CentroSolar Group AG

SUNSHINE IS OUR BUSINESS.

Annual Report 2010

Key Figures
2010

P&L

	Dec. 31, 2010 in EUR '000	% of Revenue	Dec. 31, 2009 in EUR '000	% of Revenue	Change
Revenue	403,446	**100.0 %**	308,704	100.0 %	**30.7 %**
Gross profit	115,788	**28.7 %**	75,781	24.6 %	**52.8 %**
EBITDA	34,724	**8.6 %**	13,591	4.4 %	**155.5 %**
EBIT	26,613	**6.6 %**	6,931	2.3 %	**283.9 %**
EAT attributable to shareholders	15,760	**3.9 %**	(29,705)	–9.6 %	**n.a.**

Cash Flow Statement

Cash Flow I (EAT + depreciation/amortisation)	23,871	**5.9 %**	(23,045)	–7.5 %	**n.a.**
Cash Flow from operating activities	18,405	**4.6 %**	40,190	13.0 %	**–54.2 %**
Cash Flow from investing activities	(8,747)	**–2.2 %**	(8,383)	–2.7 %	**4.3 %**

Balance Sheet

		% Total		% Total	
Net Working Capital	42,663	**23.1 %**	35,257	19.2 %	**21.0 %**
Net Operating Working Capital	56,721	**30.7 %**	42,874	23.4 %	**32.3 %**
Fixed Assets	93,857	**50.8 %**	88,634	48.3 %	**5.9 %**
thereof Goodwill	49,429	**26.8 %**	49,429	27.0 %	**0.0 %**
Net cash	(39,875)	**–21.6 %**	(43,959)	–24.0 %	**–9.3 %**
Shareholders' equity	95,577	**51.8 %**	78,877	43.0 %	**21.2 %**
Balance sheet total	184,698	**100.0 %**	183,358	100.0 %	**0.7 %**

Shares and EPS

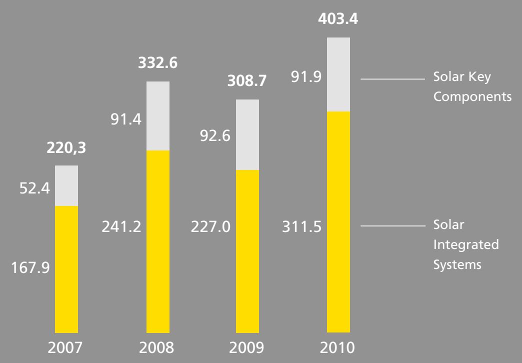
	Dec. 31, 2010	Dec. 31, 2009
Number of shares (weighted average outstanding; basic)	20,333,309	15,327,830
EPS (in EUR; basic)	0.78	–1.94

	Jan. 4, 2010	Year-high	Year-low	Dec. 31, 2010
Share price in EUR	4.34	5.89	3.07	5.07

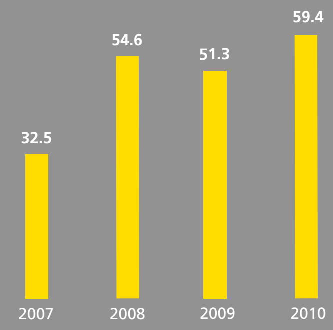
Employees

	2010	2009	Change
Average total (in FTE)	1,078	919	**17.3 %**

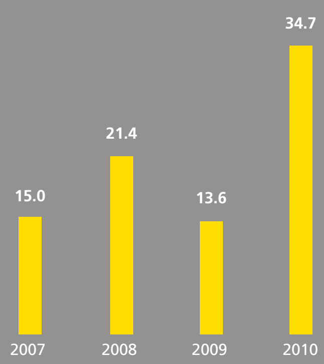
Revenue
in EUR million



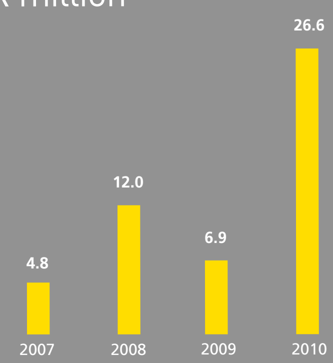
Export revenue
Proportion of total revenue in %



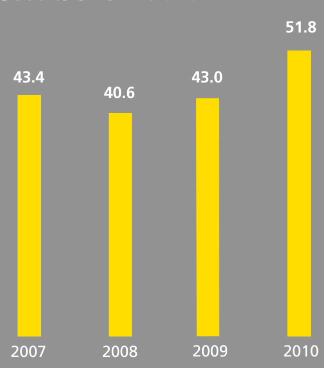
EBITDA
in EUR million



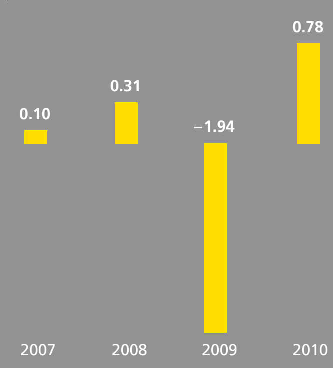
EBIT
in EUR million



EQUITY RATIO
in % from balance sheet total



EPS
in EUR



CENTROSOLAR is a good investment because ...

- we are profiting from the growth market for renewables.
- we are capitalising on the growth potential of photovoltaics outside Germany through our strong international presence.
- we are focusing on roof systems to profit from profiting from the preferential incentives available for smaller roof systems with our focus on roof solutions.
- we occupy a leading position in the market through our patents for key components.
- we are profiting from falling costs for solar cells thanks to our flexible purchasing strategy.
- we are among the European cost leaders in module manu-facturing.
- we have a sound equity base and are growing profitably.

Dr. Alexander Kirsch
[Chairman of the Management Board]

Dr. Alexander Kirsch (born 1966), PhD of Business Administration, has been the CEO and CFO of CENTROSOLAR Group AG since 2005. Until the beginning of 2007 he was also a board member of CENTROTEC Sustainable AG, where his responsibilities included finance, strategy and expansion as well as aqcuisitions. He has previously worked for McKinsey & Company amongst others.

Thomas Güntzer

Thomas Güntzer (born 1962), member of the Management Board since 2005, 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), member of the Management Board since 2005, PhD of Physics, is responsible for strategy and operative management of the daughter companies of the CENTROSOLAR Group AG. As former McKinsey Associate Principal, he gained more than seven years of experience in the energy and financial services industry. In particular he focused on strategy, risk management and postmerger integration.

Letter to Shareholders
of CENTROSOLAR Group AG

Dear Business Partners, Shareholders and Friends of CENTROSOLAR Group AG, dear Colleagues,

The solar industry was confronted with tougher challenges in the weeks preceding the publication of this Annual Report. Various European governments have announced or already introduced cutbacks to the financial incentives available for solar energy. These measures are likely to intensify competition in the industry. Our company has already made preparations to adjust to these changes:

- As an expert in roof systems, we are active in a vigorously growing market segment and supply top-quality German-made products. As the patent-holder of various key components, we are also in a position to set ourselves apart from the crowd.
- Our innovations in development, manufacturing efficiency and flexible purchasing strategy create scope for us to sell our quality products internationally.
- Our sales force provides added value in the form of on-site technical support for configuring each plant individually, wherever the customer is. As a partner to the trade, we meet our customers where they are.
- We are already strongly represented internationally with 21 locations in 12 countries. We generate over half of our revenue internationally. That makes us more resistant to fluctuations in individual countries.
- We have secured a broad basis financially, as well as in the markets. Stock exchange listing gives us access to equity capital, we have long-standing relations with our banks and we secured additional long-term financing at the start of 2011 in issuing a corporate bond.

The transitional phase from a technology funded with state aid to an increasingly competitive source of energy has begun. In response, we will need to adhere to consistent cost management, perform intensive sales work and also demonstrate a fair degree of creativity in developing products and markets.

But there is one thing we should not forget: the resources on which our prosperity is built are in increasingly short supply. Nor is nuclear power the answer, as the recent terrible events in Japan have demonstrated. There is no alternative to switching to renewable energies. Photovoltaics is the technology offering the steepest decrease in costs annually and the most potential to develop. We are still right at the start of a long-term growth trend.

We have a long-term strategy for approaching our task.

With best wishes,

Alexander Kirsch

Thomas Güntzer

Axel Müller-Groeling

Our path to success

The sun is the earth's most important source of energy. Every day, it pours eight times as much energy over the earth's land surface as its entire human population uses in a year. We at CENTROSOLAR Group AG, with our head office in Munich, have set ourselves the task of giving as many consumers as possible all over the world effective, long-term access to this almost inexhaustible source.

Our products with the "Made in Germany" cachet have put us right up there where we belong:
As the expert for photo-voltaic systems for roofs (Solar Integrated Systems segment) and a supplier of key components (Solar Key

RIGHT UP WHERE WE BELONG.

Components segment), we are one of the largest solar businesses in Europe. We have achieved that success through strategically developing our group. CENTROSOLAR Group AG took shape as a listed company in 2005 through the merger of seven traditional pioneering businesses from the photovoltaic sector.

We have been steadily growing ever since. Because we combine zsolar and roofing expertise, have an international outlook and are a trusted partner to the trade thanks to our extensive service and sales network. Factors that make us not just unique, but also future-proof.

Our team for sustainable growth

Today, we employ over 1,000 people at 21 locations predominantly in Europe and North America. They are the basis of our success. Our management team has experience spanning the photovoltaic, glass, semiconductor, automotive and heating industries. That puts us in a position to bring together cutting-edge professional methods from each of these highly developed sectors. The employees and management together pursue a long-term corporate strategy that focuses on sustainable growth.

EUROPE

Locations

USA / CANADA

Locations

INTER-NATIONALLY SUCCESSFUL.

Our locations

We generate over half our revenue outside our domestic market Germany. With its focus on Europe and North America, the CENTROSOLAR Group has a large number of international bases and a dense sales network. Our sales staff currently providestaff currently provides support for fitters who install our products in Germany, France, Spain, Italy, Benelux, Greece, the UK, the USA and Canada. In each of these markets we offer integrated solutions tailored to the specific national requirements of each country. In France, for example, we are already the market leader for small and midsize roof systems, with a strong emphasis on roof-integrated solutions. Experts believe North America will be one of the industry's major growth markets over the next few years. We established our first branch there back in 2007 and have steadily been building up operations there ever since. We will maintain this systematic expansion of our international presence, underscoring our position as a pioneer of photovoltaics for roofs.

SOLAR-EXPERTS FOR THE ROOF.

Our strength: solar systems tailored to every roof

Solar roof systems should not only be functional, but also meet the highest possible aesthetic standards. Owners of buildings consequently want tailor-madetailor-made solutions that satisfy specific requirements of project planning and in respect of how the system components such as the modules, mounting systems and inverter are configured. To do their job as efficiently as possible, fitters need suppliers who provide them not just with the necessary component parts, but with an all-in package that is tailored to their customers' individual requirements. We satisfy those requirements with our products and a close-meshed, steadily growing service and sales network.

We are the expert for solar power from the rooftops.

We offer suitably dimensioned, aesthetically pleasing solar systems for private houses, individually configured for every customer and ready to install complete with all the accessories. Building-integrated special solutions are another of our strengths. Together with the joint-venture partner Pohlen Bedachungen, one of the largest roofing companies in Europe, we plan and realise turnkey photovoltaic systems for industrial roofs. This ideal combination of solar and roofing expertise gives us access to the roof surfaces of major property owners all over Europe. We also develop stand-alone photovoltaic systems

for offshore applications or in the leisure sector, but also for countries where there is high energy demand but the infra-structure offers only a limited or no electricity grid. In such regions we are able to use our photovoltaic technology to perform both an eco-nomic and a social function – an important task for us.

Product overview

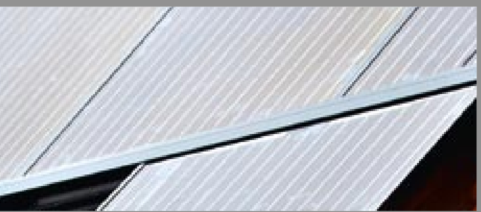
- Photovoltaic solar modules
- Integrated PV systems
- Stand-alone systems
- Inverters
- Plant planning system design

→ Solar Integrated Systems

The aim of our work is to support our customers as effectively as possible. For that reason, we consider ourselves as much a service provider as a product manufacturer. We draw up plans for a specific system to match the customer's requirements and translate the results into a tailor-made integrated system. We can also deliver on a just-in-time basis directly to the point of installation.

As partner to the trade, we are thus very effective at supporting our customers, who are in the main regional businesses spread throughout Europe and North America. Training courses, configuration software and personal support in situ are other facets of our range of services. Like our products, we adapt our services to regional requirements.

We have gradually extended this comprehensive range of services everywhere we operate and established long-standing customer relations in the process. This sales capability sets us apart from mass suppliers.




PARTNER TO THE TRADE.



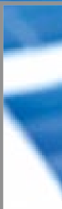
Top left:
Everything on site, from advice to delivery of complete systems.

Top right:
Software support for configuring systems.

Bottom right:
We train over 1,000 fitters each year, worldwide.

QUALITY „MADE

IN GERMANY“.



Our production: efficient and high-quality

Solar modules have to withstand extreme loads over many years, exposed as they are to the elements. That is why we use technically high-quality products that we ourselves have made: our Centrosolar Sonnenstromfabrik in Wismar, with a workforce of around 400 and a capacity of currently 200 MWp per year (amounting to some 4,000 modules per day), is one of the biggest module manufacturers in Europe – and thanks to the newly accessed sales markets in Southern Europe and the USA, it continues to grow. The quality modules we make are built on highly automated, certified production lines. Our production plant is one of the most efficient module plants in the whole of Europe. And we are gradually strengthening our position thanks to a formalised continuous improvement process.

Expertise that is in demand worldwide

Our quality "Made in Germany" is in demand worldwide. The proof comes in the shape of production orders from the top companies in the manufacturing sector. For example, from the third quarter of 2011 we will be manufacturing modules for the Taiwanese group TSMC, the world's biggest largest contract manufacturer of semi-conductor foundry. We will create the agreed overall capacity for 100 MWp annually in a new production hall at the existing location in Wismar. The new building will enable us to increase our production capacity at Wismar to as much as 500 MWp per year, equipping us for further growth.

Our passion: high-performance advanced technology

The quality of a solar system depends on the sum of its parts. In the "Solar Key Components" area, the CENTROSOLAR Group is involved in the development, production and sale of selected key components.

INNOVATIVE IN DETAIL.

Mounting systems

Mounting systems for securing solar systems to roofs have to satisfy particular requirements: first of all, they have to make installing the modules a quick and straightforward process, and hold them securely and safely in place. Then they have to be highly flexible so that they can be used on various shapes of roof and for various module types.

In-roof and on-roof solutions

Our subsidiary Renusol supplies building-integrated mounting systems that give solar systems a very stylish overall appearance. The products InterSole® and IntraSole® are patented and patent pending respectively. They are elegant, highly versatile mounting systems that can integrate various module types safely and securely into the roof.

ConSole® is especially suitable for mounting on flat roofs and does not need to be screwed to the delicate roof skin. That means it can be installed very quickly and easily, but also securely. CENTROSOLAR holds the patent for this low-cost, immensely successful system made from recycled plastic.

Solar glass

The most important aspect of a solar system is its efficiency. This is equally important whether the system is used to generate solar power (photovoltaics) or generate heat from the sun (solar thermal). The more effectively the solar power photovoltaic module can convert the sun's rays into power, or the thermal collector convert them into heat, the higher the energy yield. Our subsidiary Centrosolar Glas is therefore continually investigating new finishing processes for solar glass. It is one of the most innovative and successful businesses in the industry internationally, and supplies solar glass to renowned solar module and collector manufacturers worldwide. In response to increased demand, the production lines for glass finishing at our solar glass plant in Fürth have been substantially extended over the past two years. The annual production capacity is currently up to six million square metres.

Anti-reflective nanocoating

Centrosolar Glas has developed a cover glass for solar modules featuring an innovative nanocoating that exhibits particularly high light and energy transmission. It means that the module's output can be increased by up to six percent. We have patented this scientifically pioneering achievement, which has won multiple awards and has made us a strong market player worldwide.

GROWTH IS OUR DIRECTION.

Our aims

The energy of the future is renewable. To turn this vision into reality, the CENTROSOLAR Group is utterly committed to photovoltaics. We aim to strengthen our leading position in photovoltaic roof systems by placing further emphasis on value. Our group is benefiting from the photovoltaic industry's worldwide growth thanks to its clear strategic and international outlook, its strong position for roof systems and its close ties with the trade regionally. And we will continue to promote sustainable growth.

International expansion

We will continue to increase our international presence. As well as the European markets in France, Benelux, Italy, Spain, the UK and Greece, we have particularly big expectations of the USA as the market of the future.

Innovation

Thanks to our close ties with the people who install our systems, we know their needs. We aim to continue to set ourselves apart from the mass market by offering innovative, regionally specific products and services, thus accelerating our growth.

Diversification

We are not just a partner to the trade for smaller roof systems and a supplier of innovative key components. Together with our joint venture partner Pohlen Bedachungen, we also supply turnkey photovoltaic systems for larger industrial roofs. We intend to step up this project business and branch out with it further internationally.

Efficiency

To live up to our very high efficiency and quality standards for solar systems, we are continually refining our products and optimising our production processes. As a result we are steadily bringing down production costs and are in a position to offer competitive prices to our customers worldwide and attractive returns for our investors.

CENTROSOLAR Group AG

Locations and branches

CENTROSOLAR Group AG
Parent company
Munich/Germany

Centrosolar AG
Systems integration
Hamburg/Deutschland

Centrosolar AG
Systems integration
Paderborn/Germany

Centrosolar AG
Systems integration
Kempten/Germany

Centroplan GmbH
Project planning
Geilenkirchen/Germany

Centrosolar Sonnen-stromfabrik GmbH
Module manufacturing
Wismar/Germany

Renusol GmbH
Mounting systems
Cologne/Germany

Renusol France SARL
Ecully/France

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

Centrosolar Glas Korea Inc.
Seoul/Korea

Centrosolar Glas Trading Co. Ltd.
Huzhou/China

Centrosolar France SARL
Ecully/France

Centroplan France SARL
Ecully/France

Centrosolar Hellas MEPE
Paleo Faliro/Greece

Centrosolar Italia S.r.l.
Verona/Italy

Centroplan Italia S.r.l.
Roma/Italy

Centrosolar Benelux B.V.
Tiel/The Netherlands

Centrosolar UK Ltd.
London/United Kingdom

Centroplan UK Ltd.
London/United Kingdom

Solarsquare AG
Bern/Switzerland

Centrosolar Fotovoltaico España S.L.
Barcelona//Spain

Centroplan España S.L.
Barcelona//Spain

Centrosolar America Inc.
Scottsdale/USA

Centrosolar America Inc.
Fremont/USA

Centrosolar America Inc.
Edison/USA

Centrosolar Canada Inc.
Markham/Canada

Report of the Supervisory Board
of CENTROSOLAR Group AG for the financial year 2010

The Supervisory Board of CENTROSOLAR Group AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2010 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 achieving a greater international spread and expanding business are the 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 focal area of the Supervisory Board's work in the 2010 financial year was the financing of the company, and in particular creating a financial basis for its future growth, bearing in mind the distinctly restrictive lending policy adopted by a number of banks. Other important matters for its consideration included the expansion of production capacities for modules and solar glass coating, strategic partnerships including most notably the agreement with TSMC, and the further expansion of the European and North American sales network for Solar Integrated Systems. The Supervisory Board also regularly assessed the political framework in the group's principal national sales markets and drew up suitable strategies in response. The procurement of important components such as cells, modules and assembly systems was likewise a regular topic of discussion between the Management Board and Supervisory Board. The Supervisory Board furthermore carefully considered the annual planning for the 2011 financial year presented by the Management Board.

The topics discussed at the Supervisory Board meetings moreover included 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, important individual transactions, changes to negotiable instruments law, major investment decisions, remuneration structures of the Management Board and management employees, the efficiency of the Supervisory Board's own activities, the selection and monitoring of the independent auditor, the corporate culture, and social issues and various topics concerning the operating companies. Management Board decisions which required ratification by the Supervisory Board were studied and approved.

Six Supervisory Board meetings in which members participated in person or by telephone took place in the 2010 financial year. In addition, ten 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, 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 risk situationthe opportunities and risks, among other aspects. Matters examined in this context included the financial reporting process in general, the effectiveness of the internal system of control, risk management and internal auditing.

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

F. l. t. r.:
A. Kirsch, G. Krass,
A. Müller-Groeling,
T. Güntzer, B. Heiss,
M. Brandal

the information and reporting requirements laid down by the Supervisory Board in every respect.

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. Where contracts existed between the company and Supervisory Board members, these were approved by the Supervisory Board pursuant to Section 114 of German Stock Corporation Law.

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, 2010 have been examined by the auditors of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Kassel, who have given their unqualified certification thereof. A copy of the auditors' report was sent to each member of the Supervisory Board in a timely manner, discussed with the auditors and acknowledged with approval.

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, 2010 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.

Yours sincerely,

Munich, March 2011

The Supervisory Board

Guido Krass

Guido A. Krass
[Chairman of the Supervisory Board]

Corporate Governance Report 2010
of CENTROSOLAR Group AG

The "German Corporate Governance Code" was last amended on May 26, 2010. 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 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 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, six Supervisory Board meetings in which members participated in person or by telephone took place in the 2010 financial year. In addition, ten resolutions were passed by means of telefax circular.

Shareholders, Shareholders' Meeting and Supervisory Board

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 in essence takes decisions concerning the distribution of profits, discharge of the Management Board and Supervisory Board, the articles of incorporation and amendments thereto, key entrepreneurial measures, measures that change the capital such as the issue of new shared, the acquisition of treasury stock and conditional capital. It moreover elects the Supervisory Board members. On this basis and in accordance with the requirements of the German Corporate Governance Code, the Shareholders' Meeting of CENTROSOLAR Group AG held new elections for the Supervisory Board on May 19, 2010, its term of office having ended. The Supervisory Board thus now comprises:

Guido A Krass, entrepreneur, Zurich (Chairman)
Dr Bernhard Heiss, lawyer, Munich (Deputy Chairman)
Martinus Brandal, entrepreneur, Torod, Norway

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 the currently applicable 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 20 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.

Article 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. At December 31, 2010 the members of the Management Board held a total of around 1.1 % of the shares of CENTROSOLAR Group AG, and the members of the Supervisory Board a total of around 16 %.

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

Legal transactions with the members of the Supervisory Board were also conducted during the financial year. These were approved by the Supervisory Board. 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 2010."

Diversity

The German Corporate Governance Code envisages that diversity be heeded at all management levels of the company, and in particular that efforts should be made to ensure that women are adequately represented. The company supports this ambition, which must nevertheless not be realised at the expense of qualifications. For a technically oriented company such as CENTROSOLAR, experience has shown that, given equal qualification, it is very difficult to recruit women to especially technical management positions. Notwithstanding this, the company will make every effort to pay greater heed to diversity.

Financial reporting and auditing of financial statements

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

Declaration of Compliance

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

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

Background

The "German Corporate Governance Code" was last amended on May 26, 2010. 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 May 26, 2010 are and have been complied with, with the exceptions stated below:

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

Munich, December 2010

On behalf of the Management Board

Dr. Alexander Kirsch
[Chairman]

On behalf of the Supervisory Board

Guido A. Krass
[Chairman]

Group management report
of CENTROSOLAR Group AG for the financial year 2010

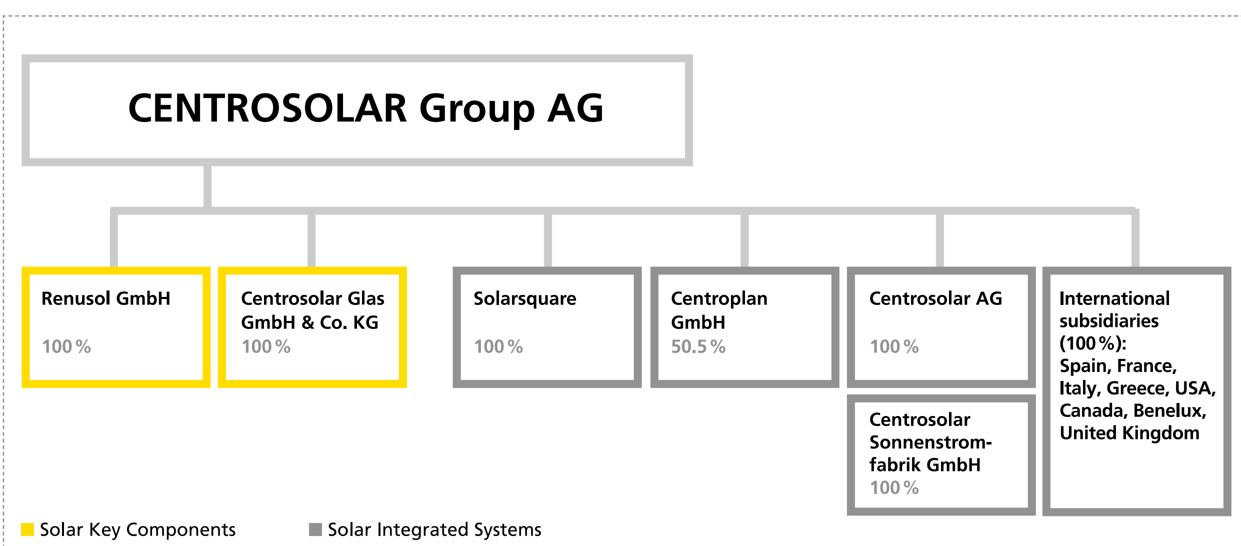
I Business and underlying situation

1 Overview

CENTROSOLAR Group AG, Munich, is a stock corporation listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and supplies photovoltaic systems especially for roofs, as well as key components for the photovoltaic market, via its group companies. At December 31, 2010 CENTROSOLAR has over 1,000 employees and generates annual revenue of EUR 403 million. The product range of the CENTROSOLAR Group comprises solar integrated systems, modules, inverters, mounting systems and solar glass. It generates over half its revenue internationally. CENTROSOLAR has international subsidiaries in Spain, Italy, France, the UK, Greece, Switzerland, the Netherlands, China, South Korea, Canada and the USA.

CENTROSOLAR has a solar glass manufacturing plant in Fürth and a module production plant in Wismar. Over the past two years, the production lines for the finishing of glass have been substantially extended in response to rising demand and now have an annual production capacity of up to six million square metres. Module manufacturing was also stepped up quite substantially in response to increased demand. The company believes the module plant in Wismar, with an annual capacity currently of 155 MWp, to be one of the largest and most efficient such plants in Europe. Further expansion to 350 MWp is scheduled for the 2011 financial year. Both the module manufacturing plant and the solar glass plant are certified to DIN ISO 9001:2008.

CORPORATE STRUCTURE
(simplified)



2 Group structure

The foundations for the present-day business activities of CENTROSOLAR Group AG were laid from autumn 2005 on through the acquisition of various operating companies, some of which had already been active in the solar industry for over 20 years. The CENTROSOLAR Group was created in 2005 and 2006 through the merger of the photovoltaics businesses Solara, Biohaus, Solarstocc, Ubbink Solar Modules, Renusol, Centrosolar Glas and Solarsquare, together with the establishment of Centroplan. More recently the company has expanded and diversified internationally by establishing branches in France, Italy, Spain, Greece and the USA. 2010 in addition saw the establishment of subsidiaries in the UK and Canada as well as of a subsidiary of Centroplan GmbH in France. CENTROSOLAR today employs over 1,000 people at 21 locations.

CENTROSOLAR Group AG, which has Munich as its place of incorporation, acts as the listed holding company for all subsidiaries.

3 Business activities

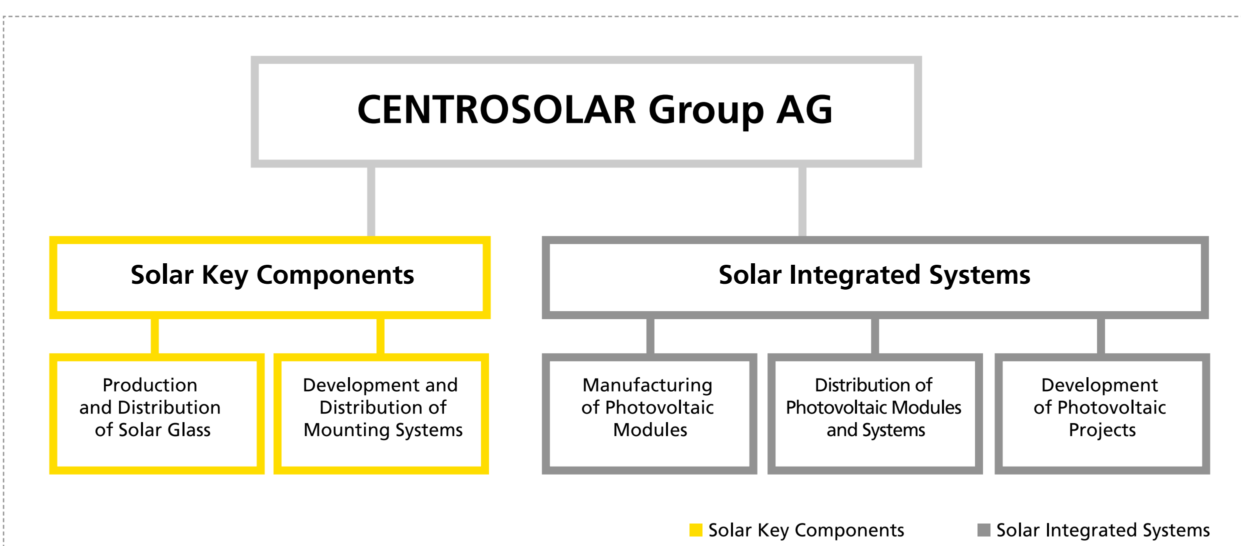
3.1 Segments

The CENTROSOLAR Group operates in the Solar Integrated Systems and Solar Key Components business areas (segments), which involve the following activities:

In the Solar Integrated Systems segment, photovoltaic modules and integrated solar systems predominantly for smaller roof installations are sold to wholesalers and solar engineers. The modules used in them are manufactured almost exclusively by CENTROSOLAR itself in a modern plant in Wismar. The starting products required for its own module manufacturing operations include solar cells, which are sourced from suppliers. Through a joint venture with Pohlen Bedachungen GmbH & Co. KG, a large roofing company, the company also supplies large-scale turnkey systems for industrial roofs.

The Solar Key Components segment on the one hand develops, manufactures and sells solar glass mainly for

BUSINESS SEGMENTS



photovoltaic solar modules and thermal collectors, and on the other hand develops and sells mounting systems for photovoltaic solar systems. The mounting systems customers include solar engineers and wholesalers, but also competitors in the Solar Integrated Systems segment. Solar glass is sold predominantly to manufacturers of photovoltaic modules and thermal collectors.

CENTROSOLAR has locations in Europe, North America and Asia; it enjoys a particularly strong presence in core European sales markets, but also increasingly in the USA, thanks to a tightly knit sales and service network.

Latterly, the CENTROSOLAR Group has earned over half its revenue outside Germany. The principal sales markets apart from Germany are France, Italy and the USA.

3.2 Management and governance

CENTROSOLAR Group AG has a management and governance structure conforming to German Stock Corporation Law and corporate governance guidelines. The Supervisory Board is elected by the Shareholders' Meeting and oversees the Management Board, which manages the operations of the entire group. This dual management structure is mirrored at the holding company's subsidiaries. The targets for the individual companies are coordinated and documented in annual budget negotiations. Individual targets derived from these for managing directors, Management Board members and senior managers serve as the basis for their variable pay components.

However, short term bonus agreements are not the foundation for the corporate culture that is geared towards sustainability. The emphasis is on a steady strengthening of the market position and corporate value, customer satisfaction with the quality of the products, and the propagation of solar technology. To implement these long-term targets, the strategy is to focus on dedicated managers and employees showing a sense of responsibility. To enable them to develop to their full potential, the group is organised non-centrally, with a flat hierarchy. Intensive communication between and within the companies assures a continuous exchange of ideas and innovations.

For further remarks on the remuneration components, please refer to the Notes to the Consolidated Financial Statements.

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

3.3 Important products, services and business processes

CENTROSOLAR focuses on solar integrated (photovoltaic, PV) systems and modules for roofs, as well as certain key components for the entire PV industry. In the Solar Integrated Systems business area it manufactures crystalline PV modules, to some extent combines them with the corresponding inverters, mounting systems and other system components, and sells them on an international scale to solar engineers and their wholesalers as integrated systems. As well as the hardware, customers receive extensive support in the form of technical and economic advice, training and, if desired, delivery of orders directly to the site. The hardware may comprise crystalline or thin-film PV systems for flat or sloping roofs, for installation on the roof's surface or integration into the roof. CENTROSOLAR is an expert in highly aesthetic, building-integrated systems where the solar tiles or frameless solar laminates themselves constitute the water-bearing layer.

The bulk of revenue is generated by modules and integrated PV systems of relatively small dimensions for private roofs. The company also supplies large-scale systems, particularly for industrial roofs. For large-scale systems from approx. 300 kWp, it can install turnkey systems in conjunction with its partner Pohlen Bedachungen. Pohlen's roofing expertise, CENTROSOLAR's solar expertise and the planning expertise of their joint venture Centroplan have already led to the installation of some 100 large-scale systems on the roofs of retail chains such as ALDI and REWE.

The crystalline solar modules that CENTROSOLAR sells for smaller roof systems are manufactured by CENTROSOLAR itself. Thanks to its own production operations, it is very well placed to supply a comparatively broad range of both standard and special modules very flexibly. The production expertise and competitiveness of the Centrosolar Sonnenstromfabrik module plant in Wismar are recognised worldwide and this has led to a considerable volume of production orders on behalf of other solar businesses.

CENTROSOLAR integrated system on the roof of the Red Town Hall in Berlin (Germany)

The Solar Key Components business area supplies module installation systems and solar glass. Glass for solar technology exhibits a particularly low iron content and is used for covering PV modules and solar collectors. The group company Centrosolar Glas sells prefabricated solar glass to the international PV module industry and to solar thermal manufacturers. Centrosolar Glas has secured a position among the market leaders for anti-reflective coated cover glasses. A patented coating process is used to apply nanocoatings that impart extremely high transparency and therefore enhance the modules' efficiency. Another supplier of patented key components for the entire PV industry is the subsidiary Renusol, which has specialised in roof installation systems. Among the products it supplies are flat-roof solutions where the roof skin does not need to be drilled through, and sloping-roof solutions where the system is fully integrated into the roof.

3.4 Principal sales markets and competitive position

The sales markets and competitive positions vary depending on the business area and subsidiary. Distribution business for photovoltaic modules and integrated systems is handled by a network of sales subsidiaries throughout Europe and North America. In Germany and France, the company is one of the largest operators in the market segment for small to midsize roof systems. The module manufacturing plant in Wismar is considered to be one of the largest and most efficient in Europe.

Among project planning companies for large-scale PV systems, Centroplan enjoys a special status thanks to its focus on industrial roof systems. Its target group is investors and industrial roof owners, on whose behalf it erects roof systems throughout Europe. To that end, it also has international branches in Spain, Italy, France and the UK.

Centrosolar Glas, Fürth, is among the world leaders for coated solar glass, latterly achieving a sales volume of more than 6 million square metres of solar glass per year. The company has operations worldwide and its own subsidiary in Asia. Customers include many renowned module manufacturers in Europe and America. The other manufacturer of key components, Cologne-based Renusol, is also among the market leaders, thanks in no small measure to its strong sales position in France, where it has also established its own sales subsidiary.

3.5 Legal and economic influencing factors

The photovoltaic industry is relatively resistant to fluctuations in the global business cycle. The decisive factor behind demand is how profitable a PV system is to operate. Profitability varies depending on the investment outlay, sunlight levels, electricity price and the various national incentives available for power generated by photovoltaic means. The investment outlay has gradually been brought down thanks to technical progress and the industrial-scale manufacturing of all PV system components. By contrast, the costs of power generated by conventional means have been steadily climbing in the past. This means that the incentives that are currently still necessary can be gradually scaled back. In markets with high levels of sunlight and comparatively high electricity costs, the prime costs of solar power are already below the electricity costs for end users. Germany, too, should reach what is known as grid parity in the next two to three years. When that point is reached, profitability is likely to be influenced by the scaling of systems to reflect the user's level of consumption and by the creation of smart grids, as well as by the above factors.

4 Goals and strategy

4.1 Product and market strategy

Diversification into highly promising market segments

Against a backdrop of rising energy prices, national incentives and the ever more obvious consequences of climate change, promoting renewable energies remains a major concern for most industrial nations. Following the substantial increase in worldwide production capacity particularly in the capital-intensive areas of polysilicon, wafers and cells, CENTROSOLAR nevertheless expects that competition at all stages of the value chain will continue to intensify.

Companies such as CENTROSOLAR will benefit from this sustained growth coupled with greater pressure of competition, by virtue of enjoying a broad, internationally diversified customer base, being able to offer a demand-led product range and having optimised their cost base at an early stage. Within its product and market strategy, CENTROSOLAR is pursuing the following four objectives:

Centrosolar Sonnenstromfabrik in Wismar (Germany)

- First, to strengthen its market position internationally for small to midsize roof systems for private houses. A denser worldwide sales network, a more extensive range of integrated systems and more advanced individual support for local solar engineers are the cornerstones of its market strategy here.
- Second, to diversify its industrial roof business. As well as providing systems, other aspects such as advance financing are to be included in order to generate more value added.
- Third, to build high-quality crystalline solar modules cost-effectively, including for third-party customers.
- And fourth, to multiply the USPs of the key components supplied by the company to the entire PV industry.

4.1.1 Solar Integrated Systems

“Capillary” sales structure to reach local fitters worldwide

The “Solar Integrated Systems” segment with its focus on small to midsize roof systems requires a very fine-meshed, “capillary” sales structure in order to serve thousands of fitters who operate exclusively on a local scale. Developing such a strongly branched sales organisation with an increasingly international make-up requires a particular effort, but also foresight and patience. Once contacts with local fitters have been established, this infrastructure is relatively resistant to market fluctuations and competitor products. However, more technical expertise in roofs and demonstrably high module quality are expected. In this market segment, exclusively the made-in-Germany modules manufactured by Sonnenstromfabrik GmbH in Wismar are sold in Europe. Only in North America are modules made by contract manufacturers in Asia and North America sold alongside the company’s own modules, to reflect local demand.

Tapping the industrial roofs market segment

The profile of incentives available internationally for PV power has shifted in favour of roof systems. Installing PV systems on roofs is a more complex affair, especially on the flat roofs that are commonplace on industrial properties. The company’s partner Pohlen Bedachungen GmbH & Co. KG manages 5 million m^2 of roof area in Europe, of which a large proportion can be used for generating solar power. CENTROSOLAR aims to exploit this available potential and create extra scope. The joint venture Centroplan could thus take on not just customer-financed roof projects, but also their interim financing in order to generate greater value added.

Cost-effective building of quality modules

Early on, CENTROSOLAR filled important senior executive positions with experts not just from within the solar sector, but also from the semiconductor and automotive industries. By adopting important manufacturing and quality assurance processes from these long-established industries and introducing continuous improvement processes, CENTROSOLAR has secured itself one of the best cost positions in Europe for solar module manufacturing. In many cases CENTROSOLAR’s requirements for the components used in module production and for its own prefabricated articles exceed the formal quality standards of the IEC verification catalogues. For instance, all modules are exposed to the climate test conditions specified in IEC 61215-2, which provide a valuable indication of a module’s durability, for twice the required period. Compliance with these requirements is assured by internal quality assurance processes and regular checks by independent testing institutes. In addition to selling these high-quality modules via the subsidiaries within the Solar Integrated Systems segment, CENTROSOLAR has repeatedly used its good cost position to build modules on behalf of occasionally much larger multinational companies with considerable industry experience, but has only pursued this area of business to a minor extent because of the limited amount of production capacity available. Thanks to the plans to expand the Wismar plant to 350 MWp in 2011 and the signing of the production agreement with the world’s largest contract manufacturer of semiconductors TSMC, according to which CENTROSOLAR will become TSMC’s exclusive contract manufacturer of crystalline solar modules in Europe, manufacturing operations on behalf of third parties can now be stepped up.

New solar glass coating process developed

4.1.2 Solar Key Components

Multiplication of USPs and increased international spread

Building on the existing USPs of Centrosolar Glas in the field of anti-reflective glass and of Renusol in roof-integrated installation systems, the strong market position is to be further extended and internationally diversified. Whereas in the early days the spotlight was squarely on the best technical solution, the demands now include a top cost position and international availability. CENTROSOLAR correspondingly pursues the following strategic objectives:

- To increase its international presence in Europe, the USA and – in the area of solar glass – Asia.
- To further diversify the product range in the mounting systems area. It is important to ensure that the product range is adjusted to reflect the frequently changing regulatory requirements, for example in respect of the characteristics of roof-integrated systems in France.
- To steadily improve and optimise the cost position.

4.2 Research and development

Emphasis of R&D activities

As already in the previous year, the priorities of R&D work in 2010 again included bringing down costs while preserving the high standards of quality and durability. In the area of modules and mounting systems, resurgent aluminium prices are increasingly the focus of attention. In several optimisation projects, the materials used in proven design solutions were optimised so that less aluminium is required in manufacturing, while all functionality and loadability requirements are still met.

Meanwhile CENTROSOLAR is also investigating the scope for using alternative materials in modules, especially plastics. At the Wismar plant it has carried out two projects with the financial support of the programmes for investing in the future run by both the Federal Government and the state of Mecklenburg-Western Pomerania.

Because the export ratio of business has risen sharply, a further development priority was to design solutions to reflect the special circumstances of the European and American sales markets. For instance a special version was added to the flexible thin-film range to satisfy the strict French fire safety regulations for large flat roofs and roofs on public buildings. Mounting elements for regions where high wind and snow loads are encountered, e. g. coastal regions, were also included in the range of roof-integrated products.

Along with the expansion of the Wismar plant, a 54-cell crystalline module was added to the range. The production of such a module permits a higher degree of automation that renders the process more economical, and its dimensions make it an excellent combination of high module output and ease of handling. This 54-cell module has been in use since mid-2010 as part of the new CENPAC modular integrated system, which is a logistically optimised, low-cost but high-quality and aesthetically very appealing alternative to customer-specific systems because it has no long rails, uses preconfigured sizes and the modules can be arranged both horizontally and vertically.

To enable the company to handle the growing volume of systems business efficiently, a web-based planning and dimensioning tool was developed in the year under review. It permits the complete mechanical and electrical planning of sloping-roof photovoltaic systems within a uniform user environment and can submit the plant data and bills of materials directly to Centrosolar AG's quotation and ordering system. This makes the task of configuring a system considerably faster and more cost-effective. Product changes can moreover be incorporated immediately. Regular customers of Centrosolar AG have direct access to the online tool and can thus perform the dimensioning of plants and prepare quotations for their end customers much more quickly.

After launching a one-sided coating technique for anti-reflective glass, Centrosolar Glas developed a further improved coating material that permits both reduced material consumption and higher processing speeds. As well as for solar applications, anti-reflective glasses were used for the first time for architectural purposes, in triple glazing. These enable the solar energy yield (g-value) to be increased by a significant 5 %.

With the development and market launch of the roof integration systems IntraSole SR and IntraSole CL, Renusol has adapted to the anticipated changes in the incentives policy in France. As an integral part of the building shell, both systems reflect the growing demand for building-integrated photovoltaic solutions in other countries, too.

The VarioSole product line was broadened to include anchors for Italian roof designs. Through the development and market launch of the new MetaSole on-roof system, Renusol can supply a highly competitive product for mounting systems on metal roofs in industry and agriculture.

R&D organisation

At December 31, 2010 there were development departments at Centrosolar Glas GmbH & Co. KG in Fürth for the solar glass area, at Renusol GmbH in Berlin for the mounting systems specialist area, at Centrosolar Sonnenstromfabrik GmbH in Wismar for crystalline module product development activities, and at Centrosolar AG in Paderborn for the area of thin-film applications and solar systems. There are also regional development teams in France and the USA to develop nationally specific solutions and submit them to the national certification tests.

The research and development expenditure for the fully consolidated companies rose to EUR 2.1 million in 2010 (previous year: EUR 1.9 million). The increase reflects CENTROSOLAR's increased efforts to create a cost-optimised range of products offering differentiated features. In total, there were 21 employees working in R&D and on the development of new or optimised products (previous year 18).

At December 31, 2010 there were 3 registered utility models, 3 basic patents granted and 13 applications being examined or at the disclosure stage. There are in addition around 40 such patents/utility models applied for/pending at national level. In 2010 new patent applications were filed for 2 inventions.

4.3 Procurement

CENTROSOLAR benefits from rising competition

CENTROSOLAR is not subject to long-term price commitments for its supplies of solar cells, choosing instead to buy them at the prevailing market prices. Thanks to the abrupt rise in cell production output and the more intense competition that this has produced in the upstream value creation stages, these market prices are steadily falling. Even if a regional demand pull may temporarily produce a special boom, as was the case last year in Germany, Italy and the Czech Republic, the industrialisation of PV products has resulted in markedly lower manufacturing costs. Falling cell prices increase CENTROSOLAR's margins because the company is then able to secure better purchasing terms than competing module manufacturers.

The fall in prices between Q4 2008 and Q2 2010 confirmed the logic behind this strategy. Following the slight rise in prices in the second half of 2010 because of the strong performance of the sales market, the procurement market is expected to relax again in 2011 with prices falling.

For contract manufacturing on behalf of TSMC, responsibility for sourcing the cells rests with TSMC. This enables the company to exploit economies of scale in manufacturing, without having to bear the risk of procurement bottlenecks for cells.

Medium-term cover for basic requirements

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. Particularly if project business accelerates, CENTROSOLAR will not rule out the possibility that it might enter into longer-term blanket agreements with suitably qualified cell suppliers in order to cover these basic requirements, though the price terms would have to be flexible. For project business, modules from other manufacturers may also be used subject to agreement with the customers.

4.4 Production

With its current production stages, CENTROSOLAR covers around one-third of the entire value chain for integrated PV systems. In the Solar Integrated Systems area, the emphasis is on the manufacturing of crystalline solar modules. Thin-film laminates are also finished. The production of inverters and other components is largely outsourced to European contract manufacturers, to CENTROSOLAR's specifications and high quality standards.

In the Solar Key Components area, CENTROSOLAR finishes low-iron raw glass to produce shatterproof safety glass that may also have an anti-reflective coating that transmits light and energy particularly effectively, depending on customer requirements. It also puts together the mounting systems developed by the subsidiary Renusol. Manufacturing of their component parts is mostly contracted out to plastics and metal processing companies.

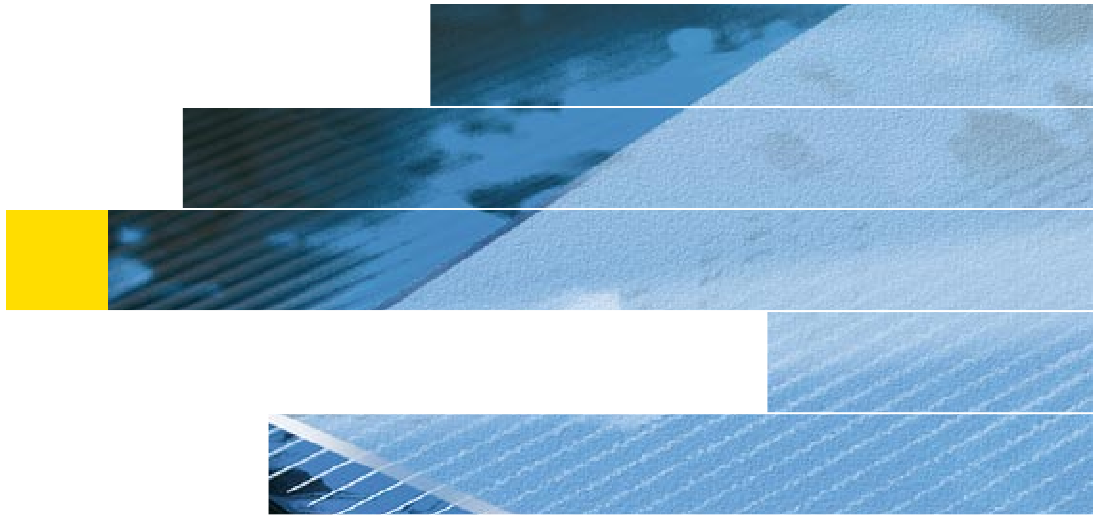
As well as the above value added steps, CENTROSOLAR offers other services. These comprise:

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

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

Particularly in the segment targeted by CENTROSOLAR, in other words solar engineers for and investors in small and midsize roof systems, the focus when selecting modules is on quality and the soundness of the investment, with appropriate returns. This was moreover reflected in the price and sales trend in 2010.

Centrosolar Sonnenstromfabrik GmbH is certified to DIN EN ISO 9001:2008 for quality management, and to DIN EN ISO 14001:2009 for environmental management. These certificates were successfully renewed following a re-audit carried out in October 2010. CENTROSOLAR modules are certified to the internationally valid standards lEC 61215-2 and IEC 61730. In addition, certain module types are certified to the American standard UL 1703 and under the Microgeneration Certification Scheme (MCS), which is required for the UK.



Growing demand
for anti-reflective
coated solar glass

The production agreement with TSMC signed in January 2011, according to which CENTROSOLAR is to become TSMC's exclusive contract manufacturer in Europe of crystalline solar modules, confirms the company's own assessment that it is Europe's leading manufacturer of high-grade crystalline solar modules in terms of costs and quality.

Thanks to steadily rising demand for solar modules with the "Made in Germany" quality cachet, CENTROSOLAR again increased its production capacity at Centrosolar Sonnenstromfabrik GmbH in two stages last year from 110 MWp to now almost 200 MWp. With an output of up to 4,000 photovoltaic modules per day, the company believes that Centrosolar Sonnenstromfabrik GmbH is now one of the largest module plants in Europe and has therefore developed from a small business into one of Wismar's largest employers within the space of a few years. The workforce has grown from an initial 15 employees in 2001 to 360 at December 31, 2010.

A further substantial increase in production capacity at Wismar to 350 MWp is scheduled for 2011, keeping the company in a position to respond flexibly to changes in demand.

Solar glass production: focus on finishing with extensive value added

Centrosolar Glas GmbH & Co. KG with its registered office in Fürth is a leading supplier of high-quality solar glasses based on low-iron float and structured glasses. Solar glass is used to encapsulate solar cells into modules and in solar thermal collectors, and protects the module against weathering and ageing.

Using state-of-the-art machining and tempering processes that assure the optimum flatness and mechanical strength of solar glasses, low-iron raw glasses are hardened into shatterproof safety glass at the Fürth production plant. A special feature of the company is that it can treat solar glasses with a patented anti-reflective coating made from porous silicon dioxide, as a result of which these glasses exhibit even greater energy/light transmission than conventional solar glasses. Surface coatings will be further optimised in future to impart additional product characteristics such as dust repellency for desert regions.

Demand for coated solar glass has been steadily rising in recent years because the improving efficiency of cells means that the benefits per module of an anti-reflective coating on the solar glass are rising sharply. In the 2010 financial year, coated solar glass already accounted for two-thirds of revenue for glass.

The production strategy in the area of solar glass can be defined as having three main thrusts:

- Increasing the share of anti-reflective coated solar glass of the overall production volume.
- Steadily boosting production efficiency by systematically improving the production processes and using innovative production methods at the Fürth plant.
- Better coverage of the Asian and North American markets with an increased international presence.

4.5 Marketing and sales

4.5.1 Solar Integrated Systems

CENTROSOLAR the quality brand for roof systems

The decision to bring together the various legacy product brands under the umbrella brand CENTROSOLAR is bearing fruit: brand awareness has since been steadily rising thanks to a concerted marketing strategy. This ascendancy is not limited to Germany. Throughout Europe and the USA, CENTROSOLAR is regarded as the brand that specialises in photovoltaic roof systems. CENTROSOLAR products have now been included in the main catalogues of wholesale suppliers to tradesmen. These tradesmen, the pivotal partners in the company's sales strategy, are given training as solar engineers at technical seminars. Their contacts with the owners of private houses in their region give CENTROSOLAR a decisive foothold en route to developing thousands of square metres of roof area throughout Europe, and increasingly in North America too. CENTROSOLAR serves the German market through a nationwide network of sales representatives as well as through sales offices in Kempten, Paderborn and Hamburg. The company also has a corresponding area-wide network of field representatives in France and Italy; most notably in France, CENTROSOLAR has now emerged as the market leader for small and medium-sized roof systems. In the USA, the company substantially increased its presence in the financial year under review and now has local sales representatives in the most important regions. Its international presence in the Solar Integrated Systems area is rounded off by other sales subsidiaries in Spain, Switzerland, Greece, the Netherlands and, since the last financial year, also in Canada and the UK.

For large systems for industrial roofs, the owners and operators of the building in question play a key role. The joint venture partner Pohlen Bedachungen acts as a vital intermediary in this respect. As the roof contracting partner to major retail and wholesale chains such as ALDI and Otto-Versand, that company enjoys the trust of those clients and can smooth the way for the decision-making process. Sales of completed roof systems to investors will be a future component of the marketing strategy in this area of business.

For its project planning and sales work, the joint venture Centroplan can call upon its own sales network with branches in Spain, Italy, France and the UK.

Further international spread for the successful model

Being a trade partner for installations on private houses and providing access to millions of square metres of roof area on industrial properties – these have been two cornerstones of the marketing strategy right from the outset, including internationally. Alongside the longer-established European international subsidiaries in France, Spain, Switzerland, Italy and Greece, the company now also has branches in the Netherlands and Greece. In North America, its presence in the south and west has been bolstered by the opening of further branches on the East Coast and in Canada. Overall, CENTROSOLAR has succeeded in increasing its export ratio to 59.4 % thanks to a drive for international expansion that has now been continuing for a number of years.

4.5.2 Solar Key Components

Own international sales structures

Centrosolar Glas supplies solar module manufacturers worldwide, with Renusol supplying solar installation companies throughout Europe. Both of them serve their own clientele, which even includes competitors in the Solar Integrated Systems segment. They therefore operate their own sales networks and pursue distinct marketing strategies. At the core of all segments in the CENTROSOLAR Group is the desire for further international expansion. Centrosolar Glas is focusing its interest on China as the world's biggest module manufacturing location, while Renusol is concentrating on preparing to enter the US market.

5 Overview of the financial year

CENTROSOLAR was able to end the 2010 financial year with record levels of revenue and earnings. As well as profiting from high demand in Germany in the first half of the year, it above all achieved strong growth in important international sales markets in Europe and the USA.

Particularly in the first half of the year CENTROSOLAR benefited from its flexible purchasing strategy thanks to falling cell prices, with this effect producing a high earnings margin. In the second half, the strong open-site markets in Italy and the Czech Republic temporarily caused bottlenecks in the supply of cells which, together with the weak Euro, weighed on earnings. The operating result of EUR 26.6 million was nevertheless easily the highest in the company's history and was moreover well up on its own expectations of originally EUR 14 to 16 million.

The operating cash flow, too, exceeded expectations in reaching EUR 18.4 million. One factor at work here was the running-down of inventories to a comparatively low level at year-end. CENTROSOLAR did so in the expectation that the situation in the procurement market is expected to ease considerably in the first half of 2011, and will consequently be well-placed to profit straight away from the expected fall in cell prices.

5.1 General economic situation

On the back of a 2009 dominated by the financial crisis, in which the IMF calculated that there was actually a fall in gross domestic product – in other words total output of goods and services worldwide – the economic situation improved markedly in 2010. The IMF estimates global growth in gross domestic product in the past calendar year at 4.8 % worldwide, 1.7 % in the EU and an impressive 3.3 % in Germany. The improved underlying economic situation also brought about an increase in banks' readiness to lend, albeit to only a minor degree.

Meanwhile interest rates and therefore the cost of financing a solar plant remained pleasingly low, with the European Central Bank leaving the base rate at the all-time low of 0.12 %.

5.2 Industry-specific situation

The attractiveness of investing in photovoltaic systems continues to depend fundamentally on the features of state incentives programmes for renewable energies and therefore only to a certain extent on the overall economic situation. The first half of the year was dominated by anticipatory effects in Germany. With drastic reductions in the feed-in tariffs taking effect from July 1, 2010, there was a leap in demand from the start of March, following on from a harsh winter that had meant only very few roof systems could be installed in the first two months. Demand was well up on the prior-year level in the principal European and North American markets, too.

Although there was the expected temporary drop in demand at the start of the third quarter in Germany, worldwide demand for photovoltaic systems remained exceptionally high. There were further cuts to the feed-in tariffs in many countries at the end of the year, prompting the usual seasonal upturn in demand in the second half of the year. As well as in the Czech Republic and Italy, this was the case in Germany where a special boom could probably be attributed to the large number of open-site systems on agricultural land that would subsequently no longer qualify for the incentives and were therefore connected to the grid by the end of the year.

The high level of demand led to shortages at the supply end. Whereas there were long lead times for inverters in the second quarter, there were bottlenecks in polysilicon, wafer and cell production particularly in the third and fourth quarters, with low-iron raw glass also in short supply. This had an effect on prices. While module prices remained largely constant despite the reduction in feed-in tariffs mid-way through the year, cell and wafer prices actually rose quite sharply compared with the second quarter. The effect of the demand backlog was further amplified by the weakness of the euro. Not until the end of the fourth quarter did the situation at the supply end ease, also resulting in falling procurement prices for cells.

5.3 Principal events shaping the business performance

CENTROSOLAR Group AG was able to maintain its strategy of expansion in 2010 in increasing its production capacities. The sales volume of solar modules rose by 62 % to 152 MWp. Sales of mounting systems and anti-reflective coated solar glass likewise enjoyed a further year-on-year rise. At the same time profitability throughout the group, but especially in the Solar Integrated Systems segment, was increased to new record levels. This success was attributable not least to the following measures and events:

- Expansion of the sales organisation: In the Solar Integrated Systems area, but also for mounting systems, CENTROSOLAR systematically recruited extra personnel for Technical Service and Sales operations at its international subsidiaries in the growth markets France, Italy and the USA. New subsidiaries in Canada and the UK were also established.
- Demand-led broadening of the product range: Thanks to the strong sales network, CENTROSOLAR is familiar with the requirements of its customers and has correspondingly widened its product range. In the past financial year, the company for instance developed a new high-performance module with 54 cells and launched an integrated system that combines the advantages of a custom-made photovoltaic system with the scope of an instantly available standard solution. In the Solar Key Components area MetaSole, a new mounting system for trapezoidally corrugated sheet roofs, was successfully brought onto the market and an anti-reflective glass coated on one side added to the range.
- Increased production capacities: The production capacities for quality modules "Made in Germany" at the Wismar plant were increased in two stages, from 110 MWp at the start of the year to latterly almost 200 MWp.
- Continuous process optimisation makes further headway: Thanks to the introduction of continuous improvement processes, the cost position in many areas was further optimised. CENTROSOLAR is now among the cost leaders in Europe particularly for solar module manufacturing.

The following table provides a chronological overview of the main events of 2010:

JANUARY 2010

- **CENTROSOLAR modules on the roof of the Max-Schmeling-Halle:** In January Berlin's elected mayor Klaus Wowereit inaugurates the solar system on the roof of Berlin's Max-Schmeling-Halle in the presence of numerous guests representing politics, industry and the media. At the time the plant is the largest photovoltaic installation on the roof of any public building in Berlin. The combined output of the 1,064 modules with an area of 1,749 square metres is 250 kWp.

FEBRUARY 2010

- **SAP rolled out group-wide:** From the start of the year on, a large number of subsidiaries of CENTROSOLAR Group AG are linked up by a uniform SAP system. The system is successfully rolled out at six national and five international locations over a period of just nine months. The rapid international expansion of the solar energy group had created an increasingly pressing need for uniform, efficient IT support that fully reflects all business processes from production, through procurement and distribution, to service handling. A new logistics concept significantly optimises supply capability and reliability. Controlling and distribution processes are also optimised.

MARCH 2010

- **Record earnings in Q4 2009 announced:** With revenue of EUR 105 million and an EBITDA operating result of EUR 13.5 million, CENTROSOLAR Group AG yet again easily exceeds the previous quarter's record figures (revenue EUR 82 million, EBITDA EUR 8.7 million) in the fourth quarter of 2009. Compared to the prior-year period, revenue actually shows an improvement of 17 % and EBITDA increases six-fold. With an operating result before interest and taxes of EUR 10.8 million, it moreover exceeds an EBIT margin of 10 % for the first time ever. CENTROSOLAR is consequently able to demonstrate the very dynamic growth and profitability inherent in its business model.

Solar plant erected on an Aldi logistics centre in Spain for DCM Fonds

APRIL 2010

- **Production capacity at Wismar increased:** In April, CENTROSOLAR starts up a new production line for solar modules at its Wismar plant. The commissioning of the additional production line brings the company an increase in production capacity from previously around 110 MWp to 155 MWp. The crystalline solar modules being manufactured are destined for use particularly in solar systems on private houses. The new line is moreover capable of building 72-cell high-performance modules with an output of up to 300 Wp.

MAY 2010

- **Q1 figures announced:** With revenue of EUR 85 million and an operating result of EUR 8.2 million, CENTROSOLAR Group AG improves substantially on the figures for the prior-year quarter (revenue EUR 61.7 million, earnings EUR -7.3 million) and therefore makes a very successful start to the 2010 financial year. The operating result surpasses the company's own expectations, taking it already more than half way towards the earnings figure forecast for the full year. The net earnings of EUR 4.4 million (previous year EUR 6.3 million) even makes this a record-breaking quarter.
- **Production landmark at Centrosolar Sonnenstromfabrik:** The one-millionth solar module made from 50 cells leaves the production line at Wismar at the start of May. The company has steadily increased production capacity since module production started there in 2001.

JUNE 2010

- **CENTROSOLAR again project partner for new DCM solar fund:** CENTROSOLAR Group AG is again chosen as the project partner for the solar fund of the investment bank DCM. The launching of its investment fund DCM Solarfonds 4 gives investors the opportunity to invest in a portfolio of ten solar roof plants. For the DCM Solarfonds 4 project, CENTROSOLAR takes charge of selecting and supplying the solar modules as well as other components. Centroplan GmbH, the joint venture of CENTROSOLAR and Pohlen Bedachungen GmbH & Co. KG, operates as project developer. Other project partners are Pohlen Solar and the Fraunhofer Institute for Solar Energy Systems ISE. The solar plants of the earlier investment funds DCM Solarfonds 1 and DCM Solarfonds 3 were previously realised by the same project partners.

- **CENTROSOLAR unveils new standard integrated system:** In the guise of CENPAC, CENTROSOLAR unveils a pre-assembled integrated system at the Intersolar in the sizes 3, 5, 8 and 10 kilowatt peak, tailored to the typical consumption categories of homes and business establishments. Thanks to its standardisation and pre-assembled state, CENPAC is furthermore economical and easy to install.

- **CENTROSOLAR modules on Red Town Hall:** In June, Berlin's governing mayor Klaus Wowereit inaugurates a solar plant with CENTROSOLAR modules on Berlin's Red Town Hall. The plant on the roof of the town hall, where both Berlin's governing mayor and the Senate are based, is clearly visible from the adjacent TV tower and emphasises Berlin's efforts to protect the climate.

JULY 2010

- **CENTROSOLAR France realises three sloping-roof solar plants comprising over 5,000 modules:** Centrosolar France, the French subsidiary of the solar energy group CENTROSOLAR Group AG, successfully completes a major project for solar plants in the southern French department of Ardèche. Centrosolar France achieves a new record for sloping-roof plants in installing over 5,000 modules.

- **Earnings forecast almost doubled:** CENTROSOLAR Group AG almost doubles its earnings forecast from EUR 14–16 million to EUR 24–28 million thanks to its sustained healthy margins. The previously publicised revenue ceiling of EUR 370 million, too, is expected to be reached or just exceeded. The main drivers of the good earnings performance are the strong international position and effective cost optimisation measures.

New "CENPAC" pre-assembled integrated system

AUGUST 2010

- **New web presence:** CENTROSOLAR fundamentally revamps its web presence, placing even greater emphasis on functionality and user friendliness. One particularly useful feature now available is an innovative product comparison function developed specially for CENTROSOLAR. The relaunch means that the parent company CENTROSOLAR Group AG now for the first time has a separate web presence that is specifically designed to help it address investors directly at www.centrosolar-group.com.

- **First-half results announced:** With revenue of EUR 209 million and an operating result of EUR 21.1 million for the first half of the year, CENTROSOLAR Group AG easily succeeds in bettering the previous year's figures (revenue EUR 122 million, earnings EUR – 11.3 million). Within the second quarter in particular, new revenue and earnings records are established. For example, Q2 revenue of EUR 124 million is more than double the figure for the prior-year quarter and around 46 % up on the previous quarter. The operating result before interest and taxes (EBIT) of EUR 12.9 million both easily exceeds the previous quarterly record and surpasses the company's own expectations; this means that more than three-quarters of the previously upgraded earnings forecast of EUR 24 to 28 million have already been achieved by mid-way through the year.

SEPTEMBER 2010

- **International subsidiary established in UK:** Following the introduction of attractive feed-in tariffs in April, Centrosolar UK Ltd. is in a position to respond to increased demand for photovoltaic systems particularly in England. CENTROSOLAR is able to recruit an experienced solar specialist with an excellent knowledge of the market to run the British subsidiary.

- **Further increase in production capacity at Wismar:** In September Centrosolar Sonnenstromfabrik in Wismar increases its manufacturing capacity yet again. It does so by modernising and automating the oldest of a total of four production lines. The overall capacity is therefore upped from a previous 155 MWp to almost 200 MWp.

- **High-performance module unveiled:** CENTROSOLAR presents a new 54-cell module with increased output at the European Photovoltaic Solar Energy Conference and Exhibition (EUPVSEC) from September 6 – 10 in Valencia, Spain. The module now comprises 6 x 9 cells instead of the previous 5 x 10. The extra row of cells permits an efficient wiring concept that reduces the modules' internal resistance and thus improves yield. The modules achieve an output of up to 225 Wp.

- **Thin-film system connected to grid in Turkey:** CENTROSOLAR constructs Turkey's largest solar plant to date that comprises thin-film modules, near Istanbul. The plant on the roof of a confectionery plant comprises over 100 modules and has a total output of 31 kWp.

OCTOBER 2010

- **Certification obtained for modules for UK market:** Centrosolar AG has received MCS certificates for its crystalline solar modules for the UK market. These serve as confirmation by the British Board of Agrément (BBA) of the high quality of these modules. This certification is important because it is a requirement for operating photovoltaic systems in the UK. The CENTROSOLAR subsidiary established in September, with its offices in London, is thus now ready to start trading. The certificates issued under the Microgeneration Certification Scheme (MCS) mean it can now set about conquering the UK market. Since the government introduced a feed-in tariff for solar plants in April, the UK is one of the most attractive solar markets in Europe.

NOVEMBER 2010

- **Third-quarter results announced:** Thanks to CENTROSOLAR's strong position in all major international markets for photovoltaic roof systems, the company is likewise able to post revenue of more than EUR 100 million for the third quarter (+ 25 % on already good prior-year figure). Almost two-thirds of revenue for the quarter is generated outside Germany. Business internationally grows by 85 % compared with the prior-year quarter. With revenue of EUR 311 million, the company has consequently already bettered the total for the whole of the previous year after only 9 months and is all of 53 % up on the prior-year period. With an operating result before interest and taxes of EUR 24.3 million, CENTROSOLAR has furthermore already achieved its target for the current financial year, which it had previously already upgraded substantially. Earnings per share after the first nine months are EUR 0.73.

- **Branch in Canada established:** Against a backdrop of rising demand for photovoltaic systems in Canada, CENTROSOLAR opens a sales office with affiliated warehouse in Markham, Ontario.

5.4 CENTROSOLAR shares

The market environment

After the price gains of the previous year, the market environment in the first half of the past calendar year was mixed, as was reflected by a sideways shift with no clear trend in key indices such as the DAX and S&P 500. It took until September 2010 for a positive trend to set in; this then continued until the end of the year. Overall, the international S&P Index gained 11 % and the DAX a more impressive 14 % on the previous year. Technology stocks followed a similar pattern but came under rather more pressure at the start of the year, with the result that the TecDAX gained only 2 % on the year-end level for 2009 in the course of 2010.

In contrast to the general trend, 2010 proved a less satisfactory year for most solar shares. For example, the international industry index Photovoltaik Global 30 shed around 30 % of its value in the first five months of the year. Although the index stabilised as the year progressed to recoup around half its losses in the third quarter, further setbacks at the end of the year meant that it closed the year 26 % down on the end of the previous year.

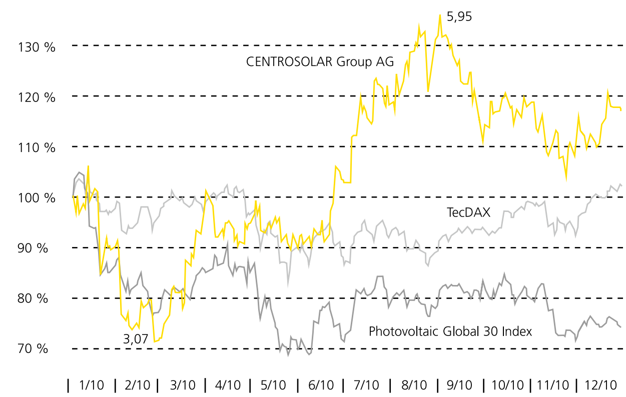
The shares of CENTROSOLAR Group AG only reflected the negative trend of the industry overall in the first two months, subsequently breaking away to turn in a clearly positive performance over the year. The shares closed the year on EUR 5.07, some 17 % up on the end of the previous year.

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 (WKN)	514850
Common Code	22975897
Stock exchange code	C3O

The capital stock of CENTROSOLAR Group AG at December 31, 2010 amounted to EUR 20,333,309, divided into 20,333,309 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 were unchanged from the end of the previous year.



The largest single shareholder is Guido Krass, who directly and via the shares held in CENTROTEC Sustainable AG holds over 30 % of the total capital of CENTROSOLAR Group AG. The following investors conducted share transactions with CENTROSOLAR shares that triggered reporting thresholds pursuant to Section 26 (1) of German Securities Trading Law during the course of 2010:

Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, gave notice on December 9, 2010 that its share of voting rights in CENTROSOLAR fell below the threshold of 3 % of voting rights, having already given notice on June 16, 2010 that its share of voting rights had exceeded the threshold of 3 %.

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 2010 financial year the Management held roadshows and investor events at major international financial centres such as Frankfurt, London, Paris, Zurich and New York. 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 HSBC Trinkaus, M.M. Warburg and Solventis 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 10,166,654 by May 18, 2015 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital). 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 of capital stock 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 approved capital.

The capital stock has been increased conditionally by EUR 303,000 („Conditional Capital I"). The conditional capital increase is only effected to the extent that 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, to 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 to the extent that 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 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).

For further particulars of the composition of shareholders' equity, please refer to the Notes to the Consolidated Financial Statements.

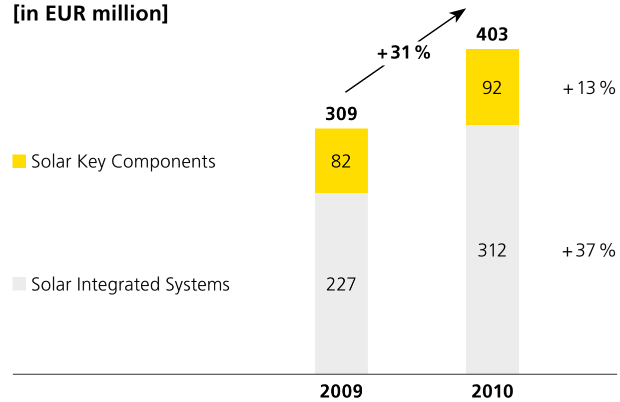
II Financial performance, financial position and net worth

1 Revenue and earnings

Overview of consolidated results: new record figures for revenue and earnings

CENTROSOLAR Group AG was able to post new record levels of revenue and earnings in the past financial year. Revenue rose by 31 % from EUR 308.7 million in the previous year to EUR 403.4 million. The original forecast for the year of EUR 340 to 370 million was thus easily exceeded. Around 77 % of revenue was generated by the Solar Integrated Systems segment, with 23 % of revenue coming from the Solar Key Components segment. The proportion of export revenue was increased from 49 % to 59.4 %. France was again the largest export market, with revenue exceeding EUR 118 million.

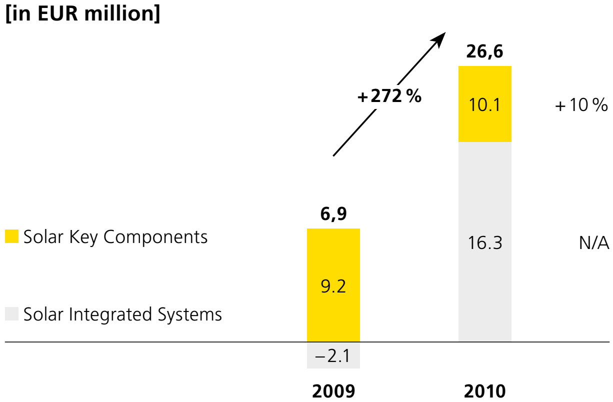
External revenues by segment
[in EUR million]



As a result of the low inventories at the start of the year and the comparatively stable trend in selling prices, in contrast to the previous year impairment of inventories was largely avoided. For that reason in particular, the cost of purchased materials in relation to revenue and the change in inventories was well down on the previous year at 71 % (75 %).

Thanks to the implementation of a continuous improvement process, the personnel expenses ratio and other operating costs were reduced from 20.2 % to 20.1 % despite falling selling prices. Overall, the operating result at EBITDA level of EUR 34.7 million was 155 % up on the prior-year figure of EUR 13.6 million. After deduction of depreciation and amortisation as well as impairment of property, plant and equipment, there remained earnings before interest and taxes (EBIT) of EUR 26.6 million, compared with EUR 6.9 million in the previous year. As in the previous year, this included IFRS 3 depreciation and amortisation of EUR 2.0 million. According to IFRS 3, tangible and above all intangible assets from corporate acquisitions are to be recognised and measured at their fair values. The assets recognised in the consolidated balance sheet in previous years in this connection 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. Overall, the original forecast for the year of EUR 14 to 16 million at EBIT level was easily exceeded.

Operating result (EBIT) by segment
[in EUR million]



Totals may differ from sum of segment earnings due to consolidation effects.

As a result of the good operating result and the capital increase in the fourth quarter of the previous year, the level of financial debt was brought down substantially year on year. This is also reflected in a markedly better interest result, which improved from EUR -5.7 million to EUR -4.0 million. The effective tax rate was 30 %, and earnings after taxes amounted to EUR 15.8 million compared with the highly negative figure for the previous year of EUR -29.7 million that reflected the discontinuation of the joint venture with Qimonda. This equates to earnings per share of EUR 0.78 (compared with EUR -1.94 in the previous year).

Solar Integrated Systems: growth accelerated

The strong sales growth of the previous year was again exceeded in the Solar Integrated Systems area. Sales of solar modules were increased by 62 % from 93 MWp in 2009 to 152 MWp in 2010. Despite the continuing fall in prices, there was consequently a substantial rise in revenue from EUR 227.0 million in 2009 to EUR 311.5 million in 2010. Over 80 % of the modules sold were made at the company's own manufacturing plant in Wismar. The sales range also included special ultra-light thin-film solutions, including flexible ones, prepared using laminates sourced from other manufacturers. In view of limited production capacity, other-make crystalline modules were also sold in project business and by the US distribution network.

With an EBITDA operating result of EUR 20.8 million, the previous year's result (EUR 1.6 million) was easily exceeded. Earnings before interest and taxes also reached a new record level of EUR 16.3 million (previous year EUR –2.1 million). In the first half of the year the company benefited from particularly low purchase prices for solar cells. Then, in the second half of the year, high demand from Italy, the Czech Republic and Germany led to bottlenecks for solar wafers, resulting in substantially higher cell purchase prices and lower profit margins.

Solar Key Components: higher capacities and value added

The Solar Key Components segment comprises the two subsidiaries Centrosolar Glas and Renusol.

Whereas revenue in the Solar Key Components segment had shown a slight decrease in 2009, the development was clearly positive in the past financial year. External revenue rose from EUR 81.7 million to EUR 91.9 million and therefore by 13 %. If intra-group sales are also included, growth was actually 16 % to EUR 107.0 million, compared with the previous year's EUR 92.6 million. The operating result at EBIT level likewise increased from EUR 9.2 million to EUR 10.1 million.

At Centrosolar Glas the trend towards anti-reflective coated glass continued. Meanwhile higher energy prices worldwide and capacity bottlenecks inflated raw glass prices, which diminished the result of Centrosolar Glas somewhat. Renusol, which generates around one-third of the revenue of the Solar Key Components segment, was again able to grow profitably in the past financial year.

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 continues to enjoy a strong competitive position and attractive margins, though these came under pressure in the second half of the past financial year as a result of the changed regulatory requirements for in-roof systems in France.

2 Net worth and financial position

2.1 Acquisitions and divestments: focus on streamlining the business portfolio

The priority for the past financial year was organic development. No acquisitions took place. Merely the sale of the interest in Trillion Sun that had already been announced at the end of the previous year was completed.

2.2 Investment: production capacity extensively increased and modernised

CENTROSOLAR invested above all in the further expansion and modernisation of production capacities in 2010. For example capacity at the module manufacturing plant in Wismar was increased in two stages from 110 MWp at the start of the year to a current 200 MWp. A new coating plant went into operation at Fürth during the past financial year. This increased capacity for anti-reflective coated glass by a further approx. 1.5 million m2. The company also invested extensively in automation technology in order to counter the considerable pressure on margins from lower selling prices by boosting efficiency in the production sphere.

Within intangible assets, it invested in the further roll-out of SAP, a new consolidation solution and self-developed products and software solutions. The total investment volume in property, plant and equipment and intangible assets of EUR 13.5 million showed a slight increase on the 2009 figures (EUR 12.4 million).

2.3 Balance sheet structure

Despite the investment activity and the substantial growth in revenue and earnings, the balance sheet total was kept virtually constant at EUR 184.7 million (previous year EUR 183.4 million). On the assets side there were slight structural shifts between current and non-current assets:

- Property, plant and equipment increased by EUR 6.4 million to EUR 39.2 million as a result of investment spending.
- Inventories of EUR 51.7 million were around EUR 6.9 million up on the prior-year figure and therefore rose less sharply than revenue. They include a project in Italy posted at cost with a carrying amount of EUR 2.8 million.
- At the same time trade receivables fell by EUR 4.0 million.

All in all, net working capital increased by EUR 7.4 million to EUR 42.7 million (previous year EUR 35.3 million).

2.4 Financing

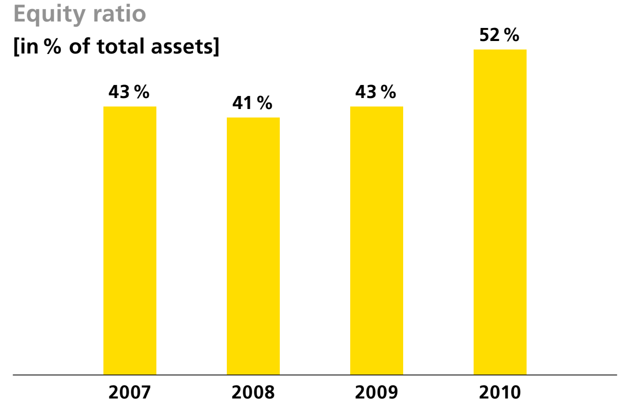
Despite the growth-driven rise in net working capital and the extensive investment activity, net financial debt was reduced further from EUR 44.0 million to a present EUR 39.9 million. The principal factor behind this positive development was the expansion in shareholders' equity thanks to net earnings for the period of EUR 16.3 million.

Of the original EUR 16.5 million in net financial debt that CENTROSOLAR had to assume from Itarion, the joint venture with Qimonda, there remains only an amount of EUR 3 million to be repaid in two instalments, by June 30, 2011.

Thanks to the reduction in net financial debt, it was possible to increase the equity ratio substantially from 43.0 % to 51.8 %.

At December 31, 2010 CENTROSOLAR had cash and cash equivalents of EUR 8.2 million and unutilised credit lines totalling EUR 40.4 million.

Equity ratio
[in % of total assets]



2.5 Liquidity

The positive earnings performance is also reflected in the cash flow. Despite the expansion in working capital, an operating cash flow of EUR 18.4 million was posted in the past financial year (previous year EUR 40.2 million). By contrast, investment activity increased from EUR 8.4 million in the previous year to EUR 8.7 million in 2010. The operating cash flow was moreover used to repay loans, with the result that financing activities overall led to a cash outflow of EUR 14.5 million, whereas the previous year's capital increase had produced a cash inflow of EUR 10.0 million in 2009.

3 People at CENTROSOLAR

Common values and goals

The CENTROSOLAR Group has one major factor that guarantees to bring it success: its employees. Team spirit, innovativeness and expertise are the main selection criteria that ensure its personnel are of the highest calibre. Its employees are united by a common mission and vision. Creating sustainable values is the essence of their common mission. The company develops and sells products and services that will also enable future generations to satisfy their own needs. That includes the use of renewable energies. However, sustainability also applies to highly topical aspects of its corporate philosophy. For instance, even though the corporate culture of the group is still in its formative years, it treats technological expertise and entrepreneurial credibility as priorities. Its non-central structure encourages and challenges employees to assume individual responsibility for their actions. Many of the company's employees have decades of experience in their field, and were among the pioneers of the photovoltaics industry in its early years. The company's managers adopt an open-handed style of communication and management. 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, decision-making paths within the company are short and innovations can be implemented rapidly.

At the heart of this vision is the company's claim to be among the leading players in the market segments and regions that it serves. Its target horizon is long-term. It will take decades to switch people's power supply to renewables, specifically photovoltaics in the company's case. Throughout that time and beyond, the company aims to exploit its superior expertise in photovoltaics to turn its strong international market position for PV roof systems into a leading position. It will take an exceptional effort by each individual employee of the CENTROSOLAR Group to achieve such an ambitious long-term objective. The remuneration structure for managers is the company's way of promoting its long-term goals. As well as their fixed salary, key employees and senior managers below the level of the Group Management Board receive variable cash payments that are linked to the attainment of individual performance targets. The key performers (selected

CENTROSOLAR
pilot plant
in Togo

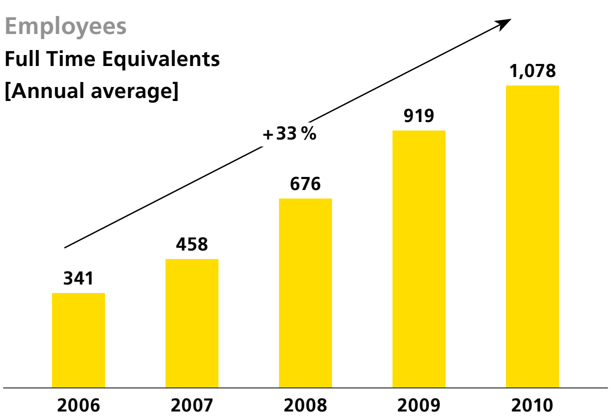
employees, directors and board members of subsidiaries and the Management Board members of the group parent) in addition participate in the stock options scheme of CENTROSOLAR Group AG. The members of the Supervisory Board receive a fixed payment as laid down in the articles of incorporation.

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.

CENTROSOLAR creates jobs

CENTROSOLAR has been steadily creating new jobs ever since the founding of the group, not simply in response to its growth, but above all through the greater depth of value added. There were 1,112 employees on average (previous year 958) in the CENTROSOLAR Group in the past financial year of 2010. This figure corresponds to 1,078 full-time equivalents (FTE) (previous year 919). At the end of the reporting period there were 1,043 employees, corresponding to 1,002 FTEs, in employment at CENTROSOLAR Group companies. The corresponding figures for the previous year were 1,071 employees and 1,019 full-time jobs. Most employees are located in Germany. Around two-thirds of all employees are based at the manufacturing locations Fürth and Wismar. At the same time, the number of employees outside Germany rose by 75 % in the past year as a result of intensified international sales activities.

Employees
Full Time Equivalents
[Annual average]



III Supplementary Report

1 Disclosure of events of particular significance after the reporting period

CENTROSOLAR to become exclusive module manufacturer for TSMC in Europe

On January 11, 2011 CENTROSOLAR announced the signing of a production agreement with TSMC Limited, Taiwan. Under the terms of the agreement CENTROSOLAR is to become TSMC's exclusive manufacturer of crystalline solar modules in Europe. TSMC is the world's biggest semiconductor foundry and a leading player in terms of process engineering and quality. The agreement, which runs for five years, envisages a volume of initially 100 MWp per year. More extensive cooperation in the areas of product development and process engineering is also planned. CENTROSOLAR sees the signing of this agreement as confirmation of its status as one of the most efficient and above all highest-quality manufacturers of solar modules. This also demonstrates that it is possible to keep manufacturing premium modules in Germany on a long-term competitive basis. The first deliveries under the agreement are due in the third quarter of 2011. The solar cells to be used will be supplied by TSMC itself; CENTROSOLAR will be responsible for transforming the cells into 60-cell quality modules.

Production capacity at Wismar set to reach 350 MWp in course of 2011

The increased capacity needed both as a result of the agreement with TSMC and the continuing healthy performance of CENTROSOLAR's core business will be created by further expanding the production facility in Wismar, Germany. The construction of a new production hall and warehouse will create space for upping the existing capacity from currently 200 MWp to up to 500 MWp per year in line with demand. This will equip the company for further growth from both its own business and from contract manufacturing. The first phase, which is to be completed by the third quarter of 2011, involves completing the new building to provide an extra 150 MWp of manufacturing capacity. The number of jobs at Wismar will then rise by around 300 to roughly 700. The investment volume for the first phase amounts to around EUR 20 million, of which EUR 2.0 million had already been spent by December 31, 2010. It will be financed from the company's own cash flow as well as through subsidies and bank loans.

Successful placement of a EUR 50 million bearer bond

In February 2011 CENTROSOLAR Group AG issued and placed bearer bonds (WKN A1E85T) with a volume of EUR 50,000,000 and a term of five years by way of a public offering in Germany and Austria. The corporate bond will accrue interest at 7.00 % p. a. The bearer bonds have been included in over-the-counter trading at Stuttgart Stock Exchange ("bondm" trading segment). By listing its corporate bond in the Bondm, CENTROSOLAR Group AG also makes it tradable for investors.

The corporate bond is intended to accelerate the company's successful progress along its growth pathway. Now that CENTROSOLAR has already established itself as one of the leading suppliers of solar roof systems for private houses in Europe, it has plans to extend its successful business model to other markets. For instance, the USA branch that has been steadily expanded since 2007 is earmarked for further major expansion. The increasingly strong segment of planning solar plants on industrial roofs is also to be stepped up internationally. This expansion should further consolidate the overall group's broad basis in several highly promising market segments.

For the bond issue, Creditreform Rating AG has issued a current rating of CENTROSOLAR Group AG and assessed the company as investment grade BBB.

IV Risk report

1 Individual risks

1.1 Risks from the economic environment and the industry

From a regulatory viewpoint, CENTROSOLAR's business environment is influenced by the regionally varying incentive payments available for solar plants. The removal of state incentives or a sharp degression in feed-in tariffs could have a negative effect on the markets concerned as a whole, or simply on specific product versions sold in those markets. With regard to the industry itself, there is a key risk in the area of purchasing. With falling 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. The second half of the past financial year brought bottlenecks in the supply of solar cells and therefore led to inflated procurement costs. The company therefore constantly monitors the market in order to find a way round any incipient bottlenecks through supply agreements based on market prices, with a term of up to 12 months. Over and above that, CENTROSOLAR attaches considerable importance to trust-based, long-term partnership with selected suppliers of high-quality cells.

However it is not possible to avoid short-term, in-year price risks because inventories are accumulated and reduced during the course of the year in order to cover seasonal fluctuations. In light of the experience of the 2009 financial year, when high inventories from the previous year had led to substantial losses from write-downs in the first half, CENTROSOLAR pursues a conservative stock keeping policy that gives priority to lower write-down risks over greater sales opportunities, in cases of doubt. The company moreover increases its flexibility by expanding manufacturing capacities, which pave the way for prompt, demand-led production at comparatively little capital employed.

1.2 Corporate strategy risks

Accessing new export markets through the company's 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 CENTROSOLAR's success, it conducts regular market analyses and draws 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 German plants in Fürth and Wismar, CENTROSOLAR is dependent on the smooth operation of the facilities available for that purpose. Though the company attaches 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 errors by an external production partner. This risk is countered by increasing provisions for guarantees and auditing the upstream suppliers.

The modules and solar glasses manufactured by the company itself must moreover consistently satisfy market expectations in respect of quality and price. CENTROSOLAR has therefore further increased its R&D spending and recruited experts from the automotive and semiconductor industries to its management team.

1.4 Personnel risks

Relevant personnel risks above all concern the departure of leading specialists and members of the management. CENTROSOLAR adopts a two-pronged strategy for retaining 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. In the past financial year foreign exchange risks, which arose for example through the purchasing of thin-film laminates or cells in US dollars and the sale of modules in the eurozone, were limited to some extent through in-year hedging by means of put options or forward transactions which focused on the global exchange rate risk rather than on individual transactions. Growing sales in the US market increasingly provide a natural hedge to the exchange rate risk.

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. To some degree CENTROSOLAR also makes use of factoring in order to avoid debt defaults. Finally, 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 had any adverse effect on the financing and credit lines made available to CENTROSOLAR. Nevertheless, bearing in mind the Basel III requirements for banks and the continuing intense political debate about reduced financial incentives in the solar industry, CENTROSOLAR continues to work on the assumption that access to maturity-matched funding in order to finance further revenue growth will remain very restricted.

There is also the general risk that access to short-term credit lines could become more restricted. At the balance sheet date, there consequently existed general credit facilities amounting to EUR 57.4 million available from various banks until further notice.

In February of the current financial year, CENTROSOLAR issued a EUR 50 million bond and thus broadened its financing portfolio. This bond increases the leeway for financing growth while also addressing the general risk that access to short-term credit lines could become restricted. The short-term credit lines available now easily exceed anticipated requirements for the foreseeable future, with the result that CENTROSOLAR can aim to tailor the structure of its working capital finance from a small number of credit institutions more closely in line with its requirements.

As well as the short-term general credit facilities available, to a lesser extent CENTROSOLAR also uses long-term loans, some of which entail contractual loan arrangements requiring the attainment of certain financial ratios; failure to achieve these ratios then gives the banks an extraordinary right to call in the loan.

2 Risk management system and internal system of control for financial reporting purposes

The company counteracts any negative consequences of risks by means of a detailed risk early warning system and an internal system of control as an integral component of risk management. 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.

The aim of the risk management system in respect of financial reporting processes is to identify and evaluate risks that could be in conflict with the objective of assuring the regulatory compliance of the Consolidated Financial Statements. Identified risks are to be evaluated in respect of their influence on the Consolidated Financial Statements as well as further-reaching consequences. The objective of the internal system of control for the financial reporting process is to guarantee with reasonable assurance, through the implementation of controls, that the Consolidated Financial Statements conform to the regulations, despite the risks identified by the risk management process.

Both the risk management system and the internal system of control cover all significant subsidiaries for the Consolidated Financial Statements and all processes that are relevant to the preparation of the financial statements. The relevant controls for financial reporting purposes concern particularly the risks of material misstatements in financial reporting. The principal elements of risk management and control in financial reporting are the clear assignment of responsibilities and control in the preparation of the financial statements, transparent rules on accounting and the preparation of financial statements in the form of guidelines, and appropriate access arrangements to IT systems used for financial statements.

3 General statement on the risk situation of the group

As a result of the increasingly critical socio-political debate about the provision of financial incentives for solar power in individual important sales markets, generally growing competition and sustained pressure on costs in the industry are to be expected. Against this backdrop, CENTROSOLAR secured a good starting position for itself in the past financial year. Thanks to its positive business performance, the financial situation of CENTROSOLAR Group AG improved further compared with the previous year. The company has extended its international network and thus further reduced its dependence on fluctuations in individual sales markets. Through the placement of the bond, CENTROSOLAR moreover created a sound basis for further growth at the start of the current financial year and significantly increased its financing flexibility and ability to respond swiftly in the context of general business operations.

No risks posing a threat to the company as a going concern have been identified by the risk management system. The situation remains that any risk to the company as a going concern is more likely to arise from a series of individual risk than from any single risk materialising.

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. In this, the company pursues the following strategic objectives:

- *Product strategy:* In technological terms, in the Solar Integrated Systems segment the company concentrates on the integration of crystalline cells into modules, their integration into the roof skin of buildings, and the development of appropriate roof solutions for flexible thin-film laminates. The central Development Department is teaming up e. g. with cell manufacturers, semiconductor manufacturers and research institutes to develop and implement such solutions. In the Solar Key Components segment, the focus is on the one hand on the development of easy-to-install mounting systems for on-roof and in-roof solar systems, and on the other hand on refining anti-reflective coatings for solar glass.
- *Market strategy:* The company adheres to its internationalisation strategy and aims to pursue it with increased determination in the current year and over the next few years. In the Solar Integrated Systems segment and for mounting systems, its focus is predominantly on markets offering high potential for roof systems, such as the USA and Europe. On the other hand the solar glass area is focusing on those regions with a high production volume for modules. The Asian region is especially important in that respect.

In addition, the company continues to look to continuous improvement processes to consolidate its leading position in Europe for quality and costs in the manufacturing of solar modules and anti-reflective coated solar glass.

Centrosolar Sonnenstromfabrik: continuous improvement paving the way for international growth

2 Economic conditions

Positive development in the global economy to continue

According to estimates by the International Monetary Fund, the economic growth that set in last year will continue in the current year, albeit with slightly less momentum. The institute's economists anticipate worldwide economic growth of 4.4 % (compared with 5.0 % in 2010). The IMF expects growth of 1.5 % for the eurozone, a similar rate to the previous year (1.8 %).

Photovoltaics on the way to becoming a mature industry

In terms of the real economy, there is only little correlation between the solar industry and national or international economic cycles. The photovoltaic industry continues to rely first and foremost on state incentive programmes. Meanwhile there are increasing signs that the competitive environment is becoming tighter and the industry is gaining in maturity. According to analysts from Bank Sarasin, the trends that can currently be identified for the photovoltaic industry include the following:

- *Grid parity within reach:* Of all renewable energies, photovoltaics offers the steepest rate of cost reduction. More and more markets are on the verge of achieving grid parity (meaning that solar power costs the same as power drawn from the grid) for the end customer.
- *Criticism of financial incentives for photovoltaics:* Along with the industry's size and the growing costs incurred by the feed-in tariffs for solar power, politicians and consumer groups are raising increasingly critical voices. Rising electricity prices and gaping budget deficits are stepping up the pressure on regulators in many countries to scale back financial incentives more sharply and occasionally faster than originally planned. In Germany, for example, a reduction of up to 15 % with effect from July 1, 2011 is planned for the current year, dependent on the additional volume built between March and May. A further reduction of 9 % is then scheduled at the end of the year.
- *Sales market expected to almost treble by 2015:* According to analysts, the annual number of additional photovoltaic systems installed is nevertheless expected to almost treble between 2010 and 2015 despite the expectation of further reductions in feed-in tariffs. By 2012 there are expected to be at least eight new photovoltaics markets with an additional annual volume of more than 500 MWp, in France, Italy, Spain, the USA, Canada, China, India and Japan. Germany is likely to remain the largest sales market in Europe for some years to come. The USA is expected to emerge as the world's biggest sales market.
- *No supply bottlenecks:* At the same time production capacities should grow worldwide. The risk of supply bottlenecks is therefore rated as low for the next few years, with continuing general pressure on prices and margins at all stages of the value chain.
- *Regional production:* Regional production operations located close to sales markets will become increasingly important for module manufacturers, in light of rising oil prices and shipping costs. It will therefore continue to make sense to build them in Europe.
- *Sales and service becoming the key factor:* Bearing in mind the anticipated high ability to supply, stepping up marketing and sales activities and offering additional services such as training, advice and after sales support will become a key factor for success.
- *Focus on roof systems:* By cutting the rates for open-site systems more sharply or offering additional bonuses for building-integrated solutions, state regulatory bodies are clearly giving preferential treatment to photovoltaic systems on buildings. The requirements imposed by banks when granting loans for solar projects have moreover become substantially tougher since the 2008 financial crisis.

Photo: Federal German Government/Jesco Denzel

CENTROSOLAR Management Board Chairman Kirsch at the German-Italian intergovernmental consultations

2011 dominated by cuts in Europe

In the short term, however, the world market in 2011 is dominated by the cutbacks that have been agreed or are expected in various European countries. It should be particularly noted in this connection that according to analyst estimates Germany still accounted for around half of worldwide demand last year. The German government has clearly indicated that its aim is to restrict demand in Germany to a corridor of approx. 3.5 GWp per year. This would mean a major scaling-back of the German market. Measures to harness demand in Italy, the second-largest market last year, were announced at the start of March 2011. In France, too, the government has declared its intention to limit the market volume for photovoltaics over the coming years. Further cutbacks and restrictions have been resolved by the governments of Spain and the Czech Republic.

Because further sales potential is likely to arise in various countries, it can nevertheless be assumed that there will be long-term growth especially as falling costs will lead to the emergence of market segments capable of surviving independently of financial incentives. In the short term, however, worldwide demand could remain flat or even fall in 2011. CENTROSOLAR expects that this process of adjustment will affect mainly the segment of larger solar plants, while there is still evidence of a strong political will to provide financial incentives particularly for smaller roof systems. This is because on the one hand small roof systems can be integrated into the grid more easily, and on the other hand the local value added when installing these is much greater than in the case of major projects.

3 Anticipated financial performance and financial position

Unlike in 2010, when the protracted debate about the feed-in tariff triggered off a boom in demand, CENTROSOLAR expects the German market overall to be weaker. Thanks to its strong international sales organisation the company is well positioned to compensate for possible falls in demand in the German market through other markets. For example in the third quarter of last year, when the German market was notably weak following the lowering of the feed-in tariff from June 30, 2010, the company registered a high overall sales volume with almost two-thirds of its revenue coming from abroad. Now that the bond has been successfully placed, the company furthermore has greater flexibility for project financing, which has hitherto hampered growth, and can consequently accelerate project business primarily in the area of industrial roofs. Finally, the production agreement with TSMC from the third quarter of 2011 provides an additional source of revenue. However, it should be noted that TSMC is providing the cells itself and, under the terms of the agreement, is merely paying for the transformation work. All in all, based on the assumption that there will be adequate continuity in the incentives available in key European sales markets, CENTROSOLAR expects to see revenue grow to a magnitude of EUR 420 to 450 million in 2011.

The massive spread of open-site systems in Italy and the Czech Republic led to procurement bottlenecks in the second half of 2010, which translated into significantly higher cell procurement costs compared with the first half of the year. Because considerable production capacities are being created in the upstream value creation stages and the German, Czech and possibly also the Italian market are expected to be weaker in 2011, CENTROSOLAR expects that there will be considerable pressure on costs at all points along the value chain. This will lead to lower market prices for cells. When exactly it will be possible to realise these prices does, however, depend on when demand actually cools down. In Italy and France, for example, interim arrangements on the validity of the existing feed-in tariffs are envisaged and being debated, but their precise effect cannot yet be estimated. As a result of the flexible purchasing policy, currently still-high capacity utilisation at upstream suppliers is adversely affecting margins as in the second half of 2010. Once capacity utilisation at these upstream suppliers falls, the situation will change to CENTROSOLAR's advantage.

Working on the assumption that the situation on the labour market improves rapidly, the company expects an operating margin (EBIT) of around 4 to 6 % of revenue for the current financial year. Based on the movements in cell prices described above, it anticipates that profit margins will be higher in the second half of the year than in the first. Another aspect to be mentioned in this connection is the prospect of a weaker result for the Solar Key Components segment, because it is about to witness various product changeovers within mounting systems that will erode earnings at least temporarily.

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

The CENTROSOLAR Group exhibits strong, sustainable patterns of growth. Against the backdrop of the market trends described above, the company can draw competitive advantages from the following factors:

- *Strong international position:* CENTROSOLAR currently earns over half its revenue outside Germany. Particularly in the Solar Integrated Systems segment, the company can call upon a strong network of sales employees with regional branches in many markets. Some of these employees have established strong ties with fitters and wholesalers over a period of many years. Germany is not the only country where CENTROSOLAR enjoys a strong market position; it has also advanced to become one of the market leaders in France.

- *Focus on the lucrative roof segment:* Unlike many of its competitors, in the Solar Integrated Systems segment and for mounting systems CENTROSOLAR concentrates on solutions for roof systems that increasingly attract financial incentives. The ability to provide fitters with sales and technical support wherever they are and to deliver integrated systems on a just-in-time basis is moreover a core skill of the CENTROSOLAR Group. The highly diversified customer structure that this has produced gives the company a clear competitive edge over module manufacturers that do not have a clearly defined sales network.
- *Patented key components:* In the Solar Key Components segment, CENTROSOLAR supplies important key components, many of them protected by patents, in the guise of its mounting systems and anti-reflective coated glass. Particularly for solar glass, the company has succeeded in securing a strong market position thanks to its anti-reflective coating.
- *Cost-effective building of quality modules:* Early on, CENTROSOLAR recruited experts not just from within the solar sector, but also from the semiconductor and automotive industries, to fill important senior executive positions. By adopting important manufacturing and quality assurance processes from these other long-established industries and introducing continuous improvement processes, the company has secured itself one of the best cost positions in Europe for solar module manufacturing. CENTROSOLAR sees this duly confirmed by the fact that it has repeatedly been able to secure orders to build modules on behalf of occasionally much larger multinational companies with considerable industry experience. By largely declining to commit to long-term purchase agreements for cells, the company can moreover benefit from falling cell prices.
- *Experienced management team:* CENTROSOLAR has experienced, well-qualified management. As well as the extensive industry expertise of the Management Board members and directors of the operating companies, CENTROSOLAR's management has been notably successful in the areas of corporate acquisitions, enterprise integration following business combinations, and corporate restructuring. In the dynamic environment of the solar industry, these represent a major competitive advantage.

5 General statement on the expected development of the group

For 2011, CENTROSOLAR expects to see a weakening of the German market compared with the previous year, once again with anticipatory effects in the second quarter prior to the reduction in the feed-in tariff, if not quite to the same extent as in 2010. On the other hand fresh growth opportunities are arising in other European and North American markets. All in all, though, the competitive environment is generally becoming more intense.

Thanks to having built up a comparatively strong sales organisation over a number of years, along with its flexible purchasing policy and its continuous improvement processes aimed at optimising costs, the company has long been prepared for tackling an intensely competitive environment. CENTROSOLAR is moreover able to set itself apart from the competition by focusing on roof systems and being able to offer patented key components such as its anti-reflective solar glass. In concluding the production agreement with TSMC, the company has opened up an additional sales channel that it will be readily able to serve following the expansion of manufacturing operations at Wismar to 350 MWp in the third quarter of 2011, alongside meeting growing demand from the worldwide sales organisation.

The successful placement of a EUR 50 million bond has furthermore given the company the leeway and flexibility to seize organisational or potentially external opportunities for growth. Against this backdrop, the management is confident that CENTROSOLAR is well positioned to maintain its profitable growth trend over the years ahead.
For 2011, based on the assumption that there will be adequate continuity in the incentives available in Europe, the company expects to see further revenue growth to approx. EUR 420 to 450 million, with an operating margin (EBIT) of approx. 4 to 6 %. Assuming that the general framework for financial incentives for photovoltaic roof systems in Europe and North America continues to be adjusted in line with the general potential for cost reductions, the company considers that its strategy means it is well equipped to maintain profitable growth in 2012 and beyond.

Munich, March 9, 2011

Dr Alexander Kirsch
[Chairman and Finance]

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

Dr Axel Müller-Groeling
[Strategy and Operations Management]

Consolidated Financial Statements
of CENTROSOLAR Group AG
for the financial year 2010

Consolidated Financial Statements

Consolidated Balance Sheet
at December 31, 2010

Assets

in EUR '000	Notes	Dec. 31, 2010	Dec. 31, 2009
Non current assets			
Goodwill	1	49,429	49,429
Other intangible assets	2	5,275	6,409
Property, plant and equipment	3	39,154	32,797
Financial investments accounted for using the equity method	4	0	0
Other loans and other financial investments accounted for using the cost method	4	1,027	1,054
Deferred tax	5	2,366	1,027
		97,250	**90,716**
Current assets			
Inventories	6	51,720	44,809
Trade account receivables	7	19,119	23,082
Other assets	8	7,829	9,855
Income tax receivable		572	306
Cash and cash equivalents	10	8,208	13,782
Assets Held for Sale	11	0	807
		87,448	**92,642**
Assets		**184,698**	**183,358**

Equity and liabilities

in EUR '000	Notes	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity			
Share capital	12	20,333	20,333
Additional paid-in-capital	12	81,228	80,381
Other reserves			
Share benefit reserve	12	1,251	1,070
Currency translation difference	12	(579)	(492)
Retained earnings and other Reserves	12	(22,416)	7,289
Profit attributable to share capital holders of CENTROSOLAR Group AG	12	15,760	(29,705)
		95,577	**78,877**
Non current liabilities			
Pension accruals	13	1,107	1,067
Other accruals	14	1,503	1,149
Financial liabilities	15	31,122	28,850
Other liabilities	18	42	10
Derivative financial instruments	9	51	131
Deferred tax	17	1,670	713
		35,495	**31,920**
Current liabilities			
Other accruals	14	873	843
Financial liabilities	15	16,976	28,961
Trade accounts payable	16	13,118	19,646
Income tax payable		7,097	2,169
Other liabilities	18	15,487	20,707
Derivative financial instruments	9	74	235
		53,626	**72,561**
Equity and Liabilities		**184,698**	**183,358**

Consolidated Income Statement
2010

in EUR '000	Notes	Jan. 1, 2010 Dec. 31, 2010	Jan. 1, 2009 Dec. 31, 2009
Revenues	19	**403,446**	**308,704**
Cost of purchased materials and services	20	(287,747)	(218,437)
Changes in inventories of finished goods and work in progress		90	(14,486)
Production for own fixed assets capitalized		434	451
Other operating income	21	4,836	6,838
Personnel expenses	22	(38,412)	(30,719)
Other operating expenses	23	(47,923)	(38,760)
EBITDA		**34,724**	**13,591**
Depreciation and amortisation	2, 3	(8,111)	(6,660)
Operating income (EBIT)		**26,613**	**6,931**
Interest income	24	489	569
Interest expenses	24	(4,487)	(6,269)
Losses/Impairment from At Equity companies	4, 15	0	(26,676)
Result before income taxes (EBT)		**22,616**	**(25,445)**
Income tax	25	(6,856)	(4,260)
Net loss/income (EAT)		**15,760**	**(29,705)**
Non controlling interests		0	0
Profit or loss attributable to share capital holders of CENTROSOLAR Group AG		15,760	(29,705)
EPS (Earnings per share in EUR)			
Earnings per share (basic)	26	0.78	– 1.94
Earnings per share (diluted)	26	0.78	– 1.94
Weighted average shares outstanding (in numbers; basic)		20,333,309	15,327,830
Weighted average shares outstanding (in numbers; diluted)		20,333,309	15,344,319

Statement of Comprehensive Income 2010

in EUR '000	Jan. 1, 2010 Dec. 31, 2010	Jan. 1, 2009 Dec. 31, 2009
Net income (EAT)	**15,760**	**(29,705)**
Currency translation differences	(87)	(178)
Comprehensive income	**15,673**	**(29,883)**
Non controlling interests	0	0
Comprehensive income attributable to share capital holders of CENTROSOLAR Group AG	15,673	(29,883)

Consolidated Cash Flow Statement
2010

in EUR '000	Notes	Jan. 1, 2010 Dec. 31, 2010	Jan. 1, 2009 Dec. 31, 2009
Operating income (EBIT)		26,613	6,931
Depreciation	2, 3	8,111	6,660
Loss on disposal of non-current assets		100	(25)
Other non-cash items		(156)	0
Increase/decrease in provisions		493	(232)
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		148	27,086
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		(10,561)	10,166
Interests received and paid		(4,654)	(4,672)
Income taxes paid		(1,689)	(5,724)
Cash Flow from operating activities	28	**18,405**	**40,190**
Acquisition of share in participations – net of cash acquired		(804)	(2,284)
Purchase of property, plant and equipment/ intangible assets		(8,052)	(8,071)
Proceeds from disposal of property, plant and equipment/intangible assets		109	1,972
Cash Flow from investing activities	28	**(8,747)**	**(8,383)**
Proceeds from issuance of shares		0	19,285
Proceeds from borrowings		3,303	4,554
Repayments of borrowings		(17,837)	(13,862)
Cash Flow from financing activities		**(14,534)**	**9,977**
Change in liquid funds*		**(4,876)**	**41,784**
Liquid funds at the beginning of the financial year	28	6,384	(35,400)
Currency translation difference liquid funds	28	60	0
Liquid funds at the end of the financial year	28	1,568	6,384

*Liquid funds deducted of credits current account

Statement of Movements in Equity 2010

in EUR '000	Share capital	Additional paid-in capital	Share stock options reserve	Currency translation difference	Retained earnings and profit carry-forward	Profit attributable to share-holder	Non controlling interests	Consoli-dated equity
December 31, 2008	**14,533**	**67,369**	**756**	**(314)**	**2,953**	**4,335**	**415**	**90,047**
Payment in revenue reserves					4,335	(4,335)		0
Change from equity increase	5,800	14,210						20,011
Costs for issuing equity		(724)						(724)
Deferred Tax		(732)						(732)
Change in Minority interests		415					(415)	0
Change from aquisitions		(156)						(156)
Share option plan			313					313
Comprehensive income				(178)		(29,705)		(29,883)
December 31, 2009	**20,333**	**80,381**	**1,070**	**(492)**	**7,289**	**(29,705)**	**0**	**78,877**
Payment in revenue reserves					(29,705)	29,705		(0)
Deferred Tax		847						847
Share option plan			181					181
Comprehensive income				(87)		15,760		15,673
December 31, 2010	**20,333**	**81,228**	**1,251**	**(579)**	**(22,416)**	**15,760**	**0**	**95,577**

Number of shares outstanding	
December 31, 2008	14,533,309 Stocks
December 31, 2009	20,333,309 Stocks
December 31, 2010	20,333,309 Stocks

Segment Report
2010

By segment		Solar Integrated Systems			
in EUR '000	Note 27	Dec. 31, 2010	% of Revenue	Dec. 31, 2009	% of Revenue
P&L Key Figures					
Revenue total		**311,505**	**100.0**	**227,027**	**100.0**
Revenue from third parties		311,502	100.0	227,006	100.0
Revenue from other segments		2	0.0	21	0.0
Gross profit		**71,373**	**22.9**	**38,729**	**17.1**
Personnel expenses		(27,069)	−8.7	(21,873)	−9.6
Other income and expenses		(23,504)	−7.5	(15,242)	−6.7
EBITDA		**20,800**	**6.7**	**1,614**	**0.7**
Operative depreciation		(2,756)	−0.9	(1,959)	−0.9
EBIT operative		**18,044**	**5.8**	**(345)**	**−0.2**
Non operative depreciation		(1,695)	−0.5	(1,723)	−0.8
EBIT		**16,348**	**5.2**	**(2,068)**	**−0.9**
Revenue by regions					
Revenue from third parties		**311,502**	**100.0**	**227,006**	**100.0**
Germany		134,821	43.3	132,818	58.5
Rest of Europe		165,953	53.3	90,051	39.7
Rest of World		10,728	3.4	4,137	1.8
Balance sheet key figures			**In Revenue-days**		**In Revenue-days**
Net operating working capital		**45,447**	**52.5**	**26,085**	**41.4**
Inventories		39,264		32,951	
Stock payments on account/Received in advance		(1,853)		(5,479)	
Trade account receivable		14,461		12,848	
Trade account payable		(6,424)		(14,235)	
Financial assets		**8,588**		**985**	
Tangible and intangible assets		**73,539**		**69,135**	
Operative		25,227		19,127	
Capitalized according to IFRS 3 and goodwill		48,312		50,008	
Investments					
Total		**8,922**		**7,071**	
In tangible and intangible assets		8,915		7,071	
In financial assets		7		0	

Solar Key Components				Consolidation		Total Group			
Dec. 31, 2010	% of Revenue	Dec. 31, 2009	% of Revenue	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	% of Revenue	Dec. 31, 2009	% of Revenue
107,030	**100.0**	**92,574**	**100.0**	**(15,089)**	**(10,897)**	**403,446**	**100.0**	**308,704**	**100.0**
91,944	85.9	81,698	88.3	0	0	403,446	100.0	308,704	100.0
15,086	14.1	10,876	11.7	(15,089)	(10,897)	(0)	0.0	0	0.0
44,240	**41.3**	**37,229**	**40.2**	**176**	**(178)**	**115,788**	**28.7**	**75,781**	**24.5**
(11,343)	–10.6	(8,846)	–9.6	0	(0)	(38,412)	–9.5	(30,719)	–10.0
(19,149)	–17.9	(16,222)	–17.5	0	(6)	(42,653)	–10.6	(31,470)	–10.2
13,749	**12.8**	**12,161**	**13.1**	**176**	**(184)**	**34,724**	**8.6**	**13,591**	**4.4**
(3,315)	–3.1	(2,633)	–2.8	0	0	(6,071)	–1.5	(4,592)	–1.5
10,433	**9.7**	**9,528**	**10.3**	**176**	**(184)**	**28,653**	**7.1**	**8,999**	**2.9**
(345)	–0.3	(345)	–0.4	0	0	(2,040)	–0.5	(2,068)	–0.7
10,089	**9.4**	**9,183**	**9.9**	**176**	**(184)**	**26,613**	**6.6**	**6,931**	**2.2**
91,944	**100.0**	**81,698**	**100.0**	**0**	**0**	**403,446**	**100.0**	**308,704**	**100.0**
28,858	31.4	25,519	31.2	0	0	163,679	40.6	158,337	51.3
42,780	46.5	36,934	45.2	0	0	208,733	51.7	126,985	41.1
20,306	22.1	19,245	23.6	0	0	31,033	7.7	23,382	7.6
	In Revenue-days		**In Revenue-days**				**In Revenue-days**		**In Revenue-days**
11,444	**38.5**	**17,135**	**66.6**	**(171)**	**(346)**	**56,721**	**50.6**	**42,874**	**50.0**
12,626		12,204		(170)	(346)	51,720		44,809	
854		608		0	0	(1,000)		(4,871)	
4,895		10,846		(236)	(1,112)	19,119		22,582	
(6,930)		(6,523)		236	1,112	(13,118)		(19,646)	
36		**69**		**(7,596)**	**0**	**1,027**		**1,054**	
20,218		**19,399**		**100**	**100**	**93,857**		**88,634**	
15,942		15,456		0	0	41,169		34,583	
4,276		3,943		100	100	52,688		54,051	
4,590		**5,364**		**0**	**0**	**13,512**		**12,435**	
4,590		5,347		0	0	13,505		12,418	
0		17		0	0	7		17	

CENTROSOLAR Group AG

Notes to the Consolidated Financial Statements for the financial year 2010

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, North America and Asia. With revenue for the full year of 2010 totalling EUR 403 million (previous year EUR 309 million), the group has 1,002 employees (FTE = full time equivalents) (previous year 1,019).

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 registered offices of the group are at Walter-Gropius-Strasse 15, 80807 Munich, Germany.

B Standards applied

The Consolidated Financial Statements at December 31, 2010 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 within the EU for the financial year from January 1, 2010, 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 through profit and loss.

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.

New and revised standards the application of which is mandatory for the first time for all financial years beginning on or after January 1, 2010

Certain accounting standards have been revised and published by the IASB. They wholly or partly replace earlier versions of these standards or constitute new standards. CENTROSOLAR has applied the following IFRS in full for the first time or applied the correspondingly revised standards in agreement with the corresponding transitional provisions and – insofar as necessary – adjusted the comparative figures for 2010 in agreement with the new accounting standards:

- Annual improvements process for 2008 (IFRS 5)
- Amendment to IFRS (annual improvements process for 2009)*
- IAS 27 Consolidated and Separate Financial Statements (revised)
- IAS 39 / IFRS 7: reclassification of financial assets – Effective Date and Transition
- Amendment to IAS 39: Financial Instruments: Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- Amendment to IFRIC 9 and IAS 39 Accounting for Embedded Derivatives in the Reclassification of Financial Assets
- IFRS 2 Group Cash-settled Share-based Payment Transactions
- IFRS 3 Business Combinations (revised)
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18: Transfer of Assets from Customers

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 and revised standards that have already been published but application of which was not yet mandatory for companies with a financial year ending December 31, 2010

The following new standards, revised standards and interpretations are to be observed from the 2011 financial year or later:

	Application mandatory from	Applied by CENTROSOLAR Group AG
Amendment to IFRS (annual improvements process for 2010)**	01/01/2011	01/01/2011
IAS 12 Deferred Tax: Recovery of Underlying Assets	01/01/2012	01/01/2012
IAS 24 Related Party Disclosures	01/01/2011	01/01/2011
Amendment to IAS 32 Classification of Rights Issues	01/02/2010	01/01/2011
IFRS 7 Disclosures – Transfer of Financial Assets	01/07/2011	01/01/2012
IFRS 9 Financial Instruments: Classification and Measurement	01/01/2013	01/01/2013
IFRIC 14 Prepayments of a Minimum Funding Requirement	01/01/2011	01/01/2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	01/01/2011

* Affects the following standards in specific: IFRS 2, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16

** Affects the following standards in specific: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13

Amendment to IFRS
(annual improvements process for 2010)

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 2010. The first part contains amendments that may affect presentation, recognition or measurement. The second part contains changes to expressions or editorial changes.

In September 2010 the IASB published an amendment to IAS 12 "Income Taxes". The amendment offers a solution to the question relating to deferred tax of whether the carrying amount of an asset is recovered through use or sale. The rebuttable presumption was introduced that recovery of the carrying amount normally takes place through sale. The amendments take effect from January 1, 2012. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

The IASB issued an amendment to IAS 24, "Related Party Disclosures", in November 2009. The amendment envisages a simplification in the disclosure of transactions between entities that are controlled or significantly influenced by the government. As a result, the detailed disclosures pursuant to IAS 24.17 on related parties are no longer required if the information can only be made available at high cost or is of no significance to the target audience of the balance sheet. The amendment is to be applied from January 1, 2011. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In October 2009 the IASB published the amendments to IAS 32. The amendments relate to the classification of rights issues, options and warrants with exercise prices denominated in foreign currency. Presentation within equity is now called for, irrespective of the currency in which the exercise price is denominated. The amendment is to be applied from February 1, 2010. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In October 2010 the IASB published amendments to IFRS 7 Financial Instruments: Disclosure. As a result of the amendments, quantitative disclosures on the possible extent to which the entity that has transferred financial instruments remains exposed to risk despite their transfer are now to be made. The standard is to be applied from July 1, 2011. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In November 2009 the IASB issued the new standard IFRS 9 Financial Instruments. This standard replaces IAS 39 and simplifies the accounting of financial assets. In future they will be divided into only two categories (financial assets measured at fair value and financial assets measured at amortised cost) instead of previously four. In October 2010 requirements on financial liability accounting were incorporated into the standard. These supplement the future requirements on the classification and measurement of financial assets and liabilitites. Most of the provisions of the existing IAS 39 for liabilities have been adopted into the new standard. One difference is now that gains and losses from the fair value measurement of own financial liabilities that are attributable to changes in one's own credit risk are now presented not in profit or loss, but in the other comprehensive result (OCI). The provisions on the derecognition of financial assets and liabilities have been adopted unchanged from IAS 39. The standard is to be applied from January 1, 2013. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

The IASB published an amendment to IFRIC 14 "Prepayments from Minimum Funding Requirement" in November 2009. According to this amendment entities that are subject to minimum funding requirements may report the advantage from prepayments in order to fulfil minimum funding requirements as an asset. The amendment is to be applied from January 1, 2013 and was adopted into European law by the EU in July 2010. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In November 2009 the IFRIC issued IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation deals with the accounting of the full or partial extinguishing of financial liabilities through the issuance of shares or other equity instruments. IFRIC 19 is to be applied from July 1, 2010 and was adopted into European law by the EU in July 2010. The application of the amended standard for the first time will not 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, 2010:

Company	Place and country of incorporation	Share of capital	Issued capital	Currency (ISO code)	Founded/ acquired
Fully consolidated					
CENTROSOLAR Group AG	Munich, D	–	20,333,309	EUR	13/09/1999
"Solar Integrated Systems" segment					
Centrosolar AG	Hamburg, D	100 %	100,300	EUR	04/10/2005
Centrosolar America Inc,	Scottsdale, USA	100 %	10	USD	03/04/2007
Centrosolar Cell 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	Paleo Faliro, GR	100 %	50,000	EUR	24/11/2004
Centrosolar International B.V.	Doesburg, NL	100 %	18,151	EUR	19/08/2005
Centrosolar Italia Srl	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	Wismar, D	100 %	42,000	EUR	02/01/2006
Solarsquare AG	Muri, CH	100 %	100,000	CHF	19/12/2005
Centrosolar Benelux B.V.	Tiel, NL	100 %	18,000	EUR	31/07/2009
Centrosolar Canada Inc.	Markham, CAN	100 %	50,000	CAD	10/03/2010
Centrosolar UK Ltd.	London, UK	100 %	10,000	EUR	12/05/2010
"Solar Key Components" segment					
Centrosolar Glas GmbH & Co. KG	Fürth, D	100 %	900,000	EUR	23/08/2005
Centrosolar Glas Korea Inc,	Seoul, KR	100 %	50,000,000	KRW	13/12/2007
Centrosolar Glas Trading Co. Ltd.	Huzhou, CN	100 %	140,000	EUR	17/11/2009
Centrosolar Glas Holding GmbH	Munich, D	100 %	25,000	EUR	23/08/2005
Centrosolar Glas Verwaltung GmbH	Munich, D	100 %	25,000	EUR	23/08/2005
Centrosolar Grundstückverwaltung GmbH	Fürth, D	100 %	25,000	EUR	16/11/2005
Renusol GmbH	Cologne, D	100 %	25,000	EUR	11/10/2005
Renusol France SARL	Ecully, F	100 %	10,000	EUR	30/06/2009
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					
SunarcTechnology A/S	Rønde, DK	12.59 %	1,687,500	DKK	09/05/2006
WestphalenSolar GmbH	Lichtenau, 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
Centroplan France SARL	Ecully, F	50.5 %	10,000	EUR	28/04/2010

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.

The business activities of CENTROSOLAR also include long-term project development. The project development activities encompass both the planning and construction of solar parks and their marketing to investors, who invest in the project companies created specifically for project development purposes from a certain point on. The project companies are established for the purpose of realising the plants. The operating project companies are normally consolidated as soon as the construction work begins. Because of the special-purpose nature of the project companies, these are not listed as investments. Other details of the fundamental approach to the consolidation of project companies are explained in the section "Consolidation methods".

The subsidiaries of Centroplan GmbH – Centroplan España S.L, Centroplan Italia Srl and Centroplan France SARL – are recognised as available-for-sale financial assets in view of the lesser significance of these companies, switching to proportionate consolidation once the companies in question have achieved an appropriate size.

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 and the project companies. The figures are included in the Consolidated Balance Sheet and Consolidated Income Statement:

[in EUR '000]	31/12/2010	31/12/2009
Non-current assets	74	24
Current assets	2,167	677
Long term debt	0	0
Current liabilities	2,074	632
Net assets	167	69
Income	2,848	989
Expense	(2,953)	(986)
Earnings after tax	(105)	3

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

On March 10, 2010 CENTROSOLAR Group AG established the fully owned subsidiary Centrosolar Canada Inc., Markham. The capital stock is CAD 50 thousand. The company was entered on the Corporate Registry of the Province of New Brunswick under No. 649768 on the same date. The purpose of the company is to establish a sales organisation for Canada.

On May 12, 2010 the fully-owned subsidiary Centrosolar AG established the subsidiary Centrosolar UK Ltd., London. The capital stock is EUR 10 thousand. The company was filed with the Registrar of Companies for England and Wales under No. 7252022 on the same date. The purpose of the company is to establish a sales organisation for the UK.

Proportionate consolidation

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

Companies consolidated using the equity method

There were no changes compared with the previous year.

Available-for-sale financial assets

On April 28, 2010 Centroplan GmbH, in which CENTROSOLAR Group AG holds a 50.5 % interest, established the fully-owned subsidiary Centroplan France SARL, Ecully. The company was entered on the same date on the Companies Register of Lyon under entry No. 521 940 296 R.C.S. LYON. The capital stock is EUR 10 thousand.

Consolidation methods

The balance sheet date of the parent company and all subsidiaries, associated companies and joint ventures included in consolidation is December 31, 2010. The income statement covers the period from January 1 to December 31, 2010 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 according to uniform recognition and measurement principles corresponding to those of the parent company, i.e. pursuant to IAS 27 in conjunction with SIC-12, IAS 28 and IAS 31, adjusted and audited.

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 non-controlling interests. The cost of acquisition is offset against the corresponding proportion of equity held in the subsidiary at the time of initial inclusion in the Consolidated Financial Statements. Transaction costs are booked to the income statement.

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. For every non-100 % acquisition, the non-controlling interests can be measured either at fair value or at the proportional revalued net assets. This is a transaction-related option leading to reporting of either the full goodwill or of merely of the proportion of goodwill that is allocable to the majority shareholder.

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 within equity as non-controlling 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.

As presented in the previous section, the construction of photovoltaic plants is normally handled through group-owned companies. In assessing the obligation to reflect large-scale projects in the balance sheet, IAS 27 is applied for fully consolidated companies and, if appropriate, the special rules of SIC-12 for special-purpose companies.

According to these rules, the project companies are to be fully consolidated if control exists. The rules applicable to subsidiaries on the elimination of intra-group interdependencies are applied analogously to these. Goods and services supplied by the CENTROSOLAR Group to the individual project company during the period of control do not lead to the realisation of revenue, merely increasing inventories as work in progress. At the time of deconsolidation, in other words when the project company is no longer controlled, the inventories are correspondingly reduced, receivables increased by the same amount, and revenue or profit realised.

When the project company is no longer controlled, contracts concerning the development, planning and design of solar energy plants to customer-specific requirements are recognised as construction contracts pursuant to IAS 11. Goods and services supplied to an already deconsolidated project company are equally recognised pursuant to IAS 11.

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. The entire carrying amount is subjected to an impairment test where this is indicated. 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 non controlling 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

Segment reporting is prepared in accordance with IFRS 8. Reportable operating segments are identified on the basis of the management approach. According to this approach, external segment reporting is based on the group-internal organisational and management structure and on internal financial reporting to the most senior board (Management Board of the group parent). The business activities and assets of CENTROSOLAR are divided into the following two segments:

(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. Turnkey photovoltaic systems are also manufactured, operated and sold.

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

The presentation of reporting corresponds to internal reporting. Segment reporting 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 except for the following: Centrosolar America Inc (US dollar), Centrosolar Glas Korea (Korean won), Centrosolar Glas Trading Co. Ltd. (Chinese Yuan), Centrosolar Canada Inc (Canadian dollar), Centrosolar UK Ltd. (pound sterling). 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 as well as 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:

Currency translation	Rate at reporting date		Average rate	
ISO Code	31/12/2010	31/12/2009	2010	2009
GBP	0.86075	n.a.	0.85784	n.a.
CNY	8.8220	n.a.	8.9712	n.a.
CAD	1.3322	n.a.	1.3651	n.a.
KRW	1499.06	1666.97	1531.82	1772.90
USD	1.3362	1.4406	1.3257	1.3948

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.

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. 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.

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.

Financial liabilities are divided into the following categories:

- Financial liabilities measured at amortised costs
- Financial liabilities held for trading

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

Financial liabilities in the held-for-trading category are measured at fair value through profit or loss.

The measurement of 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. 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 a market or trading value cannot be reliably determined, the fair value is calculated according to investment mathematics methods based on market data (essentially cash value calculations, or based on the Black-Scholes model in the case of derivatives). For current financial assets and liabilities, the fair value corresponds to the carrying amount.
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, 2010.

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 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) Other 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. In the event of unlimited use, an annual impairment test is conducted and, if necessary, appropriate impairment applied. Apart from goodwill, there are currently no assets of unlimited use.

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 the criteria of IAS 38.57 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. 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 unlimited use as well as development costs in the course of construction are not 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	1–40
Patents/technologies	5–25
Software and software developments	1–5
Capitalised development costs	3–10
Buildings	7–33
Technical equipment and machinery	2–32
Fixtures and office equipment	2–23

(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. Investment subsidies are 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 are recognised as income.

(e) Financial investments: Financial 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 and unpaid partial invoices are shown under trade receivables, and contracts with balances due to customers are shown under trade payables. 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. At the balance sheet date there were no ongoing construction contracts measured using the POC method.

(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 assets 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 financial debt.

(j) Non-current assets available for sale: Non-current assets available for sale are reported at the lower of the carrying amount or the fair value less disposal costs. Changes in value resulting from initial classification as an asset available for sale and a subsequent rise in the fair value less disposal costs are recognised in the income statement.

(k) 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 potentially also 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. 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.

(l) Other provisions: Other provisions are created for all present obligations at the balance sheet date that result from previous business transactions or past occurrences, where the amount and due date are uncertain. These provision are stated at the most likely, reliably estimable amount of settlement and are not netted against revenue and gains. Those with a maturity of more than one year are measured at the present value. The likelihood of the cash outflow must be more than 50 % ("more likely than not" criterion). 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 are determined on the basis of this group of obligations. 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.

(m) Financial liabilities: Financial liabilities 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.

(n) 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 lease 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 operating lease obligations. CENTROSOLAR occupies the role of lessee in the context of finance leases and lessor in the context of operating leases.

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

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

Transaction costs incurred directly in connection with the issuing of new shareholders' equity are recognised as a deduction from equity including all associated income tax benefits. Transaction costs incurred directly in connection with the issuing of new shareholders' equity in the context of a business combination are a component of the acquisition costs and recognised through profit and loss. 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 and the reserve formed for stock options.

The non-controlling interests comprise the equity portions allocable to non controlling interests, including shares of profits and losses, as well as possible amounts allocable to these from currency translation. There are currently no non controlling interests.

(q) Share-based payment systems: CENTROSOLAR uses share-based payment systems counterbalanced by equity instruments. Stock options are granted to employees, members of the management and Management Board members on the basis of a stock option scheme. They are recognised on the basis of the principles defined in IFRS 2, and are measured once on the respective date of granting. 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 calculated with the aid of a binominal model. This model 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. The factors and assumptions in accordance with the specifications of IFRS 2 that market players would take into consideration in determining the price. 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. The value of an option calculated at its date of issue is used as the basis for the expense to be recognised; changes due to shifts in the parameters after the date of issue are then no longer reflected in the value of the option if they relate to service or market related performance features. On the other hand, new indications of the anticipated number of options exercised are reflected in expense during the vesting period.

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.

(r) Revenue recognition: Revenue reflects the fair value of the consideration received or still to be received for deliveries and services in the normal course of business. It is realised if it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably and has proceeded from its payment. Revenue is recognised net of 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.

(s) 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 only included in the cost of property, plant and equipment, intangible assets and inventories where qualifying assets exist.

(t) Dividends: Dividend revenue from investments and shareholders' entitlements to dividend payments are recognised as payments when the right to receive payment arises.

Critical assumptions and estimates

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

Significant assumptions and estimates which entail uncertainty and are associated with risks were made in the areas of non-current assets, inventories, purchase price allocations 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, 2010. The discount rate applied was a pre-tax WACC rate of 8.0 to 10.0 %. In the course of the impairment test and the corresponding sensitivity analysis it was established that even with plausible changes in the imputed parameters, no impairment of goodwill would have been necessary.

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.

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 euros. At the procurement end, there exist risks essentially in connection with the purchasing of solar cells and thin-film laminates in USD.
- **Controlling the exchange rate risk:** In the past financial year foreign exchange risks were limited to some extent through in-year hedging by means of put options or forward transactions which focused on the global exchange rate risk rather than on individual transactions. Growing sales in the US market increasingly provide a natural hedge to the exchange rate risk. 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, 2010. Sensitivity was determined by comparing the amounts measured in EUR in a variety of foreign currency exchange rate scenarios.

The present values of the foreign currency hedges are moreover exposed to exchange rate risks that directly affect earnings before tax. There were no foreign currency derivatives at December 31, 2010.

Foreign currency risk		Change in earnings before tax if ...		Change in shareholders' equity if ...	
[in EUR '000]	Net carrying amount 31/12/2010	... euro appreciates by 5 %	... euro weakens by 5 %	... euro appreciates by 5 %	... euro weakens by 5 %
CAD	(1)	0	0	0	0
CHF	(8)	0	0	0	0
CNY	9	0	0	0	0
GBP	(12)	1	(1)	0	0
USD	210	(10)	11	0	0
Total	**198**	**(9)**	**10**	**0**	**0**

	Net carrying amount 31/12/2009	... euro appreciates by 5 %	... euro weakens by 5 %	... euro appreciates by 5 %	... euro weakens by 5 %
USD	(3,465)	165	(182)	0	0
CHF	(21)	1	(1)	0	0
KRW	1	(0.0)	0.1	0	0
Total	**(3,485)**	**166**	**(183)**	**0**	**0**

Interest rate risk

- **Dependence on interest rate risks:** Interest rate risks occur for interest-bearing instruments. At December 31, 2010 the group reported variable-rate borrowings of EUR 24,310 thousand (previous year EUR 17,285 thousand).
- **Managing the interest rate risk:** To minimise the interest rate risks, interest cap certificates (swaps) were taken out for approximately 4 % of the variable-rate borrowings (previous year 31 %). Cash flows from 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 calculated according to investment mathematics methods based on market data (essentially cash value calculations, or based on the Black-Scholes model in the case of derivatives).
- **Sensitivity to interest rate changes:** Based on the borrowings and liquid financial assets at December 31, 2010 with a variable interest rate and for which no interest rate hedging transactions exist, an assumed rise or fall in interest rates of 50 base points would reduce or increase the earnings before tax by EUR 122 thousand (previous year EUR 59 thousand).

Price risks

Within the context of presenting market risks, IFRS 7 calls for disclosures also on how hypothetical changes to risk variables affect the prices of financial instruments. Risk variables include market prices or indices in particular.

At December 31, 2010, as in the previous year, CENTROSOLAR Group AG held no investments in the category “available for sale” in its portfolio.

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 the eurozone and the USA. CENTROSOLAR has no significant concentration of credit risk with any single customer. The largest customer in the group accounts for 6.1 % of revenue (previous year 8.7%). Other assets essentially comprise receivables due from a wide range of different counterparties.
- **Managing 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.

Liquidity risk

- Managing the liquidity risk: The liquidity risk is managed by maintaining adequate levels of cash and unutilised credit lines with banks. The liquidity of the group companies is regularly monitored by the group parent with the aid e. g. of liquidity status reports, short-term liquidity forecasts and medium-term balance sheet and cash flow planning.

Additional disclosures on financial instruments

Carrying amounts, stated amounts and fair values by measurement category

			Stated amount acc. to IAS 39				Stated amount acc. to IAS 17	Fair value
2010 [in EUR '000]	Measurement category acc. to IAS 39	Carrying amount	Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss		
Assets								
Loans originated by the enterprise	LaR	36	36					36
Trade receivables	LaR	19,119	19,119					19,119
Derivative financial assets								
Derivatives without hedging relationship	LAHfT	0				0		0
Cash and cash equivalents	LaR	8,208	8,208					8,208
Other financial assets								
Other receivables	LaR	2,537	2,537					2,537
Available for sale financial assets	AfS	992		992				992
Equity and liabilities								
Financial debt								
Due to banks	FLAC	25,193	25,193					25,193
Finance lease liabilities	n,a,	7,962					7,962	7,962
Other financial debt	FLAC	14,943	14,943					14,943
Trade payables	FLAC	13,118	13,118					13,118
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	125				125		125
Other financial liabilities	FLAC	4,437	4,437					4,437
2009 [in EUR '000]								
Assets								
Loans originated by the enterprise	LaR	69	69					69
Trade receivables	LaR	22,582	22,582					22,582
Derivative financial assets								
Derivatives without hedging relationship	LAHfT	0				0		0
Cash and cash equivalents	LaR	13,782	13,782					13,782
Other financial assets								
Other receivables	LaR	3,606	3,606					3,606
Available for sale financial assets	AfS	985		985				985
Equity and liabilities								
Financial debt								
Due to banks	FLAC	35,193	35,193					35,193
Finance lease liabilities	n,a,	7,488					7,488	7,488
Other financial debt	FLAC	15,130	15,130					15,130
Trade payables	FLAC	19,646	19,646					19,646
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	366				366		366
Other financial liabilities	FLAC	6,713	6,713					6,713

Total per measurement category acc. to IAS 39

2010 [in EUR '000]	Measurement category acc. to IAS 39	Carrying amount	Stated amount acc. to IAS 39: Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss	Stated amount acc. to IAS 17	Fair value
Loans and Receivables	LaR	29,900	29,900					29,900
Available for Sale Financial Assets	AfS	992		992				992
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Liabilities Measured at Amortised Costs	FLAC	57,692	57,692					57,692
Financial Liabilities Held for Trading	FLHfT	125				125		125

2009 [in EUR '000]								
Loans and Receivables	LaR	40,040	40,040					40,040
Available for Sale Financial Assets	AfS	985		985				985
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Liabilities Measured at Amortised Costs	FLAC	76,683	76,683					76,683
Financial Liabilities Held for Trading	FLHfT	366				366		366

Net result by measurement category

[in EUR '000]	From interest, dividends	From subsequent measurement: At fair value	Currency translation	Reductions for impairment	From disposals	Net result 2010	2009
Loans and Receivables (LaR)	33	n.a.	(59)	(389)	0	(414)	(107)
Available for Sale Financial Assets (AfS)	0	n.a.	0	0	0	0	0
Financial Assets Held for Trading (FAHfT)	n.a.	0	n.a.	n.a.	0	0	0
Financial Liabilities Measured at Amortised Costs (FLAC)	(2,904)	n.a.	(166)	n.a.	0	(3,070)	(4,602)
Financial Liabilities Held for Trading (FLHfT)	n.a.	181	n.a.	n.a.	(245)	(64)	(429)

For the derivative financial instruments, the market value was determined using calculation methods based on observed market data (level 2)
Trade receivables and payables as well as other receivables and liabilities have predominantly short maturity dates. Their carrying amounts therefore correspond basically to the fair value.

D Notes to the Consolidated Balance Sheet and Consolidated Incomre Statemen

1 Goodwill

Goodwill

[in EUR '000]	Total goodwill
2010	
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, 2010	**49,429**
2009	
Accumulated cost Jan 1	49,429
Additions for first-time consolidation	0
Additions	0
Disposals	0
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, 2009	**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 2011, estimates of forward-looking assumptions that are planned over a period of five forecast years, and also a rollover value calculated on the basis of the fifth 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 of between 5 % and 12 % 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 discounting rate of 8.0 % to 10.0 % p. a. for earnings before 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.

There was no need for write-down of the reported goodwill. Allocation of goodwill to cash generating units

Allocation of goodwill to cash generating units

[in EUR '000]	2010	2009
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	
	2010	2009	2010	2009	2010	2009
Germany	39,821	39,821	3,790	3,790	43,611	43,611
Rest of Europe	5,817	5,817	0	0	5,817	5,817
Total	**45,638**	**45,638**	**3,790**	**3,790**	**49,429**	**49,429**

2 Other intangible assets

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

Intangible assets [in EUR '000]	Industrial rights and similar rights	Software	Capitalised development costs	Assets in course of construction	Total intangible assets
2010					
Accumulated cost Jan 1	27,139	2,220	444	27	29,829
Additions for first-time consolidation	0	0	0		0
Additions	220	774	137	255	1,386
Disposals	0	(145)	0	(8)	(153)
Reclasses	87	18	0	(18)	87
Exchange differences	0	0	0	0	0
Accumulated cost Dec 31	27,446	2,867	581	255	31,149
Accumulated amortisation Jan 1	(22,411)	(807)	(203)	0	(23,421)
Additions	(1,868)	(615)	(78)	0	(2,561)
Disposals	0	108	0	0	108
Reclasses	0	0	0	0	0
Exchange differences	0	0	0	0	0
Accumulated amortisation Dec 31	(24,279)	(1,314)	(281)	0	(25,874)
Net carrying amount December 31, 2010	**3,168**	**1,553**	**299**	**255**	**5,275**
2009					
Accumulated cost Jan 1	27,168	1,164	274	0	28,607
Additions for first-time consolidation	0	0	0		0
Additions	23	1,111	169	27	1,329
Disposals	(162)	(37)	0	0	(199)
Reclasses	111	(18)	0	0	93
Exchange differences	0	0	0	0	0
Accumulated cost Dec 31	27,139	2,220	444	27	29,829
Accumulated amortisation Jan 1	(20,576)	(410)	(150)	0	(21,136)
Additions	(1,896)	(456)	(53)	0	(2,405)
Disposals	84	36	0	0	120
Reclasses	(22)	22	0	0	0
Exchange differences	0	0	0	0	0
Accumulated amortisation Dec 31	(22,411)	(807)	(203)	0	(23,421)
Net carrying amount December 31, 2009	**4,729**	**1,413**	**241**	**27**	**6,409**

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. EUR 159 thousand (previous year EUR 0 thousand) in investment subsidies was netted in the financial year.

The capitalised development costs contain assets with a carrying amount of EUR 54 thousand (previous year EUR 75 thousand) 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]	Land and buildings	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
2010					
Accumulated cost Jan 1	12,456	23,232	5,055	1,147	41,889
Additions for first-time consolidation	0	0	0	0	0
Additions	612	6,385	1,942	3,180	12,119
Disposals	(0)	(348)	(639)	0	(986)
Reclasses	3	439	573	(1,102)	(87)
Exchange differences	0	0	7	0	7
Accumulated cost Dec 31	13,071	29,708	6,938	3,225	52,943
Accumulated depreciation Jan 1	(1,004)	(6,085)	(2,004)	0	(9,093)
Additions	(590)	(3,699)	(1,261)	0	(5,550)
Disposals	0	344	513	0	857
Reclasses	0	220	(220)	0	0
Exchange differences	0	0	(2)	0	(2)
Accumulated depreciation Dec 31	(1,594)	(9,221)	(2,974)	0	(13,789)
Net carrying amount December 31, 2010	**11,477**	**20,487**	**3,964**	**3,225**	**39,154**
2009					
Accumulated cost Jan 1	11,778	16,006	4,089	2,050	33,922
Additions for first-time consolidation	0	0	0	0	0
Additions	692	8,079	1,172	1,146	11,089
Disposals	(0)	(2,765)	(263)	0	(3,028)
Reclasses	(14)	1, 912	57	(2,049)	(93)
Exchange differences	0	0	0	0	0
Accumulated cost Dec 31	12,456	23,232	5,055	1,147	41,889
Accumulated depreciation Jan 1	(454)	(4,316)	(1,280)	0	(6,050)
Additions	(554)	(2,824)	(876)	0	(4,254)
Disposals	0	1,053	157	0	1,211
Reclasses	4	2	(6)	0	0
Accumulated depreciation Dec 31	(1,004)	(6,085)	(2,004)	0	(9,093)
Net carrying amount December 31, 2009	**11,452**	**17,147**	**3,051**	**1,147**	**32,797**

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

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

There exist purchase commitments for property, plant and equipment amounting to EUR 165 thousand at the balance sheet date.

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 4 thousand (previous year EUR 12 thousand),
For technical equipment and machinery EUR 819 thousand (previous year EUR 1,115 thousand),
For furniture, fixtures and office equipment EUR 51 thousand (previous year EUR 52 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 8,886 thousand (previous year EUR 5,958 thousand) reported in the context of finance leases. These assets had been added at historical costs of EUR 11,309 thousand (previous year EUR 7,625 thousand). Depreciation amounting to EUR 756 thousand (previous year EUR 737 thousand) was applied to them in the financial year. The accumulated depreciation totals EUR 2,423 thousand (previous year EUR 1,667 thousand).

EUR 24,579 thousand (EUR 21,583 thousand) of the reported property, plant and equipment served 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:

Financial investments [in EUR '000]	Financial investments accounted for using equity method	Available-for-sale financial assets	Loans originated by the enterprise	Total
2010				
Accumulated cost Jan 1	10,135	985	69	11,189
Additions	0	7	0	7
Disposals	0	0	(34)	(34)
Reclasses	0	0	0	0
Accumulated cost Dec 31	10,135	992	36	11,162
Accumulated depreciation Jan 1	10,135	0	0	10,135
Additions	0	0	0	0
Accumulated depreciation Dec 31	10,135	0	0	10,135
Net carrying amount December 31, 2010	**0**	**992**	**36**	**1,027**
2009				
Accumulated cost Jan 1	10,135	985	104	11,223
Additions	0	0	17	17
Disposals	0	0	(52)	(52)
Reclasses	0	0	0	0
Accumulated cost Dec 31	10,135	985	69	11,189
Accumulated depreciation Jan 1	0	0	0	0
Additions	10,135	0	0	10,135
Accumulated depreciation Dec 31	10,135	0	0	10,135
Net carrying amount December 31, 2009	**0**	**985**	**104**	**1,054**

The five investments listed in the „Consolidated companies" section are reported here as available for sale.

The depreciation for the category of investments accounted for using the equity method comprises the full write-off of the 49 % interest in Itarion Solar Lda. Due to the bankruptcy of the joint-venture partner Qimonda AG and the resulting discontinuation of the project, Itarion Solar Lda. also filed for bankruptcy in July 2009. Because the bankruptcy proceedings have not yet been completed, the company remains listed as a company consolidated using the equity method.

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

Investments accounted for using the equity method in

[in EUR '000]	2010	2009
At Jan 1	0	10,135
First-time consolidation	0	0
Additions	0	0
Disposals	0	(0)
Reclasses	0	0
Share of losses	0	0
Share of gains	0	0
Depreciation and amortisation	0	(10,135)
At Dec 31	0	0

Investments accounted for using the equity method in

[in EUR '000]	Itarion Solar Lda, 31/12/2010	31/12/2009
Ownership interest in %	49.0	49.0
Fixed assets	0	0
Current assets	0	0
Total liabilities	0	0
Sales revenues	0	0
Net income	0	0

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 27.5 and 34 %.

Deferred tax assets

[in EUR '000]	2010	2009
Loss carryforwards	6,611	4,977
Deferred tax on loss carryforwards	2,182	1,596
Measurement difference for intangible assets	159	0
Deferred tax on intangible assets	51	0
Measurement difference for property, plant and equipment	62	71
Deferred tax on property, plant and equipment	19	22
Measurement difference for inventories	547	874
Deferred tax on inventories	175	282
Measurement difference for pension provisions	405	416
Deferred tax on pension provisions	124	62
Measurement difference for other provisions	175	0
Deferred tax on other provisions	57	0
Measurement difference for financial debt	527	748
Deferred tax on financial debt	162	114
Measurement difference for derivatives	125	348
Deferred tax on derivatives	40	98
Total deferred tax (gross)	**2,810**	**2,174**

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 asset was stated for loss carryforwards amounting to EUR 6,652 thousand (previous year EUR 8,242 thousand). In the financial year, a total of EUR 661 thousand (previous year EUR 1,750 thousand) in impairment of deferred tax assets on loss carryforwards was recognised. On the other hand deferred tax assets amounting to EUR 2,136 thousand were booked for loss carryforwards that once again met the recognition criteria, including EUR 847 thousand within equity. 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, 2010 the group stated deferred tax claims of EUR 2,136 thousand (previous year EUR 1,240 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 847 thousand (previous year EUR 732 thousand) was reported in equity as deferred tax in the financial year.

Deferred tax assets

[in EUR '000]	Gross		Net	
	2010	2009	2010	2009
Reversal expected within 12 months	1,032	1,323	856	414
Reversal expected after 12 months at the earliest	1,778	851	1,510	613
Total	**2,810**	**2,174**	**2,366**	**1,027**

6 Inventories

The inventories are divided into the following categories:

Inventories by category

[in EUR '000]	2010	2009
Raw material and consumables used	17,241	23,125
Work in progress	790	795
Finished goods and merchandise	33,688	20,889
Total	**51,720**	**44,809**

Of the inventories, an amount of EUR 31,741 thousand (previous year EUR 30,818 thousand) served as security for bank loans at the reporting date.

The inventories include solar parks completed and under construction amounting to EUR 3,215 thousand (previous year EUR 0 thousand).

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]	2010	2009
Inventory at historical cost	43,576	29,912
Inventory at net realisable value		
Original value at historical cost	9,180	18,130
Reduction for impairment for obsolescence	(297)	(0)
Reduction for impairment due to lower net realisable value	(740)	(3,233)
Carrying amount after reduction for impairment	8,144	14,897
Total	**51,720**	**44,809**

Reductions for impairment amounting to EUR 1,110 thousand (previous year EUR 2,351 thousand) were recognised in the income statement in 2010.

7 Trade receivables

The following table provides an overview of the overdue, unimpaired financial assets. Impairment arose exclusively in the trade receivables category, with the result that only that area is shown in detail.

Trade receivables

[in EUR '000]	2010	2009
Receivables not overdue or overdue by less than 30 days	14,054	19,411
Receivables overdue by more than 30 days	2,149	1,236
Receivables overdue by more than 60 days	1,203	304
Receivables overdue by more than 90 days	1,584	1,585
Total	**18,990**	**22,536**

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]	Carrying amount	Exchange rate change	Effect on income statement
2010			
CAD	23	+/–5 %	1/(1)
CHF	11	+/–5 %	1/(1)
CNY	12	+/–5 %	1/(1)
USD	2,904	+/–5 %	138/(153)
Total	**2,951**		**141/(156)**
2009			
USD	844	+/–5 %	44/(40)
Total	**844**		**44/(40)**

The portion of receivables covered by credit insurance at the balance sheet date was EUR 10,831 thousand (previous year EUR 2,901 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.

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

Impairment developed as follows:

[in EUR '000]	2010	2009
At Jan 1	373	383
Additions due to first-time consolidation	0	0
Allocated	730	429
Used	(11)	(26)
Reversed	(161)	(413)
At Dec 31	**931**	**373**

The changes in impairment were recognised in the income statement.

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

[in EUR '000]	2010	2009
Expenses for the full derecognition of receivables	(56)	(316)
Income from the receipt of derecognised receivables	237	126
Total	**181**	**(190)**

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. This risk amounts to EUR 223 thousand at the balance sheet date (previous year EUR 66 thousand).

Of the total receivables, EUR 5,182 thousand (previous year EUR 7,057 thousand) served 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.

8 Other current assets

The following table shows a breakdown of other current assets.

Other current assets

[in EUR '000]	2010	2009
Payments on account for inventories	2,169	1,941
Loans	122	0
Tax assets	1,640	1,093
Prepaid expenses	575	405
Receivables from factoring	586	269
Compensation/other credits	566	759
Receivables from investment subsidies	839	3,176
Other	1,332	2,212
Total	**7,829**	**9,855**

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

The receivables from investment subsidies largely concern the expansion of the production line at Wismar and should be received by the end of 2011.

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.

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, 2010:

Derivative financial instruments

[in EUR '000]	Assets		Liabilities	
	2010	2009	2010	2009
Interest rate swap – held for trading	0	0	125	366
Forward contracts – held for trading	0	0	0	0
Total	**0**	**0**	**125**	**366**
Of which current portion	0	0	74	235

Derivative financial instruments yielded the following profit contributions:

Effects on profit of derivative financial instruments

[in EUR '000]	2010	2009
Interest rate swaps – held for trading	(39)	(547)
Forward contracts – held for trading	(25)	31
Total	**(64)**	**(516)**

The fixed, agreed interest rates at the balance sheet date vary between 0.99 % and 4.49 % (previous year 3.2 and 5.65 %). The Euribor serves as a variable interest rate.

10 Cash and cash equivalents

Cash and cash equivalents totalled EUR 8,208 thousand at the reporting date (previous year EUR 13,782 thousand). This item comprised substantially credit balances in current and overnight accounts.

Of this amount, EUR 413 thousand is blocked by way of a security deposit for a credit line and is not freely available.

11 Assets available for sale

The investment in Trillion Sun International Co. Ltd., Hong Kong, China (interest 10 %) reported as an asset available for sale in the previous year was derecognised as a result of the transfer of ownership.

In this connection, income of EUR 33 thousand from the disposal was recognised in the income statement, under the financial result.

12 Shareholders' equity

General

The capital stock of CENTROSOLAR Group AG amounted to EUR 20,333 thousand at the balance sheet date (previous year EUR 20,333 thousand). It is fully paid in. With additional paid-in capital of EUR 81,228 thousand (previous year EUR 80,381 thousand), other retained earnings of EUR 21,744 thousand (previous year EUR 7,867 thousand) and profit attributable to the shareholders of EUR 15,760 thousand (previous year EUR 29,705 thousand), the group had shareholders' equity of EUR 95,577 thousand at December 31, 2010 (previous year EUR 78,877 thousand). 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 in particular pursues the objectives of safeguarding the company as a going concern and increasing the value of the company's equity in the long term, taking account of environmental aspects and the justified interests of the employees. 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 assets and transactions with a low credit risk as well as only the selective granting of sureties by the group parent or subsidiaries for loans to other parts of the group. To that extent, no blanket criterion is applied in steering the group. On the one hand care is taken to ensure that liabilities are counterbalanced by corresponding assets (non-current and current assets). On the other hand it is ensured that the anticipated net cost of servicing liabilities is significantly lower than the anticipated profitability. The target planning drawn up on this basis indicates equity ratios (shareholders' equity/balance sheet total) of between 15 % and 50 %, and dynamic gearing ratios (financial liabilities/EBITDA) of between 2 and 4.

The increase in other retained earnings consists mainly of the scheduled allocations of EUR 181 thousand (previous year EUR 313 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 Group AG constitute the basis for the appropriation of profit for the 2010 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, 2010.

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 10,166,654 by May 18, 2015 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital). 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 of capital stock 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 approved capital.

Conditional capital

The capital stock has been increased conditionally by EUR 303,000 ("Conditional Capital I"). The conditional capital increase is only effected to the extent that 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, to 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 to the extent that 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 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

CENTROSOLAR uses share-based payment transactions counterbalanced by equity instruments. The share-based payment agreements are based on corresponding resolutions by Shareholders' Meetings. Pursuant to these, at the reporting date of December 31, 2010 there existed conditional capital (Conditional Capital I and Conditional Capital II) of a total amount of EUR 1,171,406 (previous year EUR 1,171,406), of which the amount of EUR 1,169,307 (previous year EUR 734,948) had been earmarked for options outstanding at the reporting date. The Management Board was authorised to issue stock options for subscription to new bearer shares in the company until December 31, 2010 (on one or more occasions); the Supervisory Board decides on their granting to Management Board members. Employees, managing directors and Management Board members of the consolidated companies and of their affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe, on the basis of individual stock option agreements.

Granting of the stock options is linked to the fulfilment of individual performance targets. Employees, managing directors and Management Board members must achieve individually agreed targets. Attainment of targets leads to the granting of the stock options. The vesting period until the earliest possible time the options may be exercised is two years from the date of issue of the option. This simultaneously necessitates a two-year period of service, so that the option does not lapse. The maximum term of the options is seven years from the time of their granting.

Exercise of options is moreover tied to the fulfilment of market conditions. They may accordingly only be exercised if the market price on the day on which the options may first be exercised or at a later time during the term of the options has risen by 30 % on the strike price. Exercise is moreover permitted only during certain periods of the year. These exercise periods run from the third to the eighth stock market trading day following the day on which annual and quarterly results are announced.

New shares are created at the time an option is exercised. Settlement in cash or buy-back of the options by the company is not envisaged. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The strike price per share (subscription price) to be paid upon exercising of the options is currently 90 % of the average closing price in Xetra trading on the Frankfurt Stock Exchange (or in an equivalent successor system), calculated from the prices on the ten trading days preceding the date of issue of the option – for Conditional Capital II and portions of Conditional Capital I – or EUR 9.50 for a portion of Conditional Capital I (amounting to 75,750 options issued in pre-market trading), but at least one euro.

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.

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

Total options	2010		2009	
	Options	Avg. exercise price	Options	Avg. exercise price
Start of year	775,127	7.23	603,819	8.81
Granted	631,653	3.98	238,000	
Forfeited	0		50,282	2.00
Exercised	0		0	
Expired	237,473	9.21	16,410	5.53
End of year	1,169,307	5.07	775,127	7.23
– of which exercisable	0		0	

There were adjustments to the prior-year figures because the number of forfeited options in the tranche issued in 2009 was indicated as 34,176 too high, the number of expired options in the tranche issued in 2009 as 6,004 too high and in 2006 as 2 too high, and the number of options granted in the tranche issued in 2007 as 1 too high. Assuming the target share price performance is achieved, an anticipated 175,495 options are exercisable at April 1, 2011.

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

Granting of stock options	Exercise price	Share price on date of issue	Date of issue	Date of expiry	Outstanding end 2010	Outstanding end 2009
Granted 2005	9.50	n.a.	26/09/2005	25/09/2012	75,750	303,000
Granted 2006	8.40	11.75	20/12/2006	19/12/2013	84,173	84,173
Granted 2007	8.00	9.15	29/11/2007	28/11/2014	207,236	207,236
Granted 2009	2.00	2.17	31/03/2009	30/03/2016	175,495	180,718
Granted 2010 (1)	3.60	3.90	01/02/2010	31/01/2017	268,500	0
Granted 2010 (2)	4.20	4.90	01/12/2010	30/11/2017	130,903	0
Granted 2010 (3)	4.30	4.98	20/12/2010	19/12/2017	227,250	0
Total					**1,169,307**	**775,127**

The weighted average fair value of the options issued in the 2009 financial year is EUR 1.65 (previous year EUR 0.75) per option. The options were measured with the aid of a binominal model. The option rules in essence envisage that the options are exercised upon attainment of a minimum profit of 30 %. The model moreover took the parameters described below as the basis:

The date of issue of the 2010 (1) tranche was February 1, 2010. The exercise price is EUR 3.60, and the share price on the date of issue EUR 3.90. No dividend is expected. The risk-free interest rate is 2.86 % and is based on risk-free investment alternatives in Germany (Federal government securities) of a comparable term. The normalised volatility of CENTROSOLAR shares was determined using the historical daily volatility since listing as a public company, adjusted for the effects of the financial crisis. The normalised volatility for this tranche was determined as 47.11 %.

The date of issue of the 2010 (2) tranche was December 1, 2010. The exercise price is EUR 4.20, and the share price on the date of issue EUR 4.90. No dividend is expected. The risk-free interest rate is 2.47 % and is based on risk-free investment alternatives in Germany (Federal government securities) of a comparable term. The normalised volatility of CENTROSOLAR shares was determined using the historical daily volatility since listing as a public company, adjusted for the effects of the financial crisis. The normalised volatility for this tranche was determined as 50.00 %.

The date of issue of the 2010 (3) tranche was December 20, 2010. The exercise price is EUR 4.30, and the share price on the date of issue EUR 4.98. No dividend is expected. The risk-free interest rate is 2.59 % and is based on risk-free investment alternatives in Germany (Federal government securities) of a comparable term. The normalised volatility of CENTROSOLAR shares was determined using the historical daily volatility since listing as a public company, adjusted for the effects of the financial crisis. The normalised volatility for this tranche was determined as 49.81 %.

When determining the underlying option totals, levels of target attainment and fluctuation rates among option holders were moreover taken into account; the option total will be adjusted accordingly if changes in the estimates occur during the vesting period for the options. As the consideration received is in essence not considered for purposes of recognition as assets, it is recognised overall as an expense. A personnel expense amounting to EUR 181 thousand arose in the 2010 financial year from the stock options schemes described here (previous year: EUR 97 thousand).

13 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 %]	2010	2009
Pensionable age (years)	63	63
Discount rate at Dec 31	5.4	5.9
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]	2010	2009
Present value of non-fund-financed obligations	932	797
Unrecognised actuarial gains	175	270
Pension provisions	**1,107**	**1,067**

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

Development in provisions

[in EUR '000]	2010	2009
At start of financial year	1,067	1,037
Total expense recognised in the income statement	51	40
Payments made	(11)	(10)
At end of the financial year	**1,107**	**1,067**

The amounts recognised in the income statement are as follows:

Pension cost

[in EUR '000]	2010	2009
Current service cost	24	23
Interest expense	47	43
Actuarial gains recognised in the current year	(20)	(27)
Total	**51**	**40**

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR 2.1 thousand arose in the 2010 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 19 thousand are expected for 2011.

The following table shows the reconciliation of the present value of the defined benefit obligation:

[in EUR '000]	2010	2009
At start of financial year	797	702
Expense for pension rights acquired in the financial year	24	23
Interest expense	47	43
Pension payments	(11)	(10)
Actuarial gains	76	38
Total	**932**	**797**

The following table shows the development in the present value and in adjustments for the current and the previous four periods.

[in EUR '000]	2006	2007	2008	2009	2010
Present value of non-fund-financed obligations	851	721	702	797	932
Experience adjustments to plan debts	(5)	(0)	(0)	(0)	2
Adjustments due to changes in actuarial assumptions	(82)	(190)	(77)	39	76

14 Other provisions

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

Other provisions

[in EUR '000]	01/01/2010	Added	Used	Compounding	Reversed	31/12/2010
Warranty obligations	1,949	846	(484)	(69)	(262)	1,979
Miscellaneous provisions	43	402	(30)	0	(18)	397
Total	**1,992**	**1,248**	**(514)**	**(69)**	**(280)**	**2,376**

Of the total other provisions, EUR 873 thousand (previous year EUR 843 thousand) have less than one year to maturity, EUR 1,212 thousand (previous year EUR 692 thousand) between 1 and 5 years to maturity and EUR 291 thousand (previous year EUR 457 thousand) more than 5 years to maturity. The miscellaneous provisions mainly comprise provisions for impending losses for rented premises not used amounting to EUR 175 thousand and for legal disputes amounting to EUR 141 thousand.

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.

15 Financial debt

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

Financial debt [in EUR '000]	Original principal amount or credit line	Outstanding amount at Dec 31, 2010	Outstanding amount at Dec 31, 2009	Interest rate	Exit date
General credit facilities	57,374*	6,640	7,399	3.6–12.0 %	Until further notice
Bank loans	40,520	18,553	27,794	3.7–6.6 %	2010–2018
Other loans	15,183	14,943	15,130	6.0–7.8 %	2010–2014
Finance leases	15,460	7,962	7,488	not applicable	2010–2017
Total	**128,538**	**48,098**	**57,811**		

*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	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
	At Dec 31, 2010			
General credit facilities	6,640	6,640	0	0
Bank loans	18,553	5,689	9,941	2,922
Other loans	14,943	2,683	12,260	0
Finance leases	7,962	1,963	5,710	288
Total	**48,098**	**16,976**	**27,911**	**3,211**
	At Dec 31, 2009			
General credit facilities	7,399	7,399	0	0
Bank loans	27,794	16,021	8,235	3,538
Other loans	15,130	2,943	12,187	0
Finance leases	7,488	2,598	4,376	514
Total	**57,811**	**28,961**	**24,798**	**4,052**

In the previous year, contractual loan arrangements in respect of certain financial ratios for a subsidiary could not be met at the end of the year for loans totalling EUR 5,258 thousand. Pursuant to IAS 1.74 these loans were stated in the maturities schedule as short-term debt because the banks could invoke an extraordinary right of termination due to the formal breach of the terms of the agreement. However, all the banks in question have waived their right of termination and issued an official waiver agreement immediately upon presentation of the audited financial statements for 2009. The balance-sheet figures for the previous year were adjusted accordingly.

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 2011 and 2018, with the result that this constitutes risk diversification.

Of the general credit facilities, there is a credit line for EUR 48,500 thousand (previous year EUR 58,500 thousand) for Centrosolar AG.

The bank loans include the loan liability assumed for Itarion Solar Lda. as a result of joint and several liability, at a residual liability amount of EUR 3,000 thousand. The original liability amounted to EUR 16,542 thousand.

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 and after elimination of adjustment items) 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]	2010	2009
Fixed assets	24,579	21,583
Inventories	31,741	30,818
Receivables	5,182	7,057
Total	**61,502**	**59,458**

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

There existed 42 finance lease agreements (previous year 29) 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
2010	**7,962**	1,963	5,710	288
2009	**7,488**	2,598	4,376	514

Finance leases (nominal)

[in EUR '000]	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
2010				
Technical equipment and machinery	**9,164**	2,414	6,452	298
Vehicles	**11**	6	5	0
Other plant and equipment	**24**	8	16	0
Nominal value	**9,198**	2,427	6,473	298
Of which interest portion	**1,236**	464	763	10
Present value	**7,962**	1,963	5,710	288
2009				
Technical equipment and machinery	**8,541**	3,014	4,997	530
Vehicles	**17**	5	12	0
Nominal value	**8,558**	3,020	5,009	530
Of which interest portion	**1,070**	422	633	16
Present value	**7,488**	2,598	4,376	514

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 debt [in EUR '000]	**Carrying amount 31/12/2010**	2011		2012		2013 to 2018	
		Interest	Principal	Interest	Principal	Interest	Principal
Bank loans	18,553	748	5,689	538	2,783	1,014	10,081
Other loans	14,943	1,053	2,683	972	0	1,111	12,260
Finance leases	7,962	464	1,963	343	1,664	430	4,334
General credit facilities*	6,640	260	6,640	0	0	0	0
Other non-interest-bearing liabilities	4,437	0	4,430	0	7	0	0
Trade payables	13,118	0	13,118	0	0	0	0
Derivative financial liabilities	125	0	74	0	51	0	0
Total	**65,778**	**2,524**	**34,598**	**1,854**	**4,505**	**2,555**	**26,675**

	Carrying amount 31/12/2009	2010		2011		2012 to 2017	
		Interest	Principal	Interest	Principal	Interest	Principal
Bank loans	27,794	994	16,021	428	4,414	879	7,359
Other loans	15,130	1,078	2,943	975	0	4,030	12,187
Finance leases	7,488	422	2,598	265	1,656	384	3,234
General credit facilities*	7,399	145	7,399	0	0	0	0
Other non-interest-bearing liabilities	6,713	0	6,713	0	0	0	0
Trade payables	19,646	0	19,646	0	0	0	0
Derivative financial liabilities	366	0	235	0	131	0	0
Total	**84,536**	**2,639**	**55,555**	**1,668**	**6,201**	**5,293**	**22,780**

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

16 Trade payables

All trade payables have a maturity of less than one year.

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]	Carrying amount	Exchange rate change	Effect on income statement
2010			
CAD	24	+/–5 %	(1)/1
CHF	19	+/–5 %	(1)/1
CNY	3	+/–5 %	(0)/0
GBP	12	+/–5 %	(1)/1
KRW	1	+/–5 %	(0)/0
USD	2,695	+/–5 %	(128)/142
Total	**2,753**		**(131)/145**
2009			
USD	4,316	+/–5 %	(227)/206
CHF	4	+/–5 %	(0)/0
Total	**4,320**		**(227)/206**

17 Deferred tax liabilities

The deferred tax liabilities pursuant to IAS 12 are calculated on the difference between the measurements of assets and liabilities in the IFRS balance sheet and the tax balance sheet. These result among other things from adjustments to stated amounts in the context of company mergers. The net values represent the total of the anticipated netted values of deferred tax assets and liabilities of a group company in respect of a taxation authority. They were measured at tax rates of between 27.5 and 34 %.

Deferred tax liabilities

[in EUR '000]	2010	2009
Measurement difference for intangible assets	4,545	5,894
Deferred tax on intangible assets	1,441	1,638
Measurement difference for property, plant and equipment	1,049	1,623
Deferred tax on property, plant and equipment	329	121
Measurement difference for inventories	590	0
Deferred tax on inventories	189	
Measurement difference for trade receivables	2	0
Deferred tax on trade receivables	1	0
Measurement difference for other provisions	214	0
Deferred tax on other provisions	69	0
Measurement difference for financial debt	240	254
Deferred tax on financial debt	78	92
Measurement difference for trade payables	22	23
Deferred tax on trade payables	7	8
Total deferred tax (gross):	**2,114**	**1,859**

Deferred tax liabilities

[in EUR '000]	Gross		Net	
	2010	2009	2010	2009
Reversal expected within 12 months	983	542	807	25
Reversal expected after 12 months at the earliest	1,131	1,317	863	688
Total	**2,114**	**1,859**	**1,670**	**713**

No deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to EUR 995 thousand (previous year EUR 1,078 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

18 Other liabilities

The following table shows the individual components of other liabilities.

Other non-current liabilities

[in EUR '000]	2010	2009
Miscellaneous liabilities	42	10
Total non-current	**42**	**10**
– of which more than 5 years	**0**	**0**

Other current liabilities

[in EUR '000]	2010	2009
Vacation and overtime	975	646
Outstanding invoices	2,554	2,147
Outstanding interest	530	1,236
Employee remuneration	1,758	976
Bonus payments to customers	1,510	2,038
Taxation and social premiums	2,130	1,507
Outstanding instalments for acquisitions	0	804
Payments on account	3,169	6,813
Prepaid expenses	2,481	2,689
Miscellaneous liabilities	380	1,850
Total current	**15,487**	**20,707**

The prepaid expenses include a deferred item for investment grants for the expansion of production operations at Wismar amounting to EUR 2,433 thousand (previous year 2,210 thousand).

19 Revenues

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

20 Cost of purchased materials and services

Cost of purchased materials

[in EUR '000]	2010	2009
Cost of purchased materials	287,691	217,558
Cost of purchased services	1,398	2,638
Supplier discounts	(1,342)	(1,759)
Total	**287,747**	**218,437**

As customary in the industry, the costs for temporary workers amounting to EUR 6,732 thousand that had been included in the cost of purchased services in the previous year were now more meaningfully reported under other expenses. The prior-year figure was adjusted accordingly.

21 Other operating income

The breakdown of other operating income is as follows:

Other operating income

[in EUR '000]	2010	2009
Costs passed on, cost refunds	1,000	1,528
Compensation/guarantees	104	2,192
Government grants	675	762
Reversal of provisions	280	242
Foreign currency gains	1,385	508
Reversal of impairment/income from receivables written off	398	539
Other	994	1,067
Total	**4,836**	**6,838**

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 corresponding 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.

Of the other income, EUR 791 thousand (previous year EUR 418 thousand) is not related to the accounting period and comprises mainly bonus and cost reimbursements from the previous year.

22 Personnel expenses and total employees

Personnel expenses

[in EUR '000]	2010	2009
Wages and salaries	31,833	25,464
Share-based payment	181	313
Social insurance	3,985	2,831
Pension cost – defined contribution plans	2,362	2,071
Pension cost – defined benefit plans	51	40
Personnel expenses	**38,412**	**30,719**

Employees	2010		2009	
	Average	At reporting date	Average	At reporting date
Full time equivalents (FTE)	1,078	1,002	919	1,019
Individuals	1,112	1,043	958	1,071
Of which employed at companies included pro rata:				
FTE	14	12	12	13
Individuals	15	14	13	13

At the reporting date, the employee totals quoted include 107 FTE (previous year 222 FTE) who are employed on a temporary basis by the group. The average for the year was 224 FTE (previous year 169 FTE). The corresponding expenses are reported under other operating expenses.

23 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

[in EUR '000]	2010	2009
Outward freight/external warehouses	7,565	5,804
Promotional and representation costs	3,576	1,410
Maintenance costs	2,474	1,857
Legal and consultancy costs	2,995	3,940
Energy	3,478	3,151
Travel expenses and fleet	2,999	2,105
Sales commissions	1,579	364
Insurance	575	592
Waste disposal	131	152
Rent for buildings	2,355	2,657
Operating leasing/other rent	719	700
IT expenses and communication	1,724	1,203
Outside and temporary workers	8,573	6,732
Other personnel expenses	708	654
Patent protection	62	184
Warranty	2,003	1,033
Other taxes	321	68
Losses from the disposal of assets	175	1
Exchange rate losses	1,392	174
Restructuring	0	939
Allocation to impairment und write-down of receivables	786	946
Miscellaneous	3,733	4,094
Total	**47,923**	**38,760**

Of the other expenses, EUR 682 thousand (previous year EUR 222 thousand) is not related to the accounting period.

The income statement includes research costs and non-capitalised development cost amounting to EUR 2,083 thousand (previous year EUR 1,878 thousand). This comprises EUR 896 thousand (previous year EUR 1,053 thousand) for personnel expenses, EUR 59 thousand (previous year EUR 179 thousand) for cost of purchased materials, EUR 148 thousand (previous year EUR 115 thousand) for depreciation and amortisation, and EUR 980 thousand (EUR 531 thousand) for other operating expenses.

Obligations as lessee

The following table shows the non-capitalised operating lease obligations (operational leasing) at the reporting date, with the corresponding lease instalments broken down by maturity and minimum remaining period, as well as by category of the leased articles. The present value of the operating lease obligations is EUR 7,082 thousand (previous year EUR 7,358 thousand).

Operational leasing [in EUR '000]	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
2010				
Property	3,489	1,225	2,250	14
Vehicles	1,043	518	525	0
Technical equipment and machinery	1,578	572	974	32
Other equipment	1,800	715	1,085	0
Total	**7,910**	**3,030**	**4,834**	**45**
2009				
Software	25	10	15	0
Property	4,548	1,563	2,896	89
Vehicles	1,196	521	675	0
Technical equipment and machinery	2,180	591	1,547	42
Other equipment	334	113	221	0
Total	**8,383**	**2,797**	**5,355**	**131**

24 Interest income and expense

Interest income and expense is broken down as follows:

Financial result

[in EUR '000]	2010	2009
Interest income	489	569
Interest expense for bank loans and overdraft facilities	(1,726)	(3,244)
Interest expense for other loans	(1,173)	(1,491)
Other interest expense	(1,588)	(1, 534)
Total	**(3,998)**	**(5,700)**

The financial result includes expenses of EUR 49 thousand (previous year EUR 215) due to discounting.

25 Income tax

Income tax is composed as follows:

Income tax

[in EUR '000]	2010	2009
Income tax expense for the current financial year	(6,351)	(3,957)
Deferred tax on temporary differences	(243)	722
Deferred tax on loss carryforwards	(262)	(1,025)
Total	**(6,856)**	**(4,260)**

The actual tax expense includes income unrelated to the accounting period of EUR 211 thousand (previous year EUR 193 thousand). It was reduced by EUR 2,195 thousand (previous year EUR 0 thousand) by making use of loss carryforwards in the current year.

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]	2010	2009
Result before income taxes	22,616	(25,445)
Anticipated tax income/expense 32.0 % (previous year: 32.0 %)	**(7,237)**	**8,142**
Difference due to variation in tax rates	77	(242)
Tax effect from non-deductible expenses	(467)	(11,103)
Tax effect from non-taxable income	143	539
Tax effect from unrecognised deferred tax on loss carryforwards	(1,274)	0
Tax effect from change in recognition of deferred tax on loss carryforwards	1,937	(1,019)
Adjustments from previous financial years	(35)	(577)
Total	**(6,856)**	**(4,260)**

The tax rate is composed of	2010	2009
Corporation tax incl. solidarity surcharge	15.83 %	15.83 %
Trade tax	16.17 %	16.17 %
Total	**32.0 %**	**32.0 %**

25 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	2010	2009
Consolidated net income/net loss in EUR '000	15,760	(29,705)
Weighted average ordinary shares issued, '000	20,333	15,328
Basic earnings per share in EUR	0.78	(1.94)

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 2010	Outstanding end 2009
2005 tranche	1	26/09/2005	25/09/2012	75,750	303,000
2006 tranche	2	20/12/2006	19/12/2013	84,173	84,173
2007 tranche	2	29/11/2007	28/11/2014	207,236	207,236
2009 tranche	2	31/03/2009	30/03/2016	175,495	180,718
2010 (1) tranche	2	01/02/2010	31/01/2017	268,500	0
2010 (2) tranche	2	01/12/2010	30/11/2017	130,903	0
2010 (3) tranche	1	20/12/2010	19/12/2017	227,250	0
Total				**1,169,307**	**775,127**

Diluted earnings per share	2010	2009
Consolidated net loss/net income in EUR '000	15,760	(29,705)
Weighted average ordinary shares issued, '000	20,333	15,328
Assumed creation of new dilutive shares from stock options granted (weighted average)	0	16
Weighted average diluted ordinary shares issued, '000	20,333	15,344
Diluted earnings per share, EUR	0.78	(1.94)

27 Segment reporting

In line with its internal reporting structure, the company is organised into the "Solar Integrated Systems" and "Solar Key Components" 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 Centrosolar Sonnenstromfabrik 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 inverters, 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 allocatedto 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.

Solar Integrated Systems

	31/12/2010		31/12/2009	
P&L Key Figures	**EUR '000**	**% of Revenue**	**EUR '000**	**% of Revenue**
Revenue total	**311,505**	**100.0**	**227,027**	**100.0**
Revenue from third parties	311,502	100.0	227,006	100.0
Revenue from other segments	2	0.0	21	0.0
Gross profit	**71,373**	**22.9**	**38,729**	**17.1**
Personnel expenses	(27,069)	– 8.7	(21,873)	– 9.6
Other income and expenses	(23,504)	– 7.5	(15,242)	– 6.7
EBITDA	**20,800**	**6.7**	**1,614**	**0.7**
Operative depreciation	(2,756)	– 0.9	(1,959)	– 0.9
EBIT operative	**18,044**	**5.8**	**(345)**	**–0.2**
Non operative depreciation	(1,695)	– 0.5	(1,723)	– 0.8
EBIT	**16,348**	**5.2**	**(2,068)**	**–0.9**

Revenue by regions

Revenue from third parties	**311,502**	**100.0**	**227,006**	**100.0**
Germany	134,821	43.3	132,818	58.5
Rest of Europe	165,953	53.3	90,051	39.7
Rest of World	10,728	3.4	4,137	1.8

Balance sheet key figures		**In revenue-days**		**In revenue-days**
Net operating working capital	**45,447**	**52.5**	**26,085**	**41.4**
Inventories	39,264		32,951	
Stock payments on account/Received in advance	(1,853)		(5,479)	
Trade account receivable	14,461		12,848	
Trade account payable	(6,424)		(14,235)	
Financial assets	**8,588**		**985**	
Tangible and intangible assets	**73,539**		**69,135**	
operativ	25,227		19,127	
Capitalized according to IFRS 3 and goodwill	48,312		50,008	

Investitionen

Total	**8,922**		**7,071**	
In tangible and intangible assets	8,915		7,071	
In financial assets	7		0	

Solar Key Components				Consolidation		Total Group			
31/12/2010		31/12/2009		31/12/2010	31/12/2009	31/12/2010		31/12/2009	
EUR '000	**% of Revenue**	**EUR '000**	**% of Revenue**	**EUR '000**	**EUR '000**	**EUR '000**	**% of Revenue**	**EUR '000**	**% of Revenue**
107,030	**100.0**	**92,574**	**100.0**	**(15,089)**	**(10,897)**	**403,446**	**100.0**	**308,704**	**100.0**
91,944	85.9	81,698	88.3	0	0	403,446	100.0	308,704	100.0
15,086	14.1	10,876	11.7	(15,089)	(10,897)	(0)	0.0	0	0.0
44,240	**41.3**	**37,229**	**40.2**	**176**	**(178)**	**115,788**	**28.7**	**75,781**	**24.5**
(11,343)	– 10.6	(8,846)	– 9.6	0	(0)	(38,412)	– 9.5	(30,719)	– 10.0
(19,149)	– 17.9	(16,222)	– 17.5	0	(6)	(42,653)	– 10.6	(31,470)	– 10.2
13,749	**12.8**	**12,161**	**13.1**	**176**	**(184)**	**34,724**	**8.6**	**13,591**	**4.4**
(3,315)	– 3.1	(2,633)	– 2.8	0	0	(6,071)	– 1.5	(4,592)	– 1.5
10,433	**9.7**	**9,528**	**10.3**	**176**	**(184)**	**28,653**	**7.1**	**8,999**	**2.9**
(345)	– 0.3	(345)	– 0.4	0	0	(2,040)	– 0.5	(2,068)	– 0.7
10,089	**9.4**	**9,183**	**9.9**	**176**	**(184)**	**26,613**	**6.6**	**6,931**	**2.2**

91,944	**100.0**	**81,698**	**100.0**	**0**	**0**	**403,446**	**100.0**	**308,704**	**100.0**
28,858	31.4	25,519	31.2	0	0	163,679	40.6	158,337	51.3
42,780	46.5	36,934	45.2	0	0	208,733	51.7	126,985	41.1
20,306	22.1	19,245	23.6	0	0	31,033	7.7	23,382	7.6

	In revenue-days		**In revenue-days**				**In revenue-days**		**In revenue-days**
11,444	**38.5**	**17,135**	**66.6**	**(171)**	**(346)**	**56,721**	**50.6**	**42,874**	**50.0**
12,626		12,204		(170)	(346)	51,720		44,809	
854		608		0	0	(1,000)		(4,871)	
4,895		10,846		(236)	(1,112)	19,119		22,582	
(6,930)		(6,523)		236	1,112	(13,118)		(19,646)	
36		**69**		**(7,596)**	**0**	**1,027**		**1,054**	
20,218		**19,399**		**100**	**100**	**93,857**		**88,634**	
15,942		15,456		0	0	41,169		34,583	
4,276		3,943		100	100	52,688		54,051	

4,590		**5,364**		**0**	**0**	**13,512**		**12,435**	
4,590		5,347		0	0	13,505		12,418	
0		17		0	0	7		17	

	31/12/2010		31/12/2009	
The following countries account for over 10 % of total consolidated revenue	EUR '000	% of revenue	EUR '000	% of revenue
France	118,415	29.4 %	70,934	23.0 %
Non-current assets by region				
Germany	88,639		89,325	
Rest of Europe	6,787		309	
Rest of world	1,675		54	

28 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 18,405 thousand (previous year EUR 40,190 thousand) and was dominated by the reduction in trade payables and advances received.

The cash flow from investing activities includes cash payments property, plant and equipment of EUR 6,659 thousand (previous year EUR 6,742 thousand), intangible assets of EUR 1,385 thousand (previous year EUR 1,329 thousand) and investments of EUR 7 thousand (previous year EUR 0 thousand).

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]	2010	2009
Cash	8,208	13,782
Bank overdrafts	(6,640)	(7,399)
Total	**1,568**	**6,384**

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 40.4 million (previous year EUR 52.4 million).

Material non-cash transactions result from the existing issuance of stock options and from discounting effects. 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 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 % point is payable for that financial year, and a profit share in the form of an interest supplement of 2.0 % points for a financial year in which net income exceeds EUR 20 million.

Future tenancy and lease obligations are shown under [24] Other operating expenses.

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

Dansk Photovoltaik A/S, a former shareholder of the company Solarstocc AG which now operates as Centrosolar AG, has brought an action against the latter under summary procedure for the partial repayment of a shareholder loan amounting initially to EUR 1,230 thousand plus interest. Centrosolar AG has exercised a right of retention in the matter, which it bases on the counterclaims assigned to it for collection by the company in particular due to breach of contractual obligations in connection with the acquisition of the shares of Solarstocc AG by the company in the years 2005 and 2006. Following the increase in the action by further loan instalments to a total of EUR 2,255 thousand plus interest, the matter was heard before the District Court of Munich on December 3, 2009, in consequence of which the action concerning the loan was upheld in a provisional judgment based on the defendant's acknowledgement dated February 2, 2010. The court then ordered stay of execution against security. The loan liability of the claim has been recognised in full as a short-term borrowing since the debt arose.

In subsequent proceedings to the above proceedings Centrosolar AG filed a claim for payment of EUR 7,745 thousand jointly and severally against Dansk Photovoltaik A/S and German Solar AG by way of a counterclaim and third-party counterclaim. German Solar AG is the legal successor to Stock Invest GmbH, to which Dansk Photovoltaik A/S had transferred shares in the former Solarstocc AG prior to the acquisition of the latter by the company. Centrosolar AG is thus asserting claims from assigned rights amounting to EUR 10,000 thousand in total (filing for dismissal of action: EUR 2,255 thousand; (third-party) filing of counterclaim: EUR 7,745 thousand). The defendants have filed an action against Centrosolar AG and the company to determine that no entitlement to compensation exists. A date for the oral proceedings has been set for April 2011.

In separate proceedings brought before the District Court of Munich I, Dansk Photovoltaik A/S in addition brought an action against Centrosolar AG under summary procedure for the repayment of the remaining instalment of the aforementioned shareholder loan amounting to EUR 205 thousand plus interest, and for repayment of two other shareholder loans amounting to a total of EUR 242 thousand plus interest. Centrosolar AG is exercising the same right of retention as in the aforementioned proceedings. The loan liability of this claim, too, has been recognised in full as a short-term borrowing since the debt arose. A date for the oral proceedings has been set for March 2011.

3 Significant events occurring after the balance sheet date

On February 1, 2011 CENTROSOLAR Group AG brought a corporate bond with a volume of EUR 50 million onto the market. It is traded over the counter at the Stuttgart Stock Exchange (bondm trading segment). The bond accrues interest at 7 % p. a.; interest is paid annually on February 15. The bond is repayable at February 15, 2016. The proceeds from the issue are to be used e. g. to bolster the company's course of growth particularly internationally, and to promote planning business for solar plants both in Germany and internationally.

On January 11, 2011 CENTROSOLAR announced the signing of a production agreement with TSMC Limited, Taiwan. Under the terms of the agreement CENTROSOLAR is to become TSMC's exclusive manufacturer of crystalline solar modules in Europe. TSMC is the world's biggest semiconductor foundry and a leading player in terms of process engineering and quality. The agreement, which runs for five years, envisages a volume of initially 100 MWp per year. More extensive cooperation in the areas of product development and process engineering is also planned. CENTROSOLAR sees the signing of this agreement as confirmation of its status as one of the most efficient and above all highest-quality manufacturers of solar modules. The first deliveries under the agreement are due in the third quarter of 2011. The solar cells to be used will be supplied by TSMC itself; CENTROSOLAR will be responsible for transforming the cells into 60-cell quality modules.

The increased capacity needed both as a result of the agreement with TSMC and the continuing healthy performance of CENTROSOLAR's core business will be created by further expanding the production facility in Wismar, Germany. The construction of a new production hall and warehouse will create space for upping the existing capacity from currently 200 MWp to up to 500 MWp per year in line with demand. This will equip the company for further growth from both its own business and from contract manufacturing. The first phase, which is to be completed by the third quarter of 2011, involves completing the new building to provide an extra 150 MWp of manufacturing capacity. The number of jobs at Wismar will then rise by around 300 to roughly 700. The investment volume for the first phase amounts to around EUR 20 million. It will be financed from the company's own cash flow as well as through subsidies and bank loans.

On January 21, 2011 Renusol GmbH established a fully owned subsidiary by the name of Renusol America Inc., Dover. The company was entered on the Delaware Corporate Registry on January 24, 2011.

On January 27, 2011 Centroplan GmbH, in which CENTROSOLAR Group AG holds a 50.5 % interest, established the fully-owned subsidiary Centroplan UK Ltd., Banbury. The company was filed with the Registrar of Companies for England and Wales under No. 7508214 on the same date.

3 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. The production agreement was concluded for a fixed period of 5 years and was terminated by mutual agreement with effect from October 31, 2009. Notwithstanding this, Ubbink B.V. continued to supply goods to the total value of EUR 4,096 thousand (previous year EUR 8,873 thousand) to Renusol GmbH in arm's length transactions.

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 130 thousand (previous year EUR 138) was charged by CENTROTEC Sustainable AG in the 2010 financial year.

The CENTROSOLAR Group supplied the CENTROTEC Group with mounting materials to the value of EUR 948 thousand (previous year EUR 8,872 thousand) in arm's length transactions in the 2010 financial year.

Centrosolar Glas GmbH & Co. KG sold special glass to the value of EUR 1,642 thousand (previous year EUR 1,254 thousand) in arm's length transactions to Wolf GmbH, a subsidiary of CENTROTEC Sustainable AG, during the 2010 financial year.

CENTROSOLAR had receivables amounting to EUR 180 thousand (previous year EUR 1,221 thousand) in respect of Ubbink B.V. and its subsidiaries at the balance sheet date. There exist receivables of EUR 8 thousand (previous year EUR 0 thousand) and liabilities of EUR 69 thousand (previous year EUR 12 thousand) in respect of CENTROTEC.

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. In the context of the latter agreement, the company made a payment amounting to EUR 1 thousand to Pari Holding GmbH in the 2009 financial year. The payments reflect the costs incurred by Pari Holding GmbH. No remuneration arose in connection with the former agreement.

In return, Pari Holding GmbH was billed for rent totalling EUR 37 thousand.

An agreement was moreover concluded with Pari Houdstermaatschappij B.V. for consultancy on specific matters of a specialist nature. Services with a countervalue of EUR 38 thousand were supplied and billed in the 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 connection with the purchase and sale of companies,
- Consultancy on the tax-optimised conversion of group and corporate structures.

A remuneration of EUR 350.00 per hour for his services, plus statutory VAT, is to be paid as consideration. The Supervisory Board of the company has approved the contract and regularly examines the activities of Friedrich Lützow. Mr Lützow retired from the Supervisory Board with effect from May 19, 2010. He is therefore no longer to be regarded as a related party from that point on. Up until his retirement from the Supervisory Board, Friedrich Lützow invoiced the company for EUR 51 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 Sales & Major Projects, M&A and Human Resources

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

The following disclosures on Management Board remuneration are made to comply with the German Commercial Code: the total remuneration of the Management Board was EUR 1,099 thousand in the financial year. Of this total remuneration, fixed and non-performance-related cash remuneration accounted for EUR 988 thousand and remuneration from stock options EUR 111 thousand, the value of which was determined by analogy to the measurement rules of IFRS 2. In the 2010 financial year, 469,173 options with a fair value of EUR 1.59 per option were issued to the Management Board members. The cash remuneration includes salaries and the employer's share of social security contributions paid. 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 amounts: Dr Alexander Kirsch received fixed cash remuneration of EUR 346 thousand as well as remuneration of EUR 37 thousand in the form of stock options, in other words a total of EUR 383 thousand. Thomas Güntzer received fixed cash remuneration of EUR 323 thousand as well as remuneration of EUR 37 thousand in the form of stock options. Dr Axel Müller-Groeling received fixed cash remuneration of EUR 319 thousand as well as remuneration of EUR 37 thousand in the form of stock options.

In the year under review of 2010, the members of the Management Board belonged to the following regulatory bodies pursuant to Section 125 (1) fifth sentence of German Stock Corporation Law:

Dr Alexander Kirsch — Centrosolar AG, Hamburg, Germany (Deputy Chairman)

Thomas Güntzer — Centrosolar AG, Hamburg, Germany; iTAC Software AG, Dernbach, Germany

Dr Axel Müller-Groeling — Centrosolar AG, Hamburg, Germany (Chairman)

2. Supervisory Board

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

Until May 19, 2010

Dr Gert-Jan Huisman, merchant — Nijkerk, Netherlands, Chairman

Dr Bernhard Heiss, lawyer — Munich, Germany, Deputy Chairman

Friedrich Lützow, tax consultant — Germering, Germany

From May 20, 2010

Guido A. Krass, entrepreneur — Zurich, Switzerland, Chairman

Dr Bernhard Heiss, lawyer — Munich, Germany, Deputy Chairman

Martinus Brandal, entrepreneur — Torod, Norway

In the year under review of 2010, the members of the Supervisory Board belonged to the following regulatory bodies pursuant to Section 125 (1) fifth sentence of German Stock Corporation Law:

Guido A. Krass
CENTROTEC Sustainable AG, Brilon, Germany (Chairman)
Medimondi AG, Munich, Germany (Chairman)
Pact XPP Technologies AG, Munich, Germany
Wolf GmbH, Mainburg, Germany

Dr Bernhard Heiss
CENTROTEC Sustainable AG, Brilon, Germany (Deputy Chairman)
AR Altium Capital AG, Munich, Germany
Langenscheidt KG, Munich, Germany (Deputy Chairman of Advisory Council)
Trailer International GmbH, Pullach, Germany (Chairman)

Martinus Brandal (from May 20, 2010) None

The total remuneration of the Supervisory Board was EUR 72 thousand in the financial year, in accordance with the articles of incorporation. Guido A Krass received Supervisory Board remuneration of EUR 25 thousand, Dr Bernhard Heiss EUR 24 thousand, Martinus Brandal EUR 12 thousand, Dr Gert-Jan Huisman EUR 8 thousand and Friedrich Lützow EUR 4 thousand. There exist consultancy agreements with the Supervisory Board members Dr Bernhard Heiss and Friedrich Lützow, on the basis of which consultancy services provided over and above the scope of the tasks of the Supervisory Board are charged for by the hour. Mr Lützow received fees totalling EUR 98 thousand for tax consultancy in the 2010 financial year. Dr Heiss did not charge any fees for legal consultancy in the financial year. No loans were extended to the 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-group.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 (PwC AG). The amounts shown below contain neither fees for the foreign member companies of the PwC network nor fees for other auditors of group subsidiaries.

Expenses for auditor PwC AG

[in EUR '000]	2010
Expenses for auditing of the financial statements	261
Other certification or consultancy services	3
Tax consultancy services	0
Other services	0
Total	**264**

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 10, 2011. The Supervisory Board is expected to approve the financial statements on March 10, 2011.

Munich, March 9, 2011

Dr Alexander Kirsch
[Chairman and Finance]

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

Dr Axel Müller-Groeling
[Strategy and Operations Management]

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 9, 2011

Dr. Alexander Kirsch
[Chairman and Finance]

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

Dr. Axel Müller-Groeling
[Strategy and Operations Management]

Independent Auditors’ Report

We have audited the consolidated financial statements prepared by CENTROSOLAR Group AG, Munich – comprising the balance sheet, the income statement and statement of comprehensive income, the statement of movements in equity, the cash flow statement and the notes – for the financial year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of German Commercial Code, is the responsibility of the company’s Management Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 10, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Banschbach	[ppa.] Sven Jacob
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Financial calendar 2011

March 15	Publication of 2010 accounts
May 10	Publication of 1/2011 Quarterly Report
May 31	Annual General Meeting of Shareholders
August 4	Publication of 2/2011 Quarterly Report
November 9	Publication of 3/2011 Quarterly Report

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