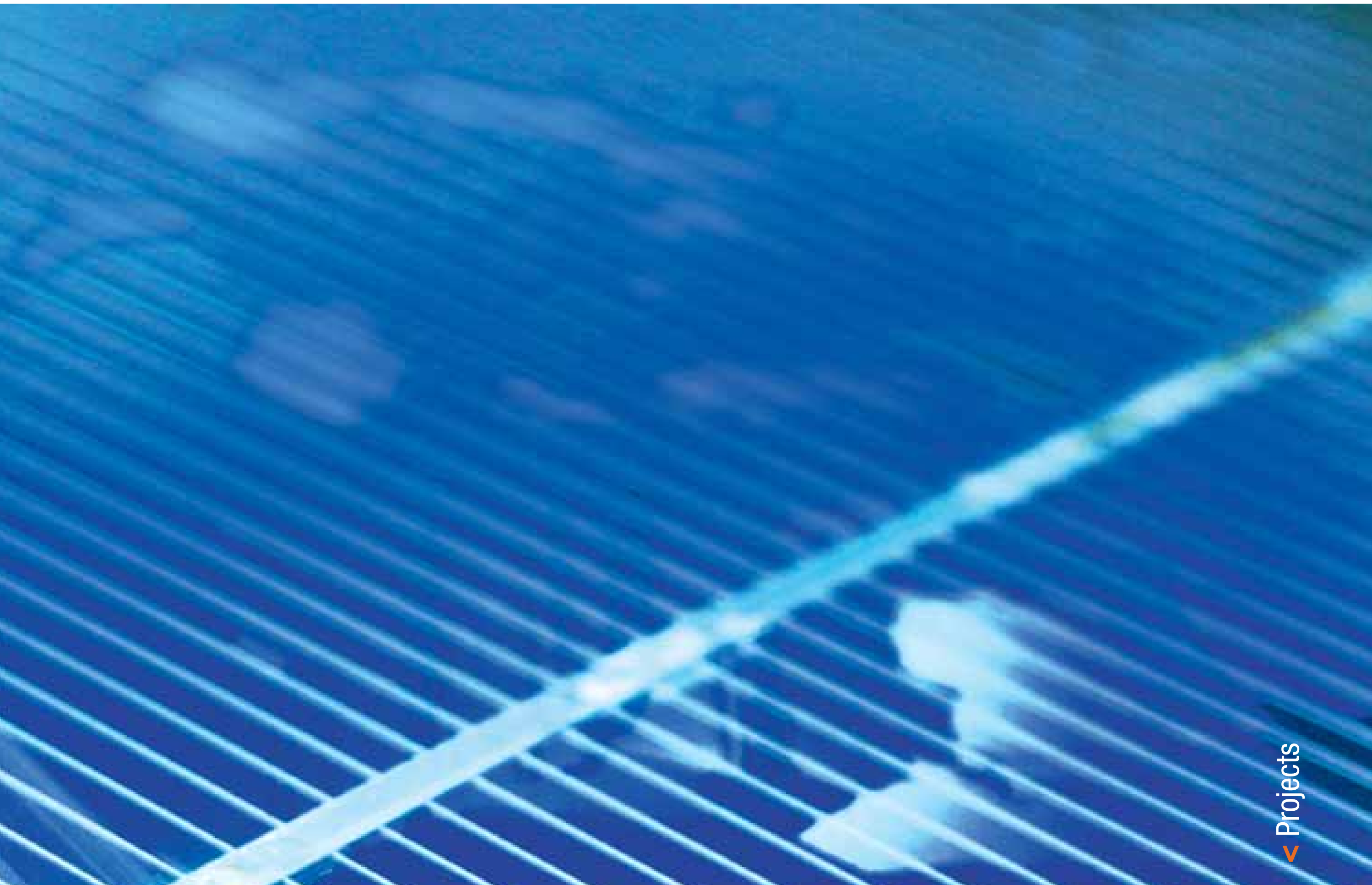
View of the
production hall

< Production

Centrosolar Sonnenstromfabrik GmbH

Quality modules – Made in Germany.

Close to our old Solara plant in Wismar, we have constructed an entirely new solar manufacturing plant, which was opened at the end of 2008. Solar modules with a total capacity of 150 MWp per year will be manufactured there in future. That is equivalent to the power consumption of 70,000 German households.



Uwe Hartmann
Production Manager

Project
Wismar expansion

“ Our aim is to be one of the best. We are striving to realise that aim by using our wealth of experience, state of the art production facilities, tried and tested components and accredited processes to build high-yield solar modules.”

3,000

modules per day will be built at the new solar manufacturing plant in Wismar once the final phase is complete. It will then rank as one of Europe's biggest solar module plants. Production operations on the five lines will in future be almost fully automated, and comply with the highest possible quality standards. Internationally competitive quality "Made in Germany" – that is the production concept for our solar manufacturing plant.

Itarion Solar Lda
The solar cell plant.

Itarion Solar Lda is a joint venture for the manufacturing of crystalline solar cells, in which CENTROSOLAR Group AG holds a 49 % interest. To that end, a cell manufacturing plant with a total capacity initially limited to 110 MWp is currently being erected near Porto. Itarion Solar will manufacture cells with an efficiency of at least 16 %. This has been contractually guaranteed by the chosen production line supplier, centrotherm photovoltaics AG. Further increasing that efficiency rating is the objective of our highly qualified personnel, most of who are on assignment from the neighbouring semiconductor manufacturer Qimonda.

Management >

Managing Director
Armando Tavares

Managing Director
Ulrich Hofmann

The cell plant >

Future production plant, as at March '09

The turnkey line >

Hans Authenrieth
CEO of centrotherm photovoltaics AG

“Itarion Solar's choice of centrotherm photovoltaics as its partner means it wants high-performance turnkey solutions that it can blend with the CENTROSOLAR Group's experience in module manufacturing.
We are delighted that we are Itarion Solar's partner as it enters the field of solar cell manufacturing and that it will use our technology and expertise as the basis for the cost-effective production of solar cells.”

Ubbink Solar Modules B.V.

The Atrium module plant.

Ubbink Solar Modules is the largest solar module plant in the Netherlands, with an annual production capacity of 45 MWp. The solar module manufacturer, now a fully owned subsidiary of CentroSolar Group AG, has been producing quality modules by a fully automated process since 2006. It processes crystalline solar cells sourced from the Econcern subsidiary Ecostream on the basis of a supply agreement. In return, Ecostream purchases Atrium high-performance modules from Ubbink Solar Modules.

Management >

Managing Director
John van Laarhoven

Products >

Production of Atrium modules

Roof system with Atrium modules

Projects >

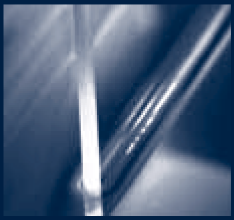
Michiel van Schaalwijk
Technical Director of Ecostream Int. B.V.

“The modules' output is what matters to customers. Our customers in France and Belgium in particular appreciate the excellent value for money offered by Atrium solar modules, and often ask specifically for this product.”

Over 130,000 Atrium high-performance modules have already been sold. The intelligent design and the sophisticated way the solar cells are wired together make for an ultra-high energy yield and durability. Atrium modules are therefore guaranteed for 10 years for 90 % of their rated output, and for 25 years for 80 % of the rated output, on top of the two-year product guarantee.

Management >

Managing Director
Ralf Ballasch



Dip coating of anti-reflective solar glass

Anti-reflective solar glass

PV module with anti-reflective solar glass

Products >

Centrosolar Glas GmbH & Co. KG

The solar glass specialist.

Centrosolar Glas GmbH & Co. KG is the solar glass specialist in the CentroSolar Group. Low-iron solar glasses with and without a nanoporous anti-reflective coating are finished at the Fürth plant – with annual output there now in excess of 5 million m², following the extension of production facilities in 2008. A great many leading manufacturers use solar glass made in Fürth to cover their modules and collectors, making Centrosolar Glas the world market leader for such glass types.

Uwe Jahnke
Purchasing Manager
Sovello AG

Project
Sovello AG

“As one of the biggest integrated manufacturers worldwide, maximum module efficiency is our overriding concern. That is why we only use AR-coated solar glass from Centrosolar Glas for our high-performance modules.”

+6 %

increase in the annual energy yield is attainable from photovoltaic modules, with an increase of as much as 8 - 10 % possible for solar thermal collectors. This increase is made possible by a patented anti-reflective coating that minimises reflection by the surface of the glass, thus maximising energy transmission to the solar cell or absorber.

> AR-Coating

Sébastien Weibel &
Celine Loubet
Team Managers, CapEnergie

Project
InterSole

"We have been business partners of Renusol since setting up our business almost a year ago. Thanks to Renusol's active support, we were straight away able to sell 5,000 of the InterSole to our customers in France by the end of 2008. We expect for 2009 to reach 7,000 units."

15-70

degrees is the angle of incline of the sloping roofs for which the InterSole mounting system is designed. InterSole is a veritable all-rounder because it is suitable for laying all makes and sizes of solar module integrated into the roof, with frame thicknesses ranging from 34 to 51 mm. It is entirely up to the customer which way round to lay the modules. The system, made from 100 % chlorine-free recycled polyethylene, is fitted to the existing roof battens in place of the usual roofing. When forming part of the roof, InterSole is then absolutely watertight and stays reliably in place.

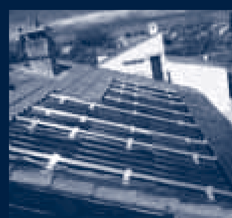
< Projects

Management >

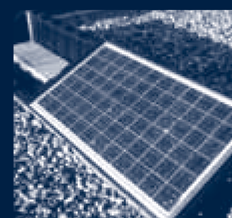
Managing Director
Wim Coppens

Managing Director
Michael Kübsch

Managing Director
Geerling Loois



In-roof:
InterSole



Flat-roof:
ConSole

On-roof:
VarioSole

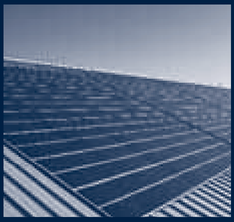
< Products

Renusol GmbH
Patented mounting systems.

Renusol GmbH (formerly Ubbink Econergy Solar) is the European market leader for solar module mounting systems for in-roof mounting and for flat roofs. The patented systems have an ingenious design that makes the installation process quick and reliable. Having grown by 150 % since its founding in 2005, Renusol is clearly capable of increasing its market share. The internationally focused company already generates over half its revenue outside Germany.

Management >

Director
Rafael del Granado



TSK roof system

3 MWp PV plant
near Teruel

1.32 MWp PV plant
near Zaragoza

< References

Centrosolar Fotovoltaico España S.L.

Roof systems and solar parks.

Where others choose to spend their vacation, our subsidiary Centrosolar Fotovoltaico España S.L. is completing numerous midsize and spectacularly large projects, on roofs as well as on open sites. For instance with 8 MWp solar modules from Solara, in what is currently one of the largest PV plants in the world near Granada. PV roof systems in Spain have enjoyed particularly high subsidies since mid-2008 under the new Royal Decree (similar to Germany's Renewable Energies Act). For CentroSolar, this means that demand is now focused on our core area of small to large roof systems.

Project
TSK solar parks

Roberto Montes
Director of TSK Solar

"TSK is realising solar parks and therefore creating future-safe investment opportunities. One of our highlights is an 18 MWp solar plant near Granada. Half of it is equipped with Solara modules, because we are convinced by their quality and high performance."

2.40 GWp is the aggregate output of new photovoltaic plants erected in Spain in 2008, according to the National Energy Agency CNE (Comisión Nacional de Energía). This potentially record-breaking market growth places the Southern European country alongside Germany as Europe's leading solar nation. Actual market growth has overturned even the boldest of forecasts. Industry experts had originally anticipated 1.5 GWp, almost 1 GW below the actual figure realised by the end of 2008.

Ian Bard
Director of
Altésol Renouvelables

Project
Altésol Renouvelables

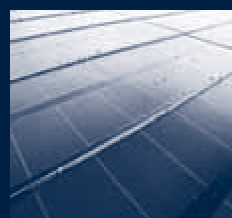
“For me, as a solar engineer, Biosol Deluxe is the ideal solar roof tile for roof-integrated systems. Aesthetically appealing, easy to install and high-quality – Biosol Deluxe modules are streets ahead of the alternatives.”

0.60

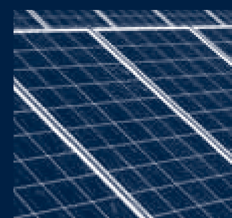
euros per kWh is the current feed-in tariff in France for solar power generated by means of roof-integrated photovoltaic modules. In-roof solutions are consequently subsidised by up to 25 cents per kWh more than on-roof systems. Since 2006, householders have moreover been able to claim an immediate tax credit for 50 % of the equipment cost of a system. All in all, the financial incentives offered by the French state are very attractive for those wishing to install small, midsize and large solar plants.

Management >

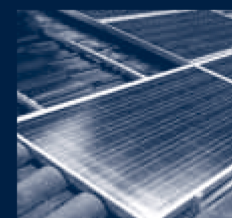
Director
Eric Sauvage



Thin-film module



Crystalline module



In-roof solution

< Products

Centrosolar France SARL
Roof-integrated systems.

Solar systems attract high subsidies in France, too, especially if they are integrated into the roof. CENTROSOLAR is active locally through its French subsidiary Centrosolar France SARL. By offering various integrated solutions for InterSole mounting systems, Biosol Indach (crystalline modules) and thin film PV membranes, it supports customers both commercially and technically, and helps them to secure contracts for small domestic installations, as well as medium and large industrial and agricultural PV in-roof projects. In 2008, for instance, it installed a 97 kWp thin-film system on the roof of a Lafuma factory, a renowned sportswear manufacturer near Vienne (France).

Management >

Managing Director
Wojciech Swietochowski

6 kWp solar roof
near Verona

< References

Centrosolar Italia S.r.l.
Plug & play systems.

Centrosolar Italia S.r.l. has been our representative in the booming Italian photovoltaic market since 2007. Around 250 MWp was installed in 2008, more than double the previous year's aggregate installed output. Under the arrangements of the "Conto Energia II", photovoltaic systems within the range of 1 to 20 kWp are particularly highly subsidised, benefiting above all small businesses and householders. Centrosolar Italia S.r.l. has already become an established player in the Italian market and has for example forged long-term partnerships with leading solar integrators in Italy.

< Projects

Project Partnering

Arch.
Davide Scarantino
Director of
Sun System S.p.A.

"As a sales partner, we cover the whole of Italy. Centrosolar Italia assists us not just by providing ongoing technical support, but also with marketing, employee training and joint project development activities."

Franco Jamoletti
Director of
Rewatt S.r.l.

"Centrosolar Italia's presence gives us certainty: we obtain the materials from Germany, but all questions and queries are dealt with by the group's branch in Verona. As well as being able to guarantee specialist expertise, the Italian team keeps communication slick and efficient, without any problems of language barriers."

200

projects for small and midsize plug & play roof systems – the traditional core business area – were completed by Centrosolar Italia in 2008. In one of Europe's sunniest countries, with a high feed-in tariff, solar plants represent an attractive investment. The owners receive feed-in tariffs for every kilowatt hour generated, as well as a subsidy for the power they consume themselves.

Centrosolar Hellas MEPE

On-roof systems.

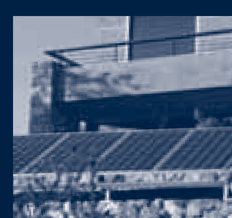
A new feed-in tariff for solar power was approved in Greece in January 2009. Solar power generated on Greek islands is remunerated at the rate of € 0.50 / kWh, with the rate of € 0.45 / kWh paid on the mainland. These tariffs will apply until August 2010. A special programme to promote on-roof systems is in addition scheduled for the end of 2009. In contrast to larger systems, PV systems with a yield of up to 20 kWp do not require permits and owners of smaller PV systems of up to 5 kWp will shortly be exempted from the requirement to establish a company to sell the solar power they generate. This paves the way for continuing growth for the privately operated solar systems.

Management >

Managing Director
Panos Kilimis

References >

2.1 kWp PV plant
fitted with ConSole



825 Wp Aresti
Power PV plant

Projects >

Emmanuel Psaromanolakis
Founder of Aresti Power Ltd.

“The solar market in Greece is still in its infancy. Smaller firms of installation engineers are traditionally in a strong position and are actively supported by CENTROSOLAR.”

Centrosolar Hellas MEPE sells mainly smaller, off-grid PV systems for private houses, but also larger open-site systems. One of its partners is Aresti Power Ltd, a medium-sized installation company with plenty of expertise in solar plants. Aresti Power has e.g. purchased several systems (aggregate output 20 kWp) using Solara S Class crystalline modules made in Wismar.

Centrosolar America Inc.

German technology for American roofs.

The new Federal Tax Credits were approved in the USA on October 3, 2008. This means, for example, that the 30% investment tax credit for both privately and commercially used solar systems has been extended for a further eight years. Systems installed from January 1, 2009 for residential use can now even be fully offset against tax.

Management >

Managing Director
Ron Tovella

Products >

Open-site system

Industrial roof system

Projects >

Don Schjeldahl
Director, The Austin Company

"The new financial incentives are opening up exciting opportunities in the commercial sector. The Austin Company is very excited to team up with Centrosolar America to bring German technology and expertise on American roofs."

1,750 kWh/m² is the average annual sunlight enjoyed in the southern half of the USA – a figure that is on a par with Dubai. Germany is much less sunny: the levels of sunlight in North Germany are equivalent to those of Alaska. Thanks to the potential yield and new state subsidies, the US market is expected to offer considerable growth potential in the short term.

Solarsquare AG
The solar trader.

Solarsquare uses its long-standing experience and contacts for the worldwide procurement of modules, cells and other preliminary materials for the manufacture of PV equipment. Thanks to its strategically advantageous location, it is able to serve the Swiss and Austrian markets from its office in Muri, near Berne. The rapidly developing market makes it essential to remain in contact with suppliers worldwide on a daily basis, in order to process up-to-date information that helps it to secure the best possible purchasing terms. To that end, it concludes a strategic mix of long, medium and short-term agreements.

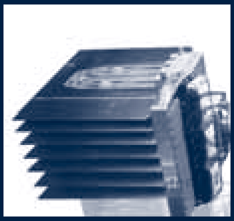
Our major customers include Pohlen Solar GmbH, in Geilenkirchen, Germany. It has supplied this customer mainly with modules for large-scale PV plants for industrial roofs. The high quality of the products has been confirmed by the fact that they exceed virtually all the benchmarks of Fraunhofer Institute appraisals. Those standards in particular are the basis for long-term partnerships with our customers.

Management >

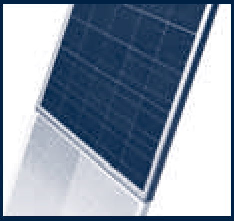
Director
Rupert Paris

Products >

Hyperpure silicon



Solar cells



Modules

Start
Annual report

Report of the Supervisory Board
of CENTROSOLAR Group AG for the financial year 2008

The Supervisory Board of CentroSolar Group AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2008 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 staged a successful market entry 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 of the focal areas of the Supervisory Board's activities in the 2008 financial year was to comprehensively support the establishment of a joint venture with the Qimonda Group, for the construction of a solar cell manufacturing plant in Portugal. Throughout this process, it devoted particular attention to the rapid deterioration in the financial situation of the Qimonda Group during the course of the year, and its consequences for the CentroSolar Group. The Supervisory Board monitored the associated risks comprehensively and promptly. The organisational and human resources measures were scrutinised and queried 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. 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 Supervisory Board carefully considered the annual planning for the 2009 financial year presented by the Management Board, particularly in light of the financial crisis and the downturn in the economy both at home and abroad.

Twelve Supervisory Board meetings in which members participated in person or by telephone took place in the 2008 financial year. In addition, six 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. In particular, half-yearly and quarterly financial reports were discussed by the Supervisory Board with the Board of Management prior to their publication. 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 the pipeline, impor-

tant individual transactions, changes to negotiable instruments law, major investment decisions, remuneration structures of the Management Board and management employees, the efficency of the Supervisory Board's own activities, the selection and monitoring of the independent auditor, the culture within the company, and social issues and various topics concering the operating companies. Management Board decisions which required ratification by the Supervisory Board were studied and approved.

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 Supervisory Board considered at length 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.

The accounts, annual financial statements, management report, consolidated financial statements and group management report at December 31, 2008 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 in a timely manner, discussed with the auditors and approvingly acknowledged.

The Supervisory Board itself has moreover examined in detail 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, 2008 were approved by the Supervisory Board. The annual financial statements of the company were granted the unqualified approval of the Supervisory Board, and are thus established pursuant to Section 172 (1) of German Stock Corporation Law.

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

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

Munich, March 2009
The Supervisory Board

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

Corporate Governance Report 2008 of CENTROSOLAR Group AG

The "German Corporate Governance Code" was last amended on June 6, 2008. 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 Compliance (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 performance 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, twelve Supervisory Board meetings in which members participated in person or by telephone took place in the 2008 financial year. In addition, six resolutions were passed by means of telefax 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, and measures that change the capital such as the issue of new shared, 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 422,106 shares, at December 31, 2008.

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 Compliance, 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 to us at the time when the aforementioned legal transactions were conducted, our company received adequate consideration for each legal transaction in the past financial year of 2008."

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 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 6, 2008. 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 Compliance

The Management Board and Supervisory Board of CentroSolar Group AG declare that the recommendations of the "German Corporate Governance Code" as amended on June 6, 2008 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 might 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 increase 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 consists of 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, February 2009

On behalf of the Management Board:

Dr. Alexander Kirsch

[Chairman]

On behalf of the Supervisory Board:

Dr. Gert-Jan Huisman

[Chairman]

Group Management Report
of CENTROSOLAR Group AG for the 2008 financial year

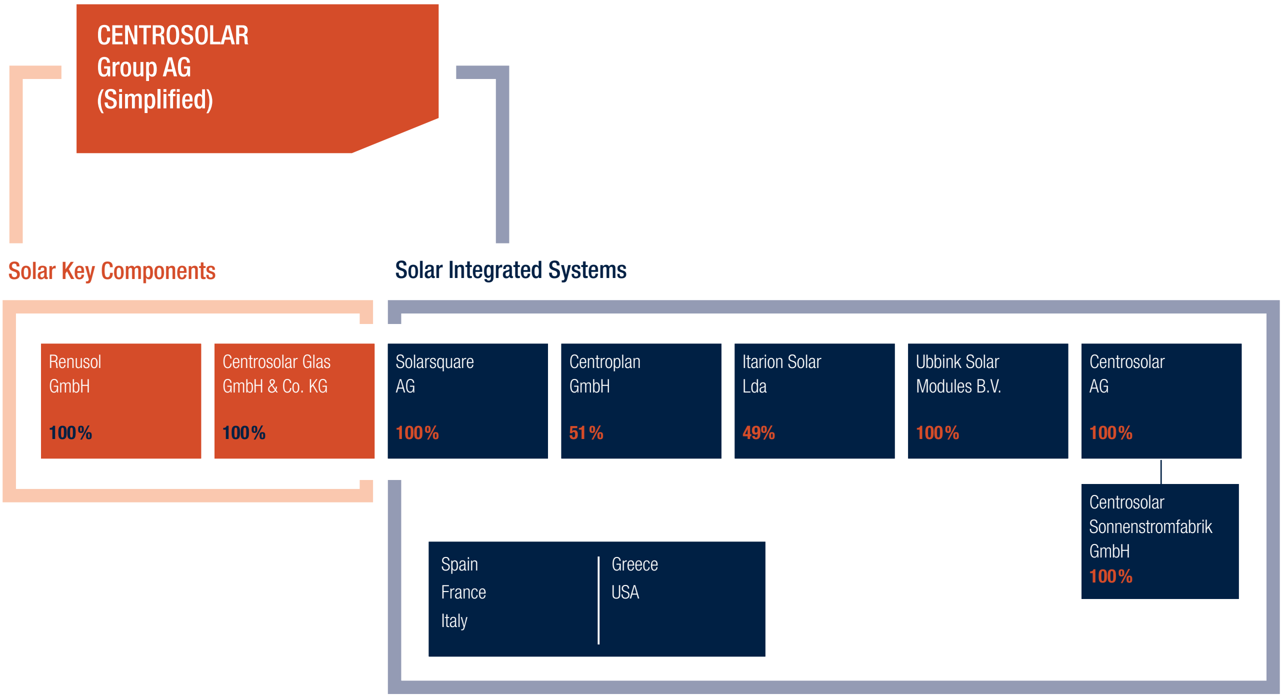
I Business and underlying situation

1 Group structure and business activities

1.1 Group structure

The CentroSolar Group was established in 2005 through the merger of the seven well-established photovoltaics businesses Solara, Biohaus, Solarstocc, Ubbink Solar Modules, Ubbink Econergy Solar, Centrosolar Glas and Solarsquare. At the balance sheet date, it had 836 employees at 16 different locations. The current corporate structure was completed by the founding of Centroplan, the establishment of international subsidiaries in the group's core sales markets and the merger of Solara AG, Biohaus PV Handels GmbH and Solarstocc AG to form Centrosolar AG. Itarion Solar Lda, in which CentroSolar Group AG holds a minority interest of 49 %, was established on July 16, 2008. The pro rata consolidated subsidiary Centroplan, in which CentroSolar Group AG has a 50.5% interest, in addition established sales locations in Spain and Italy. The legal structure of the group remained otherwise unchanged in the year under review.

CentroSolar Group AG, with its registered office in Munich, acts as the listed holding company for all subsidiaries.



1.2 Segments

The Solar Integrated Systems segment of the CentroSolar Group focuses on the development, production and international sale of photovoltaic (PV) 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.

CentroSolar has locations in Europe, the USA and Asia, and enjoys a particularly strong presence in Germany and core European sales markets thanks to a tightly knit sales and service network.

1.3 Management and governance

As a stock corporation under German law, CentroSolar Group AG has a two-tier management and governance structure comprising a Management Board and a Supervisory Board. Responsibility for the management of operations is delegated to the boards or managing directors of the subsidiaries by agreement with the Management Board of the holding company or the respective Supervisory Board. The running and governance of operational management are realised by integrating it into the group's supervisory and control systems. Objectives for the individual entities are defined as part of an annual budget process at the level of the individual companies. Attainment of the individual and group-wide targets based on these objectives serves as the basis for paying out and granting variable remuneration components to Management Board members and management employees.

Overview of variable remuneration components

Recipient	Stock options	Variable pay components	Targets
Management Board	Yes	No	Budget benchmarks (revenue and EBITDA) Individual targets
Management employees	In some cases	Yes	Budget benchmarks Individual targets
Sales employees	No	Yes	Individual and location-specific targets

In addition to operating and financial targets, the CentroSolar Group attaches maximum priority to our customers' satisfaction with the quality of our products and services. As well as using feedback from our sales force, we conduct anonymous surveys of active and potential customers – to some extent through external agencies – in order to identify scope for improvements.

1.4 Important products, services and business processes

Through its Solar Integrated Systems business area, CentroSolar supplies crystalline solar modules manufactured by itself at Wismar and Doesburg, and also integrated systems tailored into various roof concepts. These essentially comprise the preferred module type, the inverters and a coordinated mounting system. To complement the on-roof systems, which are suitable for both flat and sloping roofs, the company can also supply very attractive building-integrated special solutions such as solar roof tiles and frameless solar laminates. Customers and fitters are also provided with support in the form of training courses, configuration software and personal backup from technically skilled members of the sales force.

In conjunction with the joint venture partner Pohlen Bedachungen, Centroplan develops turnkey integrated systems with an output upward of approx. 300 kWp for larger industrial roofs. CentroSolar is able to supply the necessary modules for these systems. The companies in the Solar Key Components segment mainly supply special glass to manufacturers of solar thermal and PV modules. Their other focal area of activity is mounting systems for PV roof systems.

1.5 Principal sales markets and competitive position

The Solar Integrated Systems segment focuses its product range and services on the needs of wholesalers, solar engineers, electricians and plumbers. There was a regional concentration of sales mainly in Germany, France, Spain and Italy in 2008. The project planning company Centroplan directly targets the owners of large industrial roofs and potential investors throughout Europe. The mounting systems of Renusol GmbH (formerly Ubbink Econergy Solar GmbH) are sold mainly through the wholesale trade to fitters and systems integrators, primarily in Germany and France. Centrosolar Glas supplies its products to solar thermal and PV module manufacturers worldwide.

1.6 Legal and economic influencing factors

There is only little correlation between the market for photovoltaic systems for power generation and national or international economic cycles. The driving force of the market – aside from growing environmental awareness among consumers and the public in general – is above all the return that can be realised from installing a system. That in turn depends on the system's power yield and the payment received for the power generated.

The power yield is particularly high in the case of systems facing the sun in regions that enjoy many sunny days, such as Southern Europe and California. The payment received depends on the national arrangements. In many European countries such as Germany, France and Spain, depending on the size of the system national feed-in tariffs guarantee a fixed payment per unit of power generated, for a period of up to 25 years. On the other hand in the USA and various other countries, the payment models are less clear-cut, because they basically consist of investment subsidies and tax breaks. In those countries, a feed-in tariff is usually also paid for any power generated over and above the operator's own consumption (known as net metering).

2 Aims and strategy

2.1 Product and market strategy

Customer-focused downstream player

Against a backdrop of rising energy prices, national subsidies and the ever more obvious consequences of climate change, promoting renewable energies is becoming an increasingly prominent issue. We expect that global, customer-focused businesses such as CentroSolar, with strong partners at all stages of the value chain, will be those who will gain the most from the growth potential of this market. We are concentrating on three main thrusts: first, strengthening our market position for small and midsize photovoltaic systems by supplying user-friendly integrated units, backed up by comprehensive, personal support for installation engineers from our sales force. Second, planning and supplying turnkey integrated systems for large industrial roofs. And third, the value-driven strengthening of our leading position for key components.

2.1.1 Solar Integrated Systems

Growth through integrated PV systems for roofs

The Solar Integrated Systems segment specialises in roof systems. Among other things because of the sales structure that is required, this market segment is characterised by higher barriers to market entry, greater resistance to cyclical fluctuations in price, and faster growth than the market for open-site systems. PV roof systems also call for greater and more specific expertise in house roof technology, beyond the sphere of photovoltaic systems in the narrower sense.

Guaranteed access to customers for Europe's industrial roofs

As well as small to midsize roof systems for private houses, CentroSolar plans large-scale turnkey systems for large roofs on industrial or commercial properties. The owners of such properties are generally only prepared to allow experts to put installations on their buildings. CentroSolar has therefore established the project planning specialist company Centroplan – a joint venture with Europe's biggest roofing company, Pohlen Bedachungen – to gain access to around 5 million m² of roof area in Europe.

The Solar Integrated Systems segment as a whole has set itself the target of exploiting this good market access to Europe's installation engineers and roofs in order to become the world market leader for PV roof systems in the long term.

2.1.2 Solar Key Components

Profitable growth and building on position as market leader

Both the revenue mainstays of the Solar Key Components segment – the special roof mounting systems InterSole and anti-reflective coated solar glass – have already secured a leading position in the market. The strategic aim is to strengthen this leading position in terms of value by exploiting unique selling propositions in a rapidly growing world market on which there are hitherto only very few players. The two businesses belonging to this segment are Centrosolar Glas GmbH & Co. KG, which supplies patented manufacturing and finishing processes for low-iron solar glass, and Renusol GmbH, which develops and sells module mounting systems with the emphasis on clever solutions for roofs. Centrosolar Glas supplies most international module manufacturers with its products, while Renusol's customers include leading systems integrators and wholesalers.

Characteristics of Centrosolar Glas solar glass	Characteristics of Renusol mounting systems
Toughened, finished solar glass from its own production facilities, to protect modules against hail, frost etc.	Low-cost because very little time needed to install them
World market leader for patented anti-reflective glass to increase module efficiency	Market-leading, patented special solutions for in-roof and flat-roof applications
Virtually the sole supplier of the highly economical dip-coating process used	Unique flat-roof solution without roof penetration
Solar glass production capacity approx. 5 million m²/year	Innovative in-roof solution using standard modules

2.2 Research and development

Emphasis of R&D activities

The main drift of our R&D activities is to increase the efficiency and quality of the PV system while at the same time cutting production and system costs at every stage of the value chain.

CentroSolar adopts an overarching research and development approach that focuses on the efficiency of the entire PV system. It seeks to realise improvements in the following areas:

- **Power yield of solar cells** – both in cell manufacturing at our own plant in Porto and by optimising the mounting of thin-film modules
- **Production processes** – in particular improvements through automation and a reduced cell breakage rate
- **Use of materials** – by using alternative materials, the aim is to identify scope for improving the product characteristics, cost of materials and processing times
- **Product innovations and product refinement** – in particular in components business and in designing PV systems

R&D organisation

The activities of our product development departments in Fürth for solar glass, in Cologne for mounting systems and in Paderborn and Wismar for solar modules and solar systems are complemented by research partnerships, and since September 1, 2008 they have been coordinated by a central department in Munich. Our research activities are networked from there, so that synergy benefits can be derived by sharing expertise throughout the group as a whole.

Research and development expenditure for the group rose by 154 % to EUR 1,415 thousand (previous year: EUR 556 thousand) in 2008, and therefore much more steeply than revenue. The results of our development work were presented at several specialist conferences and in technical journals, with particular emphasis placed on building-integrated photovoltaics and the anti-reflective coating of solar glasses.

	Cell	Module	System	Mounting
Efficiency	Improving cell efficiency by optimising the processes and using advanced cell concepts	Increasing light transmission by optimising the glass coating, investigating annealing reduction	Optimising inverter architectures, optimising shading behaviour	Minimising obstruction and shading
Quality	Real-time monitoring of all relevant cell parameters in cell production	Mechanical and operating life tests over and above the norm	Optimising configuration tools	Optimising materials, increasing the reliability of the roof seal
Costs	Minimising consumables, thinner cells	Alternative embedding and frame materials, Increased automation in production	Minimising wiring	Improved mounting systems, reduced consumption of materials and installation time

2.3 Procurement

Our flexible sourcing strategy enables us to profit from falling purchase prices

Ever since its founding, CentroSolar has pursued a flexible sourcing strategy; in other words, it has largely declined to secure a supply of solar cells through long-term agreements and instead opted to purchase them on the spot market. It consciously chose to accept the downside of limited cell availability and high spot market prices over the past two years, in order to benefit now from falling purchase prices and greater flexibility in purchasing volumes. The slump in prices on the purchasing and sales market triggered off by the financial crisis confirms the logic behind this strategy.

Long-term cover for our industrial roof business

Large quantities of homogeneous modules, ideally with the same type of cell, are needed for use in medium to large PV systems for industrial roofs. Cell availability and prices moreover need to be visible up to one year in advance. In view of the steady rise in demand in this sales segment, the company has extended its flexible sourcing strategy and in July 2008 secured an interest in an associated company that manufactures crystalline solar cells. Itarion Solar Lda, a solar cell manufacturing company established jointly with the semiconductor manufacturer Qimonda, should be able to cover around one-quarter of scheduled module capacity from internal sources from 2010. This sourcing strategy not only guarantees more homogeneous batches of bought-in cells and very reliable supplies, but also advantageous prices. We expect that the ultimate manufacturing costs for Itarion Solar will be well below the market price in the medium term. The amount of tied-up capital is moreover much lower than the advance payments that would have to be made in the case of long-term agreements. Finally, CentroSolar is able to tap directly into technological advances, enjoy the benefits of new developments in cell manufacturing sooner, and pass on those benefits to its module construction activities (e.g. thinner wafers, bonding of backs). Despite Qimonda AG filing for bankruptcy after the end of the financial year, we expect that the Itarion venture will go ahead with Qimonda Solar GmbH, which is not directly affected by the parent company's insolvency, or with another industrial partner. On the basis of a shareholder agreement both companies have undertaken to provide Itarion with an equity injection totalling EUR 20 million on April 1, 2009 or at a later date yet to be agreed (CentroSolar Group AG share: EUR 9.8 million).

2.4 Production

With its current production stages, CentroSolar covers around one-third of the entire value chain for integrated PV systems. That proportion will rise further from the end of 2009 through our own cell manufacturing operations.

	Production / finishing	Purchasing	Marketing
Solar Integrated Systems			
Solar silicon			
Wafer		■ (from end 2009)	
Cells	■ (from end 2009)	■	
Modules	■	■	■
Inverters	■	■	■
Monitoring	■	■	■
Accessories	■	■	■
Integrated systems	■		■
Solar Key Components			
Solar glass	■	■	■
Anti-reflective solar glass	■		■
Mounting systems	■	■	■

■ from end 2009

Additional services

- Project planning of integrated systems
- Sales support
- Installation training
- Service/parts

Solar module production: rising capacities for quality "Made in Germany"

Banks providing financing for major projects increasingly require the use of technically proven, crystalline modules from a verifiable quality source, by way of minimising the risk. This places European module manufacturers such as CentroSolar at a particular advantage. Quality modules from Centrosolar Sonnenstromfabrik are manufactured on highly automated, ISO-accredited production lines. Accreditation to worldwide standards such as IEC 61215, UL 1703 and Safety Class II, whether already received or currently ongoing, serves to confirm the exceptional quality of our photovoltaic modules.

In order to meet rising demand for quality modules, we have increased our own module production capacity for quality "Made in Germany". Capacity more than doubled to 85 MWp between 2007 and 2008. Further substantial rises are also expected in 2009, enabling us to respond flexibly to changing demand.

2.5 Marketing and sales

Solar Integrated Systems: spotlight on roof systems

CentroSolar products are a regular feature of the catalogues of wholesale suppliers to tradesmen. Hundreds of electricians and plumbers receive information and training through our courses each year. Overall, this therefore gives us potential access to thousands of square metres of roofs all over Europe.

In the case of small to medium-sized integrated PV systems for house roofs, we have direct access to technical wholesalers and their customers, that is to say, installation businesses. We serve the German market through a nationwide network of sales representatives as well as sales offices in Durach, Paderborn and Hamburg. We also have sales subsidiaries in Spain, France, Switzerland, Italy, Greece and the USA. In some of those countries we have already set up similar sales structures to Germany, in order to profit from growing interest particularly in roof systems.

For large-scale systems, the owners of the industrial and commercial properties are the ones who make the decisions. This is where our joint venture partner Pohlen Bedachungen gives us access to around 5 million m² of unused roof area all over Europe, in its capacity as roof contracting partner to major retail and wholesale chains such as Aldi, Metro and Otto. This ideal combination – Pohlen, the roof expert and CentroSolar, 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.

Solar Key Components: steadily broadening the customer base

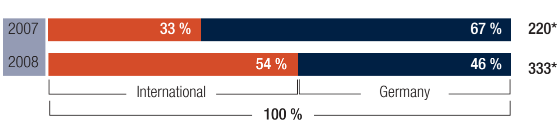
The two manufacturing companies in the Solar Key Components segment, Centrosolar Glas and Renusol, sell their products and services centrally. Centrosolar Glas in addition has its own regional office in Korea, to nurture and develop contacts with Asian module manufacturers. Renusol, too, is preparing to set up an international sales network. The aim here is gradually to increase the customer base.

International sales market: systematically expanding international activities

We are on course for growth worldwide thanks to our expanding product portfolio and international sales strategy. Internationally, the Solar Integrated Systems segment has established and expanded its own branches in Spain, France, Italy, Greece and the USA. The success of our strategy of international expansion is reflected in the increase in international revenue in both absolute and relative terms. In 2008 our export revenue rose by 148 %, taking the export ratio to 54 %. In the Solar Integrated Systems segment, the export revenue share virtually doubled from 25 % in 2007 to 49 % in 2008, while Solar Key Components generated 66 % of its revenue internationally in 2008 (compared with 57 % in 2007).

Development in export revenue

[proportion of total revenue in %]



* in EUR million

In accessing foreign markets, CentroSolar pursues a strategy that makes it possible to shore up sales potential in the long term and maintains the company's independence of individual sales markets. Although strong growth in Southern Europe, and Spain in particular, has played a major part in the success of the Solar Integrated Systems segment, CentroSolar's strategic positioning nevertheless means that it is largely immune to the trenchant restrictions to the feed-in tariff in Spain that have been implemented since the third quarter of 2008:

- Only 18 % of CentroSolar's consolidated revenue was generated in Spain in 2008 by the Solar Integrated Systems segment.

- As a result of its clear focus on roof-mounted concepts, the company is benefiting from the higher subsidies for these systems compared with open-site systems – not just in Spain, but also in other important sales markets such as Germany and Italy.

- The new business area of large-scale solar roof systems (typical output 0.2-1.0 MWp per roof) that has been developed together with the roofing company Pohlen Bedachungen gives CentroSolar direct access to end users with large areas of roof.

- The Solar Key Components segment mainly supplies world-leading module manufacturers in the photovoltaic and solar thermal sectors, and is therefore largely independent of local sales markets.

CentroSolar has moreover succeeded in strengthening its position in other domestic and international markets:

- Revenue for 2008 showed a substantial improvement on the previous year, particularly in Italy and France.

- Whereas revenue in Germany was slightly down on the prior-year figure in the first two quarters due to the poor availability of modules, coupled with high price levels driven by strong demand in Spain, revenue in the second half showed an improvement of 10 % on the prior-year period.

3 Overview of the financial year

After the formation of the CentroSolar Group in 2005, the acquisition of the various individual companies in 2006 and their integration in 2007, the 2008 financial year was a year of organic growth to new record levels of revenue and earnings. This welcome corporate performance is attributable to the generally vigorous performance of the photovoltaic industry and the lasting effectiveness of CentroSolar's corporate strategy. The strategy of international expansion proved a success, and the addition of large-scale roof systems to the product range provided extra momentum. Sales of key components exceeded the industry average, growing by 78 %.

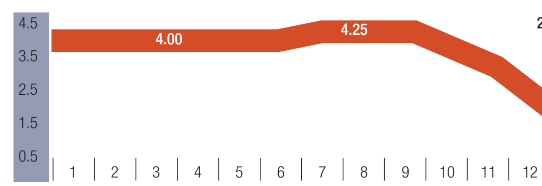
3.1 General economic situation

According to IMF statistics, gross domestic product (GDP) worldwide rose by around 3.4 % in 2008, and therefore much more slowly than in previous years, when growth had hovered around 5 %. This slower rate of growth was equally evident in Germany and all other eurozone countries. The marked slowdown in the economy was precipitated by the financial crisis, which spilled over into the real economy in the second half of the year, and more specifically the final quarter.

As solar power systems are for the most part financed by borrowing, the development in interest rates has a direct bearing on the attractiveness of a solar plant as an investment object. When interest rates fall, the return on equity of such a system rises. The pattern of interest rates remained largely stable for the first three quarters of the past year. Only towards the end of the year were base rates slashed in response to the financial crisis.

Development in ECB base rates, 2008

[in %]



Source: www.bundesbank.de

3.2 Industry-specific situation

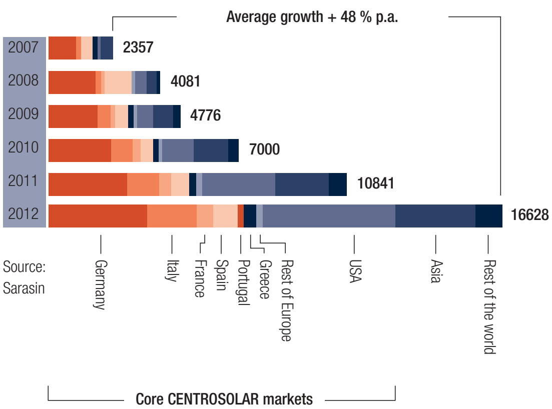
Despite the generally slowing economy, the photovoltaic industry enjoyed another record-breaking year in 2008. According to estimates by Sarasin, newly installed output of PV systems worldwide rose by 73 % from 2,357 MWp in 2007 to 4,079 MWp in 2008. More and more countries made a commitment to protect the climate and the environment and established a legal framework for subsidising photovoltaics within its energy mix. Rising prices for fossil fuels in the first half of the year, too, served to stimulate sales.

The main driving force behind the steep market growth was the particularly attractive feed-in tariff for photovoltaic systems in Spain, reflected most notably by the rapid growth in large open-site systems on the Iberian peninsula. High demand in Spain not only pushed up prices towards the middle of the year, but also led to bottlenecks in supplies of cells and modules.

The situation eased when the feed-in tariff came to an end after September. The customary surge in business in the German market was somewhat muted this year. This could be due to an anticipated fall in prices in response to the reduced feed-in tariffs, as well as to the initial pangs of the financial crisis.

Growing demand for solar power

[in MWp (newly installed)]



Source: Sarasin

3.3 Principal events shaping the business performance

By systematically pursuing a strategy of expansion, CentroSolar Group AG enjoyed a marked rise in revenue and earnings in the past financial year of 2008. This success is attributable not least to the following measures and events:

- On its international markets, CentroSolar systematically recruited additional personnel for Technical Service and Sales operations at its branches in Spain, France and Italy. New local sales partners were also signed up.

- The business area of large industrial roof systems (typically 0.2-1.0 MWp per roof) has expanded to cover the whole of Europe.

- We have made preparations for further growth by creating extra production capacity for quality modules "Made in Germany" available flexibly.

- Centrosolar Glas massively increased its production capacity for patented nanoglass. The bottleneck inhibiting further growth has now been overcome.

- Renusol has substantially improved its market position with the newly developed mounting system.

- By establishing Itarion – a 49 % participation set up jointly with Qimonda AG for the manufacture of crystalline solar cells – CentroSolar is able to cover between 25 % and 35 % of demand for cells for its future module production capacity.

- The financial leeway for further growth has been created by means of a capital increase.

The following table provides a chronological overview of these and other events:

JANUARY 2008

- The sales subsidiary Centrosolar Glas Korea AG, with its registered office in Seoul, Korea, is established.

- CentroSolar Group AG announces provisional results for 2007 and forecasts accelerated revenue growth to EUR 310 million for 2008, coupled with a 50 % rise in earnings.

FEBRUARY 2008

- Milan-based Sunsystem S.r.l. closes annual supply contract of 8 MWp in the form of integrated PV systems from Centrosolar Italia S.r.l.

MARCH 2008

- 2007 consolidated accounts: 28 % revenue growth and 53 % earnings growth for CentroSolar Group AG.

- Foundation stone laid for Centrosolar Sonnenstromfabrik in Wismar, representing an investment of more than EUR 20 million.

APRIL 2008

- Q1 figures: revenue virtually doubled, operating result almost three times the prior-year period.

MAY 2008

- Supply agreement with the Dubai company MEEPS (Middle East Environment Protection Services LLC) which, in its capacity as partner to the state-owned general contractor Middle East General Construction LLC (MEGC), is responsible for all MEGC photovoltaic projects – from individual villas to apartment blocks and entire districts.

- Successful capital increase of 1,240,851 shares (+ 9.3% of the current capital stock) from the company's approved capital.

JUNE 2008

- Centrosolar Glas GmbH & Co. KG receives the Bavarian Innovation Award 2008 from the Bavarian premier in recognition of its anti-reflective coating techniques for solar glass.

- Record numbers of visitors at the CentroSolar Group stand at the 2008 Intersolar in Munich.

JULY 2008

- Investment in Itarion. The 100 MWp plant, near Porto (Portugal), directly alongside an existing Qimonda semiconductor plant, covers 25 % of CentroSolar's demand for cells for its future module production capacity.

- Centrotherm Photovoltaics secures the contract to supply several turnkey production lines for the new Itarion solar cell plant in Portugal.

- Production capacity for solar glass at the Fürth plant is increased to 5 million m^2/year.

- Annual General Meeting of CentroSolar Group AG in Munich: Management Board and Supervisory Board discharged by virtually 100 % of the votes present. Authorisation to issue further shares and convertible bonds.

- Long-term supply agreement signed with market leader UNI-SOLAR® (United Solar Ovonic) on the purchase of thin-film solar laminates.

AUGUST 2008

- Announcement of first-half results: revenue up 65 %, EBITDA doubled, more six-fold rise in EBIT.

SEPTEMBER 2008

- Centrosolar France installs first roof-integrated thin-film system on an industrial roof belonging to the renowned sportswear manufacturer Lafuma.

OCTOBER 2008

- Centrosolar España, together with the Spanish partner TSK, installs 8 MWp of modules for one of the largest PV systems in the world, which delivers a total output of 17 MWp.

- Centrosolar Hellas extends its partnership with the Greek company Aresti Power to include on-grid systems.

NOVEMBER 2008

- Publication of the Q3 results: revenue + 57.1 %, EBITDA + 71.7 %.

DECEMBER 2008

- After a construction phase lasting only ten months, one of the biggest and most advanced European solar module plants is officially opened in Wismar.

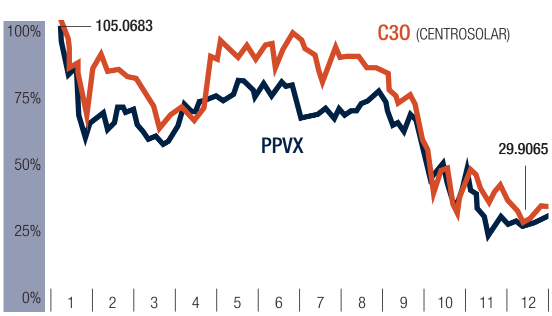
3.4 CENTROSOLAR shares

The market context

The global financial crisis overshadowed 2008, causing record losses on all stock markets. The German DAX index, for example, shed around 40 % of its value in the course of 2008. Other established stock markets in New York, London and Tokyo experienced a similar downturn. This slump affected shares in all industries, irrespective of the prevailing situation in each industry or of each company. The specific index for solar businesses PPVX even retreated by 67 %. Despite a very good financial year at an operating level, CentroSolar shares too experienced a similarly sharp fall. The year-end price on December 30, 2008 of EUR 3.39 was 63 % down on the prior-year figure, and therefore marginally better than the reference index PPVX.

CENTROSOLAR share price performance

[Compared with industry index PPVX]



Source: Comdirect

Share and shareholder structure data

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

The capital stock of CENTROTEC Group AG at December 31, 2008 amounted to EUR 14,533,309, divided into 14,533,309 no par value bearer ordinary shares carrying full voting rights, each representing an arithmetical nominal value of EUR 1. The subscribed capital and the additional paid-in capital rose by EUR 10,671,319 compared with the level at the close of the previous year through the placement of new shares in the second quarter. On May 15 CentroSolar Group AG placed 1,240,851 new shares with selected investors at a placement price of EUR 8.60 per share, making partial use of its approved capital and excluding the subscription rights of the existing shareholders.

The largest single shareholder, with a holding of over 30 % of the total capital of CentroSolar Group AG, is CENTROTEC Sustainable AG. No investor conducted share transactions with CentroSolar shares which triggered reporting thresholds pursuant to Section 26 (1) of German Securities Trading Law during the course of 2008.

Investor Relations

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. The Management Board and the Investor Relations department of CentroSolar Group AG communicate with financial market players through one-to-one talks, roadshows, telephone conversations and conferences, at specific investor events and at the Annual General Meeting. In the 2008 financial year the Management Board held roadshows and investor events at major European financial centres such as Frankfurt, London, Paris, Luxembourg, Vienna and Zurich. Because CentroSolar Group AG is a sustainably managed business, CentroSolar is increasingly attracting the interest of greentech funds.

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.

Provision on the appointment and dismissal of the members of the Management Board and on changes to the articles of incorporation

The Management Board of the company is appointed and dismissed by the Supervisory Board, applying the appropriate provisions of German Stock Corporation Law (Sections, 84, 85). Amendments to the articles of incorporation must fundamentally be resolved by the Shareholders' Meeting of the company, pursuant to Sections 133 and 179 of German Stock Corporation Law.

Authorisation of the Management Board to issue or buy back 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 7,266,654 by July 14, 2013 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital 2008). The new shares shall fundamentally be offered to the shareholders for subscription (including by way of indirect subscription pursuant to Section 186 (5) Sentence 1 of German Stock Corporation Law). With the approval of the Supervisory Board the Management Board is, however, authorised to exclude the shareholders' statutory subscription right in the following instances:

- In order to exclude residual amounts from the subscription right;

- For capital increases for contributions in kind for the purpose of acquiring (including indirectly) companies, parts of companies, investments in companies or other assets;

- Insofar as necessary to be able to grant new no par value bearer shares in the company to the bearers or creditors of convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments) that have been or will be issued by the company or by companies in which the company directly or indirectly holds a majority interest ("subordinate group companies"), upon exercise of the conversion or option right or upon fulfilment of the conversion obligation;

- Insofar as necessary in order to grant a subscription right to new no par value bearer shares in the company to bearers of conversion or option rights or creditors of convertible bonds bearing conversion obligations that have been or will be issued by the company or a subordinate group company, to the same extent that they would be entitled upon exercise of the option or conversion rights or upon fulfilment of conversion obligations as a shareholder;

- In the case of capital increases for cash if the issuing price of the new shares does not significantly undercut the market price of the already listed shares of the same class and features at the time when the issuing price is finally fixed, which should be as close as possible to the placing of the shares, and if the shares issued under exclusion of the subscription right pursuant to Section 186 (3) Sentence 4 of German Stock Corporation Law do not exceed a total of ten percent of the capital stock, either at the time of this authorisation taking effect or at the time of this authorisation being exercised. This limit of ten percent shall include shares which (i) are issued or sold during the term of this authorisation under exclusion of the subscription right in direct or analogous application of Section 186 (3) Sentence 4 of German Stock Corporation Law, and (ii) are issued or may be issued to service subscription rights or in fulfilment of conversion obligations from convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments), insofar as the debt instrument is issued after this authorisation takes effect by analogous application of Section 186 (3) Sentence 4 of German Stock Corporation Law, under exclusion of the subscription right of the shareholders;

- For issuing to employees of the company.

The Management Board is authorised, with the approval of the Supervisory Board, to specify the further details of the effecting of capital increases from the Approved Capital 2008.

The capital stock has been increased conditionally by EUR 303,000 ("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 capital stock is increased by EUR 868,406 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 5,813,323 through the issuance of up to 5,813,323 new no par value bearer shares ("Conditional Capital III"). The Conditional Capital increase is for the granting of no par value bearer shares to the bearers or creditors of convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments) which are issued for cash by the company or by a subordinate group company on the basis of the 2008 authorisation passed by the Shareholders' Meeting on July 15, 2008 under Agenda Item 6, Sub-paragraph b) and grant a conversion or option right to no par value bearer shares in the company or specify a conversion obligation.

The issuance of the new no par value bearer shares from Conditional Capital 2008 may take place only at a conversion or option price that meets the conditions of the 2008 authorisation passed by the Shareholders' Meeting on July 15, 2008 under Agenda Item 6, Sub-paragraph b).

The Conditional Capital increase shall only be effected to the extent that use is made of option or conversion rights, or that the bearers or creditors with a conversion obligation meet their conversion obligation, and to the extent that no cash payment is granted no or treasury shares or new shares are used to service the rights from approved capital. The new no par value bearer shares qualify for profits from the start of the financial year in which they are issued through the exercising of option or conversion 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 (Conditional Capital 2008).

II Financial performance, financial position and net worth

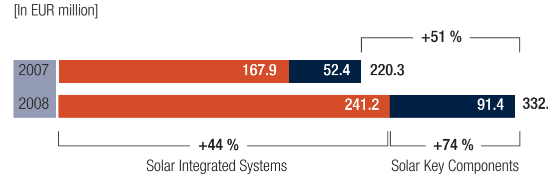
1 Record levels of revenue and earnings

Overview of consolidated results: revenue up 50 %, EPS trebled

CentroSolar Group AG posted record levels of revenue and earnings for the 2008 financial year. Consolidated revenue showed above-target growth of more than 50 % in 2008, to EUR 332.6 million (2007: EUR 220.3 million). The company had started the year with a target revenue of EUR 310 million. Around 73 % of revenue originated in the Solar Integrated Systems segment, with 27 % of revenue coming from the Solar Key Components segment. There was a year on year rise in the export ratio from 33 % in 2007 to around 54 % in 2008. Spain was the most significant export market, contributing almost EUR 74 million in revenue, followed by France on EUR 40 million.

Revenue by segment

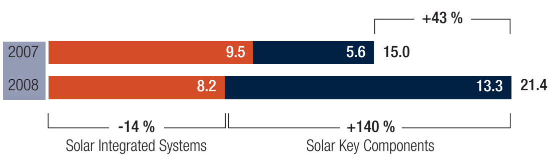
[In EUR million]



Due to the rapid slump in prices, it was necessary to apply impairment totalling EUR 2.8 million to inventories at the end of the year; this, together with the predominantly difficult procurement market for solar cells in 2008, meant that the cost of purchased materials in relation to revenue and the change in inventories deteriorated from 79.1 % to 81.7 %. On the other hand personnel expenses as a proportion of revenue improved slightly to 6.9 % (previous year: 7.2 %). Overall, there was a marked rise of 42 % in the operating result at EBITDA level, to EUR 21.4 million, with the result that the forecast figure of EUR 22 million was almost achieved.

EBITDA by segment

[in EUR million]



Consolidation between the segments leads to certain discrepancies between the sum of the individual figures and the respective totals

Earnings before interest and taxes (EBIT) rose by a factor of around 2.5 to EUR 12.0 million (2007: EUR 4.8 million). The principal component of depreciation and amortisation is IFRS 3 depreciation and amortisation, which amounted to almost EUR 6.2 million in the past year. Pursuant to IFRS 3, tangible and above all intangible assets are to be capitalised or revalued in the context of corporate acquisitions. The assets recognised for the first time in the consolidated balance sheet substantially comprise supplier and customer contracts or relations, brands and development work. They are to be depreciated and amortised and therefore adversely affect net earnings, even though there is no cash effect. After elimination of IFRS 3 depreciation and amortisation, EBIT at December 31, 2008 would have totalled EUR 18.1 million (5.5 % of revenue). IFRS 3 depreciation and amortisation for 2009 is expected to be just under EUR 1 million.

IFRS 3 depreciation and amortisation

[in EUR million]

Net interest changed from EUR -3.3 million in 2007 to EUR -6.6 million in 2008. The sharp rise in interest expense was attributable mainly to the higher volumes of loans for financing the high level of investment in the Wismar Sonnenstromfabrik and in Centrosolar Glas GmbH & Co. KG.

The effective tax rate, too, was well up on the prior-year figure at just under 19.5 % of EBT, with the figure of 6 % for the previous year mainly reflecting the cut in corporation tax rates.

Despite the rise in interest costs and the higher taxes, earnings after tax virtually trebled from EUR 1.4 million in 2007 to EUR 4.4 million for the year under review. Of this amount, EUR 0.05 million is attributable to minority interests. The profit attributable to the shareholders of CentroSolar Group AG is thus EUR 4.34 million (prior-year period EUR 1.37 million). The unadjusted EPS for 2008 is EUR 0.31, compared with EUR 0.10 for the previous year. After elimination of the after-tax effect of the aforementioned IFRS 3 depreciation and amortisation, there remains a cash EPS of EUR 0.70 for both years.

Solar Integrated Systems: an emerging global, fully integrated PV supplier

The merger of the group companies Biohaus, Solara and Solarstocc in the previous year to form the new Centrosolar AG increased the effectiveness of the Solar Integrated Systems segment and began to bear fruit in 2008. Both the previous year's revenue and earnings at EBITDA level had already been exceeded after just nine months. However, in the wake of the financial crisis the market environment worsened in the traditionally strong fourth quarter. Although revenue for the segment was still a healthy 44 % up on the prior-year figure, at EUR 241 million, the month of December in particular saw falling market prices and lower sales volumes. Inventories were consequently above the average at the end of the year and had to be impaired to the tune of EUR 2.3 million, producing a negative result in the fourth quarter. Overall, EBITDA of EUR 8.2 million was achieved (-15 % on previous year). However, in view of the lower IFRS 3 depreciation and amortisation, the EBIT operating result increased year on year by 59 % to almost EUR 1.0 million.

Solar Key Components: higher capacities and value added
The Solar Key Components segment is represented by the two subsidiaries Centrosolar Glas and Renusol. Growth for Centrosolar Glas in the previous year was restricted by its own production capacity, in particular for nanocoated solar glasses. We therefore trebled glass coating capacities there during the past year. The third ultra-high-performance coating plant went into operation at Fürth in July 2008. With a total annual capacity of 5 million m², demand can now by and large be met. Business for in-roof and on-roof mounting systems also enjoyed very vigorous growth. Revenue in this area more than trebled compared with the previous year, and consequently now accounts for around one-quarter of the segment's revenue. The patented plastic concepts that are noted for their extremely quick installation and above-average value for money, as well as creative in-roof mounting systems that are greatly in demand especially in France due to the national rules governing the feed-in tariff, mean that this segment is particularly profitable.

Overall, the Solar Key Components segment achieved profitable growth that outstripped the market average. External revenue for the segment rose by 74 % compared with the previous year, from EUR 52.4 million to EUR 91.4 million. EBITDA was more than doubled, from EUR 5.6 million to EUR 13.3 million. Because the IFRS 3 depreciation and amortisation for this segment was comparatively low, the earnings figure after deduction of depreciation, amortisation and impairment (EBIT) is also revealing. This earnings figure actually showed a year-on-year rise of 169 %, from EUR 4.2 million to EUR 11.2 million. The disproportionately high earnings growth contributes 3.7 percentage points to the EBIT margin (based on external and intra-group revenue), which has now risen from 7.9 % in 2007 to 12.3 %. As well as to operational improvements, this is attributable to the rising share of the production mix for higher-value anti-reflective glasses.

2 Financial position

2.1 Acquisitions and divestments: focus on organic growth

Whereas CentroSolar's growth in its early years was characterised by various acquisitions, the emphasis has been on organic growth since 2007. Except for the acquisition of the interest in Itarion Solar Lda, Portugal, no significant acquisitions or disposals of parts of enterprises took place in the past financial year.

2.2 Investment: production capacity extensively increased and modernised

The company invested extensively in the expansion and modernisation of production capacities in both segments during the past financial year. Total investment in property, plant and equipment rose from EUR 7.4 million in 2007 to more than EUR 19.0 million in 2008.

State-of-the-art solar module plant commissioned
After only a ten-month construction phase, CentroSolar officially opened one of Germany's largest solar module plants in Wismar on November 28, 2008. From 2010, the new plant will be manufacturing solar modules with a combined annual capacity of 150 MWp – a five-fold increase on the old Wismar plant. The total investment in the new plant comes to around EUR 23 million.

The new production plant has a total area of 47,000 m². Crystalline modules are manufactured on five production lines, primarily for use in on-grid systems. It also builds modules for stand-alone (independent, or off-grid) systems, e.g. for supplying power for electrical appliances on boats and in mobile homes. The new plant is also geared up to manufacturing in-roof modules for roof integration, as well as custom-built systems. The new solar module plant operates virtually automatically; as well as this assuring high standards of quality, its manufacturing operations are therefore economically very competitive in worldwide terms. The first line at the new plant was already commissioned last August.

CentroSolar has taken a conscious decision to maintain production operations in Germany. The personnel costs in module manufacturing amount to a few cents per Wp. The savings that could be realised by setting up module manufacturing in Asia would therefore be largely cancelled out by the high transport costs; on top of this, considerable costs would be incurred by quality assurance measures, and Asian modules would not be able to command as high a price.

Three-fold increase in capacity for glass coating

The Solar Key Components segment continues to deliver above-average, profitable growth. In addition to operational improvements, this is attributable in particular to the rising share of the production mix for higher-value antireflective glasses. CentroSolar expects this business trend to continue. In the area of solar glasses, CentroSolar is able to outpace the market growth for photovoltaic modules because module manufacturers are gradually switching their range to CentroSolar's patented nanocoated solar glasses. These anti-reflective glasses exhibit higher light transmission, which boosts the output of solar modules by 3-7 % compared with equivalent modules without anti-reflective glass. It should be noted in this context that the growth of Centrosolar Glas has hitherto been limited by its own production capacity, in particular for nanocoated solar glasses. Glass coating capacities have therefore been trebled since the end of 2007. The third ultra-high-performance coating plant at Fürth went into operation in July 2008, now enabling the company to tap into further growth potential.

2.3 Balance sheet structure

The balance sheet was extended by almost EUR 48 million in the past financial year, to EUR 221 million. This was due mainly to the following three factors:

- A rise in property, plant and equipment of more than EUR 15 million, mainly from the high level of investment in the new Sonnenstromfabrik Wismar and the extensions to coating capacity at Centrosolar Glas.

- Acquisition of an interest in Itarion Solar Lda and accounting of the amount of almost EUR 10 million invested by the equity method

- Approx. EUR 18 million increase in inventories, above all in the form of solar modules. This was prompted mainly by more subdued demand at the end of the fourth quarter as a result of the financial crisis.

- Rise of EUR 7.2 million in other assets. This figure includes approx. EUR 2.8 million in investment subsidies and grants receivable for Sonnenstromfabrik Wismar, as well as an increase in VAT receivable of EUR 1.1 million.

- EUR 8.8 million rise in cash and cash equivalents to EUR 16.8 million.

On the other hand, trade receivables fell by EUR 7.3 million and miscellaneous intangible assets by EUR 5.8 million. The latter change is substantially attributable to IFRS 3 depreciation and amortisation of EUR 6.2 million.

The net working capital rose year on year by EUR 20.2 million to EUR 68.6 million, by and large reflecting the rise in inventories.

2.4 Financing

On May 15 CentroSolar Group AG placed 1,240,851 new shares with selected investors at a placement price of EUR 8.60 per share, making partial use of its approved capital and excluding the subscription rights of the existing shareholders. The transaction was oversubscribed. CentroSolar Group AG accrued fresh equity of approx. EUR 10.7 million from the gross issuing proceeds of the capital increase. These proceeds will be used to finance the interest in Itarion, the operator of a new solar cell plant that is being built jointly with Qimonda AG in Porto, Portugal. The new module plant in Wismar is being financed through a loan refinanced by KfW. The machinery there is being financed largely by means of hire-purchasing. This is reflected in an increase in non-current financial liabilities from EUR 19.6 million to EUR 31.6 million. The company's overdraft facilities have moreover been adjusted in line with its growth.

In view of the substantial increase in the production volume and depth of value added, the company's net financial position deteriorated by EUR 29.6 million to EUR 74.0 million. The company's equity ratio was nevertheless maintained above 40 %.

At December 31, 2008 CentroSolar had unutilised credit lines amounting to EUR 9.1 million. In combination with the increase in cash and cash equivalents as well as scope for generating a further inflow of capital by reducing its inventories, CentroSolar enjoys ample leeway for continuing to finance its organic growth in the current financial year too.

2.5 Liquidity

Due to the rise in net working capital from the unscheduled buildup of inventories amounting to EUR 18 million, the cash flow from operating activities was again negative. However, capital requirements fell sharply to EUR 6.6 million, compared with EUR 10.9 million in the previous year. There was a substantial rise in capital requirements for investing activities from EUR 12.2 million in 2007 to EUR 30.1 million in 2008. The main reasons for this increase, as already explained under "Balance sheet structure", were the investments in the new module plant in Wismar and in the associate Itarion Solar Lda.

On the other hand, the inflow of capital from financing activities only rose by less than EUR 3 million from EUR 9.5 million to EUR 12.4 million. Financial resources were accrued in particular as a result of the capital increase presented in detail in the previous section, and from the long-term loans for financing module manufacturing operations.

3 People at CENTROSOLAR

Sustainability is the key tenet of our corporate culture

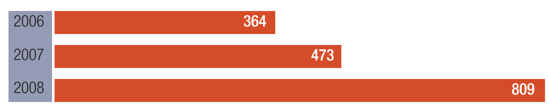
CentroSolar has committed itself to the corporate principle of sustainability. We aim to supply products and services that will also enable future generations to satisfy their needs in the same way that we now satisfy our needs. That includes the use of renewable energies. However, sustainability also applies to highly topical aspects of our corporate philosophy. For instance, even though the corporate culture of our group is still in its formative years, it treats technological expertise and entrepreneurial credibility as priorities. Our non-central structure encourages and challenges employees to assume individual responsibility for their actions. Many of our employees have decades of experience in their field, and were among the pioneers of the photovoltaics industry in its early years. We know we can have confidence in their expertise. Our managers are credible. They say what they think, and act on what they say. The Management Board possesses relevant experience in the merger and integration of individual companies. The employees and management collectively pursue a long-term corporate strategy that focuses on sustainable growth. Thanks to flat hierarchies, our decision-making paths are short and innovations can be implemented rapidly.

We create and protect jobs

We have been steadily creating new jobs ever since the founding of the group, not simply in response to its growth, but above all thanks to the greater depth of value added. There were 680 employees on average (previous year 472) in the CentroSolar Group in the past financial year of 2008. This figure corresponds to 676 full-time equivalents (FTE) (previous year 458). At the end of the reporting period there were 836 employees, corresponding to 809 FTEs, in employment at CentroSolar Group companies. The corresponding figures for the previous year were 493 employees and 473 full-time jobs. Most employees are located in Germany, though a growing proportion is based in other European and non-European countries. The group's largest manufacturing locations are in Germany.

Employees

[Full time equivalents (FTE)]



Personnel expenses rose by 45 % to EUR 22.9 million in 2008 as a result of the higher average number of employees and the trend in wages and salaries during the year. Thanks to economies of scale and the first fruits of the improvement in efficiency that prompted the merger of the three legacy companies under the umbrella of Centrosolar AG, the personnel expenses ratio was reduced slightly by 0.3 percentage points to 6.9 % of revenue.

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 key performers (selected employees, directors and board members of subsidiaries and the Management Board members of the group parent) in addition participate in the stock options scheme of CentroSolar Group AG. The members of the Supervisory Board receive a fixed payment as laid down in the articles of incorporation.

The CentroSolar Group attaches considerable importance to having a satisfied workforce. As well as holding regular employer/employee meetings, it conducts anonymous surveys (including with the assistance of external agencies) to monitor employee satisfaction and identify scope for improvements.

III Report on post-balance sheet date events

1 Disclosure of events of particular significance

Our module mounting systems manufacturer Ubbink Econergy Solar is now called Renusol

Ubbink Econergy Solar GmbH has been operating under the name of Renusol GmbH since January 1, 2009. The background to the strategic decision to change the name was that the rights to the use of the name Ubbink, a company name which had been acquired by CENTROTEC, are due to expire. Another reason was the growing significance of European sales markets other than Germany; the new name is intended to serve as an independent brand in those markets.

Itarion to remain a going concern despite insolvency of Qimonda AG

Qimonda AG, Munich, filed for bankruptcy on January 23. In partnership with Qimonda Solar GmbH, a fully owned subsidiary of Qimonda AG, CentroSolar Group AG is currently setting up a joint venture for the manufacture of solar cells, in which it holds a minority interest of 49 %. The establishment of this company, which goes by the name of Itarion Solar Lda and is based close to Porto (Portugal), is currently on track and it is in the process of installing the production facilities. To the best of our knowledge, Qimonda Solar GmbH has not yet been directly affected by the insolvency of the parent company. CentroSolar is therefore working on the assumption that Itarion's business operations will continue. The Portuguese authorities have classified Itarion as a project of national interest. The core members of the management team in Porto, as well as the technology experts, are adamant that they wish to remain involved in the project.

Itarion remains an attractive investment for the partners involved thanks to the superior cost positions and the technology team's unique experience in the areas of both photovoltaics and semiconductors. At the time of writing this Annual Report, talks were therefore in progress with various investors who have signalled an interest in taking over Qimonda Solar GmbH.

If efforts to maintain the business as a going concern should unexpectedly fail, the Management Board estimates that a potential total write-off of CentroSolar's interest in Itarion would involve a further cash burn of up to EUR 18 million for CentroSolar if Qimonda Solar GmbH were moreover unable to meet its payment commitments. The interest carried under investments would moreover need to be written off at a cost of EUR 9.8 million.

CENTROSOLAR acquires the remaining shares in the Dutch subsidiary Ubbink Solar Modules

By deed of February 26, 2009 CentroSolar International B.V., a fully owned subsidiary of the CentroSolar Group, increased its interest in the solar module plant Ubbink Solar Modules B.V. (USM) in Doesburg, near Arnhem, the Netherlands, from 70 % to 100 %. The Dutch Econcern Group sold its previous 30 % interest in the joint venture that it had been operating together with CentroSolar. At the same time, USM's existing supply agreement with Econcern was renewed. The Econcern Group will thus remain an important customer of USM.

IV Risk report

1 Individual risks

1.1 Risks from the economic environment and the industry

From a regulatory viewpoint, our business environment is influenced by the regionally varying subsidies available for solar plants. The removal of state subsidies or a sharp degression in feed-in tariffs could have a negative effect on the markets concerned.

With regard to the industry itself, the main risk is in the area of purchasing. Given the current downward trend in prices for solar silicon, there is the potential risk of buying at too high a price. In response to that risk, CentroSolar pursues a purchasing policy of short-term supply agreements so that it can respond flexibly to the forecast drop in prices and minimise this specific risk. This strategic decision does, however, go hand in hand with the new risk of a potential shortfall in supply. To avert that risk, we are currently establishing a cell manufacturing plant together with a technology partner, in order to cover at least 25 % of demand for cells for our module manufacturing operations. We are moreover constantly monitoring the market in order to find a way round any bottlenecks arising. However, it is not possible to avoid short-term, in-year price risks because inventories are built up during the course of the year in order to meet the high demand that is typically experienced in the fourth quarter. In view of the relatively high inventories at the end of 2008, if prices continue to deteriorate there is in addition the risk that a further write-down of inventories will need to be recognised within profit and loss during the first half of 2009. If the scheduled reduction in inventories is delayed to any significant degree, further financing measures could become necessary.

For the supply of cells, Itarion Solar Lda has concluded a long-term agreement on the supply of wafers, to which CentroSolar is indirectly tied through its commitment to purchase cells from Itarion on cost-plus terms. In view of the recent price developments that have been observed for solar silicon, a separate agreement has been concluded that assures their purchase on arm's length terms, in a departure from the general terms agreed. A similar arrangement has been negotiated for the purchasing of thin-film modules and solar cells, for which fixed prices had likewise been agreed. Here too, the suppliers have already made or promised to make concessions.

1.2 Corporate strategy risks

Accessing new export markets through our strategy of international expansion harbours both numerous opportunities and a great many risks. On the one hand the barriers of different languages and mentalities have to be overcome; on the other hand the industry and market structures vary from country to country, as does the field of competitors. It is therefore possible that the revenue targets drawn up in advance may prove impossible to realise and that international subsidiaries may initially operate at a loss. Nevertheless, because possessing knowledge of the target market is a key factor in our success, we conduct regular market analyses and draw up a detailed, step-by-step roadmap when setting up new subsidiaries and helping them to access the market.

1.3 Performance-related risks

In manufacturing high-quality solar glass and solar modules at the plants in Fürth, Germany, Wismar, Germany, and Doesburg, the Netherlands, and in future also solar cells in Vila do Conde, Portugal, we are dependent on the smooth operation of the facilities available for that purpose. Though we attach prime importance to maintenance and optimised operation, short-term bottlenecks may occur in deliveries in the event of plant breakdowns. A further risk in this connection concerns complaints about product defects, which may also be caused by an external production partner. This risk is countered by increasing provisions for guarantees and auditing the upstream suppliers. We have contractually agreed the turnkey handover of the cell production lines in Portugal, with guaranteed cell efficiency and plant productivity rates.

CentroSolar has undertaken to purchase 49 % of the cells manufactured by the Portuguese plant on cost-plus terms. This agreement entails risks if Itarion should fail to be in a position to manufacture cells at a competitive cost. Equally, subsequent stages of the production process and the manufacturing of solar glasses consistently have to satisfy market expectations in respect of quality and price.

1.4 Personnel risks

Relevant personnel risks above all concern the departure of leading members of the management. CentroSolar adopts a dual-pronged strategy to retain key individuals. On the one hand local managing directors are given a very high degree of entrepreneurial leeway on how to run the areas for which they are responsible. Meanwhile the coordination and integration of all companies in the group is handled by a group-wide steering committee. On the other hand, a stock option scheme offers a financial incentive to work towards the success of the group.

1.5 Financial risks

In its normal course of business, CentroSolar is exposed to financial risks in the areas of foreign exchange, interest rates and receivables. Foreign exchange risks, arising for example through the purchasing of cells in the USA and the sale of modules in the eurozone, have been limited to some extent through in-year hedging by means of put options which focus on the global exchange rate risk rather than on individual transactions. To counter debt defaults, advance payment is required from first-time customers and customers with limited creditworthiness; alternatively letters of credit are used for billing export business in particular. Finally, CentroSolar also makes limited use of factoring in order to avoid debt defaults. Furthermore, CentroSolar is exposed to an interest rate risk from the credit liabilities which have largely been concluded at flexible interest rates; a small portion of them has been secured by means of interest rate derivatives.

The potential risk of more limited access to financing via the banking sector following the financial crisis has not yet had any adverse effect on the financing and credit lines made available to CentroSolar. It is nevertheless expected that tight restrictions will apply to financial resources made available to fund further revenue growth. There is also the general risk that access to short-term credit lines could become more restricted. At the balance sheet date, for example, there existed general credit facilities amounting to EUR 52.2 million available from various banks until further notice.

The new company established in partnership with Qimonda has been granted bank loans of EUR 26 million, for which the parent companies are jointly and severally liable. This joint and several liability was reduced to EUR 18 million after the balance sheet date. As a result of Qimonda AG filing for bankruptcy, the project could be halted. If Itarion were to run out of cash at this stage, the banks could make CentroSolar wholly liable for repayment of the full amount. In that event, a repayment plan based on the company's liquidity plan would have to be agreed with the banks.

2 General statement on the risk situation of the group

As matters stand, any risk to the company as a going concern is more likely to arise from a series of individual risks than from any single risk materialising.

The company counteracts any negative consequences of risks by means of a detailed risk early warning system. The subsidiaries regularly complete a questionnaire and compile freely worded reports to identify and evaluate existing and future risks, their probability and their consequences if they were to materialise, in order to permit appropriate corrective measures. Important performance indicators are in addition regularly compiled by the management and monitored by the Management Board. Each subsidiary has appointed a risk manager, who is responsible for compiling the reports and conducting the necessary analyses within that subsidiary.

No risks posing a threat to the company as a going concern have been identified.

V Report on expected developments

1 Direction of the group

As matters stand, CentroSolar is not planning any fundamental changes to its long-term business policy, which focuses on sustained growth. It will remain an internationally oriented solar technology business focusing on photovoltaic roof systems, which sells PV systems and components to market players and users, and manufactures them either independently or together with partners. The two main thrusts of its strategy – volume growth in the Solar Integrated Systems segment coupled with, and financed by, value growth in the Solar Key Components segment, will remain the basis and powerhouse of an expansion policy that has hitherto been very successful. Backed by this two-pronged strategy, CentroSolar will push ahead in spreading internationally and building up its business in integrated systems.

Our regional sales policy in 2009 will continue to focus on the sales markets Germany, Spain, France and Italy. The USA will become a new focal market. Thanks to the subsidies for renewable energies announced by the new administration, we expect it to emerge as a highly interesting market. Our prospects there are still modest in 2009, but substantial growth rates are expected in 2010. In order to participate in that development we will be adding to our existing sales infrastructure in 2009.

By deepening our value chain to include cell manufacturing, new cell structure technologies and their manufacturing will gain increasing relevance for us. Our central Development Department is teaming up with semiconductor manufacturers and research institutes to develop and implement these new technology trends. Our core task area is the integration of cells into modules, and in turn their integration into the roof skin of buildings. We perceive this area as offering future sales potential because we will be able to set ourselves apart from the competition.

2 Underlying economic situation

Current financial crisis undermining availability of financing and propensity to invest

It is not yet clear what impact the worldwide financial crisis will have on the short and medium-term development of the photovoltaic industry. In terms of the real economy, however, there is only little correlation between the solar industry and national or international economic cycles. The photovoltaic industry continues to rely largely on state subsidy programmes, which have been stepped up in certain regions. The spectre of recession has not yet had any identifiable influence on these feed-in tariffs. The acquisition of a solar plant based on forecast sunlight levels and guaranteed feed-in tariffs fundamentally represents a very low-risk, high-return investment that is a comparatively attractive proposition in times of highly volatile stock markets and low interest rates. Photovoltaics can therefore be assumed to enjoy sustained growth potential. However, the possibility cannot be excluded that the propensity of investors to channel substantial sums into long-term capital goods could fall as a result of economic uncertainty. Furthermore, at the start of this year considerable reticence has been detected among banks to commit to the financing of large-scale plant in particular. On the other hand smaller plants for private houses, representing a typical investment outlay of EUR 10 to 20 thousand, are to some extent being fully financed through borrowing despite the financial crisis, because of their attractive risk profile. The investment cycles are expected to be less pronounced than for large-scale systems. Notwithstanding this, it is safe to assume that banks supplying financing will increasingly require the use of technically proven modules in solar systems by way of minimising the risk. That will be to the advantage of European module producers such as CentroSolar.

Shift from to seller's to buyer's market

In general, there will be a classic shift in emphasis from a seller's market to a buyer's market right across the value chain. Growing competition will bring the buyer and their expectations more sharply into focus. Solar businesses that have established business ties with wholesalers, installation engineers or other users will benefit from this trend. Basically only the upstream players in the solar industry and manufacturers of thin-film solar modules are expected to experience tighter margins due to more intense competition.

Falling module prices will generate opposite momentum

One key effect of the above change is the steady decline in prices that has been observed at all stages of the value chain since the end of 2008. Prices for large open-site systems have deteriorated particularly sharply, but the trend has also to some extent affected CentroSolar's core business for small and midsize solar systems. There is widespread disagreement within the industry as to how far this trend will go. Because CentroSolar is tied into relatively few solar cell sourcing agreements, the company is able to compensate for falling prices for modules and systems at the sales end by buying in correspondingly more cheaply, as soon as existing inventories have been reduced.

Lower selling prices appreciably improve the rates of return for end customers and render solar systems a more attractive proposition not just for private operators, but also for professional fund investors. This could counter the investment-inhibiting factors of the financial crisis by stimulating demand.

Positive development in global subsidies for PV roof systems

The amendment to the Renewable Energies Act (EEG) which was passed by Germany's Federal Parliament on July 4, 2008 and took effect on January 1, 2009 makes the roof systems that CentroSolar supplies a much more attractive proposition than open-site systems. The reduction in the feed-in tariff compared with 2008 is much lower than the price reductions that had already been realised in the market at the start of the year, making the investment basis much more attractive in the current year.

	2008	2009	2010	2011
Up to 30 kW	46.75	43.01 (-8%)	39.57 (-8%)	36.01 (-9%)
30 to 100 kW	44.47	40.91 (-8%)	37.64 (-8%)	34.25 (-9%)
From 100 kW	43.98	39.58 (-10%)	35.62 (-10%)	32.42 (-9%)
From 1000 kW	43.98	33.00 (-25%)	29.70 (-10%)	27.03 (-9%)
Open-site	35.49	32.00 (-10%)	28.80 (-10%)	26.21 (-9%)

[Payment tariffs and degression under the new EEG 2009, in cents per kWh or percent]

The new Royal Decree passed in Spain on September 26, 2008 on the subsidising of energy generated by photovoltaic means is likewise considerably boosting the market for roof systems. The aggregate capacity of newly installed PV systems is capped at 500 MWp, and has therefore been drastically reduced compared with the previous year. Nevertheless, the management estimates that whereas only very few roof systems were installed in Spain in 2008, there is legislation envisaging the installation of an aggregate output of 267 MWp from 2009; in other words, roof systems will account for more than half of the total output.

In France, Italy, the Czech Republic and various other European countries, the market environment has improved because the attractive feed-in tariffs have remained available even after the fall in prices. The terms on which PV systems attract tax concessions have likewise improved further in the USA. In view of the pivotal role attached to environmental protection on President Barack Obama's agenda for government, it is moreover conceivable that further measures to subsidise renewable energies will be introduced in the USA.

3 Anticipated financial performance and financial position

Because the extent of the financial crisis and its impact on the photovoltaic industry are currently still difficult to assess, any forecast for the current financial year is prone to much more than the usual level of uncertainty. More restricted access to financing will hold back the growth of the PV market in 2009. Thanks to its strong position in the market for the more highly subsidised roof systems, CentroSolar nevertheless expects the sales volume to rise in 2009, though the current trend in wafer, cell and module prices is likely to keep the overall revenue volume down to the level of the previous year. The optimisation programme now under way, the start of production at Itarion and the reduction in inventories in the first quarter will place a burden of non-recurring expenses on the cost situation. The operating result, while still remaining positive, is therefore forecast to show a short-term dip compared with the previous year. The groundwork being performed in 2009 will help to hoist the profit margin from operations permanently above current levels from 2010 on, thanks to the leaner structures created and more attractive purchasing terms for solar cells.

As a growth company, CentroSolar will 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.

4 Strategic and performance-based opportunities for CENTROSOLAR

Continuing strategy of expansion to yield revenue increase

CentroSolar will continue to expand internationally within specific regions over the next two years. 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 emerging market. CentroSolar will moreover increase its sales capacity still further in European markets in order to capitalise on the improved sales opportunities for roof systems, which now receive preferential treatment under the state programmes.

In the German market, CentroSolar will benefit from the improved availability of cells and therefore from an easing of its ability to deliver goods. Together with the strong German sales network, CentroSolar is now able to derive maximum advantage from its comprehensive portfolio of products and services.

In the project planning area for roof systems, too, the broader portfolio of customers that now includes more retail chains and industrial companies offers considerable potential for growth. The influence of the financial crisis is less marked here than in the sphere of open-site systems because they are financed by special investment funds.

So far, the Solar Key Components segment has only been affected to a limited degree by the slump in prices because the cost component of its products is a relatively minor aspect of an overall photovoltaic system. The market growth for sales of modules and photovoltaic systems that could be engendered by lower prices therefore offers substantial opportunities for revenue growth in this segment. 2009 will also bring specific measures aimed at achieving a greater international spread in business for both mounting systems and solar glass.

Improved purchasing terms yielding sustained improvement in gross margin

Growing competition among cell manufacturers means CentroSolar's gross margin is benefiting from improved purchase prices and payment terms. In addition to consistently attractive purchasing terms, our own cell manufacturing operations will guarantee a very reliable supply of cells from 2010 – even in cyclical market conditions – as well as access to new technological developments very early on in the process.

Rise in earnings from extensive optimisation programme

Following the integration of the former group companies Biohaus, Solara and Solarstocc into Centrosolar AG in 2007 and the focus on growth in 2008, CentroSolar Group AG has kicked off a comprehensive optimisation programme for 2009 in order to improve its competitiveness in the Solar Integrated Systems segment still further. Alongside specific measures aimed at shoring up revenue in the long term, the main aim is to improve economic efficiency within distribution costs and overheads. There is consequently ample scope for boosting profitability from as soon as 2009, but most particularly in the period of growth from 2010.

5 General statement on the expected development of the group

Our successful business performance in 2008 was the best possible endorsement of our business strategy. Concentrating on roof systems, expanding internationally, volume and value growth in both segments, a flexible purchasing policy on cells, the gradual expansion of the value chain – all these different facets to our strategy of expansion were reflected in new record revenue and earnings in the past financial year. CentroSolar is consequently now able to tackle an increasingly difficult market environment from a position of strength. We are furthermore fundamentally optimistic about the company's expected performance in 2009. There will initially be a decrease in business volume in the first half of 2009 compared with the atypical prior-year period in view of the non-recurring effect of Spanish business and the mild winter; we then expect a return to our accustomed strong growth in the second half of the year. For subsequent years, too, the Management Board expects the group's overall performance to be generally positive. 2009 will see some consolidation in the industry. Increasingly intense competition between the established players will affect mainly those companies that have hitherto concentrated on supplying open-site systems. We expect margins in our sub-segment for roof systems to remain constant, even if the selling prices for systems fall. We even expect to see revenue and earnings for components continuing to rise strongly.

Munich, March 17, 2009

Dr. Alexander Kirsch, Chairman and Finance

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

Dr. Axel Müller-Groeling, Strategy and Operations

Consolidated Balance Sheet
at December 31, 2008

Assets

in EUR '000	Notes	31/12/2008	31/12/2007
Non current assets			
Goodwill	1	49,429	49,429
Other intangible assets	2	7,471	13,280
Property, plant and equipment	3	27,872	12,291
Financial investments accounted for using the equity method	4	10,135	0
Other Loans and other Financial investments accounted for using the cost method	4	1,089	2,119
Derivative financial instruments	4	39	0
Other assets	4	2	0
Deferred tax	5	2,456	1,206
		98,493	**78,324**

Current assets			
Inventories	6	71,907	53,814
Trade account receivables	7	16,191	23,502
Receivables from Joint Venture		22	26
Other assets	10	15,922	8,680
Income tax receivable		926	878
Derivative financial instruments	8	606	40
Cash and cash equivalents	9	16,800	8,025
Assets Held for Sale		807	0
		123,181	**94,964**
Assets		**221,675**	**173,288**

Equity and liabilities

in EUR '000	Notes	31/12/2008	31/12/2007
Shareholders' equity			
Share capital	11	14,533	13,292
Additional paid-in-capital	11	67,369	58,126
Other reserves			
Share benefit reserve	11	756	555
Currency translation difference and fair value adjustment of financial assets and liabilities (Equity differences)	11	(314)	(39)
Retained earnings and other Reserves	11	2,953	1,581
Profit attributable to share capital holders of CENTROSOLAR Group AG	11	4,335	1,372
Minority interest, presented within equity	12	415	368
		90,047	**75,255**
Non current liabilities			
Pension accruals	13	1,037	998
Other accruals	14	1,431	2,815
Finacial liabilities	15	31,646	19,596
Other liabilities	18	0	1,081
Deferred tax	17	1,051	2,150
		35,165	**26,640**
Current liabilities			
Other accruals	14	727	831
Finacial liabilities	15	59,268	32,952
Trade accounts payable	16	14,616	22,306
Income tax payable		3,930	2,244
Other liabilities	18	17,684	13,060
Derivative financial instruments		238	0
		96,463	**71,393**
Equity and liabilities		**221,675**	**173,288**

Consolidated Income Statement
2008

in EUR '000	Notes	01/01/2008 31/12/2008	01/01/2007 31/12/2007
Revenues	19	332,604	220,323
Other operating income	20	6,157	3,260
Changes in inventories of finished goods and work in progress		14,560	576
Production for own fixed assets capitalized		824	126
Cost of purchased materials and services	21	(282,998)	(174,751)
Personnel expenses	22	(22,943)	(15,775)
Other operating expenses	23	(26,852)	(18,720)
EBITDA		21,352	15,039
Depreciation and amortisation	2, 3	(9,347)	(10,279)
Operating income (EBIT)		12,005	4,761
Interest income	24	443	304
Interest expenses	24	(7,007)	(3,564)
Result before income taxes (EBT)		5,441	1,500
Income tax	25	(1,059)	(85)
Net income (EAT)		4,382	1,415
Profit or loss attributable to minority interest	26	47	43
Profit or loss attributable to share capital holders of CENTROSOLAR Group AG		4,335	1,372
EPS (Earnings per share in EUR)			
Earnings per share (basic)	27	0.31	0.10
Earnings per share (diluted)	27	0.31	0.10
Weighted average shares outstanding (in numbers; basic)		14,075,618	13,292,458
Weighted average shares outstanding (in numbers; diluted)		14,075,618	13,292,458

Consolidated Cash Flow Statement
2008

in EUR '000	Notes	01/01/2008 31/12/2008	01/01/2007 31/12/2007
Operating income (EBIT)		12,005	4,761
Depreciation	2, 3	9,347	10,279
Loss on disposal of non-current assets		10	164
Other non-cash items		(0)	(1,731)
Increase/decrease in provisions		(1,617)	1,808
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		(17,545)	(27,448)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		(3,437)	4,420
Interests received and paid		(3,811)	(2,702)
Income taxes paid		(1,545)	(458)
Cash Flow from operating activities	29	**(6,592)**	**(10,908)**
Acquisition of share in participations - net of cash acquired		(4,524)	(3,348)
Purchase of property, plant and equipment/intangible assets		(27,105)	(9,092)
Proceeds from disposal of property, plant and equipment/intangible assets		1,489	196
Cash Flow from investing activities		**(30,140)**	**(12,244)**
Proceeds from issuance of shares		10,391	0
Proceeds from borrowings		13,514	14,715
Repayments from borrowings		(11,488)	(5,230)
Cash Flow from financing activities		**12,417**	**9,485**
Change in liquid funds*		**(24,315)**	**(13,667)**
Liquid funds at the beginning of the financial year	29	(11,084)	2,583
Liquid funds at the end of the financial year	29	(35,400)	(11,084)

* Liquid funds deducted of credits current account

Statement of Movements in Equity
2008

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	Minority interest, presented within equity	Consoli-dated equity
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 equity increase								0
Share option plan		49	301					350
Deposit for revolved increase of share capital								0
Fair value adjustment of financial assets and liabilities								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**
Payment in revenue reserves					1,372	(1,372)		0
Change in minority interest								0
Change from equity increase	1,241	9,430						10,671
Cost for issuing equity		(280)						(280)
Share option plan			201					201
Deposit for revolved increase of share capital								0
Fair value adjustment of financial assets and liabilities								0
Curreny translation differences				(275)				(275)
Deferred tax reserve		93						93
Profit attributable to share of CENTROSOLAR Group AG						4,335		4,335
Profit or loss attributable to minority interests							47	47
December 31, 2008	**14,533**	**67,369**	**756**	**(314)**	**2,953**	**4,335**	**415**	**90,047**

Number of shares outstanding	
December 31, 2006	13,292,458 Stocks
December 31, 2007	13,292,458 Stocks
December 31, 2008	14,533,309 Stocks

Segment Report 2008

By Segment

in EUR '000 Notes 28	Solar Integrated Systems 2008	Solar Integrated Systems 2007	Solar Key Components 2008	Solar Key Components 2007	Consolidation 2008	Consolidation 2007	Total 2008	Total 2007
P&L key figures								
Revenue from third parties	241,205	167,891	91,399	52,432	0	0	332,604	220,323
Revenue from other segments	24	3	5,497	1,603	(5,521)	(1,606)	0	0
Inventory changes	14,370	40	349	538	(158)	(2)	14,560	576
Cost of purchased materials and services	(223,424)	(137,738)	(65,095)	(38,618)	5,521	1,606	(282,998)	(174,751)
Gross profit	**32,176**	**30,195**	**32,150**	**15,955**	**(158)**	**(2)**	**64,167**	**46,148**
Personnel expenses	(16,610)	(11,163)	(6,333)	(4,612)	0	0	(22,943)	(15,775)
Other income and expenses	(7,375)	(9,544)	(12,496)	(5,790)	0	0	(19,872)	(15,334)
EBITDA	**8,190**	**9,488**	**13,320**	**5,553**	**(158)**	**(2)**	**21,352**	**15,039**
Depreciation and amortisation	(7,230)	(8,885)	(2,117)	(1,394)	(0)	0	(9,347)	(10,279)
EBIT	**961**	**604**	**11,203**	**4,159**	**(158)**	**(2)**	**12,005**	**4,761**
Interest income and expenses							(6,564)	(3,260)
EBT							**5,441**	**1,500**
Income tax							(1,059)	(85)
Net income (EAT)							**4,382**	**1,415**
Profit or loss attributable to minority interests							47	(43)
Profit attributable to share capital holders of CENTROSOLAR Group AG							4,335	1,372
Balance sheet key figures	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**
Total Assets	176,431	151,426	43,311	29,450	(11,584)	(9,646)	208,159	171,231
Financial assets, at equity	10,135	0	0	0	0	0	10,135	0
Income tax receivable*							3,382	2,088
Total liabilities	26,236	33,523	18,957	15,275	(9,459)	(7,680)	35,733	41,118
Financial liabilities							90,914	52,548
Income tax payable*							4,981	4,398
Investments								
Investments in fixed and intangible assets	13,962	2,933	5,612	5,102	0	0	19,574	8,035

in EUR '000	Germany 2008	Germany 2007	Other European euro-countries 2008	Other European euro-countries 2007	European non-euro countries 2008	European non-euro countries 2007	Rest of world 2008	Rest of world 2007	Total 2008	Total 2007
Revenue from third parties	154,428	148,706	129,976	37,832	36,724	22,970	11,476	10,815	332,604	220,323
Total Assets	183,521	151,808	7,365	8,357	16,558	10,897	715	169	208,159	171,231
Investment in fixed and intangible assets	18,003	7,421	1,568	609	0	2	3	3	19,574	8,035

* including deferred tax

CENTROSOLAR GROUP AG

Notes to the Consolidated Financial Statements for the financial year 2008

A Basic data for the group

The CentroSolar Group (hereinafter referred to as CentroSolar) has an international focus, with subsidiaries in Germany, other European countries, the USA and Asia. With revenue for the full year of 2008 totalling EUR 333 million (previous year EUR 220 million), the group has 809 employees (FTE = full time equivalents) (previous year 473).

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

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, was 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.

B Standards applied

The Consolidated Financial Statements at December 31, 2008 have been prepared in accordance with Section 315a (1) of German Commercial Code (HGB) in agreement with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), and the additional requirements of German commercial law. All IFRS, IAS, IFRIC and SIC interpretations, the application of which is mandatory for the financial year from January 1, 2008 within the EU, have been applied.

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

CentroSolar Group AG, as the parent company of the group, is moreover 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 2007 in agreement with the new accounting standards:

- Amendments to IAS 39 for reclassifications of financial assets: Effective Date and Transition
- IFRIC 11, IFRS 2 Group and Treasury Share Transactions
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Where the recognition and measurement principles for the group have been changed, the changes have been implemented in agreement with the respective rules on implementation and the transitional provisions.

The first-time application of the amended standards has no impact on the recognition and measurement policies of the group.

New accounting standards

The following new standards, revised standards and interpretations are to be observed from the 2009 financial year or later:

	Application mandatory from	Applied by CENTROSOLAR Group AG
Amendment to IFRS (annual improvements process for 2007)**	01/01/2009	01/01/2009
IAS 23 Borrowing Costs (revised)	01/01/2009	01/01/2009
IFRS 8 Operating Segments	01/01/2009	01/01/2009
Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Capital Disclosures	01/01/2009	01/01/2009
IAS 1 Presentation of Financial Statements (revised)	01/01/2009	01/01/2009
Amendment to IFRS 2: Share-based Payments	01/01/2009	01/01/2009
IFRS 3 Business Combinations (revised)	01/07/2009	01/01/2010
IAS 27 Consolidated and Separate Financial Statements (revised)	01/07/2009	01/01/2010
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	01/01/2009	01/01/2009
IFRIC 12 Service Concession Arrangements	01/01/2008	01/01/2009
IFRIC 13: Customer Loyalty Programmes	01/07/2009	01/01/2010
IFRIC 15: Agreements for the Construction of Real Estate	01/01/2009	01/10/2009
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	01/10/2008	01/01/2009
IFRIC 17 Distribution of Non-cash assets to Owners	01/07/2009	01/07/2009

** Affects the following standards in specific: IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41

Amendment to IFRS (annual improvements process for 2007)

Necessary amendments to existing standards are made through the annual improvements process. The aim here is principally to eliminate inconsistencies and to clarify expressions that could be misinterpreted. The standard comprises two parts, and was published in May 2008. The first part contains amendments that may affect presentation, recognition or measurement. The second part contains changes to expressions or editorial changes.

In March 2007 the IASB published the amendments to IAS 23 “Borrowing Costs“. The most significant change to this standard concerns the abolition of the option of recognising borrowing costs directly as an expense where these costs can be allocated directly to the acquisition, construction or production of a qualifying asset. In this context a qualifying asset exists if a substantial period of time is required to prepare an asset for its intended use or sale. The amended standard is to be applied from January 1, 2009. The application of the amended standard for the first time will not 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. Its application for the first time is not expected to have any material impact on the presentation of the net worth, financial position and financial performance of the group.

The IASB published amendments to IAS 32 „Financial Instruments: Disclosure and Presentation" and to IAS 1 "Capital Disclosures" in February 2008. The amendments in essence concern the distinctions between equity and borrowed capital. In particular, the revised version now allows scope for classifying callable instruments as equity subject to certain conditions. From a German perspective the amendments are principally of relevance to partnerships which have previously had to report the corporate capital as a liability in view of the company members' termination rights. The amendments are to be applied for financial years beginning on or after January 1, 2009. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In September 2007 the IASB published an amendment to IAS 1 "Presentation of Financial Statements (revised)". IAS 1 (Revised) uses the terms „statement of financial position" (previously "balance sheet") and "statement of cash flows" (previously "cash flow statement") and introduces a statement bearing the designation "statement of comprehensive income". However, use of the new designations is not mandatory. The amendments to IAS 1 oblige enterprises to present comparative information for the preceding reporting periods. The revised standard moreover requires presentation of an additional form of balance sheet ("statement of financial position") at the start of the first comparative periods shown, if the enterprise has retroactively changed the accounting policies or has retroactively adjusted the financial statements. The amendment to IAS 1 in addition envisages the following:

- All changes to equity that result from transactions with shareholders are to be presented separately from those changes to equity that are not based on transactions with shareholders.
- Income and expense items are to be presented separately from transactions with owners, either in one financial statements component ("statement of comprehensive income") or in two financial statements components (one separate "income statement" and one "statement of comprehensive income").
- The components of the "other comprehensive income" are to be represented in the "statement of comprehensive income".
- The total amount "total comprehensive income" is to be shown.

The amendments to IAS 1 moreover require disclosure of the respective income tax amounts per component of "other comprehensive income" and presentation of the reclassification as "other comprehensive income". Amounts reported as dividends distributed and the corresponding per-share amounts are furthermore to be presented either in the statement of movements in equity or in the Notes to the Consolidated Financial Statements. The amendment to IAS 1 is to be applied for financial years beginning on or after January 1, 2009. As the amendments to IAS 1 concern exclusively disclosure, there will be no material effects on the presentation of the net worth, financial position, financial performance and cash flows of the CentroSolar Group.

In January 2008 the IASB published the revised version of the standard IFRS 2 "Share-based Payments". The principal changes and clarifications are the following:

- Vesting conditions are service or performance conditions only.
- Any (early) cancellation of the plan is treated identically for reporting purposes, irrespective of whether cancellation was by the enterprise itself or by the employee.

The amendments to IAS 2 are to be applied for full-year reporting periods beginning on or after January 1, 2009. Earlier application is permitted. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In January 2008 the IASB published the revised standard IFRS 3 "Business Combinations". The revised version redefines how the purchase method is applied in business combinations. The principal new regulations relate to the measurement of minority interests, the reporting of successive acquisitions and the treatment of conditional purchase price components and transaction costs. According to the new regulations, minority interests may be measured either using the full goodwill method or at the fair value of the pro rata identifiable net assets. In the case of successive acquisitions, remeasurement is envisaged at the fair value of the shares held at the time of transfer of control, and recognised in profit or loss. An adjustment to conditional purchase price components that are reported as a liability at the time of acquisition is to be recognised in profit or loss in the future. Transaction costs are recognised as an expense at the time they occur. The application of this standard is mandatory for financial years beginning on or after July 1, 2009. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In January 2008 the IASB published the revised standard IAS 27 "Consolidated and Separate Financial Statements". The principal amendments to IAS 27 concern the accounting of transactions where a company retains control, and of transactions where control is surrendered. Transactions that do not lead to a loss of control are to be recognised income-neutrally as equity transactions. Residual interests are to be measured at fair value at the time of loss of control. In the case of minority interests, negative balances may not be recognised; in other words, in future losses will be allocated in proportion to the interest, without limit. The application of this standard is mandatory for financial years beginning on or after July 1, 2009. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In July 2008 the IASB published a supplement to IAS 39 "Financial Instruments: Recognition and Measurement - Eligible Hedged Items". The supplement clarifies how the basic principles of hedge accounting are to be applied in two specific situations – the designation of inflation risks as the hedged item, and the designation of a one-sided risk in a hedged item. Application of the supplement is retroactively mandatory for financial years beginning on or after July 1, 2009; earlier application is permissible. The group does not expect that the application of the revised version will have any material influence on the presentation of the financial statements, assuming it is endorsed in its current form by the EU.

The interpretation IFRIC 12 "Service Concession Arrangements" was published in November 2006. It covers the accounting of service agreements between the public sector and private companies. These services comprise the building, operation and maintenance of infrastructures that remain under the control of the public sector. The IFRIC 12 rules are to be applied for financial years beginning on or after January 1, 2008. Their application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

The interpretation IFRIC 13 "Customer Loyalty Programmes" was published in July 2007. It regulates the disclosure of revenues from customer loyalty programmes which are received upon the purchase of goods or services and are offered either by the manufacturers or service providers themselves, or by third parties. The IFRIC 13 rules are to be applied for financial years beginning on or after July 1, 2008. Their application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

The IASB published IFRIC 15 "Agreements for the Construction of Real Estate" in July 2008. The aim of the interpretation is to achieve uniform accounting by companies that develop real estate and which, in that capacity, sell units such as apartments or houses, "off plan" – that is, before construction is complete. IFRIC 15 defines criteria according to which accounting comes under the scope of either IAS 11 "Construction Contracts" or IAS 18 "Revenue". The interpretation is to be applied for financial years beginning on or after January 1, 2009. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

In July 2008 the IASB published IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". The purpose of the interpretation is to clarify two issues arising in connection with the two standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" in connection with the accounting of hedges of foreign currency risks within an enterprise and its foreign business operations. IFRIC 16 clarifies what is to be regarded as a risk from the hedging of a net investment in a foreign business operation, and where the hedge to minimise this risk may be held within the group. The interpretation is to be applied for financial years beginning on or after October 1, 2008. Its application for the first time is not expected to have any material impact on the net worth, financial position and financial performance of the group.

IFRIC 17 "Distribution of Non-cash assets to Owners" clarifies the recognition and measurement of non-cash assets distributed as profit to shareholders. This liability is to be recognised at the point in time from which distribution is no longer at the discretion of the enterprise. The IFRIC 17 rules are to be applied for financial years beginning on or after July 1, 2008. As no non-cash assets are distributed, the application of these rules for the first time are not expected to have any impact on the net worth, financial position and financial performance of the group.

C Consolidation, recognition and measurement

Consolidated companies and other subsidiaries

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, joint ventures pursuant to IAS 31, and associated companies pursuant to IAS 28. The following companies, which simultaneously constitute the CENTROSOLAR Group ("CENTROSOLAR"), were consolidated within CENTROSOLAR Group AG at December 31, 2008:

Company	Place and country of incorporation	Share of capital	Issued capital	Currency (ISO code)	Founded/ acquired
Fully consolidated					
CENTROSOLAR Group AG	Munich, D	-	14,533,309	EUR	13/09/1999
"Solar Integrated Systems" segment					
Centrosolar AG	Hamburg, D	100 %	100,296	EUR	04/10/2005
Centrosolar America Inc.	Fountain Hills, USA	100 %	10	USD	03/04/2007
Centrosolar Cell GmbH (formerly Centrosolar Trading GmbH)	Munich, D	100 %	25,000	EUR	12/10/2005
Centrosolar Fotovoltaico España S.L.	Barcelona, E	100 %	50,000	EUR	04/07/2006
Centrosolar France SARL	Ecully, 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 %	18,151	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 Sonnenstromfabrik GmbH (formerly 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
"Solar Key Components" segment					
Centrosolar Glas GmbH & Co KG	Fürth, D	100 %	900,000	EUR	23/08/2005
Centrosolar Glas Korea Inc.	Seoul, KOR	100 %	50,000,000	KRW	13/12/2007
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 Grundstücksverwaltungs GmbH	Munich, D	100 %	25,000	EUR	16/11/2005
Renusol GmbH (formerly Ubbink Econergy Solar GmbH)	Cologne, D	100 %	25,000	EUR	11/10/2005
Proportionate consolidation pursuant to IAS 31					
Centroplan GmbH	Geilenkirchen, D	50.5 %	100,000	EUR	21/12/2006
Companies consolidated using the equity method pursuant to IAS 28					
Itarion Solar Lda	Vila do Conde, P	49 %	20,000,000	EUR	16/07/2008
Available-for-sale financial assets					
Sunarc A/S	Roenede, DK	12.5 %	1,687,000	DKK	09/05/2006
WestphalenSolar GmbH	Paderborn, D	18.75 %	60,000	EUR	09/05/2006
Centroplan España S.L.	Barcelona, E	50.5 %	10,000	EUR	06/03/2008
Centroplan Italia Srl	Rome, I	50.5 %	10,000	EUR	21/11/2008

The statement of interests held by the group appears in the separate financial statements of CentroSolar Group AG and is published in the electronic Federal Gazette.

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

Centroplan España S.L. and Centroplan Italia Srl are recognised as available-for-sale financial assets in view of the lesser significance of these companies.

WestphalenSolar GmbH effected a capital increase of EUR 35 thousand in September 2008, bringing its share capital to a total of EUR 60 thousand. Centrosolar AG did not, however, subscribe to any new shares, with the result that its ownership interest fell to 18.75 %. As in the previous year, the investment is reported as an available-for-sale financial asset.

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

EUR '000	31/12/2008	31/12/2007
Non-current assets	24	4
Current assets	317	231
Long term debt	0	0
Current liabilities	275	175
Net assets	66	60
Income	597	347
Expense	(591)	(337)
Earnings after tax	6	10

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

Changes in the group

Fully consolidated

Centrosolar Glas Korea Inc., which had been recognised as an available-for-sale financial asset in the previous year in view of its minor significance was fully consolidated from January 1, 2008.

Proportionate consolidation

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

Companies consolidated using the equity method

CentroSolar Group AG established a joint company with Qimonda AG by deed of May 5, 2008 for the manufacture of crystalline solar cells: Itarion Solar Lda, with its registered office in Vila do Conde, Portugal. The company was entered on the Commercial Register of Vila do Conde, Portugal, on July 16, 2008 under the number 508 584 850. That company has issued capital of EUR 20 million, 49 % of which is held by CentroSolar Group AG and 51 % indirectly by Qimonda AG, in proportion to the stakes held in the entity by the respective companies.

Available-for-sale financial assets

The 10 % interest in Trillion Sun International Co. Ltd, Hong Kong, is no longer accounted for as an available-for-sale financial asset. CentroSolar Group AG has entered into negotiations on the sale of its interest. The asset is therefore classified as “held for sale” pursuant to IFRS 5.

On March 6, 2008 and November 21, 2008 respectively, Centroplan GmbH established the two fully owned subsidiaries Centroplan España S.L. and Centroplan Italia Srl. In view of their lesser significance both companies are recognised as available-for-sale financial assets with a CentroSolar Group interest of 50.5 % based on the proportionate consolidation of Centroplan GmbH.

Consolidation methods

The balance sheet date of the companies included in the Consolidated Financial Statements is December 31, 2008. The financial year of all the subsidiaries included in the Consolidated Financial Statements likewise ended on December 31, 2008. The income statement covers the period from January 1 to December 31, 2008 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, IAS 28 and

IAS 31, examined, and where requiring auditing as individual companies, granted an unqualified audit certificate.

Unless 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 profit and loss.

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 in accordance with the rules 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 expenditure of the joint venture. All assets, liabilities, income and expenditure of the joint venture are recognised proportionately under the respective items of the Consolidated Financial Statements. Unrealised gains from transactions between the group and its joint ventures are eliminated in proportion to the ownership interest; unrealised losses are likewise eliminated proportionately.

c Associated companies

Investments in associated companies are included in the Consolidated Financial Statements by what is known as 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. Undisclosed reserves are recorded in an auxiliary calculation and written down on the basis of expected useful life. The resulting effect is shown in the income statement. No expense or income arose in this way in the financial year under review.

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 %, as well as immaterial holdings, 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

The Segment Report is prepared in accordance with IAS 14. 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 expenditure 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. (US dollar) and Centrosolar Glas Korea (Korean won). 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. 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 hyperinflationary economy.

The following table shows important exchange rates and their development:

Foreign currency translation

ISO Code	Rate at reporting day		Average rate	
	31/12/2008	31/12/2007	2008	2007
USD	1.3917	1.4721	1.4708	1.3705
CHF	1.485	1.6547	1.5874	1.6427
JPY	126.14	n/a	152.45	n/a
KRW	1839.13	n/a	1606.09	n/a

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:

- Designated at fair value through profit and loss,
- Loans and receivables,
- Held to maturity,
- Available for sale.

Financial liabilities in addition exist.

The classification of financial assets 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 as well as receivables in the category "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 "measured 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 financial assets in the category "available for sale" are sold or impaired not just temporarily, the cumulative adjustments to the fair value within equity are recognised in profit and loss, in the income statement, as a gain or loss from financial assets.

Investments in equity instruments for which no active market exists, and the fair value of which cannot be reliably determined, are measured at acquisition cost.

Financial liabilities are stated at fair value upon initial recognition. They are then subsequently measured using the effective interest rate method.

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.

No hedge accounting was used for derivative financial instruments. These are measured at cost upon acquisition, then subsequently at fair value through profit and loss.

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.

As in the previous year, the group had no financial assets which came under the category of held to maturity at the balance sheet date of December 31, 2008.

Other recognition and measurement principles

a Goodwill

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, a reduction for impairment is applied. Goodwill is recognised at cost, less accumulated impairment. If the reasons for applying a reduction for impairment on the basis of an impairment test wholly or partly cease to exist in a subsequent period, that reduction for impairment is not written up.

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	6 – 40
Patents/technologies	5 – 25
Software and software developments	3 – 5
Capitalised development costs	5 – 25
Buildings	6 – 33
Technical equipment and machinery	3 – 15
Fixtures and office equipment	2 – 10

c Property, plant and equipment

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, a reduction for impairment 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. In previous years, investment subsidies and grants were reported as deferred items within other accruals and provisions and liquidated on a straight-line basis over the anticipated useful life of the assets. This approach was modified from this financial year. Investment subsidies are now netted directly with the costs, and investment grants are reported under other liabilities 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 continue to be recognised as income.

e Non-current investments

Non-current investments comprise investments in associated companies, non-associated companies and other loans originated by the enterprise. The associated companies are stated at cost, which rises or falls depending on the share of net profits in the subsequent period. 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, a reduction for impairment down to the recoverable amount is recognised.

f Inventories

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 (POC) 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. If no reliable project controlling is available to determine the stage of completion and the profit, the "zero profit method" is used. Here, revenues are reported at the same levels as the corresponding expenses.

g Accounts receivable and other assets

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 impairment has been recognised for identified risks, as indicated by experience. The 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. Impairment is 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. Other current assets also include prepaid expenses which relate to expenditures for future periods.

h Deferred tax

Deferred tax relates to tax deferrals resulting from temporally diverging stated amounts 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 investments in subsidiaries, joint ventures and associated companies is reported unless differences cannot be reversed within a foreseeable time frame or the timing of the reversal can be controlled by the company. Where the underlying matter is recognised within equity, the deferred tax on it is likewise recognised within equity. Deferred tax claims and liabilities are netted with each other for the individual company, provided the conditions for netting are met. Deferred tax is classified as non-current on the balance sheet.

i Cash and cash equivalents

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 Pension provisions

Pension provisions are 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 or against income 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.

k Other accruals and provisions

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 and provision 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 and provisions are created only where a legal or factual obligation to third parties exists and the level of the provisions 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 and provisions may in certain circumstances be recognised as a liability if the likelihood of an isolated obligation materialising within the underlying overall group is slight.

l Liabilities and debt

Liabilities and debt are stated at fair value including discounts or other transaction costs upon initial measurement, and subsequently reported 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. These include in particular the credit lines made available for the working capital.

m Leases

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 present 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. CentroSolar occupies the role of lessee in the context of finance leases and lessor in the context of operating leases.

n Other liabilities

Other liabilities include e. g. deferred income including receipts prior to the reporting date that represent income for future periods.

o 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 other reserves essentially comprise the values of changes from currency translation recognised in equity, changes in the value of interest rate hedging instruments, and the reserve formed for stock options.

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.

p 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 in the financial year on the basis of the measurement principles defined IFRS 2. 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 vesting 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 vesting 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.

q 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 VAT and discounts, and after elimination of intra-group transactions, when delivery has taken place and transfer of risks and rewards has been completed. Revenue for services is recorded in the period in which the service was rendered.

r Financing costs

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.

S 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 provisions.

The inventories were compared with the selling prices that can be realised and, if the cost is higher, written down to the lower selling price. These were derived from the market prices and realised selling prices from the first two months of the subsequent financial year.

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 are required 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, 2008. 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 121.5 million. However, this would not have led to any reduction in the carrying amounts for goodwill. A discount rate of 7.8 % was applied to the free cash flows. The discount rate determined conforms to the WACC rate for the group. 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 45.4 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 10.2 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 impairment of EUR 0.7 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 these agreements being implemented without losses being adjusted. Because a supplier relationship exists with Itarion Solar Lda in the form of a commitment to purchase 49 % of the manufactured cells on cost-plus terms, this also applies indirectly to the wafer supply agreement with Itarion Solar Lda. In evaluating the situation of Itarion Solar Lda, it was moreover assumed that the joint venture can go ahead despite Qimonda AG having filed for bankruptcy. This has potential consequences for the measurement of the equity investment and for the contingent liabilities as a result of joint and several liability.

Where contingent purchase price liabilities cannot be determined precisely, they are determined on the basis of the accounting policies applicable to provisions 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 provision 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 provisions for guarantees, various assumptions which affect the level of these provisions 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 provisions 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 provisions 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 provisions 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 future-related 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 future-related 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 risk

The market risks comprise exchange rate, interest and price risks.

Exchange rate risk

- Dependence on exchange risk: Market risks from currency translation are limited, as sales transactions take place principally in eurozone countries. Less than 1 % of revenues arise outside the eurozone. At the procurement end, there exist risks essentially in connection with the purchasing of solar cells in USD.
- Controlling the exchange rate risk: 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. Hedge accounting was not used in the financial year.
- Sensitivity to exchange rate fluctuations: The following table shows the sensitivity of earnings before tax to fluctuating exchange rates based on the trade receivables and payables and other financial assets and liabilities at December 31, 2008.

Foreign currency risk

in EUR '000

		Change in earnings before tax if...		Change in shareholders' equity if...	
	Net carrying amount 31/12/2008	... euro appreciates by 5 %	... euro weakens by 5 %	... euro appreciates by 5 %	... euro weakens by 5 %
USD	148	(7)	8	0	0
CHF	1,586	76	(83)	0	0
KRW	2	(0.1)	0.1	0	0
Total		68	(76)	0	0

The low sensitivity to fluctuations in the USD is attributable to the virtually constant level of assets and liabilities denominated in USD. The present values of the foreign currency hedges are moreover exposed to exchange rate risks that directly affect earnings before tax:

Sensitivity of foreign currency derivatives

in EUR '000

		Change in present values if...	
	Net carrying amount 31/12/2008	... euro appreciates by 5 %	... euro weakens by 5 %
Assets			
USD	431	(343)	310
Liabilities			
USD	(50)	(40)	36
JPY	(42)	(120)	109
Total		(502)	454

Interest rate risk:

- Dependence on interest rate risks: Interest rate risks occur for interest-bearing instruments. At December 31, 2008 the group reported variable-rate borrowings of EUR 50,494 thousand.
- Controlling the interest rate risk: 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 through profit and loss. No hedge accounting was used in the financial year. 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.
- Sensitivity to interest rate changes: Based on the financial liabilities and assets at December 31, 2008 with a variable interest rate and for which no interest rate hedging transactions exist, an assumed rise in interest rates of 50 base points would reduce the earnings before tax by EUR 219 thousand.

Price risks

In respect of the Consolidated Financial Statements at December 31, 2008 the group was not exposed to any other price risks as defined by IFRS 7.

Credit risk

- Dependence on credit risks: Credit risk refers to the risk that arises when one party to a contract is unable to meet its obligations concerning a financial instrument. 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. CentroSolar has no significant concentration of credit risk with any single customer. The largest customer in the group accounts for 11.7 % of revenue. Other assets essentially comprise receivables due from a wide range of different counterparties.
- Controlling the credit risk: 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.

Liquidity risk

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

Additional disclosures on financial instruments

Carrying amounts, stated amounts and fair values by measurement category

in EUR '000

	Measurement category acc. to IAS 39	Carrying amount	Stated amount acc. to IAS 39				Stated amount acc. to IAS 17	Fair Value
			Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss		
2008								
Assets								
Loans originated by the enterprise	LaR	104	104					104
Trade receivables	LaR	16,191	16,191					16,191
Derivative financial assets								
Derivatives without hedging relationship	LAHfT	645				645		645
Cash and cash equivalents	LaR	16,800	16,800					16,800
Other financial assets								
Other receivables	LaR	4,111	4,111					4,111
Available for sale financial assets	AfS	985		985				985
Equity and liabilities								
Financial debt								
Due to banks	FLAC	71,643	71,643					71,643
Finance lease liabilities	n.a.	4,128					4,128	4,128
Other financial debt	FLAC	15,143	15,143					15,143
Trade payables	FLAC	14,616	14,616					14,616
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	238				238		238
Other financial liabilities	FLAC	11,099	11,099					11,099
2007								
Assets								
Loans originated by the enterprise	LaR	170	170					170
Trade receivables	LaR	23,502	23,502					23,502
Derivative financial assets								
Derivatives without hedging relationship	LAHfT	40				40		40
Cash and cash equivalents	LaR	8,025	8,025					8,025
Other financial assets								
Other receivables	LaR	3,739	3,739					3,739
Available for sale financial assets	AfS	1,949		1,949				1,949
Equity and liabilities								
Financial debt								
Due to banks	FLAC	35,425	35,425					35,425
Finance lease liabilities	n.a.	1,059					1,059	1,059
Other financial debt	FLAC	16,065	16,065					16,065
Trade payables	FLAC	22,306	22,306					22,306
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	0				0		0
Other financial liabilities	FLAC	12,213	12,213					12,213

in EUR '000	Measurement category acc. to IAS 39	Carrying amount	Stated amount acc. to IAS 39				Stated amount acc. to IAS 17	Fair Value
			Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss		
Total per measurement category acc. to IAS 39								
2008								
Loans and receivables	LaR	37,206	37,206					37,206
Available for sale financial assets	AfS	985		985				985
Financial assets held for trading	FAHfT	645				645		645
Financial liabilities measured at amortised cost	FLAC	112,501	112,501					112,501
Financial liabilities held for trading	FLHfT	238				238		238
2007								
Loans and receivables	LaR	35,436	35,436					35,436
Available-for-sale financial assets	AfS	1,949		1,949				1,949
Financial assets held for trading	FAHfT	40				40		40
Financial liabilities measured at amortised cost	FLAC	86,009	86,009					86,009
Financial liabilities held for trading	FLHfT	0				0		0

The present value of the receivables corresponds virtually to the fair value.

Net result by measurement category

in EUR '000	From interest, dividends	From subsequent measurement			From disposals	Net result	
		At fair value	Currency translation	Reductions for impairment		2008	2007
Loans and receivables (LaR)	136	n/a	223	(596)	0	(237)	(639)
Available for sale financial assets (AfS)	0	n/a	0	0	0	0	13
Financial assets held for trading (FAHfT)	n/a	40	n/a	n/a	352	352	(144)
Financial liabilities measured at amortised cost (FLAC)	(6,348)	n/a	1,293	n/a	0	(5,056)	(3,564)
Financial liabilities held for trading (FLHfT)	n/a	338	n/a	n/a	0	338	0

D Notes to the Consolidated Balance Sheet and Consolidated Income Statement

1 Goodwill

in EUR '000

	Total goodwill
2008	
Accumulated cost Jan 1	49,429
Additions for first-time consolidation	0
Additions	0
Disposals	0
Exchange differences	0
Accumulated cost Dec 31	0
Accumulated impairment Jan 1	0
Impairment	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2008	**49,429**
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
Disposals	0
Accumulated impairment Dec 31	0
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 2009, estimates of forward-looking assumptions that are planned over a period of four forecast years, and also a rollover value calculated on the basis of the fourth forecast year. A growth rate of 2.0 % p. a. 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. Average weighted growth rates for the segments of between 18 % and 24 % p. a. 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 7.8 % p. a. 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 our own shares 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

	2008	2007
Centrosolar Glas	3,790	3,790
Solarsquare	5,817	5,817
Centrosolar AG	39,779	39,779
Miscellaneous	42	42
Total	**49,429**	**49,429**

Allocation of goodwill to segments

in EUR '000

	Solar Integrated Systems		Solar Key Components		Total	
	2008	2007	2008	2007	2008	2007
Germany	39,821	39,821	3,790	3,790	43,611	43,611
European non-euro countries	5,817	5,817	0	0	5,817	5,817
Total	**45,638**	**45,638**	**3,790**	**3,790**	**49,429**	**49,429**

2 Miscellaneous intangible assets

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

Intangible assets

in EUR '000

2008	Industrial rights and similar rights	Software	Capitalised development costs	Total intangible assets
Accumulated cost Jan 1	27,153	635	274	28,062
Additions for first-time consolidation	0	0	0	0
Additions	0	524	0	524
Disposals	0	0	0	0
Reclasses	15	6	0	20
Exchange differences	0	0	0	0
Accumulated cost Dec 31	27,168	1,164	274	28,607
Accumulated amortisation Jan 1	(14,577)	(107)	(99)	(14,782)
Additions	(5,979)	(297)	(51)	(6,326)
Disposals	(21)	(6)	0	(27)
Accumulated amortisation Dec 31	(20,576)	(410)	(150)	(21,136)
Net carrying amount December 31, 2008	**6,592**	**754**	**125**	**7,471**
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
Accumulated amortisation Jan 1	(6,144)	(27)	(48)	(6,219)
Additions	(8,432)	(80)	(50)	(8,563)
Disposals	(0)	0	0	(0)
Accumulated amortisation Dec 31	(14,577)	(107)	(99)	(14,782)
Net carrying amount December 31, 2007	**12,577**	**528**	**175**	**13,280**

All miscellaneous intangible assets were acquired.

One favourable supply agreement for the subsidiary Solarsquare AG with a historical cost of EUR 18.1 million is contained under industrial rights and similar rights; it was written off as scheduled in the financial year, by the amount of EUR 5,234 thousand (previous year EUR 7,684 thousand).

The capitalised development costs contain exclusively assets that were identified in the context of IFRS 3 purchase price allocations.

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

2008	Land and buildings	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
Accumulated cost Jan 1	3,709	8,212	2,083	1,091	15,096
Additions for first-time consolidation	0	0	0	0	0
Additions	8,037	6,938	2,032	2,044	19,050
Disposals	(0)	(19)	(66)	(140)	(225)
Reclasses	33	875	37	(945)	(0)
Exchange differences	0	0	2	0	2
Accumulated cost Dec 31	11,778	16,006	4,089	2,050	33,922
Accumulated depreciation Jan 1	(116)	(2,081)	(608)	0	(2,805)
Additions	(337)	(2,058)	(626)	0	(3,021)
Disposals	(1)	(182)	(40)	0	(224)
Reclasses		5	(5)	0	0
Accumulated depreciation Dec 31	(454)	(4,316)	(1,280)	0	(6,050)
Net carrying amount December 31, 2008	**11,325**	**11,689**	**2,809**	**2,050**	**27,872**

2007	Land and buildings	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
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, 2007	**3,594**	**6,131**	**1,475**	**1,091**	**12,291**

The reclasses from assets in course of construction in essence concern the commissioning of additional plant for the Doesburg and Fürth production locations which was under construction at the start of the financial year.

The additions to land and buildings substantially comprise the cost of the land and the new production plant built on it in Wismar.

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 Wismar.

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. The following amounts of investment subsidies were netted in the financial year: For land and buildings EUR 1,227 thousand (previous year EUR 0 thousand), for technical equipment and machinery, EUR 534 thousand (previous year EUR 0 thousand) for furniture, fixtures and office equipment, EUR 111 thousand (previous year EUR 0 thousand).

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 3,949 thousand reported in the context of finance leases. These assets had been added at historical costs of EUR 4,879 thousand (previous year EUR 1,475 thousand). Depreciation amounting to EUR 538 thousand (previous year EUR 214 thousand) was applied to them in the financial year. The accumulated depreciation totals EUR 930 thousand (previous year EUR 393 thousand).

EUR 19,095 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

Their classification and development of these assets are shown below:

Investments

in EUR '000

2008	Investments accounted for using equity method	Available-for-sale financial assets	Loans originated by the enterprise	Total investments
Accumulated cost Jan 1	0	1,949	170	2,119
Additions	9,985	10	36	10,031
Disposals	0	(824)	(102)	(926)
Reclasses	150	(150)	0	0
Accumulated cost Dec 31	10,135	985	104	11,223
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, 2008	**10,135**	**985**	**104**	**11,223**
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, 2007	**0**	**1,949**	**170**	**2,119**

Four investments are classified as available for sale.

The additions in the category of investments accounted for using the equity method relate to the new company established jointly with Qimonda AG and its subsidiary

Qimonda Solar GmbH for the manufacture of crystalline solar cells, Itarion Solar Lda. It was capitalised on the basis of the 49% share of the company's capital stock, plus transaction costs. According to the terms of the agreement, the company members have the obligation to supply a second tranche of equity in April 2009; CENTROSOLAR's contribution will amount to around EUR 10 million in this instance. The reclasses relate to transaction costs deferred in the previous year for this investment.

The investment acquired in the previous year in Trillion Sun International Co. Ltd., Hong Kong (interest 10 %) was classified as available for sale pursuant to IFRS 5 in view of the intention to sell it. The carrying amount of EUR 807 thousand was reported as a disposal. The disposals also include Centrosolar Glas Korea Inc., Seoul (interest 100 %), which was newly established in the previous year and is fully consolidated from this financial year.

The disposal of loans concerns the scheduled repayment of loans extended.

Investments accounted for using the equity method

in EUR '000

	2008	2007
At Jan 1	0	1,038
First-time consolidation	0	0
Additions	9,985	0
Disposals	(0)	(1,038)
Reclasses	150	0
Share of losses	0	0
Share of gains	0	0
At Dec 31	**10,135**	0

Investments accounted for using the equity method

in EUR '000

	Itarion Solar Lda **31/12/2008**	31/12/2007
Ownership interest in %	49.0	0
Fixed assets	34,037	-
Current assets	14,107	-
Total liabilities	28,143	-
Revenue	0	-
Net income	0	-

The financial year of Itarion Solar Lda ends on September 30, 2008 in accordance with the articles of incorporation. Interim financial statements were prepared at December 31, 2008. Start-up losses for the company were passed on to the investors. The amount of EUR 528 thousand (previous year EUR 0 thousand) was passed on to CENTROSOLAR and reported under other operating expenses. The contingent liabilities from this arrangement are described in section E, Other particulars.

5 Deferred tax assets

The deferred tax assets pursuant to IAS 12 are calculated on the temporary difference between the valuations of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. They were measured at tax rates of between 7.8 and 39 %.

Deferred tax assets

in EUR '000

	2008	2007
Loss carryforwards	10,922	5,368
Deferred tax on loss carryforwards	3,591	2,069
Impairment of loss carryforwards	0	0
Measurement difference for property, plant and equipment	116	58
Deferred tax on property, plant and equipment	29	15
Measurement difference for inventories	740	0
Deferred tax on inventories	171	0
Measurement difference for pension provisions	429	424
Deferred tax on pension provisions	64	63
Measurement difference for other accruals and provisions	0	22
Deferred tax on other accruals and provisions	0	7
Measurement difference for financial debt	840	1,203
Deferred tax on financial debt	125	179
Measurement difference for derivatives	238	0
Deferred tax on derivatives	60	0
Total deferred tax (gross)	**4,040**	**2,333**

The figure stated for the deferred tax assets on tax loss carryforwards takes account of the probability of their being realised; the useful life of the loss carryforwards is indefinite. No deferred tax claim was stated for loss carryforwards amounting to EUR 1,732 thousand (previous year EUR 1,039 thousand). 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. At December 31, 2008 the group stated deferred tax claims of EUR 3,579 thousand (previous year EUR 854 thousand) for companies that suffered a loss in the current period or in the previous period. The basis for creating deferred tax is the management's assessment that it is probable that the companies in question will generate taxable profits against which the deductible temporary differences can be offset.

EUR 93 thousand (previous year EUR 0 thousand) was reported in equity as deferred tax income in the financial year.

Deferred tax assets

in EUR '000

	Gross		Net	
	2008	2007	2008	2007
Reversal expected within 12 months	898	896	594	141
Reversal expected after 12 months at the earliest	3,142	1,437	1,862	1,065
Total	**4,040**	**2,333**	**2,456**	**1,206**

6 Inventories

The inventories are divided into the following categories:

Inventories by category

in EUR '000

	2008	2007
Raw materials and supplies	26,532	22,172
Work in progress	956	1,341
Finished goods	44,419	30,301
Total	**71,907**	**53,814**

Of the inventories, an amount of EUR 9,335 thousand (previous year EUR 2,682 thousand) was serving as security for bank loans at the reporting date.

The following 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.

Inventories

in EUR '000

	2008	2007
Inventory at historical costs	41,455	53,626
Inventory at net realisable value		
Original value at historical costs	33,191	631
Reduction for impairment for obsolescence	(260)	(443)
Reduction for impairment due to lower net realisable value	(2,479)	0
Carrying amount after reduction for impairment	30,452	188
Total	**71,907**	**53,814**

Reductions for impairment amounting to EUR 2,296 thousand (previous year EUR 20 thousand) were recognised in the income statement in 2008.

7 Trade receivables

There are trade receivables only in respect of third parties.

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

	2008	2007
Receivables not overdue or overdue by less than 30 days	15,390	18,905
Receivables overdue by more than 30 days	216	3,370
Receivables overdue by more than 60 days	336	374
Receivables overdue by more than 90 days	97	681
Total	**16,039**	**23,330**

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 trade receivables include receivables 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 receivables

in EUR '000

2008	Carrying amount	Exchange rate change	Effect on income statement
USD	377	± 5%	20/(18)
KRW	2	± 5%	0/(0)
Total	**379**		**20/(18)**

In some cases the impaired receivables are the subject of a collection process.

Impairment developed as follows:

EUR '000	2008	2007
At Dec 1.1	136	205
Additions due to first-time consolidation	0	0
Allocated	444	26
Used	(127)	(5)
Liquidated	(70)	(90)
At Dec 31	**383**	**136**

The following table shows the expenses for the full derecognition of trade receivables and income from the receipt of derecognised trade receivables.

EUR '000	2008	2007
Expenses for the full derecognition of receivables	(128)	(708)
Income from the receipt of derecognised receivables	83	5
Total	**(45)**	**(703)**

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. Of the total receivables, EUR 2,487 thousand (previous year EUR 6,628 thousand) was serving as security for bank loans at the reporting date. Adequate impairment for losses on receivables has been applied on a case by case basis to cover identified risks. The portion of receivables covered by credit insurance at the balance sheet date was EUR 2,816 thousand (previous year EUR 2,545 thousand). As a result of the large number of customers and various customer groups as well as the international customer structure, the credit risk of accounts receivable is diversified. The changes in impairment were recognised in the income statement.

8 Other current assets

The following table shows a breakdown of other current assets.

Other current assets

in EUR '000

	2008	2007
Payments on account for inventories	2,541	2,050
Loans	1,882	80
Tax claims	5,860	4,628
Prepaid expenses	271	313
Receivables from factoring	524	595
Compensation/other credits	771	84
Other	4,073	930
Total	**15,922**	**8,680**

In September 2008, one loan for USD 2.5 million was granted at an interest rate of 7 %. The loan is repayable by June 30, 2009.

The prepaid expenses largely comprise insurance premiums and service expenses at the reporting date.

The line "Other" includes receivables from investment subsidies totalling EUR 2,791 thousand (previous year EUR 0 thousand) for the expansion of the production line at Wismar, which are to be received by 2010.

9 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 and JPY. 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, 2008:

Derivative financial instruments

in EUR '000

	Assets		Total liabilities	
	2008	2007	2008	2007
Interest rate swap – cash flow hedges	0	0	0	0
Interest rate swap – held for trading	214	40	147	0
Forward contracts – available for trading	431	0	91	0
Total	**645**	**40**	**238**	**0**
Of which current portion	606	40	238	0

Derivative financial instruments yielded the following profit contributions:

Effects on profit of derivative financial instruments

in EUR '000

	2008	2007
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	104	40
Realised forward contracts – available for trading	352	(184)
Unrealised forward contracts – available for trading	98	0
Total	**554**	**(144)**

The fixed, agreed interest rates at the balance sheet date vary between 3.2 and 5.65 % (previous year 4.13 and 5.37 %). The Euribor serves as a variable interest rate.

10 Cash and cash equivalents

Cash and cash equivalents totalled EUR 16.8 million at the reporting date (December 31, 2008). The prior-year figure was EUR 8.0 million. This item comprised substantially credit balances in current and overnight accounts.

11 Assets available for sale

The investment in Trillion Sun International Co. Ltd., Hong Kong, China (interest 10 %) was reported as an asset available for sale. In the previous year, the interest was shown under investments as a financial asset available for sale. The asset was measured at the original cost of EUR 807 thousand (lower of fair value less costs of disposal, and cost). No income or expense is present in the income statement in this connection.

Negotiations on a sale are currently in progress. The sale is planned by the end of the 2009 financial year.

12 Shareholders' equity

General

The capital stock of CENTROSOLAR Group AG amounted to EUR 14,533 thousand at the time of preparation of the Consolidated Financial Statements. It was EUR 13,292 thousand at December 31, 2007. It is fully paid in. With additional paid-in capital of EUR 67,369 thousand, miscellaneous retained earnings of EUR 3,395 thousand, a minority interest of EUR 415 thousand and profit attributable to the shareholders of EUR 4,335 thousand, the group had shareholders' equity of EUR 90,047 thousand at December 31, 2008. 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.

On May 15, 2008 the Management Board and Supervisory Board passed a resolution on a capital increase, excluding subscription rights, in which the capital stock of the company was increased by EUR 1,240 thousand through the issuance of 1,240,851 new shares. The capital increase was entered on the Commercial Register on May 27, 2008. The additional paid-in capital rose by EUR 9,430 thousand as a result; equity-raising costs of EUR 280 thousand were deducted from this, and a deferred tax effect of EUR 93 thousand taken into account.

The increase in retained earnings consists mainly of the scheduled allocations of EUR 201 thousand to the reserves for stock options for tranches already issued.

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 2008 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, 2008.

Treasury stock

As in the previous year, no treasury stock was held in the financial year.

Approved capital

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 7,266,654 by July 14, 2013 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital 2008). The new shares shall fundamentally be offered to the shareholders for subscription (including by way of indirect subscription pursuant to Section 186 (5) Sentence 1 of German Stock Corporation Law). With the approval of the Supervisory Board the Management Board is, however, authorised to exclude the shareholders' statutory subscription right in the following instances:

- In order to exclude residual amounts from the subscription right;
- For capital increases for contributions in kind for the purpose of acquiring (including indirectly) companies, parts of companies, investments in companies or other assets;
- Insofar as necessary to be able to grant new no par value bearer shares in the company to the bearers or creditors of convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments) that have been or will be issued by the company or by companies in which the company directly or indirectly holds a majority interest ("subordinate group companies"), upon exercise of the conversion right or option or upon fulfilment of the conversion obligation;
- Insofar as necessary in order to grant a subscription right to new no par value bearer shares in the company to bearers of conversion rights or options or creditors of convertible bonds bearing conversion obligations that have been or will be issued by the company or a subordinate group company, to the same extent that they would be entitled upon exercise of the options or conversion rights or upon fulfilment of conversion obligations as a shareholder;
- In the case of capital increases for cash if the issuing price of the new shares does not significantly undercut the market price of the already listed shares of the same class and features at the time when the issuing price is finally fixed, which should be as close as possible to the placing of the shares, and if the shares

issued under exclusion of the subscription right pursuant to Section 186 (3) Sentence 4 of German Stock Corporation Law do not exceed a total of ten percent of the capital stock, either at the time of this authorisation taking effect or at the time of this authorisation being exercised. This limit of ten percent shall include shares which (i) are issued or sold during the term of this authorisation under exclusion of the subscription right in direct or analogous application of Section 186 (3) Sentence 4 of German Stock Corporation Law, and (ii) are issued or may be issued to service subscription rights or in fulfilment of conversion obligations from convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments), insofar as the debt instrument is issued after this authorisation takes effect by analogous application of Section 186 (3) Sentence 4 of German Stock Corporation Law, under exclusion of the subscription right of the shareholders;
- For issuing to employees of the company.

The Management Board is authorised, with the approval of the Supervisory Board, to specify the further details of the effecting of capital increases from the Approved Capital 2008.

Conditional capital

1 The capital stock has been increased conditionally by EUR 303,000 (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.

2 The capital stock is increased by EUR 868,406 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.

3 The capital stock of the company is increased conditionally by up to EUR 5,813,323 through the issuance of up to 5,813,323 new no par value bearer shares (Conditional Capital III). The conditional capital increase is for the granting of no par value bearer shares to the bearers or creditors of convertible and/or warrant-linked bonds, participation rights and/or participating bonds (or combinations of these instruments) which are issued for cash by the company or by a subordinate group company on the basis of the 2008 authorisation passed by the Shareholders' Meeting on July 15, 2008 under agenda item 6 Sub-paragraph b) and grant a conversion or option right to no par value bearer shares in the company or specify a conversion obligation.

The issuance of the new no par value bearer shares from Conditional Capital 2008 may take place only at a conversion or option price that meets the conditions of the 2008 authorisation passed by the Shareholders' Meeting on July 15, 2008 under Agenda Item 6 Sub-paragraph b).

The conditional capital increase shall only be effected to the extent that use is made of option or conversion rights, or that the bearers or creditors with a conversion obligation meet their conversion obligation, and to the extent that no cash payment is granted no or treasury shares or new shares are used to service the rights from approved capital. The new no par value bearer shares qualify for profits from the start of the financial year in which they are issued through the exercising of option or conversion 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 (Conditional Capital 2008).

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	Options	2008 Avg. excercise price	Options	2007 Avg. excercise price
Start of year	626,235	8.78	521,000	9.04
Granted	0		234,000	8.00
Forfeited	2,858	8.00	89,765	8.40
Exercised	0		0	
Expired	19,558	8.03	39,000	8.40
End of year	603,819	8.81	626,235	8.78
of which exercisable	390,677		303,000	

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

Granting of stock options	Excercise price	Date of issue	Date of expiry	Outstanding end 2008	Outstanding end 2007
Granted 2005	9.50	26/09/2005	25/09/2012	303,000	303,000
Granted 2006	8.40	20/12/2006	19/12/2013	87,677	89,235
Granted 2007	8.00	29/11/2007	28/11/2014	213,142	234,000
Total				**603,819**	**626,235**

The weighted average fair value of the options issued is not applicable in 2008 (2007: EUR 2.256 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) (2007: 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 applied on the basis of the current market rates at the time of issue (2007: 4.0 %). The actual assumed maturity was applied on the basis of corresponding experience at other companies (2007: 3 years).

The following adjustments were moreover made: a discount (2007: 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 (2007: 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 was applied for the possibility of the Supervisory Board capping the value of the option.

The vesting period for the options granted in 2005 and 2006 has expired. All options from that issue can now be exercised.

A personnel expense amounting to EUR 203 thousand arose in the 2008 financial year from the stock options schemes described above (previous year: EUR 301 thousand). A further personnel expense of EUR 60 thousand (previous year: EUR 263 thousand) will arise in subsequent periods from the stock options schemes outstanding at December 31.

13 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 415 thousand (previous year EUR 368 thousand).

14 Pension provisions

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 pension provisions stated on the balance sheet correspond 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 provisions 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 provisions has been calculated using actuarial methods and the latest mortality tables (Heubeck 2005).

Key actuarial assumptions

in %

	2008	2007
Pensionable age (years)	63	63
Discount rate at Dec. 31	6.2	5.6
Assumed salary increases	1.25	1.25
Assumed pension increases	1.25	1.25
Employee turnover	4.5	4.5

The total pension provisions stated on the balance sheet are derived as follows:

Retirement benefit payments

in EUR '000

	2008	2007
Present value of non-fund-financed obligations	702	721
Unrecognised actuarial gains	335	277
Pension provisions	**1,037**	**998**

The amounts stated on the balance sheet for pension provisions developed as follows:

Development in provisions

in EUR '000

	2008	2007
At start of financial year	998	938
Total expense recognised in the income statement	48	67
Payments made	(9)	(7)
At end of the financial year	**1,037**	**998**

The amounts recognised in the income statement are as follows:

Pension cost

in EUR '000

	2008	2007
Current service cost	26	31
Interest expense	40	36
Actuarial gains recognised in the current year	(19)	0
Total	**48**	**67**

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR -0.3 thousand arose in the 2008 financial year. The corresponding figure in the previous year was EUR 0.3 thousand. The present value of the defined benefit obligation is the carrying amount.

Pension payments amounting to EUR 12 thousand are expected for 2009.

The following table shows the development in the present value and in adjustments for the current and the previous three periods. No retirement benefit obligations existed in 2004.

in EUR '000	2005	2006	2007	2008
Present value of non-fund-financed obligations	871	851	721	702
Experience adjustments to plan debts	0	(5)	(0)	(0)
Adjustments due to changes in actuarial assumptions	0	(82)	(190)	(77)

15 Other accruals and provisions

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

Accruals and provisions

in EUR '000

	01/01/2008	Added	Used	Compounding	Liquidated	31/12/2008
Warranty obligations	2,959	825	(1,132)	167	(700)	2,120
Miscellaneous accruals and provisions	687	38	(605)	0	(82)	38
Total	**3,646**	**863**	**(1,737)**	**167**	**(782)**	**2,158**

Of the total provisions and accruals, EUR 727 thousand (previous year EUR 831 thousand) have less than one year to maturity.

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

The investment subsidies for Sonnenstromfabrik Wismar included under miscellaneous accruals and provisions in the previous year amounting to EUR 452 thousand were liquidated and netted against the corresponding assets within fixed assets.

16 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, 2008	Outstanding amount at Dec. 31, 2007	Interest rate	Exit date
General credit facilities	*65,200	52,200	19,109	3.2 – 4.3 %	Until further notice
Bank loans	23,401	19,443	16,316	4.2 – 6.7 %	2009 – 2018
Other loans	16,115	15,143	16,065	3.5 – 7.8 %	2009 – 2014
Finance leases	5,086	4,128	1,058	not applicable	2009 – 2015
Total	**109,802**	**90,914**	**52,548**		

* 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, 2008	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
General credit facilities	52,200	52,200	0	0
Bank loans	19,443	3,482	11,546	4,415
Other loans	15,143	2,760	3,179	9,204
Finance leases	4,128	826	2,952	351
Total	**90,914**	**59,268**	**17,677**	**13,969**
	At Dec. 31, 2007			
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 2009 and 2018, with the result that the risk is adequately diversified.

Of the general credit facilities, there is a credit line for EUR 58,500 thousand for Centrosolar AG. A used portion of this credit line amounting to EUR 9,800 thousand was reported under bank loans in the previous year, insofar as the facility was used for 3-month Euribor loans; in the year under review, the full amount is included in the credit line indicated.

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 total level of securities furnished:

Securities for liabilities to credit institutions

in EUR '000

	2008	2007
Property, plant and equipment	19,095	4,559
Inventories	9,335	2,682
Receivables	2,487	6,628
Total	**30,917**	**13,909**

Mortgages, assignments of security and assignments of claims were used to furnish security.

There existed 19 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 equipment in question comprises special machinery of only minimal second-hand value and the term of the lease covers a large part of the customary useful life. Various hire purchase contracts were in addition concluded. 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 years
2008	4,128	826	2,952	351
2007	1,058	244	814	0

Finance leases (nominal)

in EUR '000

2008	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
Technical equipment and machinery	4,673	1,011	3,298	364
Vehicles	23	6	17	0
Nominal value	**4,696**	**1,017**	**3,315**	**364**
Of which interest portion	568	191	363	13
Present value	**4,128**	**826**	**2,952**	**351**
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, are likely to arise in future periods from financial liabilities due:

Analysis by maturity of financial liabilities

in EUR '000

	Carrying amount 31/12/2008	2009		2010		2011 bis 2018	
		Interest	Capital	Interest	Capital	Interest	Capital
Bank loans	19,443	1,048	3,482	955	5,214	1,894	10,747
Other loans	15,143	1,087	2,760	1,003	265	2,993	12,118
Finance leases	4,128	191	826	151	1,522	225	1,780
General credit facilities *	52,200	1,440	52,200	0	0	0	0
Other non-interest-bearing liabilities	11,099	0	11,084	0	16	0	0
Trade liabilities	14,616	0	14,616	0	0	0	0
Derivative financial liabilities	238	0	238	0	0	0	0
Total	**116,867**	**3,766**	**85,205**	**2,109**	**7,017**	**5,112**	**24,645**

	Carrying amount 31.12.2007	2008		2009		2010 bis 2016	
		Interest	Capital	Interest	Capital	Interest	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.

17 Trade payables

All trade payables have a maturity of less than one year and exist only in respect of third parties.

They 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

2008	Carrying amount	Exchange rate change	Effect on income statement
USD	2,034	±5 %	(107)/97
CHF	12	±5 %	(1)/1
Total	**2,046**		**(108)/97**
2007			
USD	771	±5 %	39
CHF	314	±5 %	16
GBP	2	±5 %	0
Total	**1,087**		**54**

18 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. They were measured at tax rates of between 7.8 and 39 %.

Deferred tax liabilities

in EUR '000

	2008	2007
Measurement difference for intangible assets	7,272	12,895
Deferred tax on intangible assets	2,142	2,701
Measurement difference for property, plant and equipment	1,051	1,217
Deferred tax on property, plant and equipment	161	181
Measurement difference for trade receivables	67	61
Deferred tax on trade receivables	21	20
Measurement difference for other assets	32	0
Deferred tax on other assets	11	0
Measurement difference for other accruals and provisions	96	693
Deferred tax on other accruals and provisions	31	215
Measurement difference for financial debt	524	448
Deferred tax on financial debt	132	127
Measurement difference for trade payables	12	0
Deferred tax on trade payables	3	0
Measurement difference for other liabilities	57	302
Deferred tax on other liabilities	4	24
Measurement difference for derivatives	403	40
Deferred tax on derivatives	130	10
Total deferred tax (gross)	**2,635**	**3,277**

Deferred tax liabilities

in EUR '000

	Gross		Net	
	2008	2007	2008	2007
Reversal expected within 12 months	435	646	132	528
Reversal expected after 12 months at the earliest	2,200	2,631	920	1,622
Total	**2,635**	**3,277**	**1,051**	**2,150**

19 Other liabilities

The following table shows the individual components of other liabilities.

Other non-current liabilities

in EUR '000

	2008	2007
Outstanding purchase price payments for acquisitions	0	948
Miscellaneous liabilities	0	133
Total non-current	**0**	**1,081**
of which more than 5 years	**0**	**0**

Other current liabilities

in EUR '000

	2008	2007
Vacation and overtime	614	549
Outstanding invoices	6,021	1,531
Outstanding interest	1,697	137
Employee remuneration	857	847
Bonus payments to customers	1,546	503
Taxation and social premiums	811	2,685
Outstanding instalments for acquisitions	2,847	6,179
Prepaid expenses	2,559	146
Miscellaneous liabilities	732	483
Total current	**17,684**	**13,060**

The outstanding payment instalments for acquisitions refer to the acquisition of Solarsquare. The deferred income includes a deferred item for investment grants for the expansion of production operations at Wismar amounting to EUR 1,440 thousand (previous year 0).

20 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.

21 Other operating income

The breakdown of other operating income is as follows:

Other operating income

in EUR '000

	2008	2007
Costs passed on, cost refunds	1,128	702
Compensation/guarantees	287	23
Government grants	640	286
Liquidation of provisions	782	488
Foreign currency gains	998	145
Reversal of impairment/ income from receivables written off	1,437	684
Other	885	932
Total	**6,157**	**3,260**

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

Investment grants are reported under other liabilities. They are liquidated on a straight-line basis over the anticipated useful life of the assets in question, with an income effect.

Within the context of the settlement agreement with Isofoton S.A. 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. From this settlement CENTROSOLAR realised income of EUR 1,283 thousand, which is included in the reversal of impairment/income from receivables written off.

22 Cost of purchased materials and services

Cost of purchased materials

in EUR '000

	2008	2007
Cost of purchased materials	271,517	164,226
Cost of purchased services	12,122	11,018
Supplier discounts	(641)	(493)
Total	**282,998**	**174,751**

Costs for temporary workers amounting to EUR 5,631 thousand (previous year EUR 4,033 thousand) are included in the cost of services.

23 Personnel expenses and total employees

Personnel expenses

in EUR '000

	2008	2007
Wages and salaries	19,279	13,088
Share-based payment	203	350
Social insurance	2,246	1,646
Pension cost – defined contribution plans	1,168	624
Pension cost – defined benefit plans	48	67
Personnel expenses	**22,943**	**15,775**

Employees

	2008		2007	
	Average	At reporting day	Average	At reporting day
Full time equivalents (FTE)	676	809	458	473
Individuals	680	836	472	493
Of which employed at companies included pro rata:				
FTE	6	10	3	3
Individuals	6	10	3	3

At the reporting date, the employee totals quoted include 144 FTE (previous year 104 employees) who are employed on a temporary basis by the group. The average for the year was 154 FTE (previous year 90 FTE). The corresponding costs are reported under cost of purchased materials/cost of services.

24 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

in EUR '000

	2008	2007
Outward freight	5,759	2,782
Promotional costs	907	1,264
Maintenance costs	1,724	1,129
Legal and consultancy costs	1,739	1,223
Energy	2,821	2,089
Travel expenses and fleet	1,656	1,088
Sales commissions	348	485
Insurance	546	457
Packaging	1,530	1,003
Waste disposal	133	104
Rent for buildings	2,242	1,376
Operating leasing/other rent	849	101
IT expenses	556	409
Communication	318	207
Other personnel expenses	522	256
Patent protection	87	76
Warranty	585	1,381
Other taxes	174	63
Losses from the disposal of assets	47	360
Exchange rate losses	545	11
Miscellaneous	3,764	2,857
Total	**26,852**	**18,720**

The miscellaneous other expenses include ramp-up costs of EUR 528 thousand for the associated company Itarion Solar Lda.

The income statement includes research costs and non-capitalised development cost amounting to EUR 1,415 thousand (previous year EUR 556 thousand). This comprises EUR 816 thousand (previous year EUR 287 thousand) for personnel expenses, EUR 369 thousand (previous year EUR 105 thousand) for cost of purchased materials, EUR 68 thousand (previous year EUR 0 thousand) for depreciation and amortisation, and EUR 162 thousand (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 5,761 thousand (previous year 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
2008				
Property	2,704	1,099	1,380	224
Vehicles	657	239	418	0
Technical equipment and machinery	2,519	565	1,874	80
Other equipment	779	242	537	0
Total	**6,659**	**2,145**	**4,209**	**304**
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**

25 Interest income and expense

Interest income and expense is broken down as follows:

Financial result

in EUR '000

	2008	2007
Interest income	443	304
Interest expense for bank loans and overdraft facilities	(3,268)	(1,625)
Interest expense for other loans	(3,080)	(1,267)
Other interest expense	(658)	(671)
Total	**(6,564)**	**(3,260)**

The interest expense includes EUR 233 thousand (previous year EUR 96 thousand) due to discounting.

26 Income tax expense

Income tax expense is composed as follows:

Income tax expense

in EUR '000

	2008	2007
Income tax expense for the current financial year	(3,305)	(2,170)
Tax deferral	2,245	2,085
Total	**(1,059)**	**(85)**

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

	2008	2007
Result before income taxes	5,441	1,500
Anticipated tax expense 32.0 % (previous year: 38.15 %)	(1,741)	(572)
Difference due to variation in tax rates	931	1,104
Tax effect from non-deductible expenses	(454)	(715)
Tax effect from non-taxable income	82	(6)
Tax effect from changes in tax rates	0	162
Adjustments from previous financial years	123	(58)
Total	**(1,059)**	**(85)**

The tax rate is composed of:

	2008	2007
Corporation tax incl. solidarity surcharge	15.83 %	22.17 %
Trade tax	16.17 %	15.98 %
	32.0 %	**38.15 %**

27 Profit attributable to minority interests

A share of profits of EUR 47 thousand (previous year EUR 43 thousand) is attributable to the other shareholders of Ubbink Solar Modules B.V. in 2008.

28 Earnings per share

The earnings per share (basic) and the diluted earnings per share are illustrated in the following table. 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

	2008	2007
Consolidated net income in EUR '000	4,335	1,372
Weighted average ordinary shares issued, '000	14,076	13,292
Basic earnings per share in EUR	0.31	0.10

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 2008	Outstanding end 2007
2005 tranche	1	26/09/2005	25/09/2012	303,000	303,000
2006 tranche	2	20/12/2006	19/12/2013	89,788	89,788
2007 tranche	3	29/11/2007	28/11/2014	234,000	234,000
Total				**392,788**	**392,788**

Diluted earnings per share

	2008	2007
Consolidated net income in EUR '000	4,335	1,372
Weighted average ordinary shares issued, '000	14,076	13,292
Assumed creation of new dilutive shares from stock options granted (weighted average)	0	0
Weighted average diluted ordinary shares issued, '000	14,076	13,292
Diluted earnings per share, EUR	0.31	0.10

29 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 Centrosolar 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 provisions for each segment. Income tax liabilities, deferred tax liabilities and financial debt are not included.

Segment report

in EUR '000

	Solar Integrated Systems		Solar Key Components		Consolidation		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from third parties	241,205	167,891	91,399	52,432	0	0	332,604	220,323
Revenue from other segments	24	3	5,497	1,603	(5,521)	(1,606)	0	0
Change in inventories	14,370	40	349	538	(158)	(2)	14,560	576
Cost of purchased materials	(223,424)	(137,738)	(65,095)	(38,618)	5,521	1,606	(282,998)	(174,751)
Gross profit	**32,176**	**30,195**	**32,150**	**15,955**	**(158)**	**(2)**	**64,167**	**46,148**
Personnel expenses	(16,610)	(11,163)	(6,333)	(4,612)	0	(0)	(22,943)	(15,775)
Other income and expense	(7,375)	(9,544)	(12,496)	(5,790)	0	0	(19,872)	(15,334)
EBITDA	**8,190**	**9,488**	**13,320**	**5,553**	**(158)**	**(2)**	**21,352**	**15,039**
Depreciation/amortisation and reductions for impairment	(7,230)	(8,885)	(2,117)	(1,394)	0	0	(9,347)	(10,279)
EBIT	**961**	**604**	**11,203**	**4,159**	**(158)**	**(2)**	**12,005**	**4,761**
Interest result							(6,564)	(3,260)
EBT							**5,441**	**1,500**
Income tax							(1,059)	(85)
Net income (EAT)							**4,382**	**1,415**
Profit attributable to minority interests							47	(43)
Profit attributable to shareholders of CENTROSOLAR Group AG							4,335	1,372
Selected key balance sheet figures	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Total assets	176,431	151,426	43,311	29,450	(11,584)	(9,646)	208,159	171,231
Financial investments accounted for using the equity method	10,135	0	0	0	0	0	10,135	0
Income tax receivable*							3,382	2,088
Total liabilities	26,236	33,523	18, 957	15,275	(9,459)	(7,680)	35,733	41,118
Financial debt							90,914	52,548
Income tax payable*							4,981	4,398
Investment in fixed assets	13,962	2,933	5,612	5,102	0	0	19,574	8,035

	Germany		Other European euro countries		European non-euro countries		Rest of world		Total	
in EUR '000	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from third parties	154,428	148,706	129,976	37,832	** 36,724	** 22,970	11,476	10,815	332,604	220,323
Total assets	183,521	151,808	7,365	8,357	16,558	10,897	715	169	208,159	171,231
Investment in fixed assets	18,003	7,421	1,568	609	0	2	3	3	19,574	8,035

* Including deferred tax
** Includes revenue of EUR 26.6 million (previous year EUR 19.2 million) that is billed in euros.

30 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.

The cash flow from operating activities totalled EUR -6,592 thousand (previous year EUR -10,908 thousand) and was dominated by the rise in working capital, above all for finished goods and merchandise.

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

	2008	2007
Cash and cash equivalents	16,800	8,025
Bank overdrafts	(52,200)	(19,109)
Total	**(35,400)**	**(11,084)**

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 documentary credit lines amounts to EUR 9.1 million (previous year EUR 55.5 million).

Material non-cash transactions result from the existing issuance of stock options and from discounting effects on existing purchase price liabilities. The Consolidated Cash Flow Statement has been presented after adjustment for these.

E Other particulars

1 Contingent liabilities

The customary warranty obligations are entered into, for which provisions have 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 provisions have been recognised, as it is unlikely that employees in those areas will call upon the existing statutory arrangements. Provisions were formed for areas in which the probability of use is greater than 50 %.

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. Ubbink Solar Modules B.V. has now been taken over 100 % by CENTROSOLAR. In this connection we refer to the remarks on significant events occurring after the balance sheet date.

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 is project partner of the investment fund "DCM Solar Fonds 1", which was launched by DCM Deutsche Capital Management AG. 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. "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. The credit line drawn amounts to EUR 10.4 million at the balance sheet date of December 31, 2008.

By way of a bridging loan for the associated company Itarion Solar Lda, the company assumed joint and several liability for EUR 26 million together with Qimonda AG. This joint and several liability was reduced to EUR 18 million after the balance sheet date. There in addition exists a commitment to purchase 49 % of the production volume of Itarion Solar Lda on cost-plus terms. CENTROSOLAR is therefore indirectly tied to the contractually agreed purchasing terms of Itarion Solar Lda's wafer supplier.

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

Two cases of litigation between Centrosolar AG and trade representatives in respect of the payment of commission and compensation were both resolved by settlements.

3 Significant events occurring after the balance sheet date

By deed of February 26, 2009 Centrosolar International B.V., a fully owned subsidiary of the CENTROSOLAR Group, increased its interest in the solar module plant Ubbink Solar Modules B.V. (USM) in Doesburg, near Arnhem, the Netherlands, from 70 % to 100 %. The Dutch Econcern Group sold its previous 30 % interest in the joint venture that it had been operating together with CENTROSOLAR. At the same time, USM's existing supply agreement with Econcern was renewed. The Econcern Group will thus remain an important customer of USM. The transaction is reported in the first quarter of 2009 under the economic entity model.

4 Related party disclosures

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

In August 2005 Ubbink B.V., the main shareholder of the company, and Renusol GmbH concluded a production agreement. In it, Renusol GmbH commissions Ubbink B.V. exclusively with the production of the module mounting systems "ConSole" and "InterSole". Ubbink B.V. has 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 Renusol are billed on terms that are typical for the market. Cost accounting factors that are comparable to those applied in third party transactions are used. Cost savings to reflect the more straightforward communication and processing are generally built into the pricing structure. In the 2008 financial year, the total amount charged for supplies of goods was EUR 9,430 thousand.

Since the inclusion of CENTROSOLAR Group AG 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. These charges are fundamentally passed on to all subsidiaries of CENTROTEC Sustainable AG and, in the case of the company, relate to such services as consultancy on accounting matters, strategy, legal question, projects, communication and IT. A total amount of EUR 132 thousand was charged by CENTROTEC Sustainable AG in the 2008 financial year.

Ubbink B.V. in addition rebilled the CENTROSOLAR Group costs amounting to EUR 361 thousand in the 2008 financial year.

Centrosolar AG supplied Ubbink France SAS with solar modules to the value of EUR 1,221 thousand in arm's length transactions in the 2008 financial year.

Centrosolar Glas GmbH & Co. KG sold special glass to the value of EUR 1,373 thousand in arm's length transactions to Wolf GmbH, a subsidiary of CENTROTEC Sustainable AG, during the 2008 financial year.

Wolf GmbH was also supplied with goods to the value of EUR 634 thousand by Centrosolar AG in arm's length transactions in the 2008 financial year.

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.

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 58 thousand to Pari Holding GmbH in the 2008 financial year. The payments reflect the costs incurred by Pari Holding GmbH. No remuneration arose in connection with the former agreement.

Profit participating loan from Ralf Ballasch

On March 14, 2006 Mr Ballasch as the lender concluded an agreement on a profit participating loan with Centrosolar Glas GmbH & Co. KG. The loan proceeds were repaid as contractually agreed on December 31, 2008. As well as fixed interest, Mr 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.

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 connetion 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 2008 financial year, Friedrich Lützow invoiced the company for EUR 60 thousand.

5 Management Board and Supervisory Board

1. Management Board

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

Dr. Alexander Kirsch, merchant, Munich, Germany, member with responsibility for Finance, also Chairman
Thomas Güntzer, lawyer, Nyon, Switzerland, 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

The total remuneration of the Management Board was EUR 1,026 thousand in the financial year. Of this total remuneration, fixed cash remuneration accounted for EUR 855 thousand and remuneration from stock options, the value of which was determined using the measurement rules of IFRS 2, for EUR 171 thousand. No options were issued to the members of the Management Board in the 2008 financial year. 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 2008 financial year: Dr. Alexander Kirsch received fixed cash remuneration of 311 thousand as well as remuneration from stock options (pursuant to IFRS 2) amounting to EUR 57 thousand, and thus EUR 368 thousand in total. Thomas Güntzer received fixed cash remuneration of EUR 258 thousand as well as remuneration from stock options (pursuant to IFRS 2) amounting to EUR 57 thousand. Dr. Axel Müller-Groeling received fixed cash remuneration of EUR 286 thousand as well as remuneration from stock options (pursuant to IFRS 2) amounting to EUR 57 thousand.

In the year under review of 2008, 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) Itarion Solar Lda, Vila do Conde, Portugal
Güntzer, Thomas:	Centrosolar AG, Hamburg, Germany Solarsquare AG, Bern, Switzerland Centrosolar Italia SRL, Verona, Italy 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 Itarion Solar Lda, Vila do Conde, Portugal

2. Supervisory Board

In the year under review of 2008, the members of the Supervisory Board belonged to the following regulatory bodies pursuant to Section 125 (1) third sentence of German Stock Corporation Law:

Huisman Gert-Jan, Dr.:	None
Heiss, Bernhard, Dr.:	Trailer International GmbH, Pullach, Germany (Chairman) CENTROTEC Sustainable AG, Brilon, Germany (Deputy Chairman) AR Altium Capital AG, Munich, Germany Langenscheidt KG, Munich, Germany (Deputy Chairman of Advisory Council)
Lützow, Friedrich:	Neram AG, Munich, Germany (Chairman) Eurohealth AG, Munich, Germany (Deputy Chairman)

The total remuneration of the Supervisory Board was EUR 45 thousand in the financial year, in accordance with the articles of incorporation. Dr. Gert-Jan Huisman received Supervisory Board remuneration of EUR 20 thousand, Dr. Bernhard Heiss EUR 15 thousand and Friedrich Lützow EUR 10 thousand. There exist consultancy agreements with the Supervisory Board members Dr. Bernhard Heiss and Friedrich Lützow, on the basis of which consultancy services provided over and above the scope of the tasks of the Supervisory Board are charged for by the hour. Mr Lützow received fees totalling EUR 51 thousand for tax consultancy in the 2008 financial year. Dr. Heiss did not charge any fees for legal consultancy in the financial year. There were no loans to members of the Supervisory Board.

6 German 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 at www.centrosolar.com. We moreover make reference to the comments in the Annual Report.

7 Independent auditors' fees

The auditors of CentroSolar Group AG are PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft. 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	362
Other certification or consultancy services	0
Tax consultancy services	0
Other services	0
Total expenses for 2008	**362**

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 17, 2008. The Supervisory Board is expected to approve the financial statements on March 18, 2009.

Munich, March 17, 2009

Dr. Alexander Kirsch, Chairman and Finance

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

Dr. Axel Müller-Groeling, Strategy and Operations

Responsibility Statement

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 17, 2009

Dr. Alexander Kirsch, Chairman and Finance

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

Dr. Axel Müller-Groeling, Strategy and Operations

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 2009

March 20	Publication of 2008 accounts
May 13	Publication of 1/2009 Quarterly Report
May 19	2009 Annual General Meeting of Shareholders
August 11	Publication of 2/2009 Quarterly Report
November 06	Publication of 3/2009 Quarterly Report

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, 2008. 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 in agreement with the consolidated financial statements, on the whole provides a suitable understanding of the group's position and suitably presents the opportunities and risks of future development.

Munich, March 17, 2009

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Banschbach	ppa. Sven Jacob
Independent auditor	Independent auditor

CENTROSOLAR Group AG

Walter-Gropius-Strasse 15
D-80807 Munich
Phone +49 89 20180-0
Fax +49 89 20180-555
E-mail: info@centrosolar.com
www.centrosolar.com

Solar Integrated Systems

Integrated Systems
Centrosolar AG
Behringstrasse 16
D-22765 Hamburg
Phone +49 40 391065-0
Fax +49 40 391065-99
E-mail: hamburg@centrosolar.com
www.centrosolar.com

Integrated Systems
Centrosolar AG
Otto-Stadler-Strasse 23c
D-33100 Paderborn
Phone +49 5251 50050-0
Fax +49 5251 50050-10
E-mail: paderborn@centrosolar.com
www.centrosolar.com

Integrated Systems
Centrosolar AG
Karlsberger Strasse 3
D-87471 Durach
Phone +49 831 540214-0
Fax +49 831 540214-5
E-mail: durach@centrosolar.com
www.centrosolar.com

Module Production
Ubbink Solar Modules B.V.
Verhuellweg 9
NL-6980 AA Doesburg
Phone +31 313 4802-00
Fax +31 313 4802-90
E-mail: info@ubbink.nl
www.ubbink.nl

Module Production
Centrosolar Sonnenstromfabrik GmbH
An der Westtangente 1
D-23966 Wismar
Phone +49 3841 3049-0
Fax +49 3841 3049-399
E-mail: sonnenstromfabrik@centrosolar.com
www.sonnenstromfabrik.de

Cell Production
Itarion Solar Lda
Avenida 1 de Maio 801
PT-4485-629 Vila do Conde
Phone +351 252 24600-0
Fax +351 252 24600-1
E-mail: info@itarion.com
www.itarion.com

Project Development
Centroplan GmbH
Am Pannhaus 2-10
D-52511 Geilenkirchen
Phone +49 2451 6203-631
Fax +49 2451 6203-66
E-Mail: info@centroplan.de
www.centroplan.de

Solar Key Components

Renusol GmbH
Taubenholzweg 1 / Segment C, 1. OG
D-51105 Cologne
Phone +49 221 788707-0
Fax +49 221 788707-99
E-mail: info@renusol.com
www.renusol.com

Centrosolar Glas GmbH & Co. KG
Siemensstrasse 3
D-90766 Fürth
Phone +49 911 95098-0
Fax +49 911 95098-519
E-mail: info@centrosolarglas.com
www.centrosolarglas.com

France
Centrosolar France SARL
15, chemin du Saquin, Bâtiment G
F-69130 Ecully
Phone +33 4 861110-40
Fax +33 4 861114-01
E-mail: info.france@centrosolar.com

Greece
Centrosolar Hellas MEPE
Thiseos 1a, Delvinou 2a
GR-14671 Nea Erythrea
Phone +30 210 62287-91
Fax +30 210 81319-88
E-mail: info.hellas@centrosolar.com

Italy
Centrosolar Italia S.r.l.
V.le de Lavoro 33
I-37036 S. Martino B.A. Verona
Phone +39 045 87818-72
Fax +39 045 87985-89
E-mail: info.italia@centrosolar.com

Switzerland
Solarsquare AG
Thunstrasse 162
CH-3074 Muri b. Bern
Phone +41 31 95260-66
Fax. +41 31 95260-67
E-mail: rupert.paris@solarsquare.com
www.solarsquare.com

Spain
Centrosolar Fotovoltaico España S.L.
World Trade Centre
Moll de Barcelona s/n,
Edifici Nord, 7a planta
E-08039 Barcelona
Phone +34 93 34350-48
Fax +34 93 30238-46
E-mail: info.espana@centrosolar.com

USA
Centrosolar America Inc.
7464 E Tierra Buena Lane #108
US-Scottsdale, AZ 85260
Phone +1 480 34825-55
Fax +1 480 34825-56
E-mail: info.america@centrosolar.com

Imprint

Text
CentroSolar Group AG

Concept
MetaCom, Hanau
Georg Biekehör

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CENTROSOLAR Group AG
Walter-Gropius-Strasse 15
D - 80807 Munich
Phone: +49 89 20180-0
Fax: +49 89 20180-555
E-mail: info@centrosolar.com
www.centrosolar.com

CENTROSOLAR Group AG
Walter-Gropius-Strasse 15
D-80807 Munich
Phone +49 89 20180-0
Fax +49 89 20180-555
info@centrosolar.com
www.centrosolar.com