CENTROSOLAR
GROUP AG

Annual Report 2011

SUNSHINE IS OUR BUSINESS

WE ARE ON!

OPPORTUNITIES IN CONSOLIDATION

No major manufacturer of solar modules was able to make a profit in the 2011 financial year. That means the entire industry is going through a consolidation phase. We expect that a number of competitors will have to withdraw from the market.

CENTROSOLAR will emerge stronger from the current phase of consolidation because…

…its strategy was and is the right one: Our business model that focuses on smaller roof systems
We concentrate on the segment of smaller roof systems, which attract high financial incentives in many countries. We are also leading the way with increasingly popular internal consumption solutions. For many years we have specialised in targeting installation firms for smaller and medium-size solar systems and have developed an international sales network to match. Our export ratio is now almost two-thirds of total revenue.

…we operate cost-effectively: Our production operations are highly competitive
We are prepared for the current consolidation process. Our solar module and solar glass manufacturing operations are competitive in worldwide terms. We have been systematically implementing institutionalised improvement processes for many years. These have helped us methodically improve our efficiency, and as a result our competitiveness.

…we are soundly financed: Our strong financial position
The company enjoys a strong liquidity position compared with the competition. We have diverse sources of financing thanks to our healthy levels of equity capital, our bond, and bank loans.

Key Figures 2011

P&L

	31/12/2011 in EUR '000	% of Revenue	31/12/2010 in EUR '000	% of Revenue	Change
Revenue	292,777	**100.0 %**	403,446	100.0 %	**-27.4 %**
Gross profit	79,269	**27.1 %**	115,788	28.7 %	**-31.5 %**
EBITDA	(3,722)	**-1.3 %**	34,724	8.6 %	**n.a.**
EBIT	(13,194)	**-4.5 %**	26,613	6.6 %	**n.a.**
EAT attributable to shareholders	(16,813)	**-5.7 %**	15,760	3.9 %	**n.a.**

Cash Flow Statement

Cash Flow I (EAT + depreciation/amortisation)	(7,341)	**-2.5 %**	23,871	5.9 %	**n.a.**
Cash Flow from operating activities	(9,081)	**-3.1 %**	18,405	4.6 %	**n.a.**
Cash Flow from investing activities	(19,278)	**-6.6 %**	(8,747)	-2.2 %	**120.4 %**

Balance Sheet

		% Total		% Total	
Net Working Capital	42,666	**19.8 %**	42,663	23.1 %	**0.0 %**
Net Operating Working Capital	54,703	**25.4 %**	56,721	30.7 %	**-3.6 %**
Fixed Assets	103,872	**48.2 %**	93,857	50.8 %	**10.7 %**
thereof Goodwill	49,429	**23.0 %**	49,429	26.8 %	**0.0 %**
Net cash	(68,800)	**-32.0 %**	(39,875)	- 21.6 %	**72.5 %**
Shareholders' equity	79,197	**36.8 %**	95,577	51.8 %	**-17.1 %**
Balance sheet total	215,282	**100.0 %**	184,698	100.0 %	**16.6 %**

Shares and EPS

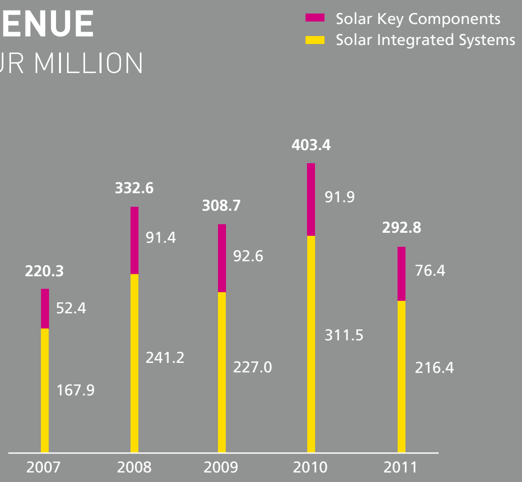
	31/12/2011	31/12/2010
Number of shares (weighted average outstanding; basic)	20,344,406	20,333,309
EPS (in EUR; basic)	-0.83	0.78

	03/01	Year-high	Year-low	31/12
Share price in EUR	5.13	6.23	1.28	1.30

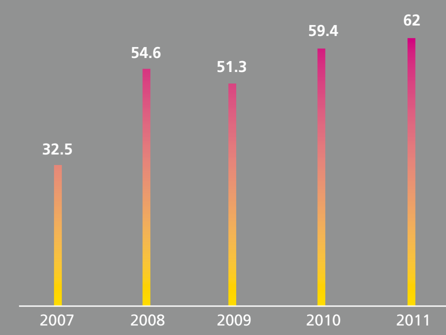
Employees

	31/12/2011	31/12/2010	Change
Average total (in FTE)	1,100	1,078	2.1 %

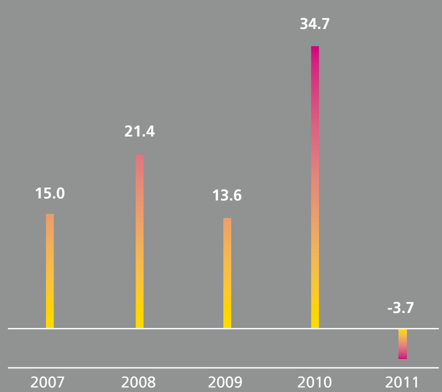
REVENUE
IN EUR MILLION



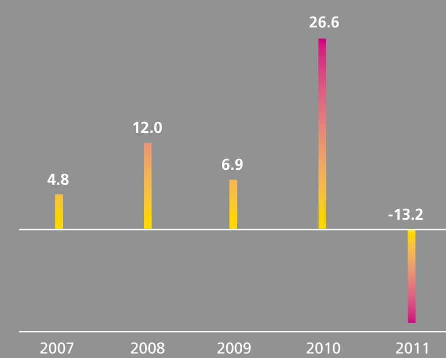
EXPORT REVENUE
PROPORTION OF TOTAL REVENUE IN %



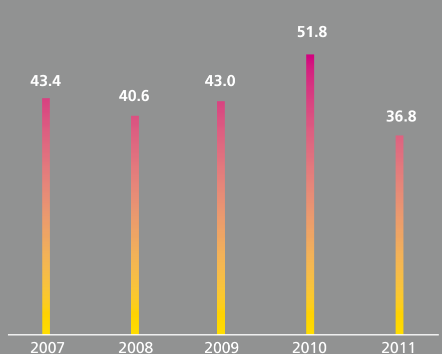
EBITDA
IN EUR MILLION



EBIT
IN EUR MILLION



EQUITY RATIO
IN % FROM BALANCE SHEET TOTAL



EPS
IN EUR MILLION

We aim to become the leading, regionally diversified, excellence-driven provider of premium roof-based PV systems, components and turnkey projects.

We use the sun's energy to create sustainable value for our customers and suppliers, our employees and shareholders, and in fact for society as a whole.

LOCATIONS AND BRANCHES

CENTROSOLAR Group AG
Parent company
Munich/Germany

Centrosolar AG
Systems integration
Hamburg/Kempten/
Paderborn/Germany

Centrosolar Sonnenstromfabrik GmbH
Module manufacturing
Wismar/Germany

GeckoEnergies GmbH
Aßlar/Mayen/Wallau/
Germany

Centrosolar Schweiz AG
Muri/Switzerland

Centrosolar France SARL
Ecully/France

Centrosolar Hellas MEPE
Paleo Faliro/Greece

Centrosolar UK Ltd.
London/United Kingdom

Centrosolar Italia S.r.l.
Verona/Italy

Centrosolar Canada Inc.
Markham/Canada

Centrosolar Belgie BVBA
Antwerpen/Belgium

Centrosolar Fotovoltaico España S.L.
Barcelona/Spain

Centrosolar America
Scottsdale/Fremont/Edison/
USA

Centrosolar Benelux B.V.
Tiel/The Netherlands

Centroplan GmbH
Projektierung
Geilenkirchen/Germany

Centroplan France SARL
Ecully/France

Centroplan UK Ltd.
London/United Kingdom

Centroplan Italia S.r.l.
Roma/Italy

Centroplan España S.L.
Barcelona/Spain

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

Centrosolar Glas Trading Co. Ltd.
Huzhou/China

Renusol GmbH
Mounting systems
Köln/Germany

Renusol France SARL
Ecully/France

Renusol Italia S.R.L.
Verona/Italy

Renusol America Inc.
Atlanta/USA

BUSINESS SEGMENTS
OF CENTROSOLAR GROUP AG

Solar Key Components

- Production and Distribution of Solar Glass
- Development and Distribution of Mounting Systems

Solar Integrated Systems

- Manufacturing of Photovoltaic Modules
- Distribution of Photovoltaic Modules and Systems
- Development of Photovoltaic Projects

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.

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 new markets 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.

THE MANAGEMENT BOARD OF CENTROSOLAR GROUP AG

Dear Ladies and Gentlemen,

2011 was an extremely demanding year for the photovoltaic industry. Surplus capacity all the way along the value chain and the deterioration in prices that this induced left their mark on the profits and balance sheets of virtually all photovoltaic businesses. We, too, did not achieve the revenue and earnings targets that we had set ourselves at the start of the year. Nevertheless, we have taken our company a big step forward.

For example, we succeeded in further expanding our international business in the past financial year. We now generate almost two-thirds of revenue outside our home market of Germany. We were able to increase our sales quite significantly in Italy, the UK and the USA. In the growing US market in particular, we are still in the initial phase. A major portion of our losses stemmed from start-up costs for the expansion of our range of products and services for that market. We have consequently laid the foundations of profitable growth: we expect to achieve a positive operating result in the USA from this year on – coupled with continuing high growth.

We have also given our glass business a greater international spread. So that we can supply module manufacturers in Asia even more effectively with our still technologically leading glasses that feature a highly light-transmissible anti-reflective coating, at the start of last year we erected a glass coating line in Asia. We did this in partnership with a local glass manufacturer, to exploit the operational synergies to the full.

In the mounting systems area in which we have been active very successfully for quite some years, we likewise posted a loss last year because a change in the regulations rendered our most profitable product obsolete. However, we had already broadened the product range a few years ago and growth for the new products was able to compensate in part for the loss of this product. Coupled with the cost reductions implemented in the financial year, this area was once again able to report positive operating results towards the end of the year.

As well as the mounting systems, we further extended our range of integrated systems and introduced various innovations that will perform a pioneering role for the industry. CENTROSOLAR is the first supplier worldwide to offer an energy storage solution that genuinely pays its way: instead of combining the photovoltaic system with – still – expensive batteries, we have paired it with the domestic hot-water tank. In tandem with an electric heat pump that also draws heat from the ambient air, this environmentally friendly approach means the solar system supplies over half the energy that is needed for providing hot water. This increases the proportion of internally consumed power for a typical detached house to well over 30 %. No other technology on the market can do that more cheaply.

We pay particular attention to costs. At our production plants, we have implemented continuous improvement processes that have now made us the European cost leader for the manufacture of high-grade solar modules. And we are utterly uncompromising when it comes to the quality of our modules: CENTROSOLAR is the first module manufacturer to have had its modules tested for resistance to snow loads, ammonia, salt spray and PID over and above the standard tests – and its products have achieved outstanding results throughout. In the area of sales and administrative organisation, too, we launched a project by the name of "Fit for 2012" with a view to optimising our processes and giving ourselves a further competitive boost. Even when solar cells were in short supply, our purchasing department declined to enter into long-term supply agreements. That policy means we are now a flexible, lean organisation. We have been unable to stave off losses in this market phase. But we have certainly been able to ensure that in industry terms – and also compared to the ostensibly low-cost manufacturers in China – the shortfall in our earnings has been much more modest.

At the start of 2011 we placed a corporate bond with a total volume of EUR 50 million and a term of five years in the BondM segment of the Stuttgart Stock Exchange. That placement, coupled with our consistently sound financial policy in respect of our banks and shareholders, means we have a stable financial basis.

Adequate financing and a lean cost structure are vital to being able to navigate the impending consolidation phase in our industry successfully. But having the right strategy is also important. We remained utterly faithful to our strategic direction over the past financial year.

We chose to concentrate on the segment of small and mid-size roof systems at an early stage. That segment calls for a capillary sales organisation with strong customer ties, of the kind that CENTROSOLAR has built up internationally over the years. Meanwhile we have retained our purchasing independence and are able to profit from the surplus capacity at upstream levels of the value chain. We have chosen to offer higher-grade solar modules and systems.

Although a CENTROSOLAR module is often slightly more expensive than the cut-price versions available on the market, now that the cost of the modules accounts for a decreasing proportion of the total cost of a fully-installed system, the relative price premium for quality is coming down and the benefits of greater durability and better overall performance are increasingly coming to the fore.

In our second business segment of key components, too, quality and superior customer benefit are our priorities. Because even more so in this instance, the cost difference is slight but the benefit is measurably greater. Our solar glasses achieve the highest light transmission worldwide. That means higher yields for our customers and makes solar modules productive even in poorer light conditions. Our mounting systems reduce installation costs, so the benefits cut in right from the investment phase.

Our customers already appreciate our technical expertise and dependable quality. But there is room for communicating the emotional value of our products to our customers more effectively. Our roof-integrated systems are a good start – and despite the market reversal experienced by one of our mounting products, we continue to lead the way in Europe with our integration modules. More such products will follow, naturally of the typical, reliable technical quality.

Ultimately our strategy has given us a position that is the envy of many of our competitors in the current difficult market phase: we serve market segments that many competitors find difficult to access. And we can boast a cost position that is able to compete internationally. We moreover have the necessary resources to emerge stronger from the phase of consolidation. As well as financial reserves, that includes a highly qualified management team and motivated employees, who we would like to thank for their unstinting efforts.

KIND REGARDS,
DR ALEXANDER KIRSCH

THOMAS GÜNTZER

DR AXEL MÜLLER-GROELING

FIRST PV AND HOT WATER TANK COMBINATION THAT PAYS ITS WAY.

We are constantly developing new techniques, products and all-in packages. In our Integrated Systems area, the emphasis is on solutions that promote internal consumption by the owner.

PRACTICAL INNO-VATIONS

For instance we have combined PV systems with a heat pump for supplying hot water, using photovoltaics for heating up the water needed for taking a shower. This increases the internal consumption ratio to well over 30 %. The system is now able to store energy in the hot water tank for days, with minimal losses. Unlike many competitors, instead of involving expensive batteries we supply an energy storage combination that – already – pays its way.

The Key Components segment is focusing on ways of steadily improving the ease with which our mounting systems can be installed. We have made our ConSole lighter, thus increasing its range of uses. We have also made further technical advances in the patented coating applied to our solar glasses.

REPORT OF THE SUPERVISORY BOARD OF CENTROSOLAR GROUP AG

Guido A. Krass
[Chairman of the Supervisory Board]

Guido A Krass (born 1957), industrial lawyer and entrepreneur, has been focusing on high-growth mid-cap companies since 1986. As the founder and a major share-holder of CENTROSOLAR, he is closely involved in strategic and personnel management matters. He is able to draw on a worldwide network of contacts for developing new business ideas and identifying acquisition options.

Dr Bernhard Heiss

Dr Bernhard Heiss (born 1955) is a lawyer and entrepreneur with particular expertise in corporate transactions and corporate reorganisation. He is a non-executive director of and partner in several other prominent companies. The industry emphasis of his activities as a lawyer and entrepreneur is on the areas of the media (television, press, books) and automotive technology.

Martinus Brandal

Previous to joining the Supervisory Board Martinus Brandal (born 1960) has been the CEO of AKER Solution ASA amongst others. The share price of this Norwegion metal and energy corporation multiplied during his CEO-ship. He is also a partner of Bio Energy Group AG, Switzerland and has got wide expertise in the Renewable Energies industry.

Dear shareholders,

The Supervisory Board of CENTROSOLAR Group AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2011 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 a long-term strategic priority for the future. Nevertheless, the Management Board and Supervisory Board agree that the current phase of consolidation makes it especially important to focus on cost efficiency and preserving financial resources. In all, the Supervisory Board is convinced that the market for photovoltaic products still remains economically attractive in the long term, and offers substantial future prospects for the CENTROSOLAR Group.

The Supervisory Board's activities in the 2011 financial year principally involved discussing the strategy and major operational programmes and measures with the Management Board. Due to occasionally abrupt changes in the market, as the year progressed the spotlight shifted from more growth-oriented topics to identifying the company's best response in order to stabilise and improve its earnings. The individual priority topics included the expansion of module manufacturing and, in that connection, the partnership with TSMC, the strengthening of the financial basis through issuing a corporate bond, the expansion of project business, the expansion and operational improvement of business in North America, the operational improvement and strategic further development of the mounting systems area, efficiency improvements and strategic options for the solar glass area, and how to cut costs and improve the efficiency of the sales force in the area of integrated systems and modules. 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 2012 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, new 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.

Seven Supervisory Board meetings in which members participated in person or by telephone took place in the 2011 financial year. In addition, eight resolutions were passed by means of telefax circular. The Supervisory Board was informed promptly and comprehensively by the Management Board of the company's current and future business progress, and in particular of the development in its revenue, orders, net worth, financial performance and financial position, as well as 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 Management Board prior to their publication. Particular attention was devoted to considering the 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 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) (5) as well as 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, 2011 have been examined by the auditors of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, 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, 2011 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 2012
THE
SUPERVISORY BOARD**

**GUIDO A.
KRASS
CHAIRMAN
OF THE
SUPERVISORY BOARD**

FINANCIAL RESERVES: DIVER-SIFIED FINANCING

We expect the current squeeze-out phase to continue over the current financial year, in conjunction with a tough price war. During this consolidation process, our focus will be on cost and liquidity management, not on growth. Thanks to the company's broad-based financing structure, it has given itself room for manoeuvre.

With our lower rate of losses compared with the industry as a whole and our very healthy financial reserves relatively speaking, we believe we are very well prepared to emerge stronger from the current squeeze-out phase.

CORPORATE GOVERNANCE REPORT 2011 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 also envisages, by way of a recommendation, a “corporate governance report” as an instrument of providing information on a company’s corporate governance practices. The Management Board and Supervisory Board of CENTROSOLAR Group AG have considered the latest version of the Code at length and explained any departures from it in a Declaration of Compliance (see below).

Management and governance structure

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

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

The Supervisory Board monitors and advises the Management Board. It specifies the duties of the Management Board to report and inform. The Supervisory Board issues and amends the rules of internal procedure for the Management Board where necessary. The Supervisory Board appoints and dismisses the members of the Management Board. It may appoint a Chair of the Management Board, and has done so. In keeping with the relevant statutory requirements and the rules of internal procedure for the Supervisory Board, seven Supervisory Board meetings in which members participated in person or by telephone took place in the 2011 financial year. In addition, eight 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 takes decisions concerning largely the appropriation of profits, discharge of the Management Board and Supervisory Board, the articles of incorporation and amendments thereto, key entrepreneurial measures, measures that change the capital such as the issue of new shared, the acquisition of treasury stock and conditional capital. It moreover elects the Supervisory Board members. The Supervisory Board of CENTROSOLAR Group AG comprises the following members:

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, 2011 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 2011."

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 it is very difficult to recruit suitably equally well qualified women to 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. 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 2011

ON BEHALF OF THE MANAGEMENT BOARD
DR ALEXANDER KIRSCH
CHAIRMAN

ON BEHALF OF THE SUPERVISORY BOARD
GUIDO A. KRASS
CHAIRMAN

PROVEN QUALITY

TOP RATINGS IN PRODUCT TESTS. TÜV Rheinland gave our modules top ratings for efficiency, resistance and service life. As well being put through the standard product tests IEC 61215 and IEC 61730, our modules have been tested for the effects of salt spray, ammonia and increased compression loads from snow. The positive test results confirm that the modules can also be used without any problems in coastal regions, in areas where there are high snowfalls and on agricultural buildings.

TÜV Rheinland has moreover confirmed that CENTROSOLAR modules are resistant to PID (potential induced degradation). This is one of the main reasons why the performance of photovoltaic modules dwindles over their product life. With our high material and manufactured quality, we comfortably exceed all the requirements of the IEC service life test. That explains the remarkably low

rate of complaints about our products, and we are able to guarantee a much longer product life for our systems compared with other players in our industry.


www.tuv.com
TÜV Rheinland
ID:0000027145

COMPETITIVE WORLD-WIDE

KNOW-HOW TRANSFER FROM HIGH TECH INDUSTRIES. CENTROSOLAR has filled important senior executive positions with experts from advanced high-tech sectors such as the semiconductor and automotive industries in order to transfer their manufacturing and quality assurance processes to the industrial production of modules.

In introducing continuous improvement processes at our solar manufacturing plant in Wismar, we have become one of the European leaders for quality and costs. By largely declining to commit to long-term purchase agreements for cells, the company can moreover benefit from falling cell prices.

GROUP MANAGEMENT REPORT OF CENTROSOLAR GROUP AG FOR THE 2011 FINANCIAL YEAR

Group Management Report

I BUSINESS AND UNDERLYING SITUATION

1 Overview

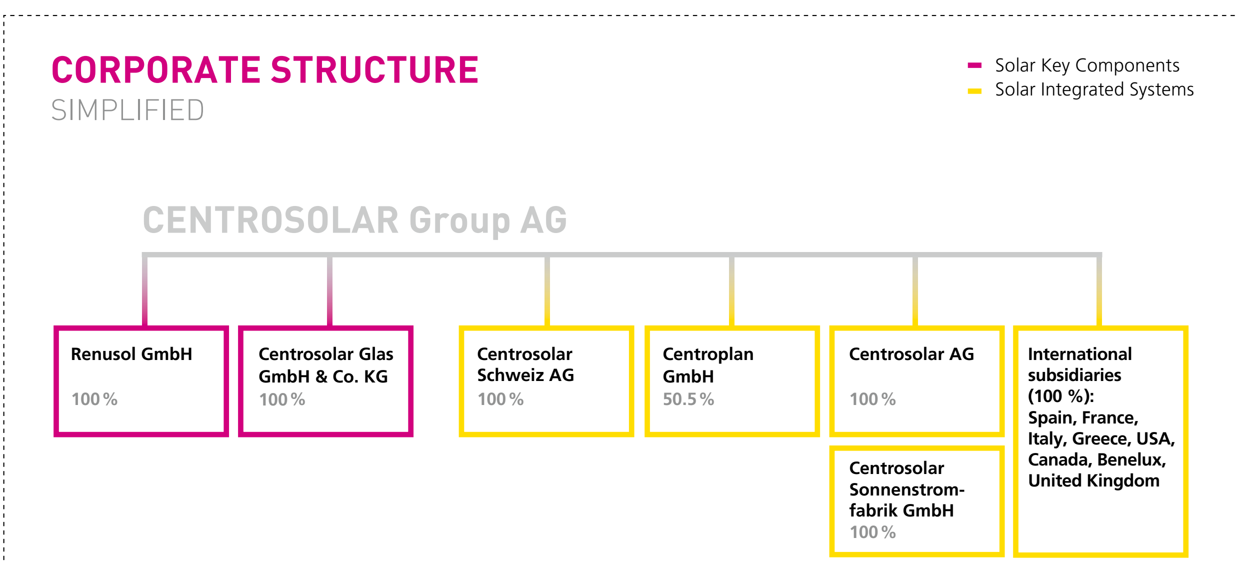
CENTROSOLAR Group AG, Munich, is a stock corporation listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and supplies photovoltaic systems especially for roofs, as well as key components for the photovoltaic market, via its group companies. At December 31, 2011 the CENTROSOLAR Group had just over 1,000 employees and generated annual revenue of EUR 293 million. The product range of the CENTROSOLAR Group comprises solar integrated systems, modules, inverters, mounting systems and solar glass. It generates over 60 % of its revenue internationally. CENTROSOLAR has international subsidiaries in Spain, Italy, France, the UK, Greece, Switzerland, the Netherlands, Belgium, China, Canada and the USA.

The CENTROSOLAR Group has a solar glass manufacturing plant in Fürth and a module production plant in Wismar. Furthermore, an initial production line for the finishing of glass went into operation in China during the past financial year. This raised annual production capacity to up to 8 million square metres. Module manufacturing, too, has seen a considerable increase. A new plant has been erected alongside the existing production plant in Wismar, and went into operation in the second half of 2011. With annual capacity now having reached 350 MWp, the company believes Sonnenstromfabrik Wismar ranks as one of the largest and most efficient such facilities in Europe.

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 diversified internationally and expanded by establishing branches in France, Italy, Spain, Greece, Benelux, the UK and North America. CENTROSOLAR today employs over 1,000 people at more than 20 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 (SIS) and Solar Key Components (SKC) business areas (segments), which encompass 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 at 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 with activities throughout Europe, 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 photovoltaic solar modules and thermal collectors, and on the other hand develops and sells mounting systems for photovoltaic solar systems. The customers who buy our mounting systems include solar engineers and wholesalers, but also competitors in our Solar Integrated Systems segment. Our solar glass is sold predominantly to manufacturers of photovoltaic modules and thermal collectors.

CENTROSOLAR has locations in Europe, 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 earned 62 % of its revenue outside Germany. The principal sales markets besides Germany are France, Italy and the UK.

3.2 Management, remuneration 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. The key performers (selected employees, managing 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. Granting of the stock options is linked to the fulfilment of individual performance targets. Exercise of stock options is only possible after a multi-year vesting period and is subject to specific requirements relating to the share price performance being met.

Overview of variable remuneration components

	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

The remuneration of the Supervisory Board is laid down in the articles of incorporation of CENTROSOLAR Group AG and comprises a fixed and a variable, dividend-dependent component. For further remarks on the remuneration components, please refer to the Notes to the Consolidated Financial Statements.

We do not view bonus agreements as the right foundation for a 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 services, 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. That communication is underpinned by various committees that are made up of experts and managers from throughout the group. The fundamental corporate strategy and principal group targets are coordinated with the Management Board and the narrower management team in annual strategy meetings. The Management Board of the CENTROSOLAR Group conducts review workshops with all management teams of the principal areas of business at least once a quarter. In addition, the group-wide operational handling of functional topics is supported and assured by corresponding committees, in particular the “Business Development Board”, the “R&D Board” and the “IT Board”. Group-wide coordination processes are also given an institutional footing in the Accounting and Controlling areas. Clearly documented decision-making processes provide an objective, strategy-compliant set of priorities for the principal development measures.

A comprehensive, segment-specific system of performance indicators that is made available to the decision-makers by Group Controlling is used for operational management of the company. Whereas manually compiled reports drawing on the various different operational ERP systems have mainly been used to date, the past financial year saw the implementation of a new reporting system based on a central data warehouse; with its web-based user platform, it is capable of producing up-to-date reports that are tailored to specific user groups.

The primary operational management indicators for the group are the performance indicators from the income statement supplied each month, with prior-year and target/actual comparisons, but external revenue in particular, as well as EBIT. Key operational performance indicators such as unit sales, price developments and stock levels are furthermore reported weekly to the Group Management Board. This information is then used for example for the fortnightly stock planning meetings with representatives of sales, procurement and the Management Board to determine production volumes in order to strike an optimum balance between the ability to supply and minimal stock levels.

With the goal of securing long-term competitiveness, in the year under review particular focus was placed on systematically pursuing further cost optimisation measures at all stages of the value chain. For this purpose individual cost targets were defined for all principal areas of business. In order to achieve those targets, action plans were defined and implemented, to some extent by special project groups.

The corporate governance of CENTROSOLAR Group AG as a listed German stock corporation is determined primarily by German Stock Corporation Law and secondarily by the rules of the German Corporate Governance Code in its current version. The declaration on corporate governance pursuant to Section 289 a of German Commercial Code and the Declaration of Compliance 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 can be viewed on the website of CENTROSOLAR Group AG at www.centrosolar-group.com.

3.3 Research and development

Emphasis of R&D activities

In 2011, three main issues dominated R&D activities in the CENTROSOLAR Group. The rapidly falling feed-in tariffs in all PV markets and the rapid growth in competition from the Far East led to intense pressure to cut costs for both modules and mounting systems; this was resisted by evaluating and adopting new, optimised materials. The second focal area was that the product range for frame systems was significantly revitalised by new developments. Meanwhile activities in the integrated systems business area were boosted considerably by an innovative combination of PV systems with a heat pump for supplying hot water and a refined version of our web-based system dimensioning and configuring tool.

With regard to modules, as well as systematically optimising materials especially for solar cells, glass and embedding and backing films, we devoted particular attention to maintaining our high standards of quality. Despite a substantial reduction in the transformation costs, the operating life of our modules was gradually extended, paving the way for a longer product guarantee. The requirements of the IEC service life test are now easily exceeded for every criterion. At the same time the consistently high material and manufactured quality produced a remarkably low rate of complaints for the industry. A large-scale study on the topic of potential-induced degradation (“PID”) was conducted. Centrosolar AG was one of the first companies to see its modules pass the PID tests launched by TÜV Rheinland in September 2011. This ensures that our customers can enjoy income from their systems for many decades without risk of this form of degradation.

For flat roofs, an innovative plastic frame system going by the name of CENIQ was developed; it differs hugely from competitor products thanks to a mounting principle that does not involve piercing the roof skin, with tabs sealed to the roofing membrane and a very low specific weight (less than 10 kg/m2 in many wind and snow load zones), and it complies strictly with the corresponding structural engineering and aerodynamics standards.

Because feed-in tariffs are set to continue falling in all European markets over the next few years and electricity prices are likely to rise further, we expect to see a clear paradigm shift from the previous approach of feeding power into the grid towards a much higher proportion of the solar power's output being used by the system owner. For the foreseeable future it will remain too costly to store solar power in dedicated batteries, and this will only become practicable once electric mobility is extensively available for households and small businesses. On the other hand generating heat by photovoltaic means and storing it is already profitable and makes ecological sense, too. In collaboration with Dimplex GmbH, Kulmbach, Centrosolar AG has therefore brought a combined unit comprising a standardised PV system and a heat pump for the hot water supply to market readiness. It includes the special feature of intelligent heat pump activation based on typical household load profiles combined with solar power generation parameters tailored to the location, the time of year and the time of day. This gives the system a USP that is a huge market advantage.

At Renusol GmbH, the market entry of the newly developed mounting system for steel trapezoidal roofing (MetaSole) was very successful. This innovative, low-cost system is used mainly on large-area roofs of industrial and agricultural buildings. Meanwhile the tried-and-tested ConSole product range for mounting photovoltaic modules on flat roofs without piercing the roof was extended. The new ConSole+ product seeks to broaden the scope for use on roofs with low load reserves. The newly developed ConSole CS60 flat-roof system has been specially tailored to the requirements of the rapidly growing US market and has gone into volume production.

At Centrosolar Glas GmbH & Co. KG, research and development activities focused on optimising existing coating processes for greater cost effectiveness and process reliability. In the core technology areas of dip and roller coating, improved methods were developed and adopted in the production process. A significantly more stable, efficient and economical process is the result. For improved quality assurance, an innovative camera system that is now able to detect glass and coating defects was introduced, along with a "Manufacturing Execution System" (MES) which measures quality and process-relevant parameters.

R&D organisation

In the year under review, the development expertise of Centrosolar AG in the core business area of modules was consolidated at a new department for module development in Hamburg, now also incorporating the production-related activities that had previously taken place at Wismar. A new module development lab at Wismar's Plant 2 also belongs to this department. Thanks to the high-quality apparatus it now has at its disposal there, many stress and endurance tests that were previously outsourced can now be conducted in-house. This shortens the product development cycles and significantly improves the quality of development work. At December 31, 2011 there were also 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 and at Centrosolar AG in Paderborn for the area of mechanics and solar systems. There are furthermore regional development activities in France and the USA for developing nationally specific solutions which are then submitted for national certification tests.

The research and development expenditure for 2011 in our fully consolidated companies remained relatively constant compared with the previous year, at EUR 2.1 million. The number of employees engaged in R&D activities also remained unchanged at 21. The level of cooperation with suppliers and partners was stepped up in the year under review in order to handle the substantially higher volume of projects.

At December 31, 2011 there were three registered utility models, four basic patents granted and 16 applications under examination or at the disclosure stage. There are in addition around 40 such patents/utility models applied for/pending at national level. In 2011 new patent applications were filed for three inventions.

3.4 Important products, services and business processes

3.4.1 Products and services

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 for 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 small to medium sizes. 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 over 100 large-scale systems for example on the roofs of retail chains such as ALDI and REWE. Centroplan's completed turnkey projects furthermore include open-site PV systems.

The crystalline solar modules that CENTROSOLAR sells for smaller roof systems are manufactured by CENTROSOLAR itself. Thanks to having 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 production orders on behalf of other solar businesses, for example.

The Solar Key Components business area supplies module installation systems and solar glass. Glass for solar technology has 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 nano-coatings 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.

Principal products and services

Solar Integrated Systems	Solar Key Components
Photovoltaic solar modules	Anti-reflective coated solar glass
Integrated PV systems	Mounting systems for PV systems
Inverters	
Stand-alone systems	
System design	

3.4.2 Procurement

CENTROSOLAR benefits from rising competition
CENTROSOLAR is not tied into long-term price commitments for its supplies of solar cells, choosing instead to buy them at the prevailing market prices. Because of 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 coming down. Even if a regional demand pull may temporarily prompt the prices of solar cells to rise, as was the case in 2010 in Germany, Italy and the Czech Republic, the industrialisation of PV production has resulted in markedly lower manufacturing costs. High competition in the upstream stages of the value chain initially boosts our margins compared with our competitors because we are then able to buy in supplies on better terms than competing module manufacturers that are bound by long-term contracts.

The downward trend in prices that started in the fourth quarter of 2008 reveals the advantages of specialising in the downstream part of the value chain. At the price level that has now been reached, it is not possible to realise particularly high margins at any point in the value chain. The impact of this is now being felt by the fully integrated competitors which are only able to operate profitably if they can maintain their competitiveness right along the value chain – from polysilicon production to module manufacturing. However, in the current competitive environment achieving that is likely to prove increasingly difficult. We doubt whether any player is capable of leading the field at every point in the value chain.

CENTROSOLAR expects very high standards for the preliminary products that it uses. As a result, the modules it builds are of a very high quality standard, a fact that has been confirmed in various tests carried out by independent institutes. For example, all modules made by Centrosolar Sonnenstromfabrik passed the TÜV resistance test to potential-induced degradation, a technical problem that we believe is currently underestimated by many of our competitors. This effect can be prevented by an appropriate cell design and the use of embedding foil in the module production process. Resistance to corrosion and ammonia has also been confirmed by independent test bodies following extensive testing; CENTROSOLAR modules are therefore also suitable for long-term use in the agricultural sector and in coastal regions.

Securing supply for basic demand over the medium term
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. In this setting, 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.

3.4.3 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.

The production of inverters and other components is largely outsourced to European contract manufacturers, which operate 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 plastic and metal processing companies.

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

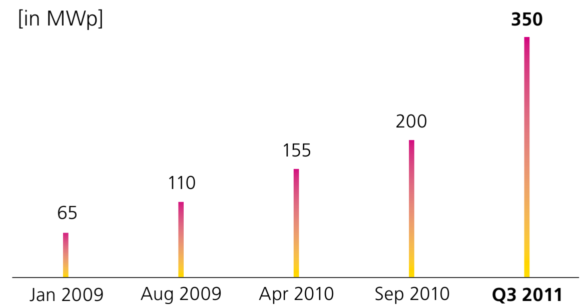
- Project planning of integrated systems
- Sales support
- Installation training
- Service/parts

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. 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 IEC 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.

Thanks to steadily rising demand for solar modules with the "Made in Germany" quality cachet, CENTROSOLAR increased its production capacity at Centrosolar Sonnenstromfabrik GmbH last year from 200 MWp to now 350 MWp as a result of the completion of a new production hall at Wismar. The company consequently believes that Centrosolar Sonnenstromfabrik GmbH is now one of the largest module plants in Europe, having 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 an average of 368 employees in 2011.

With the production capacity that is now at its disposal at Wismar, CENTROSOLAR is fundamentally in a position to respond flexibly to changes in demand and thus realise further sales growth as required. For as long as there is still space for additional production lines with a capacity of 150 MWp in the new production hall, no further expansion to capacity is planned for 2012.

Development of Production Capacity
[in MWp]



Solar glass production: focus on finishing with extensive value added
Centrosolar Glas GmbH & Co. KG with its registered office in Fürth, Germany, 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 ever improving efficiency of cells means that the benefits per module of an anti-reflective coating on the solar glass are rising sharply. In the 2011 financial year, coated solar glass already accounted for 84 % 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.

With regard to the latter aspect, an important milepost was reached last year with the construction of a first coating line in China with a capacity of almost 2 million sq m. Together with the Fürth location, the company now has production capacity of about 8 million sq m. That is sufficient to equip over 1 GW of modules per year with CENTROSOLAR glass.

3.4.4 Marketing and sales

SIS: CENTROSOLAR the quality brand for roof systems

The decision to bring together the various legacy product brands under the umbrella brand CENTROSOLAR is bringing synergy benefits: brand awareness has since been boosted more effectively 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 trained as solar engineers in 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 Hamburg, Kempten and Paderborn. 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 North America, the company believes it now ranks as the market leader in Arizona and its market entry in California, New Jersey and Canada is being given a further push by sales executives on the ground. Its international presence in the Solar Integrated Systems area is rounded off by other sales subsidiaries in Spain, Greece, the Netherlands, Belgium and the UK.

In Benelux, CENTROSOLAR is going one step further with its marketing approach in also targeting end customers. The systems are still installed by local engineers. This approach is giving CENTROSOLAR valuable insights into how it can support its trade partners even more effectively.

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.

SKC: own international sales structures

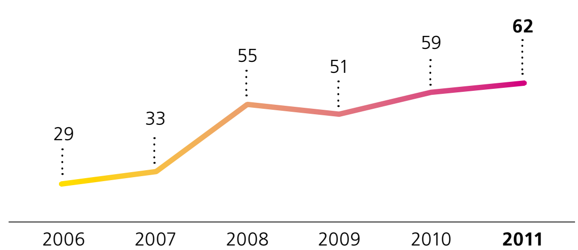
Centrosolar Glas supplies solar module manufacturers worldwide, with Renusol supplying solar installation companies in Europe and North America. Both of them serve their own customer bases, which even include competitors in the Solar Integrated Systems segment. They therefore operate their own sales networks and pursue distinct marketing strategies. At the core of all segments in the CENTROSOLAR Group is the desire for further international expansion. After setting up an initial glass finishing line in China along with venture partners, Centrosolar Glas ventured into the Far East market last year. On the other hand Renusol has been concentrating on the North American market and has adapted its products to reflect the requirements of this important market of the future. Renusol America has got off to a successful start in the US market with its CS 60 flat-roof system, which is based on the ConSole principle.

3.5 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 ranks as 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.

Development of export revenue
[Share of revenue total in %]



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, of which 82 % is coated. The company has operations worldwide and its own subsidiary in China. Customers include many renowned module manufacturers in Europe and America. Renusol, based in Cologne, has developed into one of the leading suppliers of roof mounting systems and concentrates on selling products to systems integrators in France, Germany, Italy, the UK and the USA.

3.6 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 (typically in the form of feed-in tariffs). 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 needed 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 prices paid by end users. In Germany, too, the sharp fall in prices means that grid parity has now been reached. This is influencing the dimensions and designs of systems. Instead of configuring systems for feeding as much power as possible into the grid, considerations such as the owner's own use of the power generated and its sale locally are becoming more important.

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 many developed industrial nations. Nevertheless, in Germany there is growing criticism of excessive rates of new installations and concerns are being voiced that this will inflate electricity prices. Especially in Southern European countries, the international debt crisis is putting increased pressure on governments to avoid imposing extra financial burdens on their citizens.

With worldwide production capacity having increased hugely over the past few years, particularly for the capital-intensive areas of polysilicon, wafers and cells, it can therefore be assumed that the recently intensified competition right along the value chain will continue for the foreseeable future.

CENTROSOLAR expected the market situation to develop in this way and aligned its corporate strategy accordingly some years ago. CENTROSOLAR enjoys a broad, internationally diversified customer base, can offer a demand-led product range, optimised its cost base at an early stage and has fundamentally given itself a sound financial structure. The company has thus performed vital groundwork that will enable it to operate successfully over the long term in a tough competitive environment.

Within its product and market strategy, CENTROSOLAR is pursuing the following four objectives:

- First, to strengthen its market position internationally for small to midsize roof systems for private houses. The cornerstones of its market strategy are to create a denser worldwide sales network, offer a more extensive range of integrated systems with innovative solutions to boost the energy efficiency of private houses and business premises, and to refine the tailormade support it provides for local solar engineers.
- 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 highly complex sales organisation with an increasingly international make-up requires particular effort, but also foresight and patience. Once contacts with local fitters have been established, this infrastructure is relatively less sensitive to market fluctuations and competitor products than a sales structure based on project clients and wholesalers. However, more technical expertise in roofs and demonstrably high module quality are expected. In this market segment, in Europe we sell exclusively the made-in-Germany modules manufactured by Centrosolar Sonnenstromfabrik GmbH in Wismar. Only in North America are modules that are produced under contract in Asia and North America sold alongside the company's own modules, to reflect local demand.

Now that grid parity has been achieved – making unsubsidised solar power able to compete with the electricity prices paid on the open market – the emphasis will shift towards ways of boosting the proportion of solar power that system owners use themselves. It is CENTROSOLAR's aim to develop innovative solutions that will help cover more of a household's energy requirements with solar power that is "cheaper" for the end user.

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. Our partner Pohlen Bedachungen GmbH & Co. KG manages some 5 million sq m of roof area in Europe, of which a large proportion can be used for generating solar power. We want to exploit this available potential and create extra scope. The joint venture Centroplan could in future handle not just customer-financed roof projects, but also their interim financing in order to generate greater value added.

Cost-effective building of quality modules

CENTROSOLAR filled important senior executive positions early on 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 far exceed the formal quality standards of the IEC verification catalogues. For instance, all modules are exposed to the climate test conditions according to lEC 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.

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 finding the best technical solution, the requirements now include a leading cost position and international availability. CENTROSOLAR correspondingly pursues the following strategic objectives:

- To expand its international presence in Europe, the USA and – for 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.
- To steadily improve and optimise the cost position.

5 Overview of the financial year

5.1 General economic situation

In the opinion of the Institute for the World Economy, the global economic recovery began to stutter in 2011. After very strong growth of 5.1 % in 2010, the institute estimates that last year the growth rate for global production reached only 3.8 %. Gross domestic product worldwide made only weak progress in the first half of the year, among other reasons due to transient factors such as higher commodity prices and the consequences of the earthquake in Japan. Although there was a temporarily robust development in global production in the third quarter as these factors subsided, the economic mood internationally nevertheless remained subdued. The institute's assessment is that expansion in the fourth quarter was therefore once again weak.

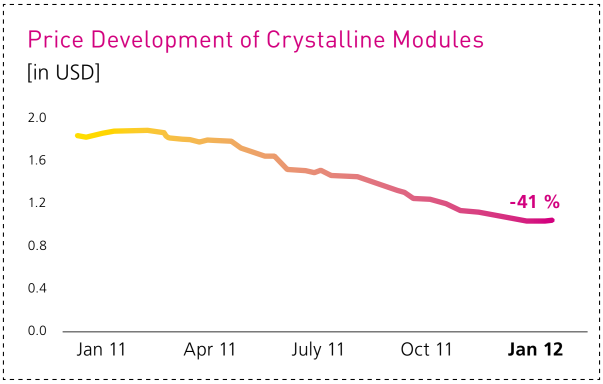
While the interest rates of central banks in Europe and North America remained at record low levels, the availability of financing for businesses and households nevertheless deteriorated markedly during the past financial year, with banks coming under increasing pressure as a result of more exacting equity requirements.

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 limited extent on the overall economic situation. The sales market worldwide thus performed more positively than would have been expected based on business barometers for the economy as a whole. According to an analysis by Bloomberg New Energy Finance, investment in solar technology reached a new record level of USD 137 billion in 2011. This makes solar technology easily the biggest industry for renewables, followed by the wind power sector, which was well down on the previous year's figures at just under USD 75 billion.

Around half of newly installed PV systems worldwide were in Europe: investors were able to secure attractive returns on photovoltaic systems especially in Italy and Germany. However, the overall investment volume there was broadly unchanged from the previous year. On the other hand investment outside Europe doubled; a major factor here was the attractive financial incentives available in the still relatively new markets of China and the USA.

The positive overall pattern of investment is in stark contrast to the turbulence being experienced by businesses in the PV industry. The creation of considerable surplus capacity at the production end has exerted huge pressure on the profit margins of manufacturers, in turn causing the prices of photovoltaic modules to halve within the space of just one year. On top of this, the market environment has suffered as a result of the cutbacks to the financial incentives available for photovoltaics in Europe and the growing squeeze on financing. The first insolvencies of big-name manufacturers such as Solon, Solar Millenium, Solyndra and Evergreen Solar signal the start of consolidation within the industry.



Source: Photon Profi

5.3 Principal events shaping the business performance

- *Production capacity at Wismar increased from 200 MWp to 350 MWp:* The increased capacity needed as a result of new purchase agreements and CENTROSOLAR's long-term focus on growth for its core business will be created by further expanding the production facility in Wismar, Germany. This will also bring greater flexibility for handling fluctuations in demand, minimise the risk of write-downs on stock and push down the production costs for modules even further. The construction of a new production hall and warehouse will moreover create space for upping the existing capacity from a previous 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. In the first phase, 150 MWp of extra production capacity was created in the past financial year. The investment volume for the first phase amounted to around EUR 21 million. Subsidies and bank loans were used for its financing.
- *EUR 50 million bond successfully placed:*
  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 pays interest at 7.00 % p.a. The bearer bonds have been included in over-the-counter trading at Stuttgart Stock Exchange.
- *AR glass production for the Far East set up:*
  CENTROSOLAR has set up a first line for applying anti-reflective coatings to solar glass in China. The new production line has an annual capacity of 1.8 million sq m and enables CENTROSOLAR to supply this product to customers in the Far East. There are no plans to import it into Europe.
- *New products:*
  - At Intersolar Europe in June 2011, CENTROSOLAR unveiled a combined system of photovoltaics and heat pump built in partnership with Glen Dimplex Deutschland GmbH. The heat pump uses the waste heat present in the ambient air as its energy source. The appliance runs approximately 3/4 on environmental energy and 1/4 on electricity. The electricity is supplied by a CENTROSOLAR photovoltaic system ("CENPAC"). At the heart of the system is an intelligent energy manager that ensures that the power required is drawn during the main hours of sunlight. The system beats conventional solar thermal systems for heating water for domestic use in terms of cost and efficiency.
  - Also showcased at Intersolar Europe was another version of the well-established "ConSole" flat-roof system, which has now been on the market for 15 years. The new "ConSole +" features a shallower angle for the modules, allowing them to be packed more densely on the roof and reducing the amount of ballast required. The familiar advantages of extremely rapid installation and mounting without puncturing the roof membrane are preserved.
  - The equally new "CENIQ" flat-roof mounting system unveiled in mid-2011 is the right solution for foil roofs with extremely low roof loads (specific weight of less than 10 kilograms per square metre, depending on location). CENIQ, too, avoids damaging the roof membrane.
  - At Intersolar North America in the early part of the year, a "ConSole" version for roofs in the USA was exhibited. The design of the flat-roof system that is very well known in Europe has been modified to reflect US requirements, permitting a high power yield with little ballast.

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5.4 CENTROSOLAR shares

The market environment

One particular characteristic of 2011 was the uncertainty surrounding public finances in the eurozone and the instability that this caused on financial markets. Many market participants sought refuge in greater security. Fears of inflation drove many investors away from financial instruments and towards tangible assets such as property and precious metals.

The performance of the leading European stock market indices such as the DAX, TecDAX and EuroStoxx 50 also reflected this: after some heavy losses during the course of the third quarter, there was only a mild end-of-year rally, leaving all the above indices between 10 and 20 % down over the course of the year. Only the S&P 500 Index succeeded in defending its level as the year progressed; the main American shares that are represented in the Dow Jones Index even showed gains of just under 5 %.

As a result of the difficult market environment, most solar stocks came under considerable pressure. The Photovoltaik Global 30 Index shed around 60 % of its starting value in the course of the year.

Share and shareholder structure data

The shares of the CENTROSOLAR Group AG, too, followed the industry trend and actually surrendered about three-quarters of their value in the course of the year, closing at EUR 1.30 on December 31, 2011. In the three-year comparison, the trading price nevertheless outperformed the industry average. The average daily trading volume was 59,911 shares.

The shares of CENTROSOLAR Group AG

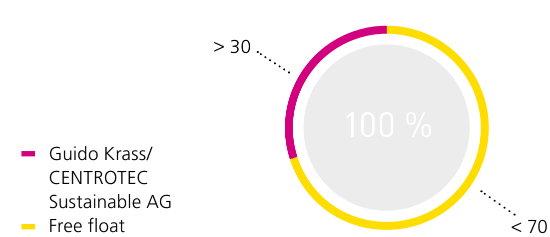
Total shares	
2011 average	20,344,406
At end of 2011	20,351,433
Share type	No par value bearer ordinary shares carrying full voting rights
Free Float	Around two-thirds
Traded on stock exchange since	September 2005
Trading segment	Prime Standard of Deutsche Börse
German Securities Identification Number (WKN)	514850
Securities Identification Code (ISIN)	DE 0005148506
Common code	22975897
Stock exchange code	C3O
Closing price on first trading day of 2011	EUR 5.13
Closing price on last trading day of 2011	EUR 1.30
2011 year-high	EUR 6.23
2011 year-low	EUR 1.28

The capital stock of CENTROSOLAR Group AG at December 31, 2011 amounted to EUR 20,351,433, divided into 20,351,433 no par value bearer ordinary shares carrying full voting rights, each representing an arithmetical nominal value of one euro. A total of 18,124 new shares were created in 2011 through the exercising of stock options.

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.

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

Ownership
[in %]



Investor relations

CENTROSOLAR Group AG practises transparent, regular reporting. Information that could materially 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 2011 financial year the Management held roadshows at major international financial centres and presentations at international investor events. 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 the shares of CENTROSOLAR Group AG. Institutes such as HSBC Trinkaus, M.M. Warburg, Solventis and Jefferies 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 850,282 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (Conditional Capital II). The conditional capital increase is only effected 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 850,282 no par value shares.

The capital stock is increased by up to EUR 861,924 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (Conditional Capital III). The conditional capital increase is only effected to the extent that the bearers of stock options issued by the company pursuant to the authorisation of the Shareholders' Meeting of May 31, 2011 exercise their right to subscribe to ordinary bearer shares in the company (option right) and the option rights are not serviced from approved capital, if available, or with treasury stock of the company that are acquired on the basis of a future authorisation to acquire treasury stock, or through cash settlement. 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 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).

5.5 General statement on business performance

As previously in 2009, the defining development of 2011 was a drastic fall in the prices of photovoltaic systems and components. According to an analysis by Photon, the market prices of solar modules fell by 41 % within just 12 months. CENTROSOLAR was unable to resist this decline in prices. The revenue of the CENTROSOLAR Group thus fell to EUR 293 million, down approximately 27 % on the previous year's total of EUR 404 million.

Thanks to a flexible purchasing strategy and efficient working capital management, the write-down of inventories that commonly becomes necessary in such a market environment could nevertheless largely be avoided. Although the target of a positive operating result was missed, in the company's assessment its EBIT of -4.5 % of revenue meant that the loss was relatively modest compared with how the competition fared.

In placing the SME bond for EUR 50 million, launching innovative new products and further reinforcing the sales organisation, CENTROSOLAR is now in a good position to increase its market shares in a tougher competitive environment.

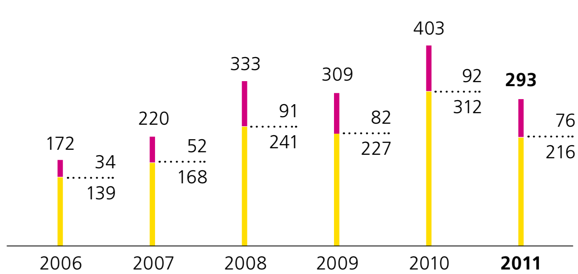
II Financial performance, financial position and net worth

1 Financial performance

	Solar Integrated Systems		Solar Key Components		Group	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010
P&L Key Figures						
Revenue from third parties	216,366	311,502	76,411	91,944	292,777	403,446
EBITDA	(5,800)	20,800	2,127	13,749	(3,722)	34,724
EBIT	(11,393)	16,348	(1,753)	10,089	(13,194)	26,613

Sales and revenue: regulatory changes and falling prices drive down revenue
Due to the sharp price falls all the way along the industry's value chain, the record figures from the previous year could no longer be emulated in the past financial year. Overall revenue of EUR 292.8 million was thus well down on the prior-year figure of EUR 403.4 million (-27 %). The prospect of a revenue total of EUR 420 to 450 million raised in the previous year's accounts and also the most recent annual forecast of EUR 300 million were therefore missed.

Revenue development
[in EUR million]



Around 74 % of revenue was generated by the Solar Integrated Systems segment, with 26 % of revenue coming from the Solar Key Components segment. The export revenue share was further increased from 59 % in the previous year to 62 %. France was again the strongest export market, contributing more than EUR 57 million in revenue, followed by Italy on EUR 39 million.

The decrease in revenue was especially sharp in the Solar Integrated Systems segment. The total of EUR 216.4 million was 31 % down on the prior-year figure (EUR 311.5 million).

The main factor driving down revenue was the sharp fall in prices in the course of the year. The prices of standard modules declined by 35 % as the year progressed. The price drop for roof-integrated modules was around 31 %.

Unit sales in the Solar Integrated Systems segment, too, were 17 % down on the previous year at 125 MWp compared with 151 MWp. This figure was influenced in particular by the sharp fall of 20 MWp in the rather opportunistic supplies of modules to projects, even if that area of business had played only a minor part in the previous year's earnings because of the low margins it yields. In addition, sales of flexible thin-film modules were halted in the second half of last year as they were unable to fall in line with the required cut in prices (-3 MWp). Regulatory cutbacks in France and Germany produced quite considerable falls in the sales volume in what were previously CENTROSOLAR's biggest markets. However these reversals were balanced to a large extent by healthy sales increases in the target regions Italy, the UK, Benelux, Greece and North America. OEM module production for third-party clients fell well short of expectations at 4 MWp.

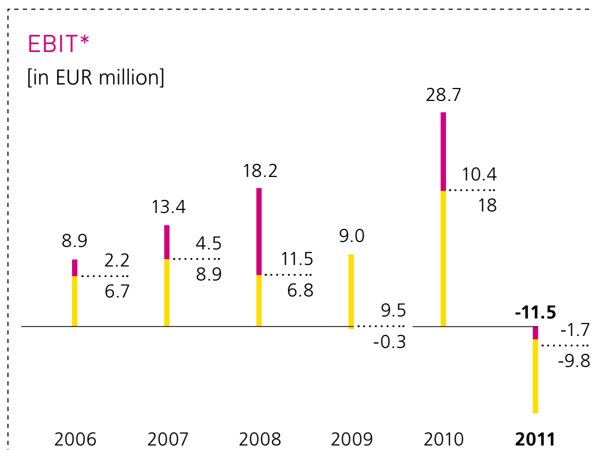
The Solar Key Components segment was equally unable to match the previous year's revenue total in the past financial year. Revenue of EUR 86.1 million was 20 % down on the prior-year level (EUR 107.0 million). External revenue reached EUR 76.4 million, compared with EUR 91.9 million in the previous year. Solar glass business accounted for 76 % of external revenue, up from 68 % in the previous year. The share of the segment's revenue brought in by mounting systems was correspondingly 24 % (previous year 32 %).

The main factor behind the lower external revenue was the loss of the InterSole mounting solution, which had been highly successful in 2010. It was the undisputed market leader for in-roof systems in France until 2010. However, following a change in the regulations the system no longer qualified for the highest feed-in tariff. The successor product IntraSole garnered an outstanding response among customers in France at the time of its launch, but its introduction was hindered initially by the French authorities' delays in granting the necessary permits. A further adjustment to certain details of the regulation in the summer meant that essentially only one domestic French supplier fully satisfied the new requirements, so the scope for using the product was limited to a small number of roof situations. All in all, the mounting systems area saw its revenue fall by 47 % year on year. Nevertheless, the revenue basis for mounting systems was spread more broadly. The remaining systems achieved revenue growth and greater international spread. However these gains were not yet able to compensate for the loss of the market for roof-integrated solutions.

The solar glass business area suffered from similar downward price pressures to the Solar Integrated Systems segment. The average sales price for anti-reflective coated solar glass fell by around 8 %. The sales volume of anti-reflective coated solar glass was increased by almost one-third, with the result that it now brings in over 80 % of the revenue total (in terms of square metres). On the other hand sales of standard glass were correspondingly scaled back sharply. Overall, revenue for solar glass showed a slight decrease on the previous year's level.

Earnings: steady decline in prices and non-recurring effects weigh on earnings performance

The past financial year closed with an operating loss before interest and taxes of EUR 13.2 million (previous year: profit of EUR 26.6 million).



* 2006-2011, after elimination of depreciation and amortisation from initial consolidation (IFRS 3) and IPO expenses. Totals may deviate from the sum of the figures for the segments due to elimination of internal profits.

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The bulk of this loss, or EUR 11.4 million, is attributable to the Solar Integrated Systems segment (previous year: profit of EUR 16.3 million). A major driver of this earnings performance was the steady, sharp fall in module prices that is reflected particularly in an elevated purchased materials ratio in the Solar Integrated Systems segment. Although the prices of the key purchased materials fell in parallel, the time lag between buying materials and selling modules eroded the gross profit. Because the downward trend in prices continued until the end of the fourth quarter, the scheduled reduction in stock levels at the end of the year had a particularly high impact. Overall, the cost of materials in the Solar Integrated Systems segment rose from 77 % in the previous year to 80 % in the past year. For the group as a whole, the cost of materials ratio was 73 % (previous year 71 %).

In addition to falling prices, a great many non-recurring effects impacted the operating result for the Solar Integrated Systems segment. The expansion of business operations in North America in particular generated losses amounting to around EUR 5 million. With a leading position for PV distribution in Arizona already having been secured, further start-up costs for regional expansion were incurred. New products and services were also developed for the North American market. However, excessive stock levels at the start of the year due to drastic price falls ultimately stood in the way of a better operating result.

The write-down of advance payments to a cell supplier that encountered financial difficulties and the buildup of provisions for guarantees for thin-film laminates from the now-bankrupt supplier Unisolar accounted for EUR 1.6 million of the segment's losses. The result for the fourth quarter was further burdened by the fact that the proceeds from the sale of a solar park in Spain, which had been expected at the end of the third quarter, failed to materialise because the investor unexpectedly failed to secure project financing. The project in question is a 1.5 MWp roof project in Spain. This roof park has already been fully connected to the grid. It is expected to yield feed-in tariffs amounting to some EUR 760 thousand annually. The project remains available for sale.

Finally, the operating result for the Solar Integrated Systems segment was diminished by higher depreciation and amortisation following the expansion of the production facilities at Sonnenstromfabrik Wismar. Operating depreciation and amortisation rose by EUR 1.2 million from EUR 2.8 million to EUR 4.0 million. There was also non-operating IFRS 3 depreciation and amortisation amounting to EUR 1.6 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 depreciated and amortised and therefore adversely affect net earnings, even though there is no cash effect.

The Solar Key Components segment, too, posted an operating loss of EUR 1.8 million (previous year: profit of EUR 10.1 million). This profit performance was shaped largely by business with mounting systems from Renusol GmbH. The loss of the InterSole, its highest source of revenue and earnings, obliged Renusol GmbH to make wide-ranging adjustments to its product portfolio and restructure its organisation. With the MetaSole, the modified ConSole version for the North American market and the evolutionary version of the VarioSole, the product range has been vastly expanded and rejuvenated. Nevertheless, the new products were not yet able to compensate for the loss of the InterSole in the past financial year. The further adjustment to regulations in France mid-way through the year moreover largely removed the business foundations of the new IntraSole in-roof system, with the result that write-downs of existing warehouse stock were necessary. Finally, Renusol restructured its sales organisation in Europe and set up a branch in the USA, necessitating further restructuring and start-up costs. For its part, Centrosolar Glas GmbH & Co. KG was able to report an operating result that was just in the black, despite the price falls for solar glass.

The interest result deteriorated from EUR 4.0 million in 2010 to EUR 7.2 million in 2011 as a result of capital expenditure on the new production plant in Wismar and the bond placed in February with a nominal volume of EUR 50 million and a 7 % coupon. All in all, the consolidated net loss after tax was EUR 16.8 million (previous year: profit of EUR 15.8 million). Earnings per share were EUR -0.83, as opposed to EUR 0.78 in the previous year.

Selected balance sheet ratios

[in EUR '000]	31/12/2011	31/12/2010	Change
Net working capital	42,666	42,663	0.0 %
Net operating working capital	54,703	56,721	-3.6 %
Fixed assets	103,872	93,857	10.7 %
Of which goodwill	49,429	49,429	0.0 %
Net financial position	(68,800)	(39,875)	72.5 %
Shareholders' equity	79,197	95,577	-17.1 %
Balance sheet total	215,282	184,698	16.6 %

2.1 Principles and goals of financial management

Our financial management approach places the focus both on our corporate strategy and on the dictates of operating business. The aim of our financial policy is always to have sufficient liquidity reserves to give the group the financial flexibility it needs to maintain its international growth, keep financial risks in check and optimise the capital costs through a fitting capital structure.

This flexibility is achieved by means of a broad selection of funding vehicles and high diversification of investors. The maturities profile exhibits a broad spread, with a high proportion of medium and long-term financing.

The group is financed in part at the level of the operating companies and in part centrally via the holding company. In the Solar Integrated Systems segment, capital goods and working capital are financed primarily via Centrosolar Sonnenstromfabrik GmbH and Centrosolar AG. Financing of start-ups and growth for accessing new sales markets and developing projects is handled centrally via the holding company. Similar financing principles apply for the operating companies in the Solar Key Components segment. To secure tax-optimised, lower-cost financing of the group, the financial structure of the holding company is reinforced by means of profit transfer agreements with the principal subsidiaries in the Solar Key Components segment. The gains and losses of the subsidiary thus pass directly to CENTROSOLAR Group AG.

2.2 Acquisitions and divestments: enhancing strategic options

The priority for the past financial year was organic development. Shortly before the end of the year, on December 29, 2011, CENTROSOLAR nevertheless submitted a takeover bid for the bankrupt Gecko Group AG, Wetzlar, for its continued restructuring. The bid was accepted by the insolvency administrator in the first week of January 2012 (see also the comments in the report on post-balance sheet date events).

2.3 Investment: production capacity extensively increased and modernised

CENTROSOLAR invested above all in the further expansion and modernisation of production capacities in 2011. For example capacity at the module manufacturing plant in Wismar was increased from 200 MWp at the start of the year to a current 350 MWp. The plant is now better positioned to handle fluctuations in demand with greater flexibility, minimise the risk of write-downs on stock and push down the production costs for modules even further.

Centrosolar Glas GmbH & Co. KG increased its capacity through initial expansion in Asia during the past financial year. An additional coating line representing an investment of EUR 1.7 million was set up in order to serve the Asian market from China. The plant went into operation in July 2011, with output of anti-reflective coated glass gradually ramped up to 150,000 sq m per month on a three-shift basis. This move laid the foundations for supplying customers internationally from a variety of locations worldwide. Currently only few competitors are able to offer this service. It is designed to guarantee the continuing positive development of the Solar Key Components business area.

At Fürth, the existing production processes were optimised. Various rationalisation expenditures helped to bring down costs significantly in response to the pressure on profit margins and the associated falling market prices. The main capital expenditures of approx. EUR 0.5 million at Fürth were in the area of automation technology (automatic tilting table and automatic glass inspection).

Within intangible assets, the company invested in the further roll-out of SAP, in a comprehensive planning and reporting management system and in self-developed products and software solutions. The total investment volume in property, plant and equipment and intangible assets of EUR 19.6 million was well up on the 2010 figures (EUR 13.5 million).

2.4 Balance sheet structure

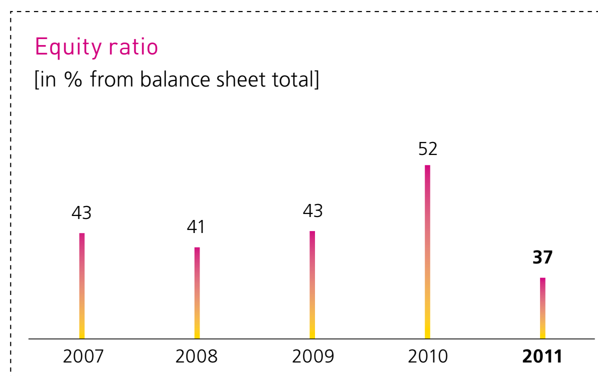
The balance sheet total increased from EUR 184.7 million to EUR 215.3 million in the past financial year. This development can essentially be attributed to the following factors:

- The investment spending presented in the previous section caused property, plant and equipment to grow by EUR 11.2 million to EUR 50.4 million (previous year EUR 39.2 million).
- Thanks to relatively strong end-of-year business, trade receivables increased from EUR 19.1 million to EUR 25.2 million.
- Other current assets also rose by EUR 2.5 million. A major component within this item was receivables from investment subsidies for the new plant in Wismar amounting to EUR 1.9 million. On the other hand there was a EUR 0.3 million write-down of an advance payment to a cell supplier that encountered financial difficulties.
- The main factor behind the increased balance sheet total was ultimately the rise in cash and cash equivalents from EUR 8.2 million to EUR 25.9 million. This change was attributable in particular to the placing of the EUR 50 million bond at the start of the year. A large portion of the cash received from the bond has not yet been tied up in investment. This enabled the group to scale back the credit lines available to it to a minimum.

These additions to assets were offset in part by the reduction in inventories from EUR 51.7 million to EUR 42.9 million. It is especially worth noting in this connection that the substantially lower figure for the past financial year includes completed projects with the high carrying amount of EUR 6.1 million (previous year EUR 3.2 million).

The net operating working capital fell slightly from EUR 56.7 million in the previous year to EUR 54.7 million at December 31, 2011.

2.5 Finanzierung



The increased balance sheet total combined with the accumulated net losses caused the equity ratio to fall from 51.8 % to 36.8 % in the past financial year. At the same time the net financial position increased to EUR 68.8 million (previous year 40.0 million), including because of extensive investment activity.

At December 31, 2011 CENTROSOLAR had cash and cash equivalents amounting to EUR 25.9 million (previous year EUR 8.2 million) and unutilised credit lines totalling EUR 39.1 million (previous year EUR 40.4 million). There are operating leases e.g. for fixtures and office equipment and for cars. These assets are not reported under fixed assets due to the contractual agreements in place. In addition, receivables of EUR 6.3 million were covered by factoring contracts.

2.6 Liquidity

The cash flow reflects both the investment activity and the operating losses. The cash flow from operating activities thus totalled EUR -9.1 million (previous year EUR 18.4 million). Investment activity moreover increased from EUR 8.7 million to EUR 19.3 million. The loans for investments in property, plant and equipment and the placement of the SME bond generated cash flow from financing activities of EUR 50.4 million (previous year EUR -14.5 million). We also refer to the risk report with regard to the expected liquidity position and its development.

3 People at CENTROSOLAR

Common values and goals

The CENTROSOLAR Group has one major factor that guarantees 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 possess 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. 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 the 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 employees, managing 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.

OUR MISSION CREATE SUSTAINABLE VALUE FOR EVERYONE BY DRIVING THE USE OF SOLAR POWER

Enable **Society** to easily migrate to clean and renewable energy sources

Create a superior rate of sustainable returns for our **Shareholders**

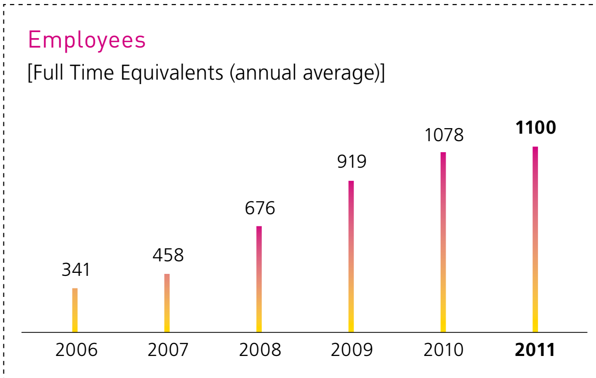
Cultivate an entrepreneurial spirit in a trustbased work environment with attractive growth opportunities for **Talented People**

Build reliable and strategic relationships with our **Suppliers**

Provide innovative and affordable PV products and services with the highest quality standards to our worldwide **Customers**

OUR VISION WE AIM TO BECOME THE LEADING, REGIONALLY DIVERSIFIED, EXCELLENCE-DRIVEN PROVIDER OF PREMIUM ROOF-BASED PV SYSTEMS, COMPONENTS AND TURNKEY PROJECTS.

CENTROSOLAR creates jobs



CENTROSOLAR has been steadily creating new jobs ever since the founding of the group, not simply to keep pace with its growth, but above all because of the greater depth of value added. There were 1,121 employees on average (previous year 1,112) in the CENTROSOLAR Group in the past financial year of 2011. This figure corresponds to 1,100 full-time equivalents (FTE) (previous year 1,078). At the end of the reporting period there were 1,043 employees, corresponding to 1,026 FTEs, in employment at CENTROSOLAR Group companies. The corresponding figures for the previous year were 1,043 employees and 1,002 full-time equivalents. 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 almost 40 % in the past year as a result of intensified international sales activities. Through the takeover of Gecko Group AG, CENTROSOLAR has taken a further step towards increasing its depth of value added. The acquisition is expected to add around 50 more employees to the CENTROSOLAR Group.

4 General statement on the economic situation

As a result of the drastic fall in prices of solar modules and systems, the original revenue and earnings targets for the past financial year were missed. It became clear in the course of the year that the industry has entered a phase of radical consolidation. Our company experienced this in the form of tough price competition, which led to deteriorating gross margins and under-utilisation of both production and sales capacity. Nevertheless, the company has performed vital groundwork to ensure it emerges stronger from this phase of consolidation.

- Efforts to optimise costs were further intensified. In particular, over and above the ongoing efforts to improve production operations, the sales and administrative area was systematically addressed.
- For the above reasons, it has not yet been possible to make full use of the extra production capacity created. However, in the medium term this capacity can help keep module manufacturing operations particularly fast and responsive to demand.
- While the sales organisation in certain regions was trimmed in line with the market, it was reinforced in growth regions. CENTROSOLAR is thus striving to reduce its dependence on certain sales markets and offer its customers a more extensive range of products and services.
- The basis for future growth has been established by restructuring the mounting systems product portfolio. The market entry in the UK and North America was moreover highly promising.
- By setting up a coating line for finishing solar glass in China, a new sales market for solar glass business was accessed.
- Finally, the placement of a EUR 50 million bond created greater financial flexibility.

III Report on post-balance sheet date events

1 Disclosure of events of particular significance after the balance sheet date

CENTROSOLAR acquires Gecko Group AG
Shortly before the end of the year, on December 29, 2011, CENTROSOLAR Group AG submitted an offer of purchase for certain assets of the bankrupt Gecko Group AG, Wetzlar, and its subsidiaries. The offer was accepted by the insolvency administrator in the first week of January 2012. Gecko is involved in the marketing and sale of PV systems to end customers, with the focus on private customers and smaller businesses. The company's regional focus is central Hesse and parts of Rhineland-Palatinate. Gecko acquires customers through an active field force, and takes charge of technical planning matters and site management. Systems are installed mainly in partnership with local firms of fitters. Gecko also provides services for installed solar systems. The purchase price was EUR 0.45 million. The company now operates as "Gecko Energies GmbH" under the umbrella of the CENTROSOLAR group.

The takeover of Gecko fits in with CENTROSOLAR's existing strategy of providing trade customers with a better-than-average service by not simply selling them individual products, but also by offering the trade comprehensive solutions including integrated solar systems and the full range of accessories, technical service and sales support. The additional contacts with end customers gained through Gecko could enable CENTROSOLAR to develop and market higher-complexity energy solutions – such as the new combined PV and heat-pump unit – more swiftly and effectively. Other trade customers of the CENTROSOLAR Group can thus likewise reap the benefits of tried-and-tested solutions sooner.

German government announces drastic cuts to solar financial incentives
On February 2012, the German Minister of Economics Rösler and Environment Minister Röttgen unveiled their plans to cut the financial incentives for solar power by around 20 to 30 %, depending on the size of a system, from April 1. Furthermore, in future only 85 to 90 % of a system's power yield is to be purchased at the guaranteed prices. In addition, this plan envisages a further monthly cut in the financial incentive by 0.15 ct/Wp from May.

In future, further scope for cutting feed-in tariff for solar power from new installations is to be created by decree if their level exceeds the targets set by the government.

If the bill is passed as planned, a marked slowdown in the German sales market is to be expected. At the same time the aspect of how much power the owner of a smaller roof system can use themselves is becoming more important, now that the feed-in tariff is well below the retail electricity price in Germany. Thanks to its focus on smaller roof systems and its far-sighted development of solutions to boost the proportion of power used by the operator efficiently, CENTROSOLAR is well placed to capitalise on this trend. The acquisition of Gecko Energies gives the company further incentive to bring on the development of such solutions faster and with greater customer focus.

The cutbacks are well in excess of the 15 % expected mid-way through the year, among other reasons because of the 85 % to 90 % volume cap. The announcement has therefore met with massive protests from industry associations. A number of state governments have moreover announced they will vote against the plans in the Federal Council. CENTROSOLAR is working on the assumption that the bill will undergo various amendments before it finally passes into law.

Demand-based adjustment of credit lines
At February 28, 2012 CENTROSOLAR had credit lines available until further notice amounting to EUR 46.3 million. Of this sum, EUR 28.8 million was not utilised. The group also had cash and cash equivalents of EUR 25.5 million. Centrosolar AG and Centrosolar Sonnenstromfabrik GmbH have reached a mutual agreement with their banks not to set up credit lines that are not scheduled to be needed. As a result of this arrangement, the credit lines totalling EUR 35 million available for these two group companies were reduced to EUR 20 million in line with the requirements based on the current liquidity plans. It was also agreed with the banks to use the credit lines according to plan.

IV Risk report

1 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 at 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 include the clear assigning 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.

2 Individual risks

2.1 Risks from the economic environment and the industry

From a regulatory viewpoint, our business environment is influenced by regional variations in the 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 nevertheless goes hand in hand with the new risk of a potential shortfall in supply. Although there was excess capacity right along the value chain last year, various scenarios that could once again lead to temporary bottlenecks at CENTROSOLAR's suppliers – such as trading constraints – are conceivable. We therefore constantly monitor 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, we attach 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. This was also practised extensively in the past financial year when, unlike many of its competitors, the company was able to avoid in-year write-downs of stock. Thanks to the expansion of production capacity in the past year, production can now be ramped up swiftly in line with demand at relatively little capital outlay.

The sharp fall in prices brought the long-anticipated wave of consolidation into full spate. Quite a number of market participants encountered financial difficulties and high-profile competitors have already gone bankrupt. Amid this environment of consolidation, ailing companies are trying to optimise their liquidity by offering prices that do not cover the costs, even if by doing so they are crystallising their losses. Such developments temporarily further aggravate the pressure on prices. Here, too, the company is helped by its conservative stock keeping policy. In addition, since mid-2011 the company has been using a comprehensive program to optimise its processes and cost position in the sales and administrative organisation, and also uses the services of external consultants in this connection.

Finally, there is the risk of competitive distortion from state financial incentives and subsidies for manufacturers in individual countries, for instance in the form of low-cost loans, export subsidies and import tariffs. In common with all other market participants, CENTROSOLAR is dependent on regulatory corrective measures at political level. CENTROSOLAR meets requirements for local value added in order to qualify for feed-in tariffs by teaming up with local manufacturers in the relevant countries, such as Canada.

2.2 Corporate strategy risks

Accessing new export markets through CENTROSOLAR'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 our success, we conduct regular market analyses and draw up detailed, step-by-step roadmaps when setting up new subsidiaries and helping them to access the market.

2.3 Performance-related risks

In manufacturing high-quality solar glass and solar modules at the plants in Fürth and Wismar, we are dependent on the smooth operation of the facilities available for that purpose. Though we attach prime importance to maintenance and optimised operation, short-term bottlenecks may occur in deliveries in the event of plant breakdowns. A further risk in this connection concerns complaints about product defects, which may also be caused by 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. We have therefore further increased our R&D spending and recruited experts from the automotive and semiconductor industries to our management team.

2.4 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 provides a financial incentive to work towards the success of the group.

2.5 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 cells in US dollars and the sale of modules in the eurozone, were limited to a minor extent through in-year hedging by means of put options and 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 normally required from first-time customers and customers with limited creditworthiness. To some degree CENTROSOLAR also makes use of factoring in order to avoid debt defaults. Finally, CENTROSOLAR is exposed to interest rate risks. Around half of borrowings at the reporting date had fixed interest rates or were linked to fixed-interest derivatives.

With regard to financing options, bearing in mind the Basel III requirements for banks and the continuing intense political debate about reduced financial incentives in the solar industry (see also the remarks in the report on post-balance sheet date events), there is the general risk that access to credit at short notice could become limited and that loans already received could be called in prematurely.

As well as the short-term general credit lines available, CENTROSOLAR also uses medium and long-term loans, some of which entail contractual loan arrangements requiring the attainment of certain financial ratios (covenants); failure to achieve these ratios then gives the banks an extraordinary right to call in the loan. At December 31, 2011 such agreements were attached to loans amounting to EUR 7.6 million. Measured against the provisional closing figures at the reporting date, the financial ratios on which they were based are met in full.

3 General statement on the risk situation of the group

In view of declining political support for financial incentives for solar power in individual major sales markets and the current excess capacity, competitive and price pressures in the industry are expected to remain high. These effects will be amplified by the growing number of companies in financial difficulty that are striving to maintain their liquidity by offering below-cost prices.

Despite the losses posted in the past financial year, in our opinion CENTROSOLAR is relatively well placed to emerge stronger from the current phase of consolidation. The company enjoys a comparatively strong liquidity position compared with the competition. Continuous improvement processes have become the norm at the company, enhancing its ability to become progressively more efficient. The company has also deliberately specialised in targeting installation firms for smaller and medium-size roof systems for a number of years now, and has developed an international sales network to match. Finally, the company has broadened its product portfolio. The company's management believes the three elements listed above – consistently adhering to the right strategy, maintaining cost efficiency and preserving liquidity – are the building blocks for coming through the current consolidation phase successfully.

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 basic strategy, 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. All the same, the strategic emphasis is shifting towards power use by the system's owner and towards more complex solutions that deliver greater energy efficiency. In this, the company pursues the following strategic objectives:

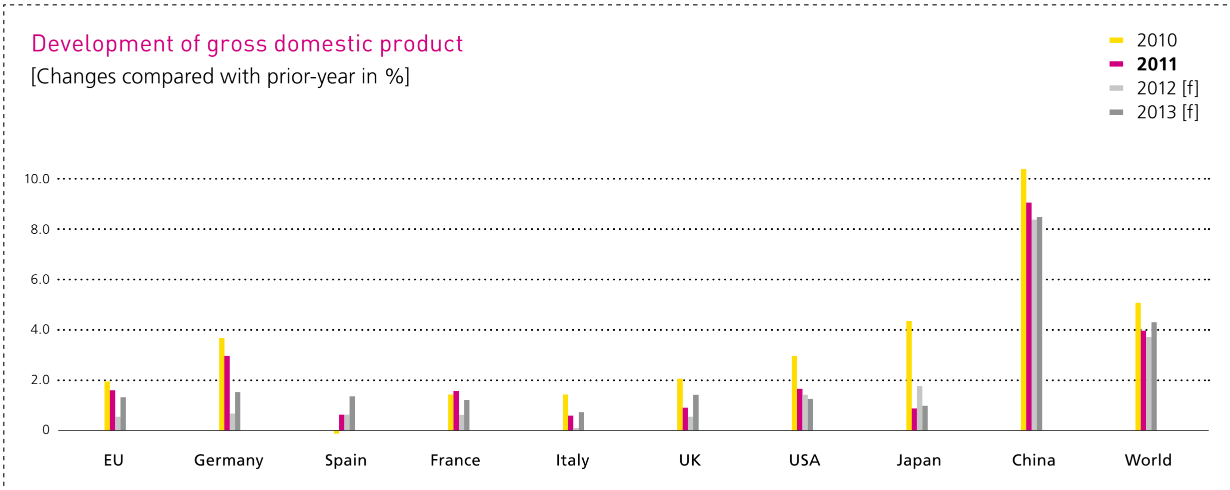
- *Product strategy:* In technological terms, in the Solar Integrated Systems segment the company concentrates on the processing of crystalline cells into modules and their integration into or mounting on the roof skin of buildings. Our central Development Department teams up e.g. with cell manufacturers, semiconductor manufacturers and research institutes to develop and implement such solutions. Solutions to optimise power use by the system's owner are also developed. 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. In the Solar Integrated Systems segment and for mounting systems, its focus is predominantly on markets offering high potential for roof systems, in particular Europe and the USA. On the other hand the solar glass area focuses 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.

In response to the industry's current consolidation phase, this basic strategy is being supplemented by an approach tailored to the prevailing specific circumstances. During this phase, the short to medium-term emphasis will be less on boosting international growth than on optimising the liquidity and profit position. To that end, all investment and growth projects will be examined much more rigorously and a close eye will be kept on working capital. Extensive cost optimisation measures that are already under way are also a vital aspect. For example, last year structural adjustments were made to the loss-making areas of mounting systems and North American operations, but also in Europe. Finally, efforts to improve the effectiveness of the sales organisation have been stepped up.

2 Economic conditions

Weak performance of global economy expected
According to the Institute for the World Economy (IfW), the outlook for the global economy has deteriorated on a broad front over the past few months. In the advanced national economies that are of relevance for CENTROSOLAR, the institute expects there to be only weak growth in gross domestic product. The eurozone could even fall into recession as a result of the worsening sovereign debt crisis. On the other hand the IfW expects to see moderate growth on a par with the previous year in North America. Globally, the institute anticipates a slight downturn in worldwide growth in production from 3.8 % to 3.4 %. The global economy is not expected to rebound until 2013.



Sources: European Forecasting Research Association for the Macro-Economy (Euroframe), Winter 2011/12 Report
Kiel Institute for the World Economy, 2011

Consolidation process in the photovoltaic industry dominates market environment in 2012

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. At the same time, competition has become significantly stiffer over the past twelve months. Huge oversupply at virtually all points in the value chain has precipitated a sharp fall in prices. However, this effect is making the industry able to compete with conventional methods of power generation sooner than expected.

According to estimates by analysts from Barclays Capital, the shape of the industry in 2012 will be dominated by the consolidation process rendered necessary by the oversupply and precipitated by the falling prices; the weakest players will find themselves forced out of the market. Barclays Capital believes that from 2013, the remaining players who are able to offer their customers high-quality products at competitive prices in 2012 will benefit from an attractive market environment with growing demand, as well as balanced supply and demand. This is because the drivers of market growth remain strong: according to the bank, demand for non-central power sources, national concerns at the security of the energy supply and the attractive returns as a result of falling prices continue to fuel demand for solar systems worldwide.

Uncertainty surrounding future solar incentives in many countries

Cuts to solar incentives are again scheduled for most of the relevant solar sales markets in 2012. This is generally not a critical problem provided the cuts reflect the cost trends in the industry. On the other hand capping of the rate of new installations and cuts that exceed the cost trend are a problem.

At the start of this year, there is uncertainty in many countries about what level of incentives can be expected, even for the year in progress. For example Spain has halted all financial incentives for new solar systems until further notice. Because of the high level of new installations in Germany in the fourth quarter of 2011, a new bill was unveiled at the start of the current year, containing proposals to take effect from as early as April 1 (see also comments in report on post-balance sheet date events). In Italy, no registrations of open-site systems are now being accepted in the second half of the year. Meanwhile a bill that envisages the retroactive abolition of feed-in tariffs for open-site systems on agricultural land is causing considerable unease among manufacturers and investors. In the UK, too, there has been a legal wrangle since last December about the cuts to the feed-in tariffs being planned by the government.

Here is a summary of the financial incentives currently available in CENTROSOLAR's principal sales markets:

- *Germany:* In the absence of any changes to the law (see report on post-balance sheet date events), the current feed-in tariffs will probably be cut by 15 % with effect from July 1, 2012. There was already a 15 % cut in the tariffs on January 1. The payment per kWh generated will then be between 15.2 ct for open-site systems and 20.8 ct for smaller on-roof systems, meaning that grid parity with retail electricity prices in Germany has already been achieved. The bill currently under discussion envisages cutting the feed-in tariff to 13.5 to 19.5 ct per kWh generated from April 1. From May, it also proposes a fixed monthly cut (degression) of 0.15 ct per kWh for new systems. It furthermore seeks to cut the guaranteed amount of power taken by the grid to 85 to 90 %. The remainder must either be used by the system operator or sold on the electricity exchange.
- *Italy:* There are planned cuts of between 12 and 16 % on 2011 levels in the course of the year in Italy. Larger systems will be subject to higher cuts than smaller roof systems. New installations of large open-site systems have moreover been severely restricted. All in all, Italy still offers the most attractive financial incentives anywhere in Europe. There are also special premium payments for systems with a high European value-added component and for visually appealing in-roof solutions. In light of this, Italy represents a very attractive target market for CENTROSOLAR. Further cuts to the payments are currently being debated in Italy, too. However, in the medium term Italy will remain a market that is predestined for the intensive expansion of solar energy thanks to its high levels of sunlight and the country's high electricity prices.
- *France:* In France, small roof-mounted systems – especially where integrated into the roof – attract higher financial incentives. Nevertheless, new installations of solar systems have been capped at 500 MWp per year. In light of this, CENTROSOLAR believes the opportunities for growth in this market are limited. At the start of March 2012 the French government announced a premium payment of ten percent on the national solar power feed-in tariff if at least 60 % of the components for the photovoltaic modules used are made in Europe. This regulation is to take effect from April 2012. It could offer fresh opportunities for CENTROSOLAR, with its module plant in Wismar.
- *United Kingdom:* In the UK, too, roof systems come in for preferential treatment. Very generous feed-in tariffs were available in 2011 but these have been significantly reduced since March; nevertheless, the decidedly lower cost of systems means that attractive rates of return remain possible in the south of the country.
- *Spain:* All financial incentives for new solar systems in Spain were suspended at the end of January. Meanwhile ways of allowing net metering for small roof systems are currently being investigated. This means that owners of systems on house roofs would be able to deduct the amount of power their own system generates over the course of the year from the amount they use. This would open up the Spanish market to the segment of smaller roof systems in which CENTROSOLAR is active; the market there has previously been dominated by major projects on industrial roofs and open sites due to the complex arrangements for payments.
- *Benelux:* The Belgian market offers attractive financial incentives in the form of high feed-in tariffs (EUR 0.35/Wp in Flanders) and tax breaks for private investors. In the Netherlands, there is a net metering system for solar power from small systems; this is becoming increasingly attractive thanks to the lower cost of generating solar power.
- *USA:* In the USA, investments in photovoltaic systems are tax-deductible. There are also various rates of financial incentives which vary from state to state, and even from one energy supplier to the next. However the 30 % investment subsidy granted by the state on the total cost of the investment will no longer be available for new projects in 2012. All the same, many analysts believe the photovoltaic market in North America will continue to grow sharply in the medium term.

While Asia and North America are expected to be the engine room of growth in the photovoltaic market, the regulatory developments in many European countries suggest that the shift away from open-site systems and towards roof systems will continue. There are both political and long-term economic reasons for this trend: on the one hand the local value added when installing these is much greater than in the case of major projects, and on the other hand small roof systems can be integrated into the grid more easily. CENTROSOLAR furthermore expects that the use of power from photovoltaic systems by its owner will become increasingly important.

3 Anticipated financial performance and financial position

Lingering uncertainty about the future shape that the financial incentives in many countries will take renders it more difficult to make reliable forecasts for 2012 and 2013. Fundamentally, however, thanks to its international sales organisation the company is well placed to compensate for a possible decline in demand in the German market – which appears inevitable given the current payment cutbacks being discussed – by stepping up activities in other markets. As growth markets for smaller roof systems, particularly Italy and the USA but also Belgium have the potential to deliver an improvement in unit sales compared with last year. Meanwhile the company will be selective in investing capital in the financing of larger roof projects and is prepared to forgo revenue opportunities in order to preserve a good liquidity position in a difficult market environment. Depending on the actual terms of the financial incentives available in the various different markets, the company expects to see revenue for the current year reach between EUR 250 and 300 million.

Because the current price level does not permit exceptional margins at any point in the value chain, the CENTROSOLAR Group anticipates that the trend in sales prices for modules and systems will clearly stabilise, even though the achievable margins could temporarily come under pressure due to the ongoing process of consolidation. At the same time, the major loss-making factors of last year have been eliminated. If these factors materialise, the company expects the operating result to be just in the black.

Barring a special boom during the year in any of the major sales markets as a result of early notice of cuts to incentive payments, both revenue and earnings are expected to follow a seasonal pattern reaching its climax at the end of the third and start of the fourth quarter. By contrast, the winter months of the first quarter and December are usually weaker due to the weather.

Although the strategic focus in the current year is not on high growth but rather on getting through the consolidation phase described above, the CENTROSOLAR Group continues to regard itself long-term as a growth company that is active in a growing sector. The company will adhere to its established ploughback policy; rather than distribute the profit it generates in the form of dividends, it is planning to use it to shore up its financial resources and enhance the corporate value.

Over and above necessary repair and modernisation investment, no major investment projects are planned for the current financial year or for 2013. The company is adequately financed and therefore does not currently discern any need for further significant financing.

4 Strategic and performance-based opportunities for CENTROSOLAR

The current market environment is characterised by constantly changing terms for financial incentives, oversupply right the way along the value chain, and an intense price war. The industry's consolidation has already begun and is likely to continue in 2012. That having been said, the companies that survive the phase of consolidation will enjoy enduring opportunities for growth and profit. The CENTROSOLAR Group has all the credentials to belong to this group of successful companies:

- *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.

- *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 is regarded as 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 managing 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 current market environment, these skills represent a major competitive advantage.

5 General statement on the expected development of the group

The defining characteristic of the current market environment is very aggressive competition, which is pushing what we consider to be an essential process of consolidation in the industry. The cuts to financial incentives that have already been announced or are under discussion in various markets are adding to the difficulties. 2012 will therefore be a hard year for the entire industry. In such a market context, we view the goals of preserving liquidity, improving the cost position, intensifying sales efforts and minimising risks as temporarily much more important than maintaining growth or indeed maximising profitability.

CENTROSOLAR considers itself to be well-placed to withstand such a competitive environment and corner a larger share of the industry's growth following this phase of consolidation. 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 coated solar glass. With its broad-based financing structure, the company has furthermore given itself leeway and reduced its dependence on individual lenders.

Depending on the actual terms of the financial incentives available in the various different markets, the company expects to see revenue for the current year reach between EUR 250 and 300 million. Assuming sales prices for modules and systems stabilise, a positive operating result will be possible.

The prices that photovoltaic systems have now reached make the levelised cost of such electricity already lower than retail electricity prices in many markets, and in some cases quite significantly lower. As incentive payments continue to fall, the scope for the owner of a photovoltaic system to use more of their own power will add to the appeal of such an investment. Roof systems that generate power for use by the owner are therefore the first solutions that can compete with electricity bought from a utility company even in the absence of feed-in tariffs or other financial incentives.

CENTROSOLAR has always tailored its strategy to the segment of small to medium-size roof systems and secured a strong competitive position in many sales markets that are of key importance. Furthermore, CENTROSOLAR regards itself as a leading developer of solutions for maximising the amount of power that can be used by the owner – as exemplified by its new combined PV and heat-pump system. Based on this strategy, the company believes it is well placed to emerge stronger from the industry's phase of consolidation and will then be able to continue the profitable growth of previous years.

MUNICH
MARCH 27, 2012

DR ALEXANDER KIRSCH
[Chairman and Finance]

THOMAS GÜNTZER
[New Markets & 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 2011

Consolidated Financial Statements

Notes

Appendix

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2011

Assets

in EUR '000	Notes	31/12/2011	31/12/2010
Non current assets			
Goodwill	1	49,429	49,429
Other intangible assets	2	4,001	5,275
Property, plant and equipment	3	50,443	39,154
Financial investments accounted for using the equity method	4	0	0
Other loans and other financial investments accounted for using the cost method	4	981	1,027
Deferred tax	5	5,457	2,366
		110,311	**97,250**
Current assets			
Inventories	6	42,916	51,720
Trade account receivables	7	25,216	19,119
Other assets	8	10,292	7,829
Income tax receivable		651	572
Cash and cash equivalents	10	25,896	8,208
		104,971	**87,448**
Assets		**215,282**	**184,698**

Equity and liabilities

in EUR '000	Notes	31/12/2011	31/12/2010
Shareholders' equity			
Share capital	11	20,351	20,333
Additional paid-in-capital	11	81,238	81,228
Other reserves			
Share benefit reserve	11	1,792	1,251
Currency translation difference	11	(715)	(579)
Retained earnings and other Reserves	11	(6,656)	(22,416)
Profit attributable to share capital holders of CENTROSOLAR Group AG	11	(16,813)	15,760
		79,197	**95,577**
Non current liabilities			
Pension accruals	12	1,159	1,107
Other accruals	13	2,790	1,503
Financial liabilities	14	83,886	31,122
Other liabilities	17	6	42
Derivative financial instruments	9	76	51
Deferred tax	16	914	1,670
		88,831	**35,495**
Current liabilities			
Other accruals	13	973	873
Financial liabilities	14	10,825	16,976
Trade accounts payable	15	10,807	13,118
Income tax payable		2,108	7,097
Other liabilities	17	22,522	15,487
Derivative financial instruments	9	19	74
		47,254	**53,626**
Equity and Liabilities		**215,282**	**184,698**

CONSOLIDATED INCOME STATEMENT 2011

in EUR ‘000	Notes	01/01/2011 31/12/2011	01/01/2010 31/12/2010
Revenues	18	**292,777**	**403,446**
Cost of purchased materials and services	19	(220,791)	(287,747)
Changes in inventories of finished goods and work in progress		7,283	90
Production for own fixed assets capitalized		786	434
Other operating income	20	8,818	4,836
Personnel expenses	21	(41,583)	(38,412)
Other operating expenses	22	(51,013)	(47,923)
EBITDA		**(3,722)**	**34,724**
Depreciation and amortisation	2, 3, 4	(9,472)	(8,111)
Operating income (EBIT)		**(13,194)**	**26,613**
Interest income	23	564	489
Interest expenses	23	(7,763)	(4,487)
Other income/losses from investments		4	0
Result before income taxes (EBT)		**(20,390)**	**22,616**
Income tax	24	3,578	(6,856)
Net loss/income (EAT)		**(16,813)**	**15,760**
Profit or loss attributable to share capital holders of CENTROSOLAR Group AG		(16,813)	15,760
EPS (Earnings per share in EUR)			
Earnings per share (basic)	25	-0.83	0.78
Earnings per share (diluted)	25	-0.82	0.78
Weighted average shares outstanding (in numbers; basic)		20,344,406	20,333,309
Weighted average shares outstanding (in numbers; diluted)		20,384,740	20,333,309

STATEMENT OF COMPREHENSIVE INCOME 2011

in EUR '000	01/01/2011 31/12/2011	01/01/2010 31/12/2010
Net income (EAT)	**(16,813)**	**15,760**
Currency translation differences	(136)	(87)
Comprehensive income	**(16,949)**	**15,673**
Comprehensive income attributable to share capital holders of CENTROSOLAR Group AG	(16,949)	15,673

CONSOLIDATED CASH FLOW STATEMENT 2011

in EUR '000	Notes	01/01/2011 31/12/2011	01/01/2010 31/12/2010
Operating income (EBIT)		(13,194)	26,613
Depreciation	2, 3, 4	9,472	8,111
Loss on disposal of non-current assets		(32)	100
Other non-cash items		271	(156)
Increase/decrease in provisions		1,291	493
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		407	148
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		1,496	(10,561)
Dividends		13	0
Interests received and paid		(3,499)	(4,654)
Income taxes received and paid		(5,306)	(1,689)
Cash Flow from operating activities	27	**(9,081)**	**18,405**
Acquisition of share in participations – net of cash acquired		0	(804)
Purchase of property, plant and equipment/ intangible assets		(19,450)	(8,052)
Proceeds from disposal of property, plant and equipment/intangible assets		172	109
Cash Flow from investing activities	27	**(19,278)**	**(8,747)**
Proceeds from issuance of shares		23	0
Proceeds from borrowings		59,287	3,303
Repayments of borrowings		(8,881)	(17,837)
Cash Flow from financing activities		**50,429**	**(14,534)**
Change in liquid funds*	27	**22,070**	**(4,876)**
Liquid funds at the beginning of the financial year	27	1,568	6,384
Currency translation difference liquid funds	27	(3)	60
Liquid funds at the end of the financial year	27	23,635	1,568

*Liquid funds deducted of credits current account

STATEMENT OF MOVEMENTS IN EQUITY 2011

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 shareholder	Non controlling interests	Consolidated equity
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 taxes		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**
Payment in revenue reserves					15,760	(15,760)		0
Change from equity increase	18	18						36
Costs for issuing equity		(13)						(13)
Deferred taxes		4						4
Share option plan			541					541
Comprehensive income				(136)		(16,813)		(16,949)
December 31, 2011	**20,351**	**81,238**	**1,792**	**(715)**	**(6,656)**	**(16,813)**	**0**	**79,197**

Number of shares outstanding	
December 31, 2009	20,333,309 Stocks
December 31, 2010	20,333,309 Stocks
December 31, 2011	20,351,433 Stocks

SEGMENT REPORT 2011

in EUR '000	Solar Integrated Systems 31/12/2011	% of Revenue	31/12/2010	% of Revenue
P&L Key Figures				
Revenue total	**216,366**	**100.0**	**311,505**	**100.0**
Revenue from third parties	216,366	100.0	311,502	100.0
Revenue from other segments	1	0.0	2	0.0
Gross profit	**43,626**	**20.2**	**71,373**	**22.9**
Personnel expenses	(28,287)	-13.1	(27,069)	-8.7
Other income and expenses	(21,140)	-9.8	(23,504)	-7.5
EBITDA	**(5,800)**	**-2.7**	**20,800**	**6.7**
Operative depreciation	(3,953)	-1.8	(2,756)	-0.9
EBIT operative	**(9,754)**	**-4.5**	**18,044**	**5.8**
Non-operative depreciation	(1,639)	-0.8	(1,695)	-0.5
EBIT	**(11,393)**	**-5.3**	**16,348**	**5.2**
Revenue by regions				
Revenue from third parties	**216,366**	**100.0**	**311,502**	**100.0**
Germany	88,816	41.0	134,821	43.3
Rest of Europe	112,338	52.0	165,953	53.3
Rest of World	15,211	7.0	10,728	3.4
Balance sheet key figures		**In Revenue-days**		**In Revenue-days**
Net operating working capital	**41,418**	**68.9**	**45,447**	**52.5**
Inventories	29,912		39,264	
Stock payments on account/Received in advance	(3,074)		(1,853)	
Trade account receivable	20,018		14,461	
Trade account payable	(5,438)		(6,424)	
Financial assets	**8,572**		**8,588**	
Tangible and intangible assets	**84,968**		**73,539**	
Operative	38,284		25,227	
Capitalized according to IFRS 3 and goodwill	46,684		48,312	
Investments				
Total	**17,044**		**8,922**	
In tangible and intangible assets	17,044		8,915	
In financial assets	0		7	

Solar Key Components				Consolidation		Total Group			
31/12/2011	% of Revenue	31/12/2010	% of Revenue	31/12/2011	31/12/2010	31/12/2011	% of Revenue	31/12/2010	% of Revenue
86,066	**100.0**	**107,030**	**100.0**	**(9,656)**	**(15,089)**	**292,777**	**100.0**	**403,446**	**100.0**
76,411	88.8	91,944	85.9	0	0	292,777	100.0	403,446	100.0
9,655	11.2	15,086	14.1	(9,656)	(15,089)	0	0.0	(0)	0.0
35,691	**41.5**	**44,240**	**41.3**	**(49)**	**176**	**79,269**	**27.1**	**115,788**	**28.7**
(13,296)	-15.4	(11,343)	-10.6	0	0	(41,583)	-14.2	(38,412)	-9.5
(20,269)	-23.6	(19,149)	-17.9	(0)	0	(41,409)	-14.1	(42,653)	-10.6
2,127	**2.5**	**13,749**	**12.8**	**(49)**	**176**	**(3,722)**	**-1.3**	**34,724**	**8.6**
(3,822)	-4.4	(3,315)	-3.1	0	0	(7,775)	-2.7	(6,071)	-1.5
(1,695)	**-2.0**	**10,433**	**9.7**	**(49)**	**176**	**(11,498)**	**-3.9**	**28,653**	**7.1**
(58)	-0.1	(345)	-0.3	0	0	(1,697)	-0.6	(2,040)	-0.5
(1,753)	**-2.0**	**10,089**	**9.4**	**(49)**	**176**	**(13,194)**	**-4.5**	**26,613**	**6.6**
76,411	**100.0**	**91,944**	**100.0**	**0**	**0**	**292,777**	**100.0**	**403,446**	**100.0**
22,348	29.2	28,858	31.4	0	0	111,164	38.0	163,679	40.6
33,428	43.7	42,780	46.5	0	0	145,766	49.8	208,733	51.7
20,635	27.0	20,306	22.1	0	0	35,847	12.2	31,033	7.7
	In Revenue-days		**In Revenue-days**				**In Revenue-days**		**In Revenue-tagen**
13,504	**56.5**	**11,444**	**38.5**	**(219)**	**(171)**	**54,703**	**67.3**	**56,721**	**50.6**
13,223		12,626		(219)	(170)	42,916		51,720	
452		854		0	0	(2,622)		(1,000)	
5,317		4,895		(118)	(236)	25,216		19,119	
(5,488)		(6,930)		118	236	(10,807)		(13,118)	
0		**36**		**(7,592)**	**(7,596)**	**981**		**1,027**	
18,804		**20,218**		**100**	**100**	**103,872**		**93,857**	
14,981		15,942		0	0	53,265		41,169	
3,823		4,276		100	100	50,607		52,688	
2,558		**4,590**		**0**	**0**	**19,602**		**13,512**	
2,558		4,590		0	0	19,602		13,505	
0		0		0	0	0		7	

NEAR TO THE CUSTOMER REGIONAL SALES

Unlike many competitors we have chosen to concentrate on roof systems, which are increasingly receiving preferential treatment in markets worldwide when it comes to financial incentives.

We have been optimising our distribution concept for many years – how to provide technical and sales support for installation engineers across an entire area, and supply them punctually with small, easy-to-install integrated systems. The highly diversified customer structure that this has produced is regarded as a clear competitive edge over module manufacturers that do not have a separate sales network.

INTER-NATIONAL TWO-THIRDS EXPORTED

We currently generate almost two-thirds of our revenue outside Germany. For this export business, the company can call upon a strong network of sales employees and it has regional branches in many markets. Some of those employees have established strong ties with installation engineers and wholesalers over a period of many years. And in many markets we are a local supplier, not an exporter.

In the field of production, too, we launched our first international venture in 2011 and set up our own production line in China for anti-reflective solar glass. This move paved the way for supplying customers internationally from a variety of locations worldwide. We are adhering to our internationalisation strategy for sales and production.

CENTROSOLAR GROUP AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2011

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 2011 totalling EUR 293 million (previous year EUR 403 million), the group has 1,026 employees (FTE = full time equivalents) (previous year 1,002).

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.

Unless otherwise indicated, the Consolidated Financial Statements are prepared in thousand euros. Rounding to the nearest thousand euros may result in rounding differences of one unit.

B Standards applied

The Consolidated Financial Statements at December 31, 2011 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, 2011, 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, 2011

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:

- Amendment to IFRS (annual improvements process for 2010)*
- IAS 24 Related Party Disclosures
- Amendment to IAS 32 Classification of Rights Issues
- IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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, 2011

The following new standards, revised standards and interpretations are to be observed from the 2012 financial year or later:

	Application mandatory from	Application by CENTROSOLAR Group AG
IAS 1 Presentation of Financial Statements	01/07/2012	01/01/2012
IAS 12 Deferred Tax: Recovery of Underlying Assets	01/01/2012	01/01/2012
IAS 19 Employee Benefits	01/01/2013	01/01/2013
IAS 28 Investments in Associates	01/01/2013	01/01/2013
IAS 32 Financial Instruments: Presentation	01/01/2014	01/01/2014
IFRS 7 Financial Instruments: Disclosures	01/01/2013	01/01/2013
IFRS 7 Disclosures - Transfer of Financial Assets	01/07/2011	01/07/2011
IFRS 9 Financial Instruments: Classification and Measurement	01/01/2015	01/01/2015
IFRS 10 Consolidated Financial Statements	01/01/2013	01/01/2013
IFRS 11 Joint Arrangements	01/01/2013	01/01/2013
IFRS 12 Disclosure of Interests in Other Entities	01/01/2013	01/01/2013
IFRS 13 Fair Value Measurement	01/01/2013	01/01/2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	01/01/2013

In June 2011 the IASB published an amendment to IAS 1 "Presentation of Financial Statements". The principal changes are the renaming of the statement of comprehensive income and expense as profit or loss (income) statement and other comprehensive income, and the restructuring of other comprehensive income. In future, other comprehensive income is to be divided into two sections: one section contains the elements that are to be transferred to subsequent periods in the income statement (recycling), and the other section the elements that will not be recycled in subsequent periods. The amendments take effect from July 1, 2012 and have already been adopted into European law. Because these are merely changes in presentation, 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 December 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. This amendment has the result that SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" is no longer to be applied to investment properties carried at fair value. The amendments take effect from January 1, 2012 and adoption into European law is envisaged for the third quarter of 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.

In June 2011 the IASB published an amendment to IAS 19 "Employee Benefits". The changes essentially concern actuarial gains and losses that are to be presented in other comprehensive income (OCI) in future. The previous option of presentation in the income statement, OCI or delayed reporting using the corridor approach is removed. In future, interest will be applied using the discount rate for the retirement benefit obligation instead of based on expectations. The amendments take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 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.

In May 2011 the IASB published an amendment to IAS 28 "Investments in Associates". The changes were required by the introduction of the new IFRS 11. The application of the equity method is substantially widened and in future it is also to be applied to investments in joint ventures. Proportionate consolidation is discontinued. Interests that are affected by the amendment are not remeasured. In this connection we also refer to the notes on IFRS 11. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 2012. The impact of application of the amended standard for the first time on the net worth, financial position and financial performance of the group is currently being investigated.

In December 2011 the IASB published an amendment to IAS 32 "Financial Instruments: Presentation". In the amended version the IASB clarifies various details concerning the offsetting of financial assets with financial liabilities. Further explanatory details are required in this connection. However, there are no fundamental changes to the previous rules on offsetting. The amendments take effect from January 1, 2014 and have already been adopted into European law. 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 connection with the amendments to IAS 32 "Financial Instruments: Presentation" the IASB simultaneously published amendments to the disclosures pursuant to IFRS 7 "Financial Instruments: Disclosures" in December 2011. Additional disclosures are required for all financial instruments that have been offset pursuant to IAS 32. Equally, disclosures are to be made on all financial instruments that are subject to enforceable global offsetting or similar agreements, even if they have not been offset pursuant to IAS 32. The amendments take effect from January 1, 2013 and have already been adopted into European law. 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: Disclosures". 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 applicable from July 1, 2011 and has already been adopted into European law. 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 these 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 liabilities. 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 other comprehensive income (OCI). The provisions on the derecognition of financial assets and liabilities have been adopted unchanged from IAS 39. In mid-December an amendment was published in which the effective date of the standard was put back to January 1, 2015. This also granted the relief from restating comparative periods in the first year of application, instead of which a reconciliation is to be prepared for the date of changeover. The standard has not yet been adopted into European law. 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 May 2011 the IASB issued the new standard IFRS 10 "Consolidated Financial Statements". It replaces the previous IAS 27. The conditions and obligations for the full consolidation of subsidiaries are now described more clearly. The emphasis is now placed more on the economic rather than the legal relationship. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 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.

In May 2011 the IASB issued the new standard IFRS 11 "Joint Arrangements". Enterprises under joint control that have previously been consolidated proportionately are to be consolidated using the equity method in future. The option of proportionate consolidation therefore ceases to be available. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 2012. The impact of application of the amended standard for the first time on the net worth, financial position and financial performance of the group is currently being investigated.

In May 2011 the IASB issued the new standard IFRS 12 "Disclosure of Interests in Other Entities". As a result, extensive disclosures on enterprises that are fully consolidated or not included in the consolidated financial statements are required, in particular along with the reasons. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 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.

In May 2011 the IASB issued the new standard IFRS 13 "Fair Value Measurement". IFRS 13 replaces the rules on fair value measurement in the individual standards. No material changes to measurement have been introduced, though further disclosures are necessary. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 2012. The impact of application of the amended standard for the first time on the net worth, financial position and financial performance of the group is currently being investigated.

In October 2011 the IASB published the new IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". It discusses when and how to account for the benefits from stripping activities to gain access to ore and mineral deposits, and how these benefits are to be measured upon initial recognition and subsequently. The standard is to take effect from January 1, 2013 and adoption into European law is envisaged for the third quarter of 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.

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, 2011:

Company	Place and country of incorporation	Share of capital	Issued capital	Currency ISO code	Founded/ acquired
Fully consolidated					
CENTROSOLAR GROUP AG	Munich, D	-	20,351,433	EUR	04/10/2005
"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 (from February 8, 2012 Gecko Energies GmbH)	Wetzlar, 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
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
Centrosolar Belgie BVBA	Antwerpen, B	100 %	50,000	EUR	11/03/2011
Terminator Mode S.L.	Almeria, E	100 %	3,100	EUR	17/11/2011
Studios Minsk S.L.	Almeria, E	100 %	3,100	EUR	25/05/2011
Speedwell & Island S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Fort Stevens S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
San Pedro Corporate S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Easter Region S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Edificaciones William DOS S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Royal Navy Quince S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Proyectos Wadi Rum S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Batty Boat Cruise S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Desarollos Torretta Doce S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
Chicago Bleu S.L.	Almeria, E	100 %	3,010	EUR	25/05/2011
"Solar Key Components" segment					
Centrosolar Glas GmbH & Co. KG	Fürth, D	100 %	900,000	EUR	23/08/2005
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
Renusol America Inc.	Dover, USA	100 %	0	USD	24/01/2011
Renusol Italia S.R.L.	Meran, I	100 %	10,000	EUR	24/03/2011
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
WestfalenSolar 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
Centroplan UK Ltd.	Banbury, UK	50.5 %	1	GBP	27/01/2011

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. 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 and Centroplan UK Ltd. – 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	31/12/2011	31/12/2010
Non-current assets	98	74
Current assets	6,057	2,167
Non-current liabilities	51	0
Current liabilities	5,998	2,074
Net assets	105	167
Income	6,505	2,848
Expense	(6,566)	(2,953)
Earnings after tax	(61)	(105)

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 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 March 24, 2011 Renusol GmbH established a further fully-owned subsidiary in Renusol Italia S.R.L., Merano. It was entered on the Commercial Register of Bolzano under No. 02704790217 on the same day.

The new subsidiary Centrosolar Belgium BVBA, Antwerp, was established on March 11, 2011. Centrosolar AG holds 90 % of the shares and Centrosolar Benelux B.V. 10 %. The company was entered on the Commercial Register under No. 0834.584.238.

The decision was taken to wind up Centrosolar Glas Korea Inc, Seoul, with effect from July 1, 2011. From that date on, the company has no longer been included in consolidation. Deconsolidation resulted in a loss of EUR 10 thousand, which is reported under the item other losses from investments.

Along with its removal from the Berne Commercial Register on December 23, 2011 Solarsquare AG passed to its legal successor Centrosolar Schweiz AG, its 100 % parent company, by way of a merger. This resulted in no changes.

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 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.

Consolidation methods

The balance sheet date of the parent company and all subsidiaries, associated companies and joint ventures included in consolidation is December 31, 2011. The income statement covers the period from January 1 to December 31, 2011 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. Where the parent company holds no more than half the voting rights in a subsidiary either directly or indirectly via a subsidiary, the subsidiary is consolidated in accordance with sections b to e.

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 value of the consideration 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 value of the consideration 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 value of the consideration 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 value of the consideration 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.

Changes in the ownership interest in a subsidiary that do not lead to a loss of control are treated as equity transactions. For this purpose the carrying amounts of the controlling and non-controlling interests are to be adjusted so that they reflect the existing ownership interest.

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 at 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 where the contractual agreement establishes the basis for joint running of the enterprise together with a partner are reported in the Consolidated Financial Statements as joint ventures 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 date 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.

Where significant influence is lost, the investment is reported as a financial asset available for sale. The interest is then remeasured at its fair value, differences over the carrying amount are realised as gains using the equity method and items reversed in accumulated other comprehensive income (OCI).

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 valuations 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 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 valuations to fair values are attributed to the respective units, reassessed in their currency and, if necessary, translated at the exchange rates valid at the reporting date. None of the companies included in the Consolidated Financial Statements is based in a hyperinflationary economy.

The following table shows important exchange rates and their development:

Foreign currency translation	Rate at reporting date		Average rate	
ISO code	31/12/2011	31/12/2010	2011	2010
GBP	0.83530	0.86075	0.86788	0.85784
CNY	8.1588	8.8220	8.9960	8.9712
CAD	1.3215	1.3322	1.3761	1.3651
USD	1.2939	1.3362	1.3920	1.3257

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:

- 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.

The financial assets that are measured at fair value through profit and loss are financial assets held for trading. They are classified as such if they are acquired with a view to selling them in the near future. Derivative financial instruments are also classified as held for trading, unless they are derivatives that have been designated as hedges and are effective as such. Gains or losses from financial assets held for trading are recognised through profit and loss. The fair value option pursuant to IAS 39 for the measurement of financial instruments is not exercised. 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 assets 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.

Financial liabilities are divided into the following categories:

- Financial liabilities measured at amortised costs
- Fair value through profit and loss

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 "through profit and loss" 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, 2011.

Other recognition and measurement principles

(a) Goodwill is the excess of the value of consideration 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 there is evidence of impairment (triggering event), an impairment test is carried out several times in-year. 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 tested 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	5-10
Buildings	7-33
Technical equipment and machinery	3-20
Fixtures and office equipment	2-32

(c) Property, plant and equipment are stated at cost less cumulative 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 applied 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 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.

(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 relates to tax deferrals resulting from temporally diverging valuations 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 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 on 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 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 are created for all present obligations at the balance sheet date resulting from previous business transactions or past occurrences, where the amount and due date are uncertain. These 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 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 lessee 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 shareholders' share of equity.

The other reserves essentially comprise profit or loss brought forward, 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.

(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 transaction agreements 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. 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 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 e 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 December 31, 2011. The discount rate applied was a pre-tax WACC rate of 6.7 to 8.7 %. 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. To establish the soundness of deferred tax on loss carryforwards, estimated budget figures for the next five years serve as the basis for a tax planning calculation.

Customer-specific construction contracts are normally recognised applying the percentage of completion (POC) method. Revenue representing the degree of completion is recognised. This is based on the contract costs incurred in relation to the anticipated overall costs. CENTROSOLAR performs planning on an ongoing basis in order to measure the overall costs reliably. Nevertheless, unplannable occurrences may unexpectedly result in deviations from the target. These are immediately eliminated and adjusted at the next reporting date. The realisation of revenue also depends on whether contracts with end customers have already been concluded. Unforeseeable breaches of contract or subsequent cancellations may result in revenue already booked being cancelled.

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, 2011. Sensitivity was determined by comparing the amounts measured in EUR in a variety of foreign currency exchange rate scenarios.

Foreign currency risk		Change in earnings before tax if		Change in shareholders' equity if	
in EUR '000	Net carrying amount 31/12/2011	euro appreciates by 5 %	euro weakens by 5 %	euro appreciates by 5 %	euro weakens by 5 %
CAD	90	(4)	5	0	0
CHF	(35)	2	(2)	0	0
CNY	175	(8)	9	0	0
GBP	965	(46)	51	0	0
USD	3,133	(149)	165	0	0
Total	**4,329**	**(206)**	**228**	**0**	**0**

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**

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, 2011.

Interest rate risk:

- **Dependence on interest rate risks:** Interest rate risks occur for interest-bearing instruments. At December 31, 2011 the group reported variable-rate borrowings of EUR 19,016 thousand (previous year EUR 24,310 thousand).
- **Managing the interest rate risk:** To minimise the interest rate risks, interest cap certificates (swaps) were taken out for approximately 53 % of the variable-rate borrowings (previous year 4 %). 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, 2011 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 45 thousand (previous year EUR 122 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, 2011, 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 3.7 % of revenue (previous year 6.1 %). 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, valuations and fair values by measurement category

2011 in EUR '000	Measurement category acc. to IAS 39	Carrying amount	Valuation acc. to IAS 39: Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss	Valuation acc. to IAS 17	Fair value
Assets								
Trade receivables	LaR	25,216	25,216					25,216
Cash and cash equivalents	LaR	25,896	25,896					25,896
Other financial assets								
Other receivables	LaR	3,865	3,865					3,865
Available for Sale Financial Assets	AfS	981		981				981
Equity and liabilities								
Financial debt								
Due to banks	FLAC	24,996	24,996					20,915
Finance lease liabilities	n.a.	6,108					6,108	5,331
Other financial debt	FLAC	63,607	63,607					37,593
Trade payables	FLAC	10,807	10,807					10,807
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	95				95		95
Other financial liabilities	FLAC	3,732	3,732					3,732
2010 in EUR '000								
Assets								
Loans originated by the enterprise	LaR	36	36					36
Trade receivables	LaR	19,119	19,119					19,119
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

Total per measurement category acc. to IAS 39

	Measurement category acc. to IAS 39	Carrying amount	Valuation acc. to IAS 39				Valuation acc. to IAS 17	Fair value
2011 in EUR '000			Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss		
Loans and Receivables	LaR	54,978	54,978					54,978
Available for Sale Financial Assets	AfS	981		981				981
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Liabilities Measured at Amortised Costs	FLAC	103,142	103,142					73,047
Financial Liabilities Held for Trading	FLHfT	95				95		95
2010 in EUR '000								
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

Net result by measurement category

	From interest, dividends	From subsequent measurement			From disposals	Net result	
in EUR '000		At fair value	Currency translation	Reductions for impairment		2011	2010
Loans and Receivables (LaR)	134	n.a.	928	(2,872)	0	(1,810)	(414)
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 Cost (FLAC)	(5,607)	n.a.	(167)	n.a.	0	(5,774)	(3,070)
Financial Liabilities Held for Trading (FLHfT)	n.a.	55	n.a.	n.a.	(82)	137	(64)

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. The assets in the category "Available for Sale" are not traded in an active market. Therefore no fair value can be reliably determined and the carrying amount is stated.

D Notes to the consolidated balance sheet and consolidated income statement

1 Goodwill

Goodwill

in EUR '000	Total goodwill
2011	
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
Additions	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2011	**49,429**
2010	
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
Additions	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2010	**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 2012, 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. These were derived e.g. from values indicated by past experience, general market expectations and currently known price and product mix developments.

A discounting rate of 6.7 % to 8.7 % 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

in EUR '000	2011	2010
CENTROSOLAR Glas	3,790	3,790
Centrosolar Schweiz AG (formerly Solarsquare)	5,817	5,817
Centrosolar AG	39,779	39,779
Miscellaneous	42	42
Total	**49,429**	**49,429**

As a result of the merger of Solarsquare AG, goodwill passed unchanged to Centrosolar Schweiz AG.

Allocation of goodwill to segments

in EUR '000	Solar Integrated Systems		Solar Key Components		Total	
	2011	2010	2011	2010	2011	2010
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
2011					
Accumulated cost Jan 1	27,446	2,867	581	255	31,149
Additions for first-time consolidation	0	0	0		0
Additions	74	962	97	227	1,360
Disposals	(2)	(477)	(9)	(20)	(508)
Reclasses	14	238	9	(235)	26
Exchange differences	0	2	0	0	2
Accumulated cost Dec 31	27,532	3,592	678	227	32,029
Accumulated depreciation Jan 1	(24,279)	(1,314)	(281)	0	(25,874)
Additions	(1,769)	(787)	(73)	0	(2,629)
Disposals	2	477	0	0	478
Reclasses	0	(3)	0	0	(3)
Exchange differences	0	(1)	0	0	(1)
Accumulated depreciation Dec 31	(26,046)	(1,628)	(354)	0	(28,028)
Net carrying amount December 31, 2011	**1,486**	**1,964**	**323**	**227**	**4,001**
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 depreciation 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 depreciation Dec 31	(24,279)	(1,314)	(281)	0	(25,874)
Net carrying amount December 31, 2010	**3,168**	**1,553**	**299**	**255**	**5,275**

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. EUR 114 thousand (previous year EUR 159 thousand) in investment subsidies was netted in the financial year.

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
2011					
Accumulated cost Jan 1	13,071	29,708	6,938	3,225	52,943
Additions for first-time consolidation	0	0	0	0	0
Additions	5,016	10,588	1,882	757	18,243
Disposals	(22)	(809)	(241)	0	(1,072)
Reclasses	1,933	1,159	75	(3,193)	(26)
Exchange differences	0	0	4	0	4
Accumulated cost Dec 31	19,998	40,646	8,659	789	70,092
Accumulated depreciation Jan 1	(1,594)	(9,221)	(2,974)	0	(13,789)
Additions	(703)	(4,718)	(1,411)	0	(6,832)
Disposals	9	761	225	0	995
Reclasses	0	0	3	0	3
Exchange differences	0	(21)	(6)	0	(27)
Accumulated depreciation Dec 31	(2,288)	(13,199)	(4,162)	0	(19,649)
Net carrying amount December 31, 2011	**17,710**	**27,447**	**4,497**	**789**	**50,443**
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**

The additions to land and buildings relate to the construction of a second production hall at the Wismar location.

The reclasses from assets in course of construction in essence concern the commissioning of additional plant and buildings for the Wismar and Fürth production locations which were 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 110 thousand at the balance sheet date (previous year EUR 165 thousand).

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. The following amounts of investment subsidies were netted in the financial year: for land and buildings EUR 1,235 thousand (previous year EUR 4 thousand), for technical equipment and machinery EUR 1,540 thousand (previous year EUR 819 thousand), for furniture, fixtures and office equipment EUR 133 thousand (previous year EUR 51 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 as well as furniture, fixtures and office equipment include assets with a carrying amount of EUR 8,812 thousand (previous year EUR 8,886 thousand) reported in the context of finance leases. These assets had been added at historical costs of EUR 11,474 thousand (previous year EUR 11,309 thousand). Depreciation amounting to EUR 238 thousand (previous year EUR 756 thousand) was applied to them in the financial year. The accumulated depreciation totals EUR 2,662 thousand (previous year EUR 2,423 thousand).

EUR 33,301 thousand (EUR 24,579 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
2011				
Accumulated cost Jan 1	10,135	992	36	11,162
Additions	0	0	0	0
Disposals	0	0	(36)	(36)
Reclasses	0	0	0	0
Accumulated cost Dec 31	10,135	992	0	11,126
Accumulated impairment Jan 1	(10,135)	0	0	(10,135)
Additions	0	(11)	0	(11)
Accumulated impairment Dec 31	(10,135)	(11)	0	(10,146)
Net carrying amount December 31, 2011	**0**	**981**	**0**	**981**
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 impairment Jan 1	(10,135)	0	0	(10,135)
Additions	0	0	0	0
Accumulated impairment Dec 31	(10,135)	0	0	(10,135)
Net carrying amount December 31, 2010	**0**	**992**	**36**	**1,027**

The six investments listed in the "Consolidated companies" section are reported here as available for sale. Because these are not traded in an active market, no fair value can be reliably determined. They are thus stated at the carrying amount. There are no plans to sell them.

The investment in WestphalenSolar GmbH amounting to EUR 11 thousand was written off in full in view of the uncertainty surrounding the continuation of its business operations.

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. There were no movements in the carrying amount and on the balance sheet, and all values remain unchanged at 0.

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

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 8.5 and 34 %.

Deferred tax assets

in EUR '000	2011	2010
Loss carryforwards	20,193	6,611
Deferred tax on loss carryforwards	5,882	2,182
Measurement difference for intangible assets	152	159
Deferred tax on intangible assets	49	51
Measurement difference for property, plant and equipment	146	62
Deferred tax on property, plant and equipment	44	19
Measurement difference for inventories	1,926	547
Deferred tax on inventories	617	175
Measurement difference for pension provisions	403	405
Deferred tax on pension provisions	126	124
Measurement difference for other provisions	59	175
Deferred tax on other provisions	19	57
Measurement difference for financial debt	279	527
Deferred tax on financial debt	88	162
Measurement difference for derivatives	95	125
Deferred tax on derivatives	31	40
Total deferred tax (gross):	**6,855**	**2,810**

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 25,669 thousand (previous year EUR 6,652 thousand). In the financial year, a total of EUR 189 thousand (previous year EUR 661 thousand) in impairment of deferred tax assets on loss carryforwards was recognised. On the other hand deferred tax assets amounting to EUR 95 thousand were booked for loss carryforwards that once again met the recognition criteria. 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, 2011 the group stated deferred tax assets of EUR 3,361 thousand (previous year EUR 2,136 thousand) for companies that suffered a loss in the current period and 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.

The amount of EUR 4 thousand (previous year EUR 847 thousand) was reported in equity as deferred tax in the financial year.

Deferred tax assets

in EUR '000	Gross		Net	
	2011	2010	2011	2010
Reversal expected within 12 months	2,027	1,032	1,818	856
Reversal expected after 12 months at the earliest	4,828	1,778	3,639	1,510
Total	**6,855**	**2,810**	**5,457**	**2,366**

6 Inventories

The inventories are divided into the following categories:

Inventories by category

in EUR '000	2011	2010
Raw materials and supplies	14,005	17,241
Work in progress	1,174	790
Finished goods and merchandise	27,736	33,688
Total	**42,916**	**51,720**

Of the inventories, an amount of EUR 21,027 thousand (previous year EUR 31,741 thousand) served as security for bank loans at the reporting date.

The inventories include solar parks completed and under construction amounting to EUR 6,138 thousand (previous year EUR 3,215 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	2011	2010
Inventories at historical cost	34,897	43,576
Inventory at net realisable value		
Original value at historical cost	10,350	9,180
Reduction for impairment for obsolescence	(986)	(297)
Reduction for impairment due to lower net realisable value	(1,346)	(740)
Carrying amount after reduction for impairment	8,018	8,144
Total	**42,916**	**51,720**

Reductions for impairment amounting to EUR 2,532 thousand (previous year EUR 1,110 thousand) were recognised in the income statement in the financial year. These reductions for impairment are attributable in part to the substantial drop in module prices. The further adjustment to regulations in France mid-way through the year moreover largely removed the business foundations of the new IntraSole in-roof mounting system, with the result that write-downs of existing warehouse stock were necessary.

7 Trade receivables

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

Trade receivables

in EUR '000	2011	2010
Receivables not overdue or overdue by less than 30 days	17,179	14,054
Receivables overdue by more than 30 days	1,202	2,149
Receivables overdue by more than 60 days	1,684	1,203
Receivables overdue by more than 90 days	4,778	1,584
Total	**24,843**	**18,990**

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.

At the balance sheet date there were receivables amounting to EUR 593 thousand (previous year EUR 74 thousand), which were recognised in connection with customer-specific construction contracts applying the percentage of completion (POC) method. EUR 28 thousand in advances received was offset against this balance.

The trade receivables and other assets include balances 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
2011			
CAD	215	+/– 5 %	(10)/11
CHF	13	+/– 5 %	(1)/1
CNY	753	+/– 5 %	(36)/40
GBP	991	+/– 5 %	(47)/52
USD	5,252	+/– 5 %	(250)/276
Total	**7,224**		**(344)/380**
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)**

The portion of receivables covered by credit insurance at the balance sheet date was EUR 5,684 thousand (previous year EUR 10,831 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	2011	2010
At Jan 1	931	373
Additions due to first-time consolidation	0	0
Allocated	1,933	730
Used	(349)	(11)
Reversed	(57)	(161)
Exchange differences	10	0
At Dec 31	**2,469**	**931**

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	2011	2010
Expenses for the full derecognition of receivables	(1,078)	(56)
Income from the receipt of derecognised receivables	82	237
Total	**(996)**	**181**

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 226 thousand at the balance sheet date (previous year EUR 223 thousand).

Of the total receivables, EUR 7,012 thousand (previous year EUR 5,182 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	2011	2010
Payments on account for inventories	1,126	2,169
Loans	661	122
Tax assets	2,112	1,640
Prepaid expenses	425	575
Receivables from factoring	632	586
Compensation/other credits	710	566
Receivables from investment subsidies	2,596	839
Other	2,030	1,332
Total	**10,292**	**7,829**

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 2012.

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, 2011:

Derivative financial instruments

in EUR '000	Assets		Liabilities	
	2011	2010	2011	2010
Interest rate swap – held for trading	0	0	95	125
Forward contracts – held for trading	0	0	0	0
Total	**0**	**0**	**95**	**125**
Of which current portion	0	0	(19)	74

Derivative financial instruments yielded the following profit contributions:

Effects on profit of derivative financial instruments

in EUR '000	2011	2010
Interest rate swaps – held for trading	(137)	(39)
Forward contracts – held for trading	0	(25)
Total	**(137)**	**(64)**

The fixed, agreed interest rates at the balance sheet date vary between 0.85 % and 2.36 % (previous year 0.99 % and 4.49 %). The Euribor serves as a variable interest rate.

10 Cash

Cash and cash equivalents totalled EUR 25,896 thousand at the reporting date (previous year EUR 8,208 thousand). This item comprised substantially credit balances in current and overnight accounts.

Of this amount, EUR 387 thousand (previous year EUR 413 thousand) is blocked by way of a security deposit for a credit line and is not freely available.

11 Shareholders' equity

General

The capital stock of CENTROSOLAR Group AG amounted to EUR 20,351 thousand at the balance sheet date (previous year EUR 20,333 thousand). It is fully paid in. With additional paid-in capital of EUR 81,238 thousand (previous year EUR 81,228 thousand), other retained earnings of EUR 5,580 thousand (previous year EUR -21,744 thousand) and profit attributable to the shareholders of EUR -16,813 thousand (previous year EUR 15,760 thousand), the group had shareholders' equity of EUR 79,197 thousand at December 31, 2011 (previous year EUR 95,577 thousand). The additional paid-in capital consists exclusively of funds allocated to it as premium in connection with capital increases. In the 2011 financial year, 18,124 new shares in total were created through the exercising of stock options; the company accrued EUR 36 thousand in cash as a result.

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 increase in other retained earnings consists mainly of the scheduled allocations of EUR 541 thousand (previous year EUR 181 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 2011 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, 2011.

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 850,282 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (Conditional Capital II). The conditional capital increase is only effected 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 850,282 no par value shares.

The capital stock is increased by up to EUR 861,924 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of German Stock Corporation Law (Conditional Capital III). The conditional capital increase is only effected to the extent that the bearers of stock options issued by the company pursuant to the authorisation of the Shareholders' Meeting of May 31, 2011 exercise their right to subscribe to ordinary bearer shares in the company (option right) and the option rights are not serviced from approved capital, if available, or with treasury stock of the company that are acquired on the basis of a future authorisation to acquire treasury stock, or through cash settlement. 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 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 Subparagraph 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, 2011 there existed conditional capital (Conditional Capital I, II and III) of a total amount of EUR 2,015,206 (previous year EUR 1,171,406), of which the amount of EUR 1,176,822 (previous year EUR 1,169,307) 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, 2011 (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. For the tranches for the years 2005 to 2010, 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. The 2011 tranche may be exercised after four years at the earliest. The maximum term in this case is eight years.

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 exercise 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	2011		2010	
	Options	Avg. exercise price	Options	Avg. exercise price
Start of year	1,169,307	5.07	775,127	7.23
Granted	169,597	3.80	631,653	3.98
Forfeited	133,327	3.80	0	
Exercised	18,124	2.00	0	
Expired	10,631	4.64	237,473	9.21
End of year	**1,176,822**	**5.08**	**1,169,307**	**5.07**
– of which exercisable	156,193	2.00	0	

The weighted average price at the time of exercise was EUR 4.20 for all options exercised in the financial year. 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 2011	Outstanding end 2010
Granted 2005	9.50	n.a.	26/09/2005	25/09/2012	75,750	75,750
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	204,283	207,236
Granted 2009	2.00	2.17	31/03/2009	30/03/2016	156,193	175,495
Granted 2010 (1)	3.60	3.90	01/02/2010	31/01/2017	262,000	268,500
Granted 2010 (2)	4.20	4.90	01/12/2010	30/11/2017	130,903	130,903
Granted 2010 (3)	4.30	4.98	20/12/2010	19/12/2017	227,250	227,250
Granted 2011	3.80	4.08	20/06/2011	19/06/2019	36,270	0
Total					**1,176,822**	**1,169,307**

The weighted average fair value of the options issued in the 2011 financial year is EUR 1.86 (previous year EUR 1.65) 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 2011 tranche was June 20, 2011. The exercise price is EUR 3.80, and the share price on the date of issue EUR 4.08. No dividend is expected. The risk-free interest rate is 2.85 % 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 49.38 %. The fair value per option in this case is EUR 1.86.

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 541 thousand arose in the 2011 financial year from the stock options schemes described here (previous year: EUR 181 thousand). The options scheme in place since 2011 envisages the following split for the options issued: Management Board 50 %, managing directors of subsidiaries 35 %, and employees of the company and of subsidiaries 15 %.

12 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).

Significant actuarial assumptions

in %	2011	2010
Pensionable age (years)	63	63
Discount rate at Dec 31	4.9	5.4
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	2011	2010
Present value of non-fund-financed obligations	1,081	932
Unrecognised actuarial gains	78	175
Pension provisions	**1,159**	**1,107**

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

Development in provisions

in EUR '000	2011	2010
At start of financial year	1,107	1,067
Total expense recognised in the income statement	67	51
Payments made	(15)	(11)
At end of the financial year	**1,159**	**1,107**

The amounts recognised in the income statement are as follows:

Pension cost

in EUR '000	2011	2010
Current service cost	26	24
Interest expense	50	47
Actuarial gains recognised in the current year	(9)	(20)
Total	**67**	**51**

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR 1.5 thousand (previous year EUR 2.1 thousand) arose in the 2011 financial year. The present value of the defined benefit obligation is the carrying amount.

Pension payments amounting to EUR 21 thousand are expected for 2012.

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

in EUR '000	2011	2010
At start of financial year	932	797
Expense for pension rights acquired in the financial year	26	24
Interest expense	50	47
Pension payments	(15)	(11)
Actuarial gains	88	76
Total	**1,081**	**932**

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

in EUR '000	2007	2008	2009	2010	2011
Present value of non-fund-financed obligations	721	702	797	932	1,081
Experience adjustments to plan debts	(0)	(0)	(0)	2	2
Adjustments due to changes in actuarial assumptions	(190)	(77)	39	76	86

13 Other provisions

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

Other provisions

in EUR '000	01/01/2011	Added	Used	Compounding	Reversed	31/12/2011
Warranty obligations	1,979	1,587	(685)	144	0	3,025
Miscellaneous provisions	397	621	(112)	3	(171)	738
Total	**2,376**	**2,208**	**(797)**	**147**	**(171)**	**3,763**

Of the total other provisions, EUR 973 thousand (previous year EUR 873 thousand) have less than one year to maturity, EUR 2,710 thousand (previous year EUR 1,212 thousand) between 1 and 5 years to maturity and EUR 80 thousand (previous year EUR 291 thousand) more than 5 years to maturity. The miscellaneous provisions mainly comprise provisions for impending losses amounting to EUR 59 thousand (previous year EUR 175 thousand), provisions for severance payments totalling EUR 231 thousand (previous year EUR 81 thousand) and for legal disputes amounting to EUR 448 thousand (previous year 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.

14 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, 2011	Outstanding amount at Dec. 31, 2010	Interest rate	Exit date
General credit facilities	46,309*	2,261	6,640	2.2 – 6.6 %	Until further notice
Bank loans	30,479	22,735	18,553	3.7 – 6.6 %	2011 – 2018
Other loans	65,183	63,607	14,943	6.0 – 7.8 %	2011 – 2016
Finance leases	15,372	6,108	7,962	not applicable	2011 – 2017
Total	**157,343**	**94,711**	**48,098**		

* 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, 2011			
General credit facilities	2,261	2,261	0	0
Bank loans	22,735	4,208	14,221	4,307
Other loans	63,607	2,683	60,924	0
Finance leases	6,108	1,673	4,393	42
Total	**94,711**	**10,825**	**79,537**	**4,349**
	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**

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 2012 and 2018, with the result that this constitutes risk diversification.

Of the general credit facilities, there is a credit line for EUR 35,000 thousand (previous year EUR 48,500 thousand) for Centrosolar AG.

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 bearer bonds (WKN A1E85T) placed through a public offering in Germany and Austria in February 2011 are reported under the other loans. The bearer bonds have been included in over-the-counter trading at Stuttgart Stock Exchange. The bond is repayable on February 15, 2016 and pays interest at 7.00 % p.a. Interest is paid annually on February 15. The nominal amount is EUR 50,000 thousand.

The following table indicates the total level of securities furnished:

Security for liabilities to credit institutions

in EUR '000	2011	2010
Fixed assets	33,301	24,579
Inventories	21,027	31,741
Receivables	7,012	5,182
Total	**61,340**	**61,502**

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 42) 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	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
2011	**6,108**	1,673	4,393	42
2010	**7,962**	1,963	5,710	288

Finance leases (nominal)

in EUR '000	Total	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
2011				
Technical equipment and machinery	**6,881**	2,014	4,824	43
Vehicles	**20**	12	9	0
Nominal value	**6,901**	2,026	4,833	43
Of which interest portion	**794**	353	440	1
Present value	**6,108**	1,673	4,393	42
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

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 for financial debt in EUR '000	Carrying amount 31/12/2011	2012		2013		2014 to 2018	
		Interest	Principal	Interest	Principal	Interest	Principal
General credit facilities *	2,261	102	2,261	0	0	0	0
Bank loans	22,735	979	4,266	774	4,388	1,464	14,381
Other loans	63,607	4,555	2,683	4,358	3,000	9,123	59,500
Finance leases	6,108	353	1,673	241	1,552	200	2,883
Other non-interest-bearing liabilities	3,732	0	3,726	0	6	0	0
Trade payables	10,807	0	10,807	0	0	0	0
Derivative financial liabilities	95	19	0	0	0	76	0
Total	**109,345**	**6,008**	**25,416**	**5,373**	**8,946**	**10,863**	**76,764**

	Carrying amount 31/12/2010	2011		2012		2013 to 2018	
		Interest	Principal	Interest	Principal	Interest	Principal
General credit facilities*	6,640	260	6,640	0	0	0	0
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
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**

* 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.

15 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
2011			
CAD	125	+/– 5 %	6 / (7)
CHF	48	+/– 5 %	2 / (3)
CNY	578	+/– 5 %	28 / (30)
GBP	26	+/– 5 %	1 / (1)
USD	2,119	+/– 5 %	101 / (112)
Total	**2,896**		**138 / (153)**
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**

16 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 8.5 and 34 %.

Deferred tax liabilities

in EUR '000	2011	2010
Measurement difference for intangible assets	3,314	4,545
Deferred tax on intangible assets	1,051	1,441
Measurement difference for property, plant and equipment	914	1,049
Deferred tax on property, plant and equipment	290	329
Measurement difference for inventories	658	590
Deferred tax on inventories	210	189
Measurement difference for trade receivables	115	2
Deferred tax on trade receivables	37	1
Measurement difference for other assets	590	0
Deferred tax on other assets	194	0
Measurement difference for other provisions	9	214
Deferred tax on other provisions	3	69
Measurement difference for financial debt	1,576	240
Deferred tax on financial debt	520	78
Measurement difference for trade payables	26	22
Deferred tax on trade payables	8	7
Total deferred tax (gross):	**2,312**	**2,114**

Deferred tax liabilities

in EUR '000	Gross		Net	
	2011	2010	2011	2010
Reversal expected within 12 months	534	983	243	807
Reversal expected after 12 months at the earliest	1,779	1,131	671	863
Total	**2,312**	**2,114**	**914**	**1,670**

No deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to EUR 577 thousand (previous year EUR 995 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

17 Other liabilities

The following table shows the individual components of other liabilities.

Other non-current liabilities

in EUR '000	2011	2010
Miscellaneous liabilities	6	42
Total non-current	**6**	**42**
of which more than 5 years	**0**	**0**

Other current liabilities

in EUR '000	2011	2010
Vacation and overtime	975	975
Outstanding invoices	2,727	2,554
Outstanding interest	3,650	530
Employee remuneration	1,660	1,758
Bonus payments to customers	546	1,510
Taxation and social premiums	4,648	2,130
Payments on account	3,748	3,169
Prepaid expenses	4,215	2,481
Miscellaneous liabilities	353	380
Total current	**22,522**	**15,487**

The prepaid expenses include a deferred item for investment grants for the expansion of production operations at Wismar amounting to EUR 4,182 thousand (previous year 2,433 thousand).

18 Revenue

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.

Revenues amounting to EUR 599 thousand (previous year EUR 0 thousand) were realised in connection with customer-specific construction contracts applying the percentage of completion (POC) method. The revenues were determined according to the zero profit method. No margins were thus recorded. Following the failure of the investor's project financing, a project sale already realised with a margin of EUR 1,065 thousand from the third quarter had to be reversed.

19 Cost of purchased materials and services

Cost of purchased materials

in EUR '000	2011	2010
Cost of purchased materials	214,188	287,691
Cost of purchased services	7,552	1,398
Supplier discounts	(949)	(1,342)
Total	**220,791**	**287,747**

20 Other operating income

The breakdown of other operating income is as follows:

Other operating income

in EUR '000	2011	2010
Costs passed on, cost refunds	1,907	1,000
Compensation/guarantees	2,173	104
Government grants	585	675
Reversal of provisions	171	280
Foreign currency gains	2,379	1,385
Reversal of impairment/income from receivables written off	140	398
Miscellaneous	1,463	994
Total	**8,818**	**4,836**

The government grants include green tax rebates due to the high power consumption for glass processing, as well as 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 through profit and loss on a straight-line basis over the anticipated useful life of the assets in question.

Of the miscellaneous other income, EUR 378 thousand (previous year EUR 791 thousand) is not related to the accounting period and comprises mainly bonus and cost reimbursements from the previous year.

21 Personnel costs and employee total

Personnel expenses

in EUR '000	2011	2010
Wages and salaries	34,548	31,833
Share-based payment	541	181
Social insurance	3,490	3,985
Pension cost – defined contribution plans	2,937	2,362
Pension cost – defined benefit plans	67	51
Total	**41,583**	**38,412**

Employees	2011		2010	
	Average	At reporting date	Average	At reporting date
Full time equivalents (FTE)	1,100	1,026	1,078	1,002
Individuals	1,121	1,043	1,112	1,043
Of which employed at companies included pro rata:				
FTE	12	11	14	12
Individuals	14	12	15	14

At the reporting date, the employee totals quoted include 117 FTE (previous year 107 FTE) who are employed on a temporary basis by the group. The average for the year was 169 FTE (previous year 224 FTE). The corresponding expenses are reported under other operating expenses.

22 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

in EUR '000	2011	2010
Outward freight/external warehouses	6,613	7,565
Promotional and representation costs	4,545	3,576
Maintenance costs	2,318	2,474
Legal and consultancy costs	4,286	2,995
Energy	4,416	3,478
Travel expenses and fleet	3,467	2,999
Sales commissions	850	1,579
Insurance	468	575
Waste disposal	212	131
Rent for buildings	2,594	2,355
Operating leasing/other rent	653	719
IT expenses and communication	2,225	1,724
Outside and temporary workers	6,754	8,573
Other personnel expenses	832	708
Patent protection	440	62
Warranty	2,604	2,003
Other taxes	175	321
Losses from the disposal of assets	104	175
Exchange rate losses	1,618	1,392
Allocation to impairment und write-down of receivables	3,011	786
Miscellaneous	2,828	3,733
Total	**51,013**	**47,923**

Of the miscellaneous other expenses, EUR 260 thousand (previous year EUR 682 thousand) is not related to the accounting period.

The income statement includes research costs, as well as development costs that do not satisfy the criteria for capitalisation pursuant to IAS 38.57, amounting to EUR 2,116 thousand (previous year EUR 2,083 thousand). This comprises EUR 732 thousand (previous year EUR 896 thousand) for personnel expenses, EUR 119 thousand (previous year EUR 59 thousand) for cost of purchased materials, EUR 152 thousand (previous year EUR 148 thousand) for depreciation and amortisation, and EUR 1,113 thousand (EUR 980 thousand) for other operating expenses.

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 6,230 thousand (previous year EUR 7,082 thousand).

Operational leasing [in TEUR]	Total	Term to maturity < 1 year	Term to maturity > 1 < 5 years	Term to maturity > 5 years
2011				
Property	**3,320**	1,290	2,009	21
Vehicles	**1,222**	588	634	0
Technical equipment and machinery	**993**	539	451	3
Other equipment	**1,422**	721	701	0
Total	**6,957**	**3,138**	**3,795**	**24**
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**

23 Interest income and expenses

Interest income and expense is broken down as follows:

Financial result

in EUR '000	2011	2010
Interest income	564	489
Interest expense for bank loans and overdraft facilities	(1,357)	(1,726)
Interest expense for other loans	(4,211)	(1,173)
Other interest expense	(2,195)	(1,588)
Total	**(7,199)**	**(3,998)**

The interest result includes expenses of EUR 581 thousand (previous year EUR 49) due to discounting.

24 Income tax

Income tax is composed as follows:

Income tax

in EUR '000	2011	2010
Income tax expense for the current financial year	(238)	(6,351)
Deferred tax on temporary differences	116	(243)
Deferred tax on loss carryforwards	3,700	(262)
Total	**3,578**	**(6,856)**

The actual tax expense includes income unrelated to the accounting period of EUR 504 thousand (previous year EUR 211 thousand).

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	2011	2010
Result before income taxes	(20,390)	22,616
Anticipated tax income/expense 32.0 % (previous year: 32.0 %)	**6,525**	**(7,237)**
Difference due to variation in tax rates	223	77
Tax effect from non-deductible expenses	(587)	(467)
Tax effect from non-taxable income	332	143
Tax effect from unrecognised deferred tax on loss carryforwards	(3,247)	(1,274)
Tax effect from change in recognition of deferred tax on loss carryforwards	(94)	1,937
Adjustments from previous financial years	426	(35)
Total	**3,578**	**(6,856)**

The tax rate is composed of:

The tax rate is composed of	2011	2010
Corporation tax incl. solidarity surcharge	15.83 %	15.83 %
Trade tax	16.17 %	16.17 %
Total	**32.0 %**	**32.0 %**

Notes

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	2011	2010
Consolidated net income/net loss in EUR '000	–16,813	15,760
Weighted average ordinary shares issued, '000	20,344	20,333
Basic earnings per share in EUR	–0.83	0.78

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 2011	Outstanding end 2010
2005 tranche	1	26/09/2005	25/09/2012	75,750	75,750
2006 tranche	2	20/12/2006	19/12/2013	84,173	84,173
2007 tranche	2	29/11/2007	28/11/2014	204,283	207,236
2009 tranche	2	31/03/2009	30/03/2016	156,193	175,495
2010 (1) tranche	2	01/02/2010	31/01/2017	262,000	268,500
2010 (2) tranche	2	01/12/2010	30/11/2017	130,903	130,903
2010 (3) tranche	1	20/12/2010	19/12/2017	227,250	227,250
2011 tranche	3	20/06/2011	19/06/2019	36,270	0
Total				**1,176,822**	**1,169,307**

Diluted earnings per share	2011	2010
Consolidated net income/net loss in EUR '000	–16,813	15,760
Weighted average ordinary shares issued, '000	20,344	20,333
Assumed creation of new dilutive shares from stock options granted (weighted average)	41	0
Weighted average diluted ordinary shares issued, '000	20,385	20,333
Diluted earnings per share in EUR	–0.82	0.78

26 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 the "Solar Integrated Systems" area encompass the activities of Centrosolar AG including its sales subsidiaries in other European countries, Centrosolar America and Canada, and Centrosolar Schweiz AG. 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 solar system also includes mounting systems. This area, together with the production and sale of glass covers, comprises the "Solar Key Components" segment.

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

Inter-segmental relationships, i.e. relationships and transactions between the individual segments, are eliminated from the consolidation column. This simultaneously reconciles the figures with those in the Consolidated Financial Statements. For the reconciliation from EBIT to consolidated earnings, please refer to the income statement. Revenue by country is determined based on the customer's place of incorporation.

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.

	31.12.2011		31.12.2010	
The following countries account for over 10 % of total consolidated revenue	EUR '000	% of revenue	EUR '000	% of revenue
France	57,303	19.6 %	118,415	29.4 %
Italy	38,552	13.2 %	n.a.	n.a.
Non-current assets by region				
Germany	100,881		88,639	
Rest of Europe	7,290		6,787	
Rest of world	2,140		1,675	

Solar Integrated Systems

P&L Key Figures	31/12/2011 in EUR '000	% of revenue	31/12/2010 in EUR '000	% of revenue
Revenue total	**216,366**	**100.0**	**311,505**	**100.0**
Revenue from third parties	216,366	100.0	311,502	100.0
Revenue from other segments	1	0.0	2	0.0
Gross profit	**43,626**	**20.2**	**71,373**	**22.9**
Personnel expenses	(28,287)	– 13.1	(27,069)	– 8.7
Other income and expenses	(21,140)	– 9.8	(23,504)	– 7.5
EBITDA	**(5,800)**	**– 2.7**	**20,800**	**6.7**
Operative depreciation	(3,953)	– 1.8	(2,756)	– 0.9
EBIT operative	**(9,754)**	**– 4.5**	**18,044**	**5.8**
Non-operative depreciation	(1,639)	– 0.8	(1,695)	– 0.5
EBIT	**(11,393)**	**– 5.3**	**16,348**	**5.2**

Revenue by regions

Revenue from third parties	**216,366**	**100.0**	**311,502**	**100.0**
Germany	88,816	41.0	134,821	43.3
Rest of Europe	112,338	52.0	165,953	53.3
Rest of World	15,211	7.0	10,728	3.4

Balance sheet key figures		In Revenue-days		In Revenue-days
Net operating working capital	**41,418**	**68.9**	**45,447**	**52.5**
Inventories	29,912		39,264	
Stock payments on account/Received in advance	(3,074)		(1,853)	
Trade account receivable	20,018		14,461	
Trade account payable	(5,438)		(6,424)	
Financial assets	**8,572**		**8,588**	
Tangible and intangible assets	**84,968**		**73,539**	
operative	38,284		25,227	
Capitalized according to IFRS 3 and goodwill	46,684		48,312	

Investments

Total	**17,044**		**8,922**	
In tangible and intangible assets	17,044		8,915	
In financial assets	0		7	

Solar Key Components				Consolidation		Total Group			
31/12/2011		31/12/2010		31/12/2011	31/12/2010	31/12/2011		31/12/2010	
in EUR '000	% of revenue	in EUR '000	% of revenue	in EUR '000	in EUR '000	in EUR '000	% of revenue	in EUR '000	% of revenue
86,066	**100.0**	**107,030**	**100.0**	**(9,656)**	**(15,089)**	**292,777**	**100.0**	**403,446**	**100.0**
76,411	88.8	91,944	85.9	0	0	292,777	100.0	403,446	100.0
9,655	11.2	15,086	14.1	(9,656)	(15,089)	0	0.0	(0)	0.0
35,691	**41.5**	**44,240**	**41.3**	**(49)**	**176**	**79,269**	**27.1**	**115,788**	**28.7**
(13,296)	– 15.4	(11,343)	– 10.6	0	0	(41,583)	– 14.2	(38,412)	– 9.5
(20,269)	– 23.6	(19,149)	– 17.9	(0)	0	(41,409)	– 14.1	(42,653)	– 10.6
2,127	**2.5**	**13,749**	**12.8**	**(49)**	**176**	**(3,722)**	**– 1.3**	**34,724**	**8.6**
(3,822)	– 4.4	(3,315)	– 3.1	0	0	(7,775)	– 2.7	(6,071)	– 1.5
(1,695)	**– 2.0**	**10,433**	**9.7**	**(49)**	**176**	**(11,498)**	**– 3.9**	**28,653**	**7.1**
(58)	– 0.1	(345)	– 0.3	0	0	(1,697)	– 0.6	(2,040)	– 0.5
(1,753)	**– 2.0**	**10,089**	**9.4**	**(49)**	**176**	**(13,194)**	**– 4.5**	**26,613**	**6.6**

76,411	**100.0**	**91,944**	**100.0**	**0**	**0**	**292,777**	**100.0**	**403,446**	**100.0**
22,348	29.2	28,858	31.4	0	0	111,164	38.0	163,679	40.6
33,428	43.7	42,780	46.5	0	0	145,766	49.8	208,733	51.7
20,635	27.0	20,306	22.1	0	0	35,847	12.2	31,033	7.7

	In Revenue-days		In Revenue-days				In Revenue-days		In Revenue-days
13,504	**56.5**	**11,444**	**38.5**	**(219)**	**(171)**	**54,703**	**67.3**	**56,721**	**50.6**
13,223		12,626		(219)	(170)	42,916		51,720	
452		854		0	0	(2,622)		(1,000)	
5,317		4,895		(118)	(236)	25,216		19,119	
(5,488)		(6,930)		118	236	(10,807)		(13,118)	
0		**36**		**(7,592)**	**(7,596)**	**981**		**1,027**	
18,804		**20,218**		**100**	**100**	**103,872**		**93,857**	
14,981		15,942		0	0	53,265		41,169	
3,823		4,276		100	100	50,607		52,688	

2,558		**4,590**		**0**	**0**	**19,602**		**13,512**	
2,558		4,590		0	0	19,602		13,505	
0		0		0	0	0		7	

Notes

Reconciliation to Results for the Group	Sum of the Segments		Consolidation		Total Group	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
P&L Key Figures	**in EUR '000**	**in EUR '000**	**in EUR '000**	**in EUR '000**	**in EUR '000**	**in EUR '000**
Revenue total	**302,432**	**418,534**	**(9,656)**	**(15,089)**	**292,777**	**403,446**
Revenue from third parties	292,777	403,446	0	0	292,777	403,446
Revenue from other segments	9,655	15,088	(9,656)	(15,089)	0	(0)
Gross profit	**79,318**	**115,613**	**(49)**	**176**	**79,269**	**115,788**
Personnel expenses	(41,583)	(38,412)	0	0	(41,583)	(38,412)
Other income and expenses	(41,409)	(42,653)	(0)	0	(41,409)	(42,653)
EBITDA	**(3,673)**	**34,548**	**(49)**	**176**	**(3,722)**	**34,724**
Operative depreciation	(7,775)	(6,071)	0	0	(7,775)	(6,071)
EBIT operative	**(11,449)**	**28,477**	**(49)**	**176**	**(11,498)**	**28,653**
Non-operative depreciation	(1,697)	(2,040)	0	0	(1,697)	(2,040)
EBIT	**(13,145)**	**26,437**	**(49)**	**176**	**(13,194)**	**26,613**
Balance sheet key figures						
Net operating working capital	**54,922**	**56,892**	**(219)**	**(171)**	**54,703**	**56,721**
Inventories	43,135	51,890	(219)	(170)	42,916	51,720
Stock payments on account/Received in advance	(2,622)	(1,000)	0	0	(2,622)	(1,000)
Trade account receivable	25,334	19,355	(118)	(236)	25,216	19,119
Trade account payable	(10,925)	(13,354)	118	236	(10,807)	(13,118)
Financial assets	**8,572**	**8,624**	**(7,592)**	**(7,596)**	**981**	**1,027**
Tangible and intangible assets	**103,772**	**93,757**	**100**	**100**	**103,872**	**93,857**
operative	53,265	41,169	0	0	53,265	41,169
Capitalized according to IFRS 3 and goodwill	50,507	52,588	100	100	50,607	52,688
Investments						
Total	**19,602**	**13,512**	**0**	**0**	**19,602**	**13,512**
In tangible and intangible assets	19,602	13,505	0	0	19,602	13,505
In financial assets	0	7	0	0	0	7

27 Cash flow statement

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

The cash flow from operating activities totalled EUR -9,081 thousand (previous year EUR 18,405 thousand) and was dominated by interest and tax payments.

The cash flow from investing activities includes cash payments property, plant and equipment of EUR 18,091 thousand (previous year EUR 6,659 thousand), intangible assets of EUR 1,359 thousand (previous year EUR 1,385 thousand) and investments of EUR 0 thousand (previous year EUR 7 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	2011	2010
Cash	25,896	8,208
Bank overdrafts	(2,261)	(6,640)
Total	**23,635**	**1,568**

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 39.1 million (previous year EUR 40.4 million).

Material non-cash transactions result from the existing issuance of stock options, from currency translation differences 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 [22] 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, in consequence of which the action concerning the loan was upheld in a provisional judgment based on the defendant's acknowledgement. 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. 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. The matter was heard before the District Court of Munich I, which upheld the action concerning the loan in a provisional judgment based on the defendant's acknowledgement. The court then ordered stay of execution against security and consolidation with the above (subsequent) proceedings. The consolidated proceedings before District Court of Munich I are currently ongoing, with a mediation service involved.

3 Significant events occurring after the balance sheet date

Centrosolar Cell GmbH, a fully owned subsidiary of CENTROSOLAR Group AG, acquired a major portion of the business operations of Gecko Group AG with effect from January 1, 2012 by way of an asset deal through a transferred reorganisation scheme. The seller was Dr Jan Markus Plathner, lawyer, in his capacity as insolvency administrator of the assets of the companies Gecko Group AG, Geckologic GmbH, Geckologic Installations GmbH, Geckologic Service GmbH and Geckologic Voltaik GmbH, all with Wetzlar as their place of incorporation. The acquirer was renamed Gecko Energies GmbH and has transferred its place of incorporation to Wetzlar.

CENTROSOLAR Group AG exercised control over Gecko Energies GmbH from the time of acquisition.

The principal business activity of Gecko is selling PV systems to private end customers and smaller business establishments. The regional focus of business is central Hesse and parts of Rhineland-Palatinate. Gecko's concept is to acquire customers through an active field force. Systems are installed in partnership with local firms of fitters. Gecko thus fits in with CENTROSOLAR's existing strategy of providing trade customers with a better-than-average service by not simply selling them individual products, but also offering the trade comprehensive solutions including integrated solar systems and the full range of accessories, technical service and sales support. Because the first-time recognition of this corporate acquisition has not yet been completed, the fair values of the identifiable acquired assets and liabilities to be determined as at acquisition could not yet be disclosed. The purchase price for the assets and liabilities is EUR 450 thousand and was paid in cash. The assets acquired are primarily intangible.

On February 23 the German Minister of Economics Rösler and Environment Minister Röttgen unveiled their plans to cut the financial incentives for solar power by around 20 to 30 %, depending on the size of a system, from April 1. Furthermore, in future only 85 to 90 % of a system's power yield is to be purchased at the guaranteed prices. In addition, this plan envisages a further monthly cut in the financial incentive by 0.15 ct/Wp from May.

In future, further scope for cutting feed-in tariff for solar power from new installations is to be created by decree if their level exceeds the targets set by the government.

If the bill is passed as planned, a marked slowdown in the German sales market is to be expected. At the same time the aspect of how much power the owner of a smaller roof system can use themselves is becoming more important, now that the feed-in tariff is well below the retail electricity price in Germany. Thanks to its focus on smaller roof systems and its far-sighted development of solutions to boost the proportion of power used by the operator efficiently, CENTROSOLAR is well placed to capitalise on this trend. The acquisition of Gecko Energies gives the company further incentive to bring on the development of such solutions faster and with greater customer focus.

The cutbacks are well in excess of the 15 % expected mid-way through the year, among other reasons because of the 85 % to 90 % volume cap. The announcement has therefore met with massive protests from industry associations and has also unsettled investors and banks. A number of state governments have moreover announced they will vote against the plans in the Federal Council. CENTROSOLAR is working on the assumption that the bill will undergo various amendments before it finally passes into law.

At February 28, 2012 the CENTROSOLAR Group had credit lines available until further notice amounting to EUR 46.3 million. Of this sum, EUR 28.8 million was not utilised. The group also had cash and cash equivalents of EUR 25.5 million. Centrosolar AG and Centrosolar Sonnenstromfabrik GmbH have reached a mutual agreement with their banks not to set up credit lines that are not scheduled to be needed. As a result of this arrangement, the credit lines totalling EUR 35 million available for these two group companies have been reduced to EUR 20 million in line with the requirements based on the current liquidity plans. It was also agreed with the banks to use the credit lines according to plan.

In March 2012 a supplier lodged subsequent claims based on a supply agreement, with the argument that CENTROSOLAR had not met its purchase commitments. The Management Board assesses the claim as groundless, among other reasons because the supplier did not supply any goods to the mutually agreed specification. If, contrary to the expectations of the Management Board, the supplier should assert its receivable for deliveries in full, the Management Board anticipates an economic disadvantage of up to EUR 1.8 million.

4 Related party disclosures

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

In August 2005 Ubbink B.V., the main shareholder of the company, and Renusol GmbH concluded a production agreement. 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. supplied goods to the total value of EUR 57 thousand (previous year EUR 4,096 thousand) to Renusol GmbH in arm's length transactions in 2011.

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 14 thousand (previous year EUR 130) was charged by CENTROTEC Sustainable AG in the 2011 financial year.

The CENTROSOLAR Group supplied the CENTROTEC Group with mounting materials to the value of EUR 580 thousand (previous year EUR 948 thousand) in arm's length transactions in the 2011 financial year.

Centrosolar Glas GmbH & Co. KG sold special glass to the value of EUR 1,219 thousand (previous year EUR 1,642 thousand) in arm's length transactions to Wolf GmbH, a subsidiary of CENTROTEC Sustainable AG, during the 2011 financial year. Centrosolar AG supplied Wolf with solar modules and integrated solar systems to the value of EUR 450 thousand (previous year EUR 0 thousand).

At the balance sheet date CENTROSOLAR had receivables amounting to EUR 80 thousand (previous year EUR 180 thousand) and liabilities of EUR 30 thousand (previous year EUR 0 thousand) in respect of Ubbink B.V. and its subsidiaries. There are no longer any receivables from CENTROTEC (previous year EUR 8 thousand); there are still liabilities of EUR 1 thousand (previous year EUR 69 thousand). There are receivables amounting to EUR 106 thousand (previous year EUR 0 thousand) from Wolf GmbH.

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 is therefore classified as a related party.

Other companies of the Pari Group are likewise 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, and the locating of, establishing of contacts with and acquisition of potential target companies. No remuneration arose in connection with this agreement.

On the other hand Pari Holding GmbH was billed the total amount of EUR 41 thousand (previous year EUR 37 thousand) for rent and administrative activities. Billing reflects the expenses incurred.

CENTROSOLAR had receivables amounting to EUR 3 thousand (previous year EUR 0 thousand) in respect of Pari Holding GmbH at the balance sheet date.

5 Management Board and Supervisory Board

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 New Markets & 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 1,530 thousand in the financial year (previous year EUR 1,099 thousand). Of this total remuneration, fixed and non-performance-related cash remuneration accounted for EUR 1,094 thousand (previous year EUR 988 thousand) and remuneration from stock options EUR 435 thousand (previous year EUR 111 thousand), the value of which was determined by analogy to the measurement rules of IFRS 2. In the 2011 financial year, 58,077 options (previous year 58,077) with a fair value of EUR 1.86 per option (previous year 1.59) 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 382 thousand (previous year EUR 346 thousand) as well as remuneration of EUR 145 thousand (EUR 37 thousand) in the form of stock options. Thomas Güntzer received fixed cash remuneration of EUR 364 thousand (previous year EUR 323 thousand) as well as remuneration of EUR 145 thousand (EUR 37 thousand) in the form of stock options. Dr Axel Müller-Groeling received fixed cash remuneration of EUR 348 thousand (previous year EUR 319 thousand) as well as remuneration of EUR 145 thousand (EUR 37 thousand) in the form of stock options.

In the year under review of 2011, 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)

Supervisory Board

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

Guido A. Krass, industrial lawyer,	Zurich, Switzerland; Chairman
Dr Bernhard Heiss, lawyer,	Munich, Germany; Deputy Chairman.
Martinus Brandal, entrepreneur,	Torod, Norway

In the year under review of 2011, 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) 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)
Martinus Brandal	None

The total remuneration of the Supervisory Board was EUR 90 thousand in the financial year (previous year EUR 72 thousand), in accordance with the articles of incorporation. Guido A Krass received Supervisory Board remuneration of EUR 40 thousand (previous year EUR 25 thousand), Dr Bernhard Heiss EUR 30 thousand (previous year EUR 24 thousand) and Martinus Brandal EUR 20 thousand (EUR 12 thousand). There exists a consultancy agreement with Dr Bernhard Heiss charged for by the hour, on the basis of which consultancy services are provided over and above the scope of the tasks of the Supervisory Board. He 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 Rödl & Partner GmbH. The amounts shown below contain no fees for other auditors of group subsidiaries.

Expenses for auditor

in EUR '000	2011	2010
Expenses for auditing of the financial statements	235	261
Other certification or consultancy services	1	3
Tax consultancy services	9	0
Other services	56	0
Total expenses	**301**	**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 27, 2012. The Supervisory Board is expected to approve the financial statements on March 28, 2012.

Munich, March 27, 2012

Dr Alexander Kirsch
[Chairman and Finance]

Thomas Güntzer
[New Markets & 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 27, 2012

Dr Alexander Kirsch
[Chairman and Finance]

Thomas Güntzer
[New Markets & 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 consolidated balance sheet, the consolidated income statement, the consolidated statement of movements in equity, the consolidated cash flow statement and the notes – for the financial year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of German commercial law pursuant to Section 315a (1) of German Commercial Code, as well as with the supplementary requirements of the articles of incorporation, 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. The scope of the audit was determined on the basis of a knowledge of the business activities and the economic and legal context of the company, as well as the likelihood with which particular errors were to be expected.

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 legal representatives, 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 with the additional requirements of German commercial law pursuant to Section 315a (1) of German Commercial Code, as well as with the supplementary requirements of the articles of incorporation, 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 27, 2012

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Wolfgang Kraus	Ronald Hager
(German Public Auditor)	(German Public Auditor)

GLOSSARY
OF TECHNICAL TERMS IN PHOTOVOLTAICS

Anti-reflective coating A coating applied to the glass of solar modules to assure especially low reflection and high transmission of light through to the solar cells which generate electricity.

BIPV The abbreviation for building-integrated photo-voltaic systems, where the solar modules are integrated into the roof's skin, in the place of tiles for example.

Building-integrated photovoltaic systems See BIPV.

Cells, crystalline Cells are made from crystalline silicon. When light strikes the sliced silicon, or cells, the energy present in the light is converted into power.

Collector The collector collects the sunlight and heats up the heat transfer fluid in the absorber, before it is transported to the calorifier.

Corrosion Decomposition of metallic materials as a result of a chemical reaction with oxygen.

Cover glasses Modules have a cover made from low-iron and therefore highly transparent glass to protect the cells against environmental effects.

Crystalline Crystalline silicon solar cells in the form of discs are cut from wafers (see Wafer) and play a significant part in the photovoltaic effect.

Degradation Reduction in the efficiency of a solar cell over time.

Feeding in Privately generated power that is fed into the public grid.

Feed-in tariff Payment for power fed into the grid.

Flat-roof installation When solar systems are installed on flat roofs, they are erected on special stands so as to achieve the optimum angle in relation to the sun.

Free-standing installation Denotes solar systems arranged on the ground or floor.

Grid-connected system Solar energy system that is connected to the public grid and is not exclusively for a private power supply.

Grid parity When internally generated power and power from the grid cost the same. The costs per kWh of solar power from a photovoltaic system depreciable over 20 to 25 years are often compared with the prevailing kWh market price for private consumers.

Ingot Polycrystalline or monocrystalline block from which the wafers are cut in the form of slices.

In-roof mounting See BIPV.

Integrated solar system Pre-assembled photovoltaic system (in particular modules, mounting systems and inverters) where all the elements required are coordinated as a single, integrated system.

Internal consumption Solar power that is used by the system's operator or by others in the immediate vicinity.

Internal consumption payment A payment under the German Renewable Energies Act for electricity that the system's operator uses.

Kilowatt peak (kWp) Unit of power; in the case of photovoltaic systems, the maximum value that is achieved in a standardised short-time exposure test is measured.

Module A solar module converts solar energy directly into electrical current by means of the photoelectric effect.

Module efficiency The efficiency of a solar module as declared by the manufacturer. Is expressed as the ratio between the electrical energy obtained from the system and the irradiated light energy.

Mounting system, solar module mounting system Mounting system for solar modules that aligns the modules in the direction of solar radiation either on the ground (open-site systems) or on the roof (roof systems) and secures the modules to the substrate.

Mounting systems System for mounting solar systems, for example on roofs.

Nanocoatings Extremely thin layers (measuring only thousandths of a millimetre) with specific properties and functions.

Net metering system System that meters the effective (net) power fed into the grid.

Off-grid systems Solar energy systems that are intended exclusively for self-supply and are not connected to the grid.

p, peak output Output of a solar energy system in standardised test conditions (maximum output).

Photovoltaics (PV) Technology for using solar radiation (sunlight) to generate power.

Photovoltaic module Because individual solar cells achieve only a low output (approx. 1.5 Watt), they are wired together into a solar module. This is fitted with a glass cover and usually also an aluminium frame to give it stability and help secure it.

Photovoltaic system A photovoltaic system, also referred to as a PV system or solar energy system, is a power plant in which solar radiation is converted into electrical energy by solar cells.

PID (potential induced degradation) An effect of ageing in solar modules that can be held in check by a careful choice of materials and manufacturing processes.

Polysilicon/polycrystalline/monocrystalline There are silicon-based solar modules – polycrystalline ones with a glittering crystalline structure, and monocrystalline ones with a uniform cell surface.

Rack See Mounting system.

Reflection "Bouncing back" radiation.

Renewable energies Refers to energy from sources that are either rapidly self-regenerating or are not depleted by their use.

Renewable Energies Act The German Renewable Energies Act (EEG) regulates the preferential treatment of power fed into the grid from renewable sources and guarantees fixed feed-in tariffs for its producers.

Roof integration Denotes that a solar system is embedded in the roof (see also BIPV).

Silicon The most important semiconductor used in the manufacture of solar cells.

Silicon, amorphous Silicon that does not exhibit a crystalline structure.

Silicon, monocrystalline Silicon that consists of a single crystal. Solar energy systems made from monocrystalline silicon are identifiable by their black colour.

Silicon, polycrystalline Silicon that consists of several crystals. It can be identified by its blue, structured colour.

Solar cells See Cells, crystalline.

Solar energy systems These convert sunlight/the sun's rays into usable energy (heat and electrical energy/power).

Solar engineer A fitter who specialises in the installation of solar systems.

Solar glass Special glass, with a particularly low iron content and therefore highly transparent.

Solar thermal The use of sunlight to heat water or support the heating system.

Thermal collectors See Collector.

Thin-film technology Thin-film modules do not consist of cells; instead they involve a photoactive semiconductor material such as CdTe (cadmium telluride) or CI(G)S (copper indium (gallium) selenide) applied to a backing layer (such as glass or copper sheeting) by vapour deposition.

Wafer Disks of crystalline silicon that can be transformed to cells.

CENTROSOLAR Group AG

Walter-Gropius-Strasse 15
D-80807 Munich
Phone: +49 89 201800
Fax: +49 89 20180555
E-mail: info@centrosolar.com
www.centrosolar-group.com

Solar Integrated Systems

Integrated Systems
Centrosolar AG
Stresemannstrasse 163
D-22769 Hamburg
Phone: +49 40 3910650
Fax: +49 40 39106599
E-mail: hamburg@centrosolar.com
www.centrosolar.com

Module Production
Centrosolar Sonnenstromfabrik GmbH
An der Westtangente 1
D-23966 Wismar
Phone: +49 3841 30490
Fax: +49 3841 3049399
E-mail: sonnenstromfabrik@centrosolar.com
www.centrosolar.com

Project Development
Centroplan GmbH
Am Pannhaus 2 – 10
D-52511 Geilenkirchen
Phone: +49 2451 62030
Fax: +49 2451 620315
E-mail: info@centroplan.de
www.centroplan.de

Solar Key Components

Mounting Systems
Renusol GmbH
Piccoloministrasse 2
D-51063 Cologne
Phone: +49 221 7887070
Fax: +49 221 78870799
E-mail: info@renusol.com
www.renusol.com

Solar Glass
Centrosolar Glas GmbH & Co, KG
Siemensstrasse 3
D-90766 Fürth
Phone: +49 911 950980
Fax: +49 911 95098519
E-mail: info@centrosolarglas.com
www.centrosolarglas.com

Germany
Centrosolar AG
Otto-Stadler-Strasse 23c
D-33100 Paderborn
Phone: +49 5251 500500
Fax: +49 5251 5005010
E-mail: paderborn@centrosolar.com
www.centrosolar.com

Germany
Centrosolar AG
Daimlerstrasse 22
D-87437 Kempten
Phone: +49 831 5402140
Fax: +49 831 5402145
E-mail: kempten@centrosolar.com
www.centrosolar.com

Germany
GeckoEnergies GmbH
Industriestrasse 8
D-35614 Asslar
Phone: +49 6441 870790
Fax: +49 6441 8707910
E-mail: asslar@geckoenergies.com
www.geckoenergies.com

Germany
GeckoEnergies GmbH
August-Horch-Strasse 2-4
D-56727 Mayen
Phone: +49 2651 705060
Fax: +49 2651 7050609
E-mail: mayen@geckoenergies.com
www.geckoenergies.com

Germany
GeckoEnergies GmbH
Hessenstrasse 23
D-65719 Hofheim
Phone: +49 6122 535630
Fax: +49 6122 5356310
E-mail: wallau@geckoenergies.com
www.geckoenergies.com

Belgium
CENTROSOLAR Belgie BVBA
Uitbreidingsstraat 80
B-2600 Berchem
Phone: +31 344 767002
Fax: +31 344 767003
E-mail: info,benelux@centrosolar.com
www.centrosolar.be

China
Centrosolar Glas Trading (HuZhou) Co,. Ltd.
Room 2314, LI HU Central Tower
Central Avenue 2988
313000 ChangXing
Phone: +86 572 6232165
Fax: +86 572 6232160
E-mail: info@centrosolarglas.com
www.centrosolarglas.com

France
Centrosolar France SARL
Espace Européen
15, chemin du Saquin, Bâtiment G
F-69130 Ecully
Phone: +33 4 69848710
Fax: +33 4 69848216
E-mail: info,france@centrosolar.com
www.centrosolar.com

France
Centroplan France SARL
Espace Européen
15, chemin du Saquin, Bâtiment G
F-69130 Ecully
Phone: +49 2451 6203408
E-mail: info@centroplan.de
www.centroplan.de

France
Renusol France SARL
Espace Européen
15, chemin du Saquin, Bâtiment G
F-69130 Ecully
Phone: +33 4 69848340
E-mail: info@renusol.com
www.renusol.com

Greece
Centrosolar Hellas MEPE
Ag. Alexandrou 57 – 59
GR-17561 Paleo Faliro
Phone: +30 210 6228791
Fax: +30 210 8131988
E-mail: info.hellas@centrosolar.com
www.centrosolar.com

United Kingdom
Centrosolar UK Ltd.
Building 3, Chiswick Business Park
566 Chiswick High Road
W4 5YA London
Phone: +44 208 8495740
E-mail: info.uk@centrosolar.com
www.centrosolar.com

United Kingdom
Centroplan UK Ltd.
Building 3, Chiswick Business Park,
566 Chiswick High Road
W4 5YA London
Phone: +44 208 8495740
E-mail: info@centroplan.de
www.centroplan.de

Italy
Centrosolar Italia S.r.l.
V,le de Lavoro 33
I-37036 S. Martino B.A. Verona
Phone: +39 045 8781225
Fax: +39 045 8798589
E-mail: info.italia@centrosolar.com
www.centrosolar.com

Italy
Centroplan Italia S.r.l.
Via di Grotte Portella, 6/8
I-00044 Frascati, Roma
Phone: +39 06 94015279
E-mail: info@centroplan.de
www.centroplan.de

Italy
Renusol Italia SRL
Corso Porta Nuova, 11
I-37122 Verona
Phone: +39 346 5788324
E-mail: info@renusol.com
www.renusol.com

The Netherlands
Centrosolar Benelux B.V.
De Prinsenhof 1.05
NL-4004 LN Tiel
Phone: +31 344 767002
Fax: +31 344 767003
E-mail: info.benelux@centrosolar.com
www.centrosolar.nl

Switzerland
Centrosolar Schweiz AG
Thunstrasse 162
CH-3074 Muri b. Bern
Phone: +41 31 9526066
Fax: +41 31 9526067
E-mail: info@centrosolar.com
www.centrosolar.com

Spain
Centrosolar Fotovoltaico España S.L.
World Trade Centre Moll de Barcelona s/n,
Edifici Nord, 7a planta
E-08039 Barcelona
Phone: +34 93 3435048
Fax: +34 93 3023846
E-mail: info.espana@centrosolar.com
www.centrosolar.es

Spain
Centroplan España S.L.
Moll de Barcelona,
Edificio Norte, 7a planta
E-08039 Barcelona
Phone: +34 93 3429588
Fax: +34 93 4813515
E-mail: info@centroplan.de
www.centroplan.de

USA
Centrosolar America Inc.
8350 E, Evans Rd., Ste E-1
Scottsdale, AZ 85260-3643
Phone: +1 480 3482555
Fax: +1 480 3482556
E-mail: info-usa@centrosolaramerica.com
www.centrosolaramerica.com

USA
Centrosolar America Inc.
47273 Fremont Blvd
Fremont, CA 94538-6502
Phone: +1 510 9336100
Fax: +1 510 9336159
E-mail: info-usa@centrosolaramerica.com
www.centrosolaramerica.com

USA
Centrosolar America Inc.
340 Campus Drive
Edison, NJ 08837-3940
Phone: +1 732 2254400
Fax: +1 732 2254401
E-mail: info-usa@centrosolaramerica.com
www.centrosolaramerica.com

USA
Renusol America, Inc.
201 17th Street, Suite 300
Atlanta, Georgia GA 30363
Phone: +1 877 8478919
E-mail: info@renusolamerica.com
www.renusolamerica.com

Canada
Centrosolar Canada Inc.
3415 14th Avenue, Unit C
Markham, Ontario, L3R OH3
Phone: +1 905 6044012
Fax: +1 905 6044105
E-mail: info-can@centrosolar.com
www.centrosolarcanada.com

FINANCIAL CALENDAR
2012

March 28	Analyst conference
	Publication of 2011 accounts
May 11	Publication of 1/2012 Quarterly Report
May 24	Annual General Meeting of Shareholders
August 10	Publication of 2/2012 Quarterly Report
November 9	Publication of 3/2012 Quarterly Report

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Text
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CENTROSOLAR Group AG

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

WE STAY ON!

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