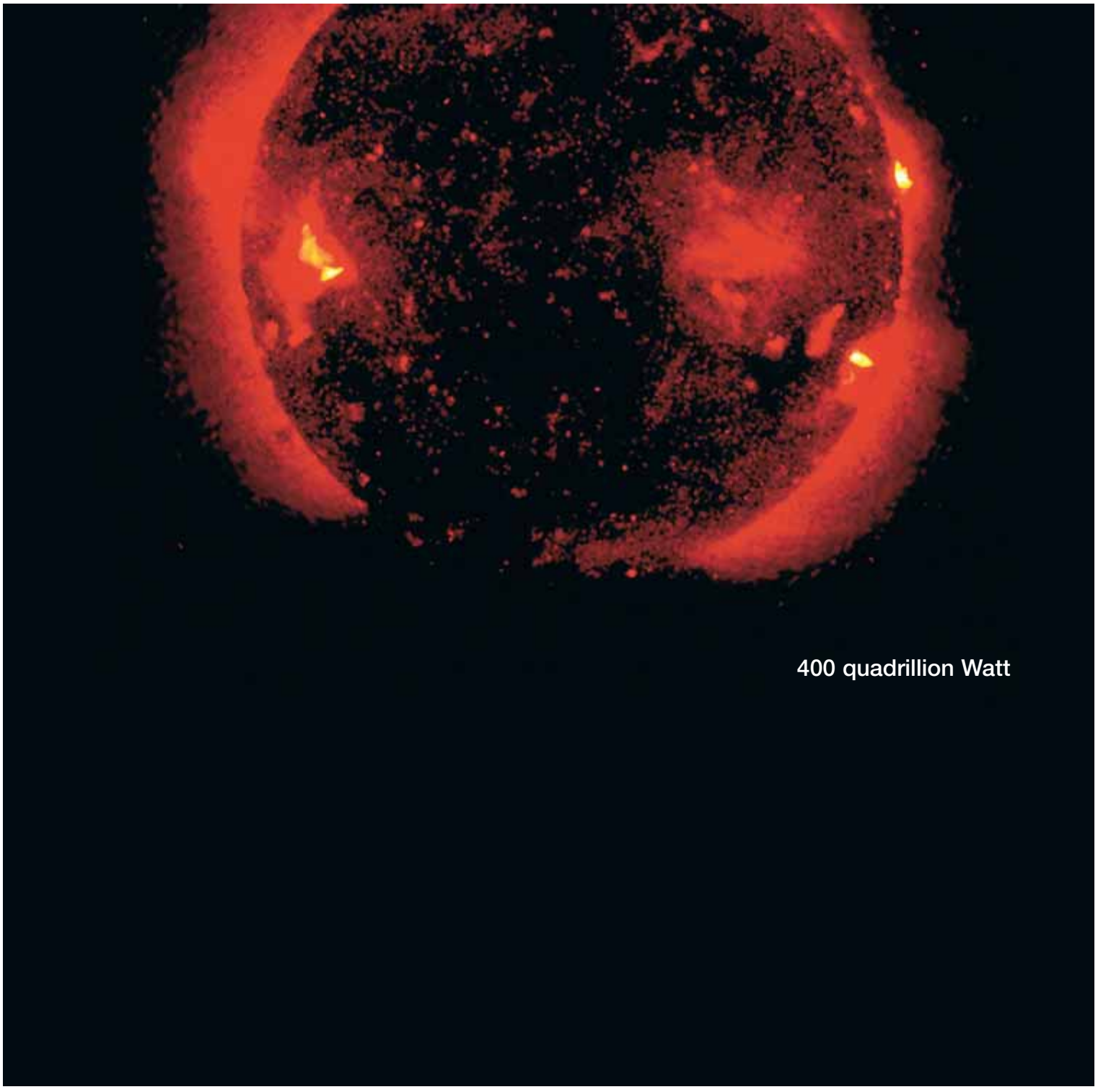
Annual Report 2005



CentroSolar
Aktiengesellschaft

400 quadrillion Watt

The sun is a huge power generator, with an output of some 400 quadrillion Watt. We now intend to tap into this renewable source of energy, to generate solar power for private houses. CENTROSOLAR last year emerged as one of the European market leaders in this segment, with revenue approaching EUR 90 million.

Key figures of the group

EUR '000	Pro forma [illustrative] 2005*	Financial statement 2005**	2004
Total revenue	**91,393**	**15,578**	**71**
Total sales	**89,369**	**15,107**	**0**
Solar Integrated Systems	**64,733**	**8,839**	0
Solar Key Components	**24,636**	**6,268**	0
Earnings			
EBITDA	**7,055**	**225**	65
EBITDA yield in %	**7.9 %**	**1.5 %**	
EBIT	**4,794**	**(80)**	43
EBT	**4,339**	**10**	43
EAT after minority interests	**2,631**	**61**	43
EPS (in EUR; basic)	**0.23**	**0.02**	0.16
Capital Structure			
Balance sheet total		81,336	87
Shareholders' equity		44,199	76
Equity ratio (in %)		54.3 %	87.1 %
Property, plant and equipment		4,696	0
Intangible assets		21,354	0
Goodwill		13,431	0
Net cash		1,452	12
Net working capital		7,544	64
Cash Flow Statement			
Cash flow I (EAT + depreciation amortisation)		347	65
Cash flow from operating activities		(1,801)	0
Cash flow from investing activities		(17,527)	0
Employees			
Total (in FTE)	ca. 250	157	0
Share			
Number of shares***	11,378,066	3,217,984	280,000
Share price 01.01.****			-
Year-high****		17.30	-
Year-low****		12.25	-
Share price 31.12.****		12.38	-

* Pro forma consolidation of the group companies (without Biohaus) since 01.01.2005
** pro rata consolidated since acquisition date
*** Weighted average shares outstanding (basic in thousand)
**** in EUR

Consolidated Income Statement 2005 and pro forma (illustrative)

EUR '000	Pro forma [illustrative] 2005**	Reconciliation	Financial statement 2005*
Revenues	**89,369**	**74,262**	**15,107**
Other operating income	2,024	1,553	471
Total revenue	**91,393**	**75,815**	**15,578**
Changes in inventories of finished goods and work in progress	0	1,683	(1,683)
Production for own fixed assets capitalised	0	(101)	101
Cost of purchased materials and services	(67,506)	(56,702)	(10,804)
Personnel expenses	(8,189)	(6,975)	(1,214)
Other operating expenses	(8,643)	(6,891)	(1,752)
EBITDA yield in %	7.9 %		1.5 %
EBITDA	**7,055**	**6,830**	**225**
Depreciation and amortisation	(2,261)	(1,956)	(305)
Operating income (EBIT)	**4,794**	**4,874**	**(80)**
Interest income and expenses	(455)	(432)	(23)
Result of at equity entities	0	(113)	113
Result before income tax (EBT)	**4,339**	**4,329**	**10**
Income tax	(1,778)	(1,810)	32
Net income (EAT)	**2,561**	**2,519**	**42**
Profit or loss attributable to minority interest	(70)	(51)	(19)
Profit or loss attributable to share capital holders of the parent (EAT after minority interest)	**2.631**	**2.570**	**61**
EPS (in EUR, basic)	**0.23**	**0.21**	**0.02**

* The consolidated income statement shows the income and expenses of the acquired companies on a time proportion basis, from the dates on which the takeovers were completed. The takeovers in question were all completed during the last quarter of 2005.

** The pro forma figures have been provided to facilitate a consideration of the full year 2005 by way of illustration. They assume that all the following companies would already have been acquired and included in first-time consolidation on January 1, 2005: Centrosolar Glas GmbH & Co. KG, Ubbink Econergy Solar GmbH, Ubbink Solar Modules B.V., Solarstocc AG, Solara AG including Solara Sonnenstromfabrik GmbH, and Solarsquare AG. The acquisition of Biohaus PV Handels GmbH in May 2006 was not included in the pro forma figures. This illustrative pro forma consideration does not form part of the consolidated financial statements and is unaudited.

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Letter to Shareholders

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

One thing in particular became clear to me last year. We need to change our approach. Much faster and more radically than most of us – myself included – previously imagined. We need to change both our technology and our attitudes in placing greater emphasis on sustainability. Because time is running out.

CENTROSOLAR has acted swiftly and systematically. We have entered the solar industry at a very rapid pace.

And we have advanced in major leaps, not tentative steps. CENTROSOLAR has already brought together no fewer than seven solar companies. Under its umbrella, CENTROSOLAR has moreover forged a dynamic team from the best pioneering figures from the solar industry, many of them among the longest in the business. Read more about the people behind this vibrant undertaking on pages 14 and 15.

Together, we can credibly present our goal of becoming a leading company in the distribution of photovoltaic (PV) solar energy systems. In Germany – easily the biggest PV market in the world – we have already achieved this by our joint efforts. But we are convinced that this market will go global (or will be obliged to – for want of any other alternative?). We have therefore already embarked on entering the emerging PV markets in other countries, too. Again with the aim of becoming one of the leading players.

The market for solar energy is enjoying immense growth. More and more countries are following the lead given by Japan and Germany and are promoting this technology of the future. We have chosen to focus on a particularly attractive segment of this market: small, non-central systems for private houses. That is where solar technology can play to its strengths. Zero gas emissions, zero noise, zero maintenance. Instead, a supply of power precisely where it is needed. For that market, we have opted to place the emphasis on top quality, aesthetic appeal and ease of installation. We develop concepts that represent a departure from the standard modules that are currently the norm, and strive for greater integration into the building, as well as architectural appeal.

As I said earlier, I myself realised only relatively recently what drastic changes lie ahead particularly in the domain of power generation, as well as in other areas. These are still early days.

With best wishes,

Dr. Alexander Kirsch
[Chief Executive Officer]

The CENTROSOLAR AG business model

The company's roots

Even if the present-day CENTROSOLAR AG has only been in existence since autumn 2005, the roots of this solar company go back to the early days of the Central European solar sector. One of the companies that have been brought under its umbrella, Solara AG, was among the earliest German pioneers of solar technology internationally. The founder and Management Board Chairman, Thomas Rudolph, acquired initial experience of photovoltaics at Solaris Sonnenenergie immediately after completing his studies, before establishing his own company at the start of the 1990s. The CENTROTEC Sustainable AG subsidiary Ubbink B.V., one of the principal shareholders of CENTROSOLAR AG, was likewise already active in energy-saving products in the mid-1990s, having specialised in mounting systems for integrated solar systems. In response to growing interest in such systems tailored to private houses, these solar activities were consolidated and hived off as the separate company CENTROSOLAR AG in August 2005. Various renowned suppliers of integrated systems, producers of modules and manufacturers of support systems, all of them at the forefront of the German solar sector, have now been brought together under the umbrella of CENTROSOLAR.

The "buy and build" strategy

CENTROSOLAR is pursuing a focused growth policy with a strong organic element, complemented by an active acquisitions policy.

This "buy and build" strategy has already proven highly successful at CENTROTEC Sustainable AG, and has been further refined with every new experience gained. All CENTROSOLAR takeover candidates must meet very specific criteria. These include strategic criteria as well as rigorous financial criteria such as historically stable margins and significant growth in cash flow. Above all, their activities should be positioned in a growth area of the solar market. Their management team, too, is gauged using strict criteria. It must have demonstrated enterprise successfully in the company's past, and continue to be prepared to contribute towards the overall performance by accepting a high degree of individual responsibility in a decentralised group structure.

Thanks to its rigorous selection policy, CENTROSOLAR has the necessary strength to preserve the successful brands and cultures of its subsidiary companies. At CENTROSOLAR, integration therefore means promoting the strengths that have been acquired. Conditions such as these drastically narrow down the field of potential candidates even before initial talks have been embarked upon. Companies that match these criteria can only be tracked down by searching constantly and actively. The current supply bottlenecks for silicon and solar cells mean that many market operators are requiring more capital (e.g. for advance payments), increasing the incentive for them to lock into a larger group with greater financial muscle. This state of affairs will continue to provide CENTROSOLAR with scope for operating successfully as a platform of consolidation for medium-sized companies in the downstream segment.

Acquired companies
[chronological]

- Flabeg Solarglas [Centrosolar Glas]
- Ubbink Econergy Solar
- Ubbink Solar Modules
- Solarstocc
- Solara
- Solarsquare
- Biohaus [not contained in the annual closing]

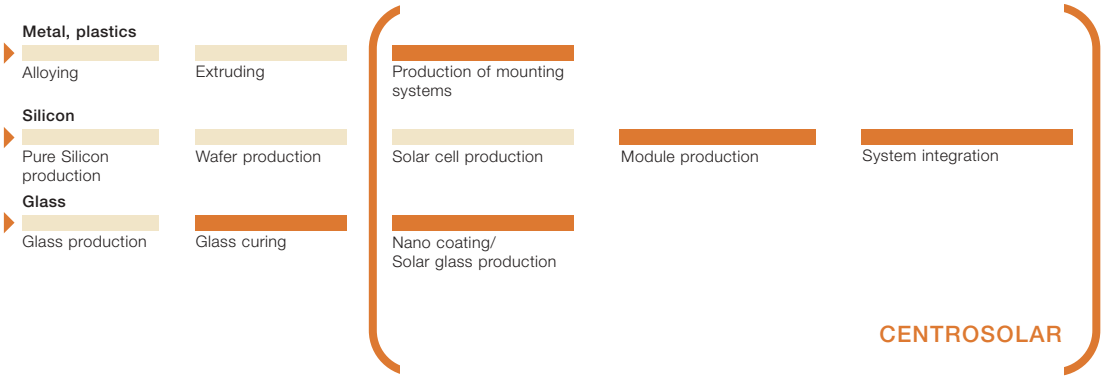
The downstream business model

Today, production of the silicon, wafer and cell accounts for around 40 % of the cost of manufacturing a PV system. The remaining 60 % or so is made up of module production, accessories, distribution and installation costs. CENTROSOLAR pursues a focused product policy and has concentrated on the manufacture and distribution of integrated solar systems and key components such as solar glass and solar mounting systems. Together with its own module production operations, CENTROSOLAR thus covers at least 45 % of the value creation process. The external fitter accounts for approximately 15 %. Technologically speaking, the silicon, wafer and cell production processes are more involved than the downstream value creation stages, and to some extent rank as high-tech. Yet downstream production and distribution business offers the prospect of more stable returns in the long term.

Studies such as that carried out by the German Society for Aviation and Aerospace anticipates that the production capacity required will outstrip demand for metallurgical grade silicon on the world market by 2010 at the latest. The consequences will be stiff competition in the technologically oriented value creation stages, normalisation of the silicon market that is currently still dominated by short supply, and therefore a fall in income for those market operators. The risks from technological paradigm shifts e.g. from crystalline cells to thin-film technology are moreover lower. The downstream business model is dictated not by capital-intensive investment in production facilities, but by market access and exposure to customers.

Thanks to its well-established group companies and the parent CENTROTEC, CENTROSOLAR has access to excellent, long-standing contacts with the specialist technical trade throughout Europe.

Value chain in the solar industry
[in process steps]



The three-stage distribution channel

CENTROSOLAR products and systems are sold throughout Germany, predominantly via wholesale partners such as specialist electrical wholesalers or specialist plumbing and heating wholesale suppliers. These long-standing business partners are served individually by key account service and sales teams. The wholesale trade benefits from an extensive product range and established distribution structures with dependable customer relations and strong brands already established in the marketplace. Service in the form of technical planning aids, in-house training courses and specialist seminars for installers and fitters also help the large, dynamic sales force for the technical wholesale trade to market the solutions supplied by the companies that make up CENTROSOLAR AG. The advantages to CENTROSOLAR of this three-stage distribution channel, via the wholesaler to the fitter, and from there to the consumer/user, are lower distribution costs than for direct sales, lower prefinancing risks and above all a huge multiplier effect.

The specialist wholesale trade's growing market share of solar business

Even if the three-stage distribution channel still plays a relatively minor role in 2005, accounting for around one-fifth of the overall market (own estimate, Ernst & Young), there is substantial evidence that this distribution channel is growing faster than direct sales. The solarthermics business has already followed a similar pattern.

A further reason for this development is that integrated systems are becoming increasingly easy to install, and can be fitted reliably and profitably by skilled fitters.

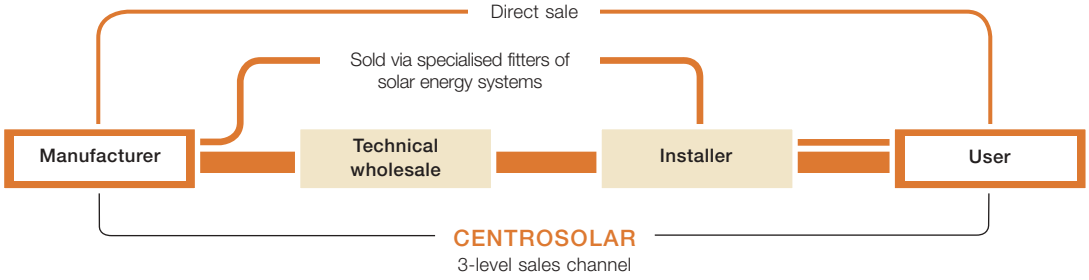
Particularly in the case of systems for private houses, knowing a trusted local fitter plays an important role in the decision to invest in a solar energy system.

The route to the European market

CENTROSOLAR's home market Germany is the largest regional sales market before Japan. Via the CENTROTEC network throughout Europe and CENTROSOLAR's own bridgeheads in the Netherlands and Switzerland, the company moreover has access to the advanced infrastructure of the wider group for its forthcoming international expansion. CENTROTEC already has production, logistics and even technology centres in D, NL, BE, UK, F, I, DK, AU and CH, as well as in Singapore and Indonesia.

Chain of distribution in the PV market

[in EUR million]



The CENTROSOLAR network

	Production	Distribution	Logistics	R&D	Sale
Germany	●	●	●	●	●
Netherlands *	●	●	●	●	●
Belgium *		●	●	●	●
Great Britain *		●	●	●	●
France *		●	●	●	●
Italy *		●	●	●	●
Denmark *	●	●	●	●	●
Singapore/Indonesia *	●	●	●		●
Austria *					●
Switzerland					●
Spain **		●	●		●

* via CENTROTEC

** via Biohaus

Financial calendar 2006

03 March, 06 Extraordinary Shareholders' meeting

05 May, 31 Q1-Quarterly report

07 Annual Shareholders' meeting

08 August, 31 Q2-Quarterly report

11 November, 15 Q3-Quarterly report

Chronology of CENTROSOLAR AG in 2005

09 Purchased: Flabeg Solarglas GmbH & Co KG, 70 employees, EUR 25 million revenue in 2005

Transferred as contribution in kind:
Ubbink Econergy Solar GmbH / 6 employees, EUR 4 million revenue in 2005, and Ubbink Solar Modules B.V. / 13 employees

Listing of CENTROSOLAR AG on Regulated Unofficial Market.

10 Purchase of 66 % of shares of Solarstocc AG, 35 employees (incl. trade representatives), EUR 22 million revenue in 2005.

11 Safeguarding of procurement sources by concluding a 3-year supply agreement for solar cells and modules for 36 MWp in total.

11 Purchase of 20 % of shares of Solara AG, 100 employees, EUR 40 million revenue in 2005. Purchase option secured for the remaining 80 %.

12 Acquisition of the solar trading company Solarsquare, Switzerland.
CENTROSOLAR acquires Solarsquare AG and thus also secures a 3-year supply agreement for solar modules amounting to 33 MWp.

Events occurring after the balance sheet date

Acquisition of the remaining shares in Solara AG, D.

Opening of a new module production plant in Doesburg, NL.
At least 4 MWp will be produced there in 2006. Output is to reach at least 20 MWp by 2010.

Acquisition of Biohaus PV Handelsgesellschaft GmbH, D.
(Not included in financial statements for 2005)

Chronology of the individual companies

1985 Establishment of Biohaus, Paderborn

1996 Establishment of Solara, Hamburg

1997 Development of a solar mounting system for sloping roofs (CENTROTEC)

1999 Development of a further solar mounting system by Ubbink (CENTROTEC)

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

2001 Biohaus becomes market leader for solar roof tiles

2001 Opening of a new solar module production plant in Wismar (Solara)

2002 Establishment of Solarstocc
Establishment of Flabeg Solarglas and market launch of the anti-reflective nano-coating (Centrosolar Glas)

2003 Development of the Powerstocc generation of converters (Solarstocc)

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

2004 Purchase of patents for solar mounting systems for industrial roofs and establishment of Ubbink Econergy Solar (CENTROTEC)

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

Once upon a time there was…

A physicist. He graduated in his favourite subject: solar cell technology. He was commissioned by Holecsol Components (later Shell Solar), which had acquired a licence from Solarex (heute BP Solar), to design a completely new production line. And like other pioneering physicists, as well as having a rather wild hairstyle he worked best when he felt he was not tied to his desk. His name was John van Laarhoven, head of our recently opened module production line in Doesburg, NL.

The Locations of CENTROSOLAR AG

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

3_Solarstocc (D)
Solarstocc AG is very well established in Germany as a systems integrator that has specialised in small to medium-size integrated systems, particularly for private houses. The solar modules are manufactured in custom form. A supply of materials sufficient for 13 MWp per year has been contractually secured for the next three years thanks to the capital injected into the company by CENTROSOLAR through the acquisition. The systems and components are sold exclusively via specialist wholesalers.

Solar Integrated Systems

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

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

1_Centrosolar Glas (D)

Centrosolar Glas GmbH & Co KG (formerly Flabeg) came into being in 2000 when a section of the Pilkington Group was hived off; it has quadrupled its revenue since then. Particularly the patent-protected nano-coating process for producing anti-reflective finishes has now achieved a notable revenue share in excess of 30 %. This method, which offers remarkable USPs and is available from only one other competitor anywhere in the world, is capable of boosting the annual yield of a PV module/solar collector by 5 – 10 %.

2_Ubbink Econergy Solar (D)

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

Solar Key Components

3_Biohaus (D)

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

4_CENTROSOLAR AG (D)

The central group company has its head offices in Munich.

5_Solarsquare AG (CH)

In 2005 CENTROSOLAR AG acquired Solarsquare AG, a solar trader based in Meggen, Switzerland, thus securing a further three-year supply agreement for solar modules with a total output of 33 MWp.

Management Board

[from left to right] Dr. Axel Müller-Groeling, Dr. Alexander Kirsch, Dr. Gert-Jan Huisman, Thomas Güntzer

Dr. Axel Müller-Groeling

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

Dr. Alexander Kirsch

[Chief Executive Officer]

Dr. Alexander Kirsch (40), a Doctor of Business Management, is the CEO and CFO of CENTROSOLAR AG. He has also belonged to the Management Board of CENTROTEC Sustainable AG since 1998, where he is responsible for strategy and expansion, as well as for all acquisitions. His previous employers include McKinsey & Company.

Dr. Gert-Jan Huisman

Dr. Gert-Jan Huisman (37) is a Doctor of Business Management and, until his forthcoming move to the Supervisory Board of CENTROSOLAR AG, is responsible for the integration of the CENTROTEC companies. He is CFO (since 2000) and CEO (since 2002) of CENTROTEC Sustainable AG. His career includes over 13 years' management experience in Germany and the Netherlands, including more than five years as Senior Consultant and Project Manager at McKinsey.

Thomas Güntzer

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

Supervisory Board

[from left to right] Dr. Bernhard Heiss (Chairman), Friedrich Lützow (Deputy Chairman), Hans Wiertz



The Management

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

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

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

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




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

Ulrich Bernhard Hofmann
(35/ Vice President Strategy/Controlling of CENTROSOLAR AG since 2006)
The Business Management graduate and MBA previously worked as a Senior Consultant and expert on corporate finance at McKinsey and PriceWaterhouseCoopers. He has more than seven years' experience in the energy sector and finance industry, focusing on strategy, mergers & acquisitions, corporate appraisal and restructuring.

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






Thomas Rudolph
(41/ sole director of Solara AG since its founding in 1996)
The Business Management graduate has been working in the photovoltaics sector for 18 years. He co-developed the 1,000 Roofs Programme, for example. Before co-founding Solara AG, he was first Financial Director and then Managing Director of Solaris Sonnenenergie, Hamburg.

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

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

Günther Wühr
(45/ Vice President Finance of CENTROSOLAR AG since 2006)
The Business Management graduate spent over 10 years working for a company in the machinery and plant engineering sector. For the past three years, he was CFO of a company in the field of renewable energies.

Segments & Products

We both use and beautify roof surfaces

Photovoltaic systems covering 0.05 % of the world's land mass (as calculated by the German Centre for Aviation and Aerospace) would be sufficient to meet the entire world's electricity requirements. For its part, CENTROSOLAR uses roof surfaces – a solution that is as aesthetically pleasing as it is practical.

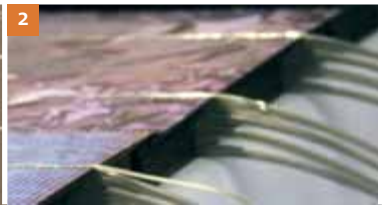
[Photo by courtesy of Econcern]


1

1-2_Own module production plants

CENTROSOLAR manufactures its own modules at Doesburg, NL (1) and Wismar, D (2). Solara Sonnenstromfabrik, Wismar is a subsidiary of Solara AG and has specialised in S Class modules.


2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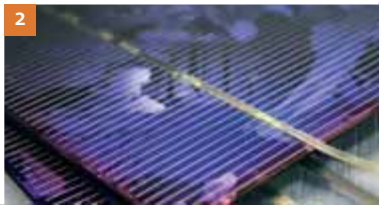

2

Solar Integrated Systems

Solar Integrated Systems

SOLARA AG
Energie aus Sonne und Wind

Solar Integrated Systems_Solara

Solara M Series_
Stand-alone solar energy systems for detached houses, mobile homes and maritime use

Solara is the market leader for photovoltaic systems that are operated independently of a grid. These highly robust M Series systems first demonstrated their superiority on boats, yachts, buoys or life-rafts and are now also used on mobile homes, weekend homes and pay and display ticket machines. The crystalline high-performance cells are highly efficient even in diffuse light and at times of year when light levels are low, and are absolutely weatherproof, impact-resistant and saltwater-resistant, and even exhibit promenade properties.

Excerpt of an article in Börsenzeitung, issue December 30, 2005, about a study by the Swiss bank Sarasin:

"The biggest potential lies in the needs of the two billion people worldwide who have no access to electricity from a grid."

Solara S Class_
Solar power for detached and apartment houses

With a solar energy system from Solara, a 30 square metre area suffices to supply the household with electricity – including in diffuse light conditions and at times of year when there is less sunlight. 72 polycrystalline high-performance cells per solar module convert light reliably into electricity and make the most of the available energy by producing an annual 900 kW of power per 10 square metres. The S Class modules can be integrated both into grid-connected systems and into systems for stand-alone operation that are not connected to the grid. Thanks to ultramodern mounting systems, the fitter can install a complete solar system on the roof of a detached house in just two days. The S Class modules moreover feature an anti-reflective layer on the surface of the glass, to maximise the yield.

3_Solara M Series

Solara is the market leader for photovoltaic systems that are operated independently of a grid.

Stand-alone solar energy systems are suitable e.g. for detached houses, mobile homes, maritime use and road signs.

4_Solara S Class

This premium class for grid-connected systems guarantees high yields even at Northern European latitudes.

Solar Key Components

1_Biosol I 106

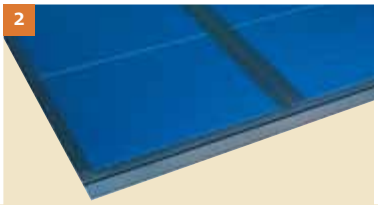
The system is based on monocrystalline laminates from the Spanish manufacturer Isofotón. The module has an output of 106 Wp.

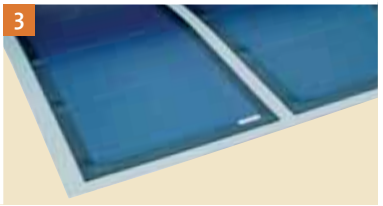
2_Biosol XXL solar roof tiles

Thin-film laminates from the partner UniSolar. Triple-junction technology assures very high yields even in diffuse light conditions.

3_Biosol PV Plate

The new Biosol PV plate product line consists of 5 square metre surface modules with UniSolar laminates based on thin-film technology.





Solar Integrated Systems

Solar Integrated Systems_Biohaus

Integrated systems from Biohaus

Biohaus PV Handels GmbH is a wholesaler of photovoltaic systems that are distributed via a network of sales partners throughout Germany and in other European countries. Biohaus is the main distributor of the Spanish manufacturer Isofotón, whose products have been launched in the German market primarily by Biohaus. Isofotón is among the world's leading cell manufacturers. The Spanish modules are notable for their superb quality and extra-long warranty period. As well as Isofotón, Biohaus supplies modules from other leading manufacturers such as Sunways, MSK and Chaori. The range of ultra-efficient solar modules is characterised by very high efficiency levels and proven performance.

One focal activity of Biohaus concerns the integration of solar energy systems into the building shell, also meeting high aesthetic standards. Biohaus supplies both individual solutions and integrated solar systems incorporating all other components such as the converters, leads and mounting systems as well as the solar modules themselves.

Biosol – the brand from Biohaus

As well as trading in solar modules, Biohaus has been a successful manufacturer since 2001. Its own brand Biosol was developed as long ago as 2000 as a large solar roof tile, manufactured initially in Malaga, Spain, and then in Paderborn from 2003 on. Thanks to the functional production approach, it was possible to respond rapidly and flexibly to market requirements. Biosol today makes crystalline in-roof and on-roof modules for use both on the roofs of private houses and in agriculture and industry. All crystalline Biosol products are manufactured from anti-reflective glass, which boosts income. The in-roof solar roof tile S180 P is the optimum combination of roof element and power generation, based on polycrystalline Solon laminates. Biosol S180 P is used primarily on roofs being restored or re-roofed. Alongside crystalline high-performance modules and in-roof tiles, a further focal area of Biohaus is thin-film technology, which is emerging as a genuine alternative to conventional crystalline cells at a time when silicon is in short supply.

4_Biosol I 106

The in-roof system Biosol I 106 ideally combines the functions of roof element and power generation.

5_Biosol XXL solar roof tile

The large solar roof tile XXL is primarily intended for large surfaces in agriculture and industry.

6_Biosol PV Plate

The film laminates bonded to a coated sheet metal panel are the ideal solution for open sites, dumps and industrial roofs.

Solar Key Components

1_The SL Series

The SL Series is the mainstay of Solarstocc AG's revenue. These superlative polycrystalline modules are available in a variety of sizes and can consequently be integrated perfectly into any roof where looking good is important.

2_The X Series

Solarstocc also carries equipment in the medium price bracket, in the guise of X Series monocrystalline modules. The design can be varied by means of customised background films.

3_The S Series

The S Series comprises modules in the medium price bracket and is especially suitable for use on large-area roofs.

Solarstocc AG
PROFISYSTEME AUS DEUTSCHLAND

Solar Integrated Systems_Solarstocc

Integrated systems from Solarstocc

Solarstocc's easy-to-install integrated systems are to be marketed to specialist fitters via technical wholesalers, for installation in private houses. This sales channel represents something of a new departure in the field of solar energy systems. Yet local roofers, electricians and heating engineers have discovered solar technology to be a lucrative source of supplementary business. They will now be able to source the right all-in systems from technical wholesalers, who are their accustomed suppliers. These include renowned sales partners such as Hagemeyer, GC Group, Schulte and Reisser.

PowerStocc – the family of converters from Solarstocc

Electronic components, from switch cabinets and counters to converters, are developed and built specially for photovoltaic applications. Solarstocc is a leading player particularly for central converters, the virtues of which include optimum heat management and extremely high efficiency. The new PowerStocc converter series from Solarstocc combines very efficient power electronics from Danfoss Silicon Power Technologie with integrated driver circuitry. The low distortion factor of less than two percent helps to stabilise the network. PowerStocc converters guarantee maximum income for the system's operator. By intelligently combining different PowerStocc modules, any size of system, from small private systems to large-scale systems with an output running into megawatts, can be configured. The configuration software "My Solarstocc Project" supports the planner or fitter in this task.

4 – 6_PowerStocc

The family of converters from Solarstocc has been developed specifically for photovoltaic uses by Solarstocc, along with all other electronic hardware and software. This includes configuration software for the fitter, operating software for the operator (5) and various sizes and versions of converters (4,6).

4

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6

Solar Key Components

1-7_Probably the most modern module production line in the world

At the very heart of the fully automated module line at Ubbink Solar Modules is the tabber-stringer-transfer of the unstacked solar cells for the soldering process, where rows of five cells at a time are connected up. The subsequent process of placing on the glass pane coated with EVA film likewise takes place entirely automatically.

Busbars connect up the individual solar cells into complete modules. The solar power generated in the individual modules of a complete system is then fed into the central converter via the junction box.

Solar Integrated Systems_Solar Modules

Solar modules

CENTROSOLAR modules are manufactured partly at its own module production plants such as the one in Doesburg, at the subsidiary Ubbink Solar Modules, or in Wismar, at Solara Sonnenstromfabrik. They are also in part bought in from world-leading suppliers such as Q-Cells AG, based in Germany, in many cases according to CENTROSOLAR's own specifications. In keeping with the exacting requirements of the private users of CENTROSOLAR products, high quality and compatibility with all other components from leading manufacturers are guaranteed.

All modules are tested individually under the binding "Standard Test Conditions", an internationally recognised test certificate for monocrystalline and polycrystalline cells, before they can be dispatched and installed. The guaranteed service life is up to 26 years. "Backside contacted cells", for which the supplier Solland holds a licence from the Dutch energy research institute ECN, will likewise be processed into modules in Doesburg from 2007. These cells are electrically interconnected on their underside, increasing the effective area of the side facing the sun and thus boosting the guaranteed efficiency to more than 16 %.

Research & Development

Increasing the energy yield of solar applications is at the heart of all development and improvement efforts, whether through plans to introduce new, more effective cell types such as the backside contacted cell technology launched by Solland, or through the development of solar glasses with ultra-high light gathering power and the refinement of thin-film technology.

4 

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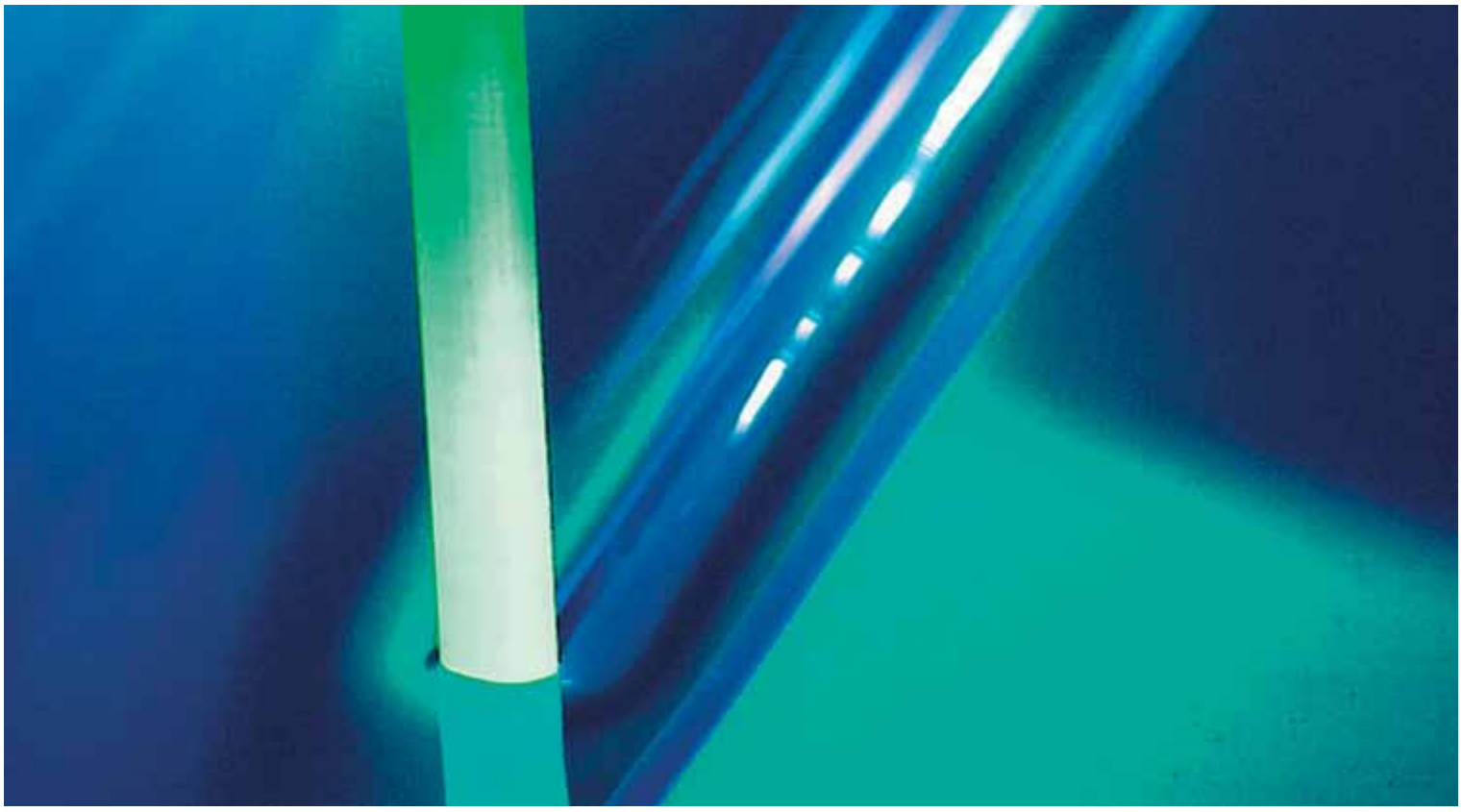
Solar Key Components



1_No-drop features

The patented nano-coating of the solar glasses imparts a dirt-repellent finish and improves the self-cleaning effect.

2_Patented nano-coating for AR

Anti-reflective properties that increase the energy yield of PV systems and solar collectors by around 5 % are achieved with the nano-coating.

Solar Integrated Systems

Solar Integrated Systems

Solar Key Components_Solar Glasses

Solar Key Components

CENTROSOLAR manufactures and supplies not only complete systems, but also key components. This components business, which accounts for some 25 % of overall revenue, is more independent of the situation on the procurement market for solar silicon. The customer benefits and profit margins are higher in these niche areas, which are protected by patents, than in the business area for cells and modules, which is more intensely competitive. Centrosolar Glas GmbH & Co. KG is the market leader for solar glasses with anti-reflective coatings.

Solar glass – protecting and boosting the output of solar energy systems

Solar glasses protect the modules/collectors against the high mechanical and thermal loads to which a solar energy system is exposed as a result of being open to the elements. Centrosolar Glas covers are extremely robust. They can moreover be ordered with special nano-coatings. This reduces reflection of the sun's rays and improves solar transmission, and consequently the energy yield of photovoltaic and solarthermal systems.

3_Tempering

Ultra-low-iron glasses with high light transmission can be finished in the new glass stove at Centrosolar Glas.

4_Dip coating

The solar glasses are given their anti-reflective layer by the patented nano-coating method in clean-room conditions.

5_Solar collectors

Centrosolar Glas also supplies manufacturers of solar collectors with glass e.g. with an anti-reflective coating.

6_PV modules

The main area of application of anti-reflective solar glasses is PV systems that have to satisfy high functional and aesthetic standards.

Solar Key Components

1_ConSole

The quick and easy way to mount solar energy systems on flat roofs.

2_InterSole

Integrated solar mounting system for sloping roofs.

3_VarioSole

Surface-mounted solar mounting systems for sloping roofs.

Solar Integrated Systems

Solar Integrated Systems

Solar Key Components_Mounting Systems

Solar mounting systems_For surface-mounted, in-roof, flat-roof or ground-level arrangements

CENTROSOLAR is the European market leader for plastic mounting systems for photovoltaics, and has many years of experience in the development and production of mounting systems. The patented systems satisfy extremely high standards of technology, quality and appearance. The individual requirements of private users who wish to see the solar panels integrated into their specific roof in a particularly stylish way can also be met by the CENTROSOLAR specialist Ubbink Econergy Solar.

ConSole_The quick and easy way to mount solar energy systems on flat roofs

This patented plastic mounting system does not need to be dowelled to the sensitive roof skin. It is simply filled with gravel or stone slabs as ballast. The PV modules are then bolted to these ballast shells.

InterSole_Integrated solar mounting system for sloping roofs

The patented product InterSole is the ideal system for integrating all sizes and makes of PV modules into sloping roofs in a back-ventilated, watertight, problem-free arrangement. The modules can be installed both length-ways and width-ways.

VarioSole, QuickStocc, ConStocc_ Surface-mounted solar mounting systems for sloping roofs

CENTROSOLAR can supply mounting systems that are fitted on top of the pantiles in a wide range of materials, colours and types. As well as being straightforward to mount and securely anchored, the homeowner's aesthetic requirements are again a big priority.

4_Ease of installation

The systems can be installed very rapidly thanks to the mounting system.

5_Secure grip

Patented solutions such as QuickStocc mean that systems are securely anchored to the roof beams.

6_Lead-free seals

The connections, too, should help to protect the environment. Ubiflex is the name of the new lead substitute.

7_Patent protection

The ConSole ballast shells for flat-roof arrangements are protected by patents.

Report of the Supervisory Board

The Supervisory Board of CENTROSOLAR AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2005 financial year, on the basis of Management Board reports and joint meetings, in accordance with the law, the company's articles of incorporation and the rules of internal procedure.

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

Mid-way through 2005, the former AutoInfo AG was renamed CENTROSOLAR AG, signalling the start of its entry into the solar market. Subsequent developments included the integration of five companies into the newly created group and an option to acquire a further company, this option being exercised at the start of 2006. The company was included in the Regulated Unofficial Market of the Frankfurt Stock Exchange on September 29, 2005.

With effect from August 12, 2005 two of the previous Supervisory Board members of the former AutoInfo AG resigned. On that day, Herr Lützow and Herr Wiertz were appointed to the Supervisory Board by the Shareholders' Meeting. After the third Supervisory Board member of the former AutoInfo AG surrendered office, Dr. Heiss was appointed to the Supervisory Board by resolution of the Local Court of Munich dated September 22, 2005.

The Supervisory Board held a total of six plenary meetings during the 2005 financial year, and held six further meetings by telephone or telefax. It was informed comprehensively by the Management Board of the company's business progress, and in particular of forthcoming company acquisitions, of the development in its revenue, orders, financial performance and financial position and of the company's discernible opportunities and risks of future development. All Supervisory Board members attended all meetings 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 in addition submitted. The Management Board satisfied the information and reporting requirements laid down by the Supervisory Board in every respect.

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

The individual matters discussed comprised:

- The strategic direction
- Acquisitions in progress and in preparation
- Important individual transactions
- Changes to negotiable instruments law
- Major investment decisions
- Remuneration structures of the Management Board and management employees
- The efficiency of the Supervisory Board's own activities
- The selection and monitoring of the independent auditor
- The culture within the company and social issues
- Various topics concerning the operative companies.

Any Management Board decisions requiring the ratification of the Supervisory Board were studied and approved.

As the Supervisory Board has only three members, there are no committees. All matters were discussed by the full board or with the aid of appropriate communication media. The accounts, annual financial statements, management report, consolidated financial statements and group management report at December 31, 2005 have been examined by the auditors PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Kassel, who have given their unqualified certification thereof. A copy of the auditors' report was sent to each member of the Supervisory Board, discussed with the auditors at the meeting of the Supervisory Board and acknowledged as approved.

The Supervisory Board has examined the annual financial statements and consolidated financial statements, including group management report, as drawn up by the Management Board, as well as the dependence report drawn up by the Management Board as a precautionary measure. The examination by the Supervisory Board revealed no cause for objection. The annual financial statements of the company and the consolidated financial statements at December 31, 2005 were approved by the Supervisory Board. The annual financial statements issued by the Management Board were granted the unqualified approval of the Supervisory Board, and are thus established pursuant to Section 172 (1) of German Stock Corporation Law.

Pursuant to Section 292a (1) and (2) of German Commercial Code, the company exercised the exemption from the requirement to prepare consolidated financial statements in accordance with German law.

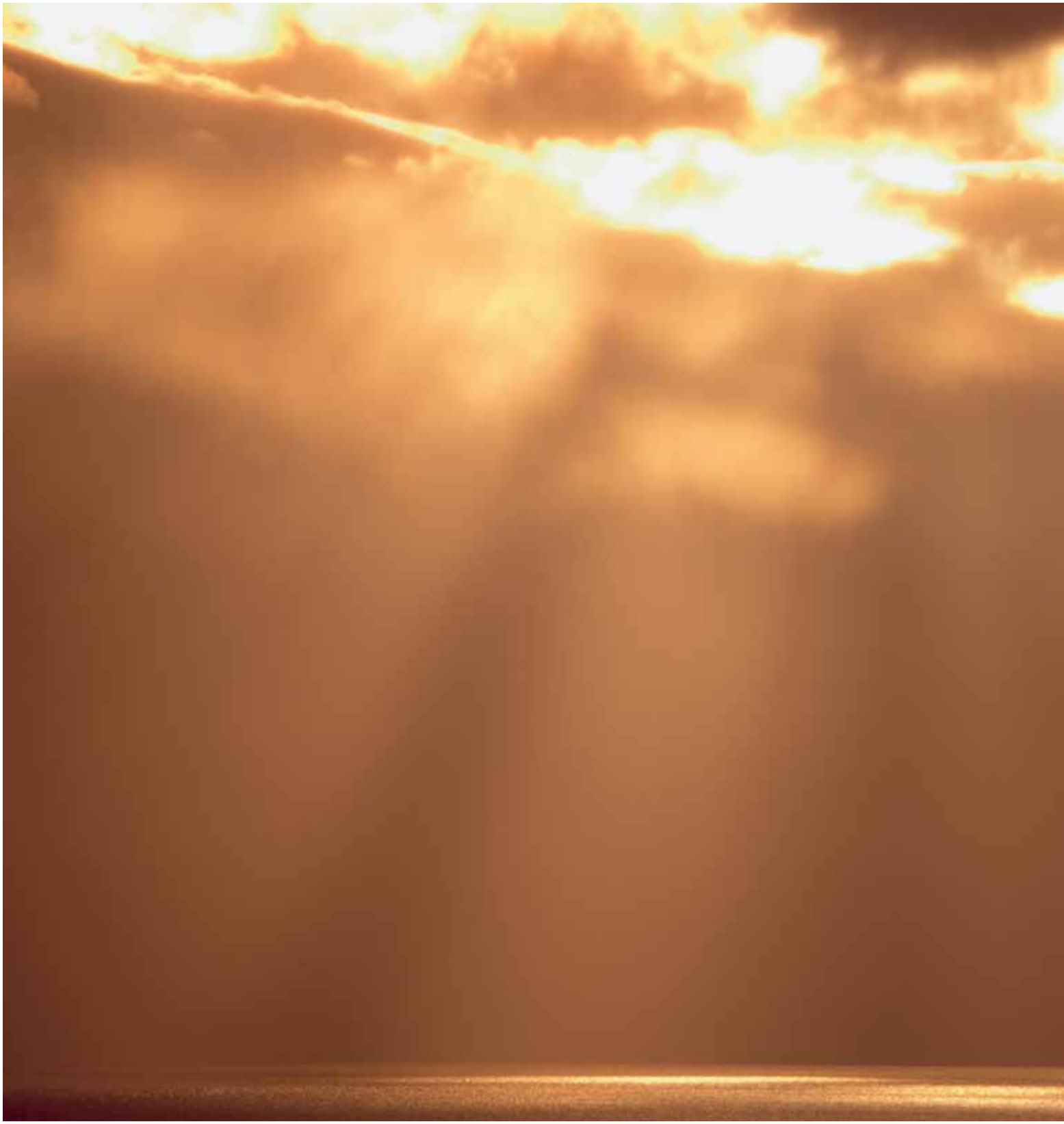
The Supervisory Board expects that the company will further enhance its performance in highly promising areas of activity, and that it will generate a good return on investment in the interests of its shareholders.

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

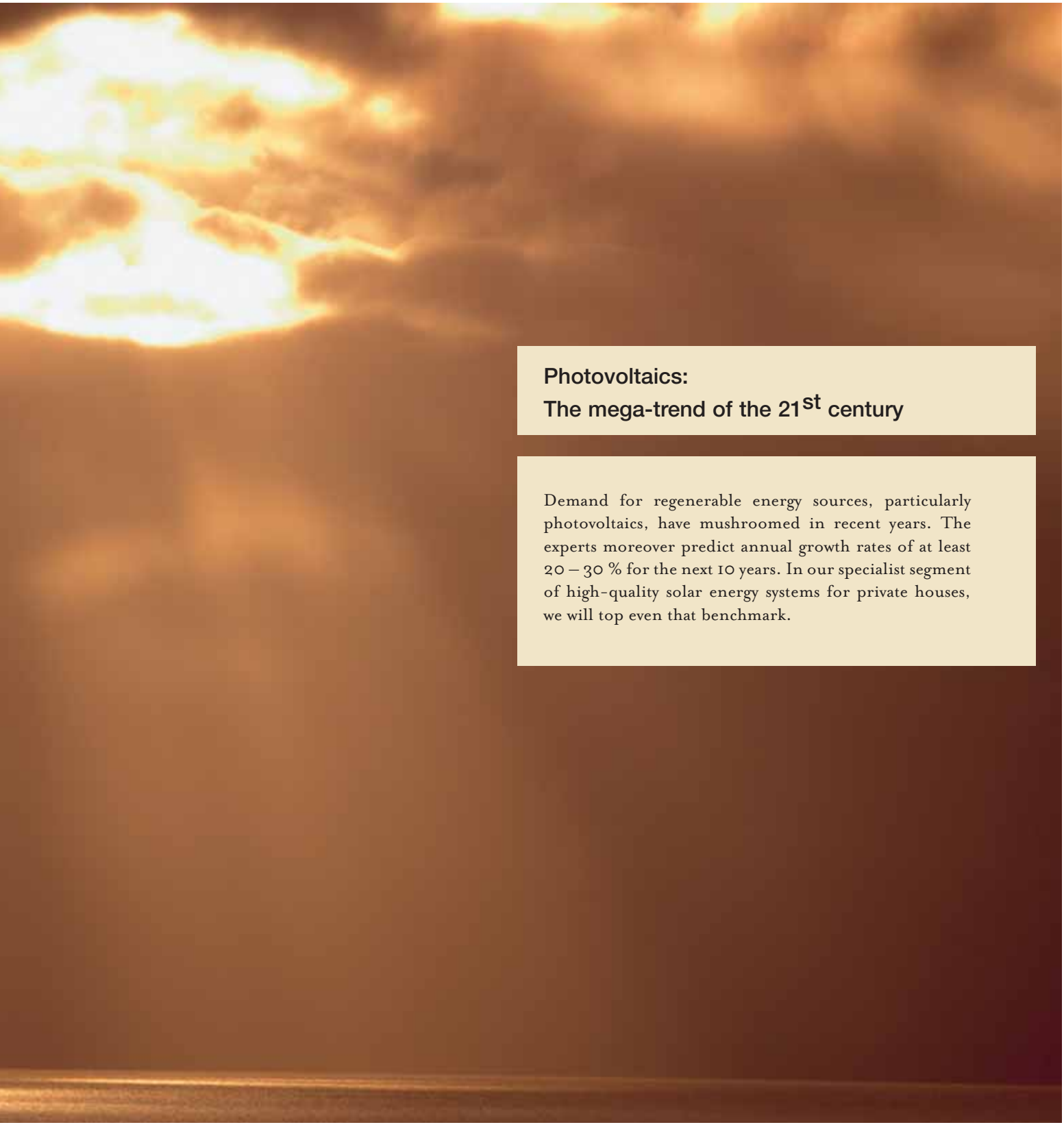
Munich, May 2006

The Supervisory Board

Dr. Bernhard Heiss
[Chairman of the Supervisory Board]



Group Management Report



Photovoltaics: The mega-trend of the 21st century

Demand for regenerable energy sources, particularly photovoltaics, have mushroomed in recent years. The experts moreover predict annual growth rates of at least 20 – 30 % for the next 10 years. In our specialist segment of high-quality solar energy systems for private houses, we will top even that benchmark.

CENTROSOLAR AG Group Management Report

Summary

In 2005, CENTROSOLAR AG made a successful debut by raising revenue from virtually zero to almost EUR 90 million (pro forma for 2005 as a whole; consolidated revenue on a time proportion basis EUR 15.1 million). Now, just a few months on, CENTROSOLAR is a leading supplier of high-quality photovoltaic solar energy systems in the growing segment of systems for private homes.

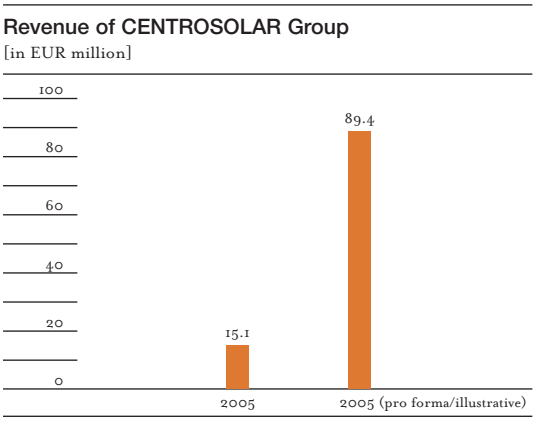
Following on from this process of growth, which involved six precisely coordinated transactions, CENTROSOLAR expects a high organic growth. Following the rapid external growth of 2005, CENTROSOLAR now seeks to demonstrate its high potential for organic growth with this leap forward. It nevertheless remains a core element of the corporate strategy to generate fresh potential through focused takeovers, with the result that growth can also be accelerated over and above the aforementioned degree.

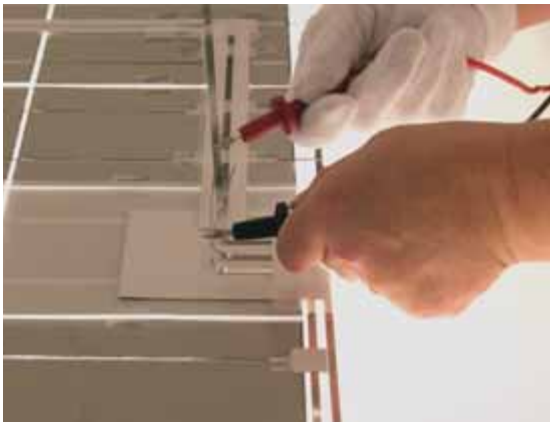
The principal risk, as also faced by other suppliers of solar systems, is how to procure the scarce raw material silicon and the solar cells that are made from it. Even if CENTROSOLAR has assured itself a relatively supply for the next year, the possibility cannot be excluded that supply bottlenecks will hamper growth. The overwhelming portion of revenue growth is underpinned by procurement contracts and agreements. Supply agreements have been designed with an eye to the future, given the expected development in earnings. CENTROSOLAR has consequently attached considerable importance to flexible purchase prices for years after 2006/2007, since the company expects technical improvements and capacity extensions by silicon manufacturers as well as wafer and cell manufacturers will result in a fall in purchasing costs per Watt of solar power.

The German Renewable Energies Act (EEG) requires the solar industry to lower costs by around 5 % per year. In the view of CENTROSOLAR, this should easily be possible; in the medium term, the cost of solar power should fall at a faster rate than 5 % per year. Conversely, fossil energy sources are likely to become increasingly scarce and expensive. Solar power will probably become competitive in many parts of Europe and the world within just 10 – 15 years, even without state subsidies. More and more countries are following the example set by Germany and introducing subsidies (for a limited period of time) that mirror the German EEG.

The growth of the photovoltaic sector is remarkable. Clear trends in the energy sector are promoting the growth of this clean technology. The high double-digit growth rates expected are leading not only to rising economic gains, but also to greater quality of life and a fall in the level of raw materials consumed.

In formal terms, CENTROSOLAR AG has evolved from the Munich-based company AutoInfo AG, which was involved in the provision of an internet trading platform for used cars at the end of the 1990s. The latter company had been inactive in recent years, and particularly in the previous year. At the time of the





"new beginning" in the solar sector in August 2005, the company held no economically significant assets or liabilities.

I. Business progress and strategy

Underlying economic developments: solar boom currently restricted by production capacity

The following remarks on the general economic situation focus on Germany, which is currently the main market. Germany is not merely the principal market of CENTROSOLAR; it is also easily the biggest market in the world (followed by Japan); it accounts for some 40 % of the world market and around 80 % of the European market. New subsidy directives are moreover creating additional markets in other EU countries, but also in Asia and the USA. (Source: IEA-PVPS, Sarasin, Photon, BVS.) Now that CENTROSOLAR has secured a leading position in the German market, it has started to establish new footholds internationally, too.

Although the performance of the German economy as a whole was weak in 2005, this had no significant impact on the photovoltaics market. Prompted by the introduction of fixed payments for solar power supplied to the grid as a result of the amendment to the 2003 Renewable Energies Act (EEG), Germany's solar sector is experiencing a veritable boom in demand. Other countries are following the example set by Germany and introducing comparable arrangements. In Spain and Italy, there are already very attractive payments for supplies to the grid. Legislation is currently being passed for similar models in France and Belgium.

Whereas there were fears before the 2005 parliamentary elections in Germany that the EEG might be watered down or abolished, the trend towards subsidising solar energy is now stable. In accordance with the original resolution from

2003, the German EEG is up for routine reappraisal by 2007.

By virtue of the rapid growth in demand, the growth of the photovoltaics sector is currently being held back essentially by the short supply of its basic raw material, hyperpure silicon. The growth forecasts for the photovoltaics market are therefore dependent to a very high degree on the scheduled capacity extensions for silicon production, but also on increasing yield from the starting material and on the improved efficiency of solar cells. Various institutes forecast growth rates worldwide, but also for the German market, of 20 % to 50 % per year. (Sources: Fraunhofer Institute, Sarasin, IEA-PVPS, BP etc.). The production increases for silicon manufacturers and improved yield from metallurgical grade silicon ought also to permit these growth rates in terms of material availability (see "Procurement strategy" below).

The German market was initially dominated by large-scale systems, predominantly on open sites owned by farmers. Private individuals and institutional funds are now likewise discovering this market. CENTROSOLAR is therefore concentrating specifically on supplying easy-to-install, visually attractive, high-quality integrated systems for private homes. Although this segment is still relatively small (around one-quarter to one-fifth of the market), it should enjoy overproportional growth by virtue of the increasing knowledge and growing popularity of solar energy systems. A similar trend is also expected in the "new" solar energy markets such as Spain, Italy, Belgium and France.

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

The CENTROSOLAR Group is divided into two business segments: Integrated Solar Systems (the dominant segment, with pro forma revenue of EUR 64.7 million for 2005 as a whole), and Key Components (pro forma revenue of EUR 24.6 million for 2005 as a whole). The integrated systems have been designed with the focus on the growing segment of smaller systems and are distributed in particular via the specialist trade, to heating engineers and electricians.

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

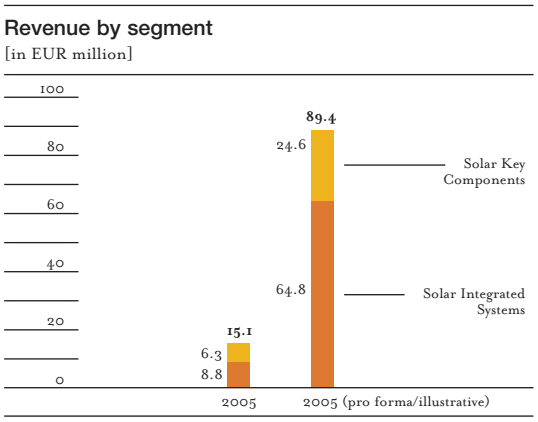
CENTROSOLAR has concentrated on high-quality systems that produce a high energy yield, are particularly robust in design and also meet the requirements of a householder in respect of their visual appeal. By offering the trade competitive products, including as a package complete with accompanying services, CENTROSOLAR's strategy is to develop and expand its own brands and to generate a high level of customer loyalty. Although these qualities as yet have little differentiating effect due to the current excess demand, CENTROSOLAR is convinced that this comparatively disciplined strategy within the industry will bear fruit once the market's structures become "normalised".

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

With pro forma revenue of approx. EUR 21.9 million in 2005 as a whole, glass covers for photovoltaic and thermal solar modules contributed the largest portion towards the overall revenue of the Key Components segment. In this segment, CENTROSOLAR has for instance a patented glass coating nano-process with which the light transmission and therefore the efficiency of solar modules can be boosted by 3 – 5 %. Coated solar glasses (revenue contribution in 2005 approx. 40 % of revenue for glasses) are playing an increasingly pivotal role in boosting the efficiency of photovoltaic systems. CENTROSOLAR in addition holds patents for mounting systems, for instance for a special mounting system for flat roofs that is particularly quick and easy to install, and a newly developed, patented system for sloping roofs. The latter not only appreciably reduces the installation time, but also reduces the susceptibility of the overall structure to leaks.

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

CENTROSOLAR is a "downstream supplier" in the solar market's value chain. In other words, CENTROSOLAR concentrates on the designing, distribution and production of integrated systems, including solar cells and components such as glass, mounting system, converter and accessories. Its strategic focus is on development,



marketing and distribution. From a strategic viewpoint, production can also be outsourced to some extent. CENTROSOLAR nevertheless has considerable production capacity for modules (from cells), mounting systems and glass. CENTROSOLAR (including the integration of Solara AG in January 2006) has a total of around 260 employees in Germany and the Netherlands.

Capacity utilisation was high in 2005. This, however, influences the result only to a limited degree, as variable costs account for over 80 % of consolidated revenue. The most important capital investments in 2005 as a whole included Solara Sonnenstromfabrik's extension of module production at a new location in Wismar, the extension of the glass production line in Fürth, featuring the installation of a new glass tempering stove, and the opening of an ultramodern module production line in Doesburg, the Netherlands, at the start of 2006. By virtue of the high level of demand for nano-coated solar glass, measures for 2006 will include the further expansion of glass coating capacity.

The bottleneck in the value chain (and also the most important single component of a solar energy system, accounting for approximately 30 % of the value) is the solar silicon (see "Procurement strategy" below). CENTROSOLAR is not currently planning to invest in the capital-intensive production of this scarce raw material. In technological terms, its production is a process of industrial chemistry. In common with most other solar companies, CENTROSOLAR consequently has no technical access to it. The industrial-scale plant required for producing silicon moreover entails a high fixed-costs and capacity utilisation risk. On the other hand, CENTROSOLAR believes that the intermediate stages of wafer production and cell production do not constitute a significant bottleneck in the market. Even if CENTROSOLAR is not itself investing in silicon production, securing its procurement basis is immensely important.

Procurement strategy: with medium-term flexibility supply agreements

The dominant technology of photovoltaics is based on wafers made from crystalline electronic-grade silicon. Only a few chemical companies in the world are capable of manufacturing this intermediate product. In view of the rising demand, most suppliers are currently extending their production capacity. However, this is proving to be a slow process and is thus restricting growth. The prices for crystalline silicon have more than doubled in recent years as a result of high demand and its relative short supply, even though the production costs themselves have in actual fact probably fallen.

Innovative "thin-film technologies" are now emerging as an alternative to the crystalline solar cell, which was invented in the mid-1950s. The durability of these products, with which foreseeable amounts of power need to be fed into the grid over a period of at least 20 years, has nevertheless to a great degree not yet been adequately tested. It has moreover not yet gone into volume production at many manufacturers, or the scheduled quality and volume levels have not yet been reached. CENTROSOLAR believes, however, that thin-film technology is a very interesting prospect particularly in the medium term. As the scarce raw material indium required for the CIS technology that is predominantly used is limiting market potential to less than half of one terrawatt, CENTROSOLAR believes that thin-film modules on the basis of

amorphous and microcrystalline silicon offer the best long-term prospects (source: ECN, own research). CENTROSOLAR currently purchases only very small quantities of thin-film modules based on amorphous silicon. A growing market share would nevertheless be very welcome, not least because of the pressure it would put on the price of crystalline silicon.

Improved availability of crystalline silicon will probably do more to reduce the pressure on the market than the medium-term pressure of competition from thin-film technology. There are four principal driving forces behind an increase in solar capacity:

- Capacity for the production of hyperpure solar silicon is currently being increased worldwide. CENTROSOLAR is working on the assumption that production capacity worldwide will almost double between 2005 and 2008 (sources: CLSA, Photon 3rd Solar Silicon Conference, own research).
- It is moreover a little-known fact that of the electronic-grade silicon obtained by an extremely complex chemical process, up to two-thirds is lost in the form of sawing waste. New technologies involving casting wafers directly instead of sawing them from ingots ought to result in a considerable rise in volume. The production of thinner wafers will moreover increase the supply in the short term. CENTROSOLAR expects that it will be possible to boost the yield of wafers from the silicon available by more than 30 % by 2008; a doubling of output in the next five years is not implausible (sources: Photon 3rd Solar Silicon Conference, ECN, own research).
- As in the past, there ought to be a gradual rise in efficiency per square millimetre of crystalline silicon cell. Technical solutions such as backside contacted cells have already been unveiled and have to some extent appeared on the market. If it is assumed that the average efficiency will improve by 3 percentage points, this will produce a rise in capacity of 20 %. CENTROSOLAR likewise believes that a rise of this magnitude is possible by 2008.
- Finally, the supply will also increase as a result of new technologies, and in particular the aforementioned thin-film technology. The increase in supply is difficult to put a figure to. However, massive investment in these technologies is being observed. It is not unrealistic that thin-film technologies could increase their market share from virtually zero at present to over 15 % by 2008.

If all four trends are taken together, it ultimately appears to be entirely possible that the supply of new photovoltaic capacity on the basis of established silicon cell technology will more than treble by 2008 compared with 2005. A five-fold increase in the space of five years is conceivable. The above trends will simultaneously lead to cost

reductions. CENTROSOLAR therefore expects that substantial price reductions will arise at the procurement end, less so in the next 1 – 2 years but more probably in the next 3 – 5 years. (These are estimates that could prove to be incorrect.)

The short supply of silicon has meant that supply agreements for solar cells and wafers can frequently only be secured by means of medium-term volume and price agreements, coupled with high advance payments to guarantee them. Although this trend is advantageous for suppliers with ample capital, because it forces companies with medium-size structures to surrender market shares, CENTROSOLAR nevertheless strives to limit the risk to which it exposes itself in entering into long-term contracts (see also "Risks" in this connection). In the case of the acquisitions described in further detail below, one of the main reasons which persuaded the original shareholders to join forces with a larger group such as CENTROSOLAR was the availability of financial resources for the financing of supply agreements.

CENTROSOLAR has agreements on the supply of solar cells and modules amounting to some 35 megawatt peak for 2006.

Acquisitions strategy: up to speed in just 6 months

A special feature of CENTROSOLAR AG is its acquisitions strategy. The market situation offers particularly bright prospects. There is likely to be a process of concentration among medium-size operators, of which there are still a great many, or they will combine to form larger groups due to a lack of capital. Meanwhile, only few solar companies are able to call on professional M&A expertise encompassing both their structuring and the successful integration of new acquisitions. This paves the way for a unique strategic approach for CENTROSOLAR.

The group as it stands has been formed largely through six takeovers since August 2005. CENTROSOLAR has thus accomplished revenue growth from virtually EUR 0 to almost EUR 90 million. To a large extent CENTROSOLAR has applied the "buy and build" concept that has already proved so successful for CENTROTEC Sustainable AG. Typically stable, profitable companies with experienced local management have been acquired. In contrast to typical major companies, the process of integration has been tackled with considerable caution. The concept in particular involves preserving the identified strengths and the independent market presence of the takeover candidates, in conjunction with providing strategic and financial support to strengthen the local management's scope to act.

The following individual companies have been acquired (see also further information in detail in the Notes):

- Centrosolar Glas GmbH & Co KG (formerly Flabeg Solarglas GmbH & Co. KG), Fürth, Germany: the company generated revenue of approx. EUR 21.9 million in 2005 through the production and sale of glass covers for solar modules and solar collectors. Some 40 % of revenue was generated by innovative, nano-coated glasses with a higher light transmission than traditional glasses. This product line's share of revenue has risen steadily in recent years. The customers are predominantly solar module manufacturers. The export share is in excess of 50 %. CENTROSOLAR anticipates that in terms of volume, this business area will grow by approximately the same magnitude as

the solar market as a whole, with the rising revenue share of nano-coatings actually paving the way for slightly higher growth in terms of value.

- Ubbink Econergy Solar GmbH, Cologne, Germany: the company sells mounting systems for photovoltaic systems. Its revenue in 2005 was EUR 2.8 million. The mainstay of its revenue is a patented system for installation on flat roofs that is particularly easy to install and can be secured to the roofing skin without damaging it. This company, too, has very good prospects of growing in line with the market as a whole.
- Ubbink Solar Modules B.V., Doesburg, the Netherlands: the CENTROSOLAR Group owns 70 % of this company. The remaining 30 % stake is held by a group company of Econcern B.V., Utrecht, the Netherlands. It manufactures solar modules. It has an agreement to supply Econcern with solar modules to the value of EUR 11 million in 2006, rising to an anticipated value in excess of EUR 35 million by 2009. The agreement likewise covers the supply of preliminary materials. It has furthermore been agreed that the company will generate further contracts of its own in the market.
- Solarsquare AG, Meggen, Switzerland: the company's area of activity is the trading of silicon and solar modules. It posted revenue of EUR 4.3 million in the 2005 financial year. Solarsquare has a supply and commission agreement with a major solar cell manufacturer, thus guaranteeing a portion of the volume to be sourced by the CENTROSOLAR Group. These supplies are likely to generate revenue volumes in excess of EUR 100 million for CENTROSOLAR by 2009.
- Solarstocc AG, Durach, Germany: with revenue of almost EUR 20 million in 2005, Solarstocc has focused exclusively on the distribution channel of plumbing and electrical wholesalers and secured a key position within that segment. As the company had reached the limits of its growth in part due to a lack of capital, CENTROSOLAR was able to acquire a 66 % stake predominantly by way of a capital increase. The company used the accrued funds to secure new supply agreements for solar cells and solar modules. It remains the declared strategy of Solarstocc to distribute its integrated systems exclusively via wholesalers and to become the market leader in that segment. An above-average rate of growth is expected because specifically the more traditionally mind-

ed group of plumbers and electricians are just beginning to sell photovoltaic systems to their regular customers. Their wholesalers thus provide access to this major group of customers.

- Solara AG, Hamburg, Germany: This acquisition was only completed in mid-January 2006 (control pursuant to IFRS existed from January 2, 2006), though a corresponding takeover option had been firmly agreed during the course of 2005. Solara is among the pioneers of the photovoltaics market, and sells predominantly grid-connected photovoltaic systems to specialist solar fitters. It furthermore enjoys a leading position among providers of special solutions that are not connected to the grid and are intended for standalone power generation (caravans, boats, buoys, pay and display machines, vacation homes, etc.). With revenue of EUR 40.6 million in 2005, Solara is one of the principal sources of revenue within the group.

Whereas the 2005 financial year was dominated above all by external growth, CENTROSOLAR is likely to rely more on organic growth in 2006. Acquisitions nevertheless remain a core facet of its corporate strategy. The focus of future takeovers will now be on gaining access to further procurement sources, establishing a greater international spread and also selectively broadening the range distributed in Germany.

Financing: scheduled organic growth should be possible to finance

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

The equity financing and external financing arrangements required for funding the scheduled organic growth are now in place. In essence, CENTROSOLAR staged five equity-raising rounds at progressively higher share prices in 2005 and at the start of 2006. The first round was at EUR 2.00 per share, for a total of approximately EUR 14 million (contributions in cash and in kind) to finance the takeovers of the glass (Centrosolar Glas), mounting systems (Ubbink Econergy Solar) and module production (Ubbink Solar Modules) areas. The second round was at EUR 9.50 per share, for a total of approximately EUR 25 million in cash, for the acquisition of the two suppliers of integrated solar systems, Solarstocc and Solara (the latter plus capital increase for contribution in kind at EUR 14.74 per share and EUR 15.57 per share for approx. EUR 11 million). The third round, at EUR 13.21 per share, for approximately EUR 5 million, served predominantly to secure the procurement basis through the takeover of Solarsquare. Finally, there was a small, fourth capital increase for cash in the order of EUR 5 million, at EUR 15.50 per share.

Total borrowings of EUR 9 million for the glass, module production and integrated systems areas were in addition financed through loans (with credit lines not fully drawn on). These are to some extent ring-fenced loans that are based on the creditworthiness of the area in question and involve only limited liability for CENTROSOLAR AG itself. Further loan-financed borrowings to create room for manoeuvre over and above existing plans are currently being negotiated.

In connection with CENTROSOLAR's planned switch to the Prime Standard of Deutsche Börse, a further capital increase for cash in 2006 is being considered. The level of any such further capital increase will, however dependent on the foreseeable scope for investment and takeovers at that time. As matters stand, it should be possible to finance the scheduled organic growth.

Significant events occurring during and after the end of the financial year: rapid succession of phased transactions during establishment of the group

The successful establishment of the CENTROSOLAR Group necessitated a carefully phased succession of takeovers, capital increases and the inclusion in the Regulated Unofficial Market:

- Mid-2005: major shareholder Guido Krass and the management of CENTROTEC resolve to establish CENTROSOLAR AG as an independent group focusing on the solar market
- August 2005: agreement to acquire Centrosolar Glas GmbH & Co. KG, Fürth, Germany
- August 2005: agreement to acquire (by contribution in kind) Ubbink Econergy Solar GmbH, Cologne, Germany (mounting systems) and Ubbink Solar Modules B.V., Doesburg, the Netherlands (module production)
- September 2005: capital increase for cash of just under EUR 25 million with pre-IPO financial investors
- September 2005: inclusion in the Regulated Unofficial Market of the Frankfurt Stock Exchange
- October 2005: acquisition of Solarstocc AG, Durach, Germany (supplier of integrated systems)
- October 2005: acquisition of Centrosolar Glas completed
- October 2005: acquisition of the aforementioned Ubbink companies completed
- November 2005: takeover option on Solara AG, Hamburg, Germany (supplier of integrated systems) agreed
- December 2005: acquisition of Solarsquare AG, Meggen, Switzerland (predominantly supply agreement)
- January 2006: completion of the Solara takeover
- January 2006: capital increase for cash of approx. EUR 5 million

All transactions are presented in detail in the Notes to the Consolidated Financial Statements.

Dependence report

The Management Board issued a dependence report for 2005. Concluding remark from the dependence report: "Pursuant to Section 312 (3) of German Stock Corporation Law, we declare that, on the basis of the circumstances known to

us at the time when legal transactions with affiliated companies were conducted or measures taken or forborne, our company received adequate consideration for each legal transaction and was not placed at a disadvantage by the implementation or forbearance of the measure."

II. Financial review and analysis of business

Financial position: high equity ratio and high working capital

CENTROSOLAR is a group of highly profitable companies with a strong emphasis on the distribution end. This fact is also reflected in the balance sheet structure. Unlike traditional industrial companies, the balance sheet of the CENTROSOLAR Group is characterised by high working capital, but only relatively moderate fixed assets (the latter predominantly machinery for the production of glass and modules). As solar business is still relatively new, it can be financed to only a moderate degree by borrowing, as a result of which there is a high equity ratio of 54.3 % on the equity and liabilities side.

The working capital is characterised by high inventories amounting to EUR 9.4 million, which also contain advances to suppliers of EUR 2.6 million. These advances to some extent have the character of investments, as they secure longer-term supply agreements. The high stock levels (finished goods EUR 5.0 million) also form part of the strategy of assuring high availability in a market that is otherwise characterised by long delivery times. As a large portion of purchases is paid for immediately in cash, the volume of trade accounts payable is low. The other liabilities comprise principally an earn-out liability from one acquisition. In this instance, the payment of the price for the takeover was linked to contractual obligations being met (in particular the receipt of commission income).

As a result of the high capital expenditure on supply agreements and fixed assets (in particular a new glass tempering stove), there resulted a negative free cash flow of EUR -19.3 million.

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

The intangible assets recognised were likewise identified predominantly in the context of the takeovers. The biggest component here is a supply and commission agreement for silicon and solar cells, which was capitalised at a value of EUR 18.2 million. Other components include patents to the value of EUR 0.7 million for glass coating and mounting systems. IFRS 3 now calls for assets that are even less tangible to be recognised as intangible assets upon takeover to a much greater extent than before. For this reason, customer relations and brands to the value of at least EUR 2 million were recognised as intangible assets.

As a result of the capitalisation in the context of initial consolidation of EUR 22.5 million from the purchase prices as intangible assets and newly identified tangible assets (EUR 1.4 million, predominantly for upwardly revalued machinery this leads to new depreciation and amortisation not previously performed for the acquired companies of EUR 0.3 million in 2005 (group). Pro forma 2005 accounts: EUR 1.6 million. These amounts are to a certain extent comparable to the goodwill amortisation that used to be customary.

The purchase price components allocable to the non-depreciable new or revalued assets were recognised as goodwill. This latter comprises predominantly goodwill for the companies Solarstocc and Centrosolar Glas. Additional goodwill from the takeover of Solara will need to be recognised as an intangible asset in the first quarter of 2006.

Financial performance: slight profit remaining for final quarter of 2005 due to depreciation and amortisation; very healthy operating performance for full year

Because the group companies were not fully consolidated until the final quarter, the figures in the income statement provide no immediate indication of the operating performance of all group companies over the full year. As a result of the consolidation methods, the earnings figures are moreover distorted. Of the aforementioned depreciation and amortisation totalling EUR 0.3 million on assets newly created and revalued in the context of the respective takeovers, an amount of EUR 0.1 million applies to the short-term capitalisation of order backlogs and inventories which were immediately written down again and will consequently no longer have any effect on earnings in 2006.

The figures from the pro forma accounts are revealing, and in particular the comparative figure for future reference. This latter treats all companies belonging to the group at the time of preparation of the Consolidated Financial Statements as if they had already been part of the group at January 1, 2005. These accounts nevertheless have a purely illustrative character.

Financial performance according to the illustrative pro forma income statement

For the whole of 2005, the group companies (including Solara AG, which was acquired in full on January 12, 2006) generated revenue of EUR 89.4 million. Solar Integrated Systems produced EUR 64.7 million and Solar Key Components EUR 24.6 million of the revenue. Including miscellaneous revenue of EUR 2.0 million, total income thus amounted to EUR 91.4 million. Gross income for the full year totalled EUR 23.9 million, or 26.1 % of total income. The high proportion of direct material costs can be explained mainly by the high proportion of

the value represented by the costly silicon in solar products. By way of earnings, the group generated EBITDA of EUR 7.1 million in the full year, or a rate of return of 7.9 %.

Depreciation and amortisation for the full year was EUR 2.3 million, including EUR 1.6 million in depreciation and amortisation from the tangible and intangible assets newly created or revalued in the context of the takeovers, as opposed to arising within the acquired companies. The figure for this step-up depreciation and amortisation is markedly higher as a result of rising business volumes in 2006, and is expected to reach a level of around EUR 5 million (excluding further takeovers).

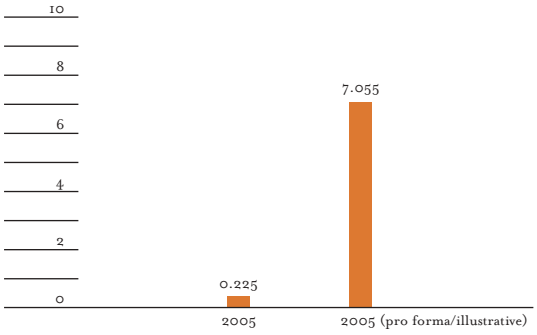
The figures for EBIT and EAT, the profit attributable to the shareholders and EPS are correspondingly of only limited meaning. The aforementioned step-up depreciation and amortisation has had the effect of rendering these earnings figures less readily comparable to the earnings figures of companies that have come about by organic means. This depreciation and amortisation has no cash effect, nor does it commonly necessitate any reinvestment as is typically the case for operating depreciation and amortisation.

EBIT for the whole of 2005 amounts to EUR 4.8 million, or 5.4 %. After including a financial result of EUR -0.5 million that reflects principally loan-financed borrowings for glass operations and imports of modules, there remains an EBT of EUR 4.3 million. After deduction of totalling EUR 1.8 million and minority interests of -0.1 EUR million, the earnings after taxes attributable to the shareholders amount to EUR 2.63 million. The pro forma figure for earnings per share, assuming a weighted total of 11.4 million shares, is thus EUR 0.23 per share.

Financial performance according to Consolidated Income Statement

The revenue of the CENTROSOLAR Group advanced from EUR 0 to EUR 15.1 million (consolidated on a time proportion basis). Revenues for the subsidiaries acquired in the fourth quarter were recorded from the date of completion of their respective takeovers. The main sources of revenue are the companies Solarstocc and Centrosolar Glass, which have been consolidated since October 4, 2005. Other operating income amounted to EUR 0.5 million, in 2005 consisting predominantly of services rendered, own fixed assets capitalised and government subsidies received (in each case EUR 0.1 million) for Centrosolar Glas. In the previous year the company was largely inactive, though the company still owned domain names in connec-

EBITDA
[in EUR million]

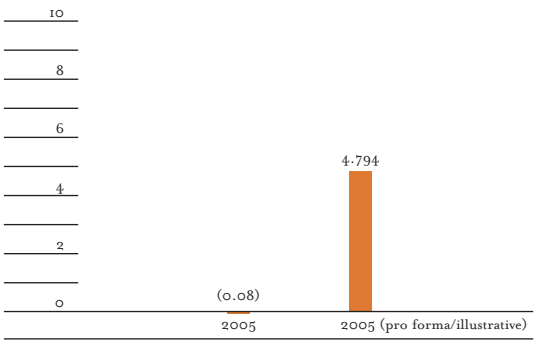


tion with "Autoinfo", which were entirely sold off in 2004. This was by and large the source of the other operating income for the previous year of EUR 0.1 million.

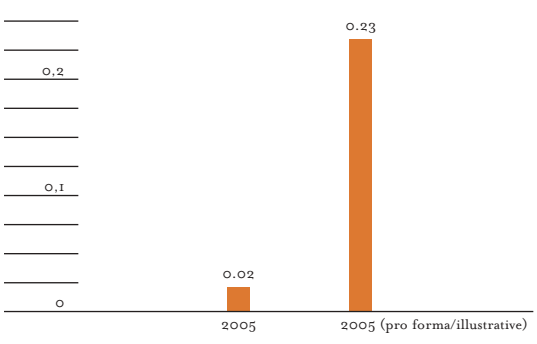
EBITDA in the Consolidated Income Statement is in the order of EUR 0.2 million, or 1.5 % (previous year EUR 0.1 million). One-off effects temporarily had a negative impact here, and are not expected to apply in the same form in 2006. These included the start-up of a new glass tempering system at corresponding cost, and an acquired delivery backlog for modules with excessively low retail prices from the first half of 2005. No accrual was created upon initial consolidation in accordance with IFRS rules, but these circumstances were of course taken into account when the acquisition price was determined.

Due to the depreciation and amortisation of EUR 0.3 million on assets newly created or revalued in the context of the acquisitions, there is a negative EBIT of EUR -0.1 million (previous year EUR +0.04 million). After including an interest result of EUR -0.02 million, a profit contribution of EUR 0.1 million for Solara, which was recognised by the equity method for the period November 18 to December 31 at the rate of 21 % and a tax result of EUR 0.03 million, earnings after taxes were EUR 0.04 million. Of the total earnings after taxes, EUR -0.02 million is attributable to minority interests (founders of Solarstocc AG), leaving earnings of EUR 0.06 million for the shareholders of CENTROSOLAR. Based on the average number of shares in 2005, earnings per share are EUR 0.02. The earnings per share in the previous year were EUR 0.16, resulting from net earnings of EUR 0.04 million distributed among 0.28 million shares. The weighted number of shares in the 2005 financial year was 3.22 million. The number of shares rose sharply in the last half-year as a result of the capital increases in connection with the acquisitions. Following the full takeover of Solara on January 12, 2006 the number of shares issued or envisaged for issue was 11.4 million.

EBIT
[in EUR million]



EPS
[in EUR]



The equity ratio (shareholders' equity/balance sheet total) was 54 % at December 31, 2005. There were no net financial debts at the end of 2005, with financial resources positive at EUR 1.5 million. There are plans, however, to raise bank loans to a greater degree in the medium term as a means of financing. The cash flow from operating activities totalled EUR -1.8 million. This was affected above all by non-cash changes of EUR -1.3 million, largely from tax effects. Among the other changes to working capital, the reduction of other liabilities by EUR 0.5 million was the most significant item. The cash flow from investing activities of EUR -17.5 million resulted from the takeovers. Of this amount, EUR 11.5 million were paid out for investments and EUR 6.1 million for the acquisition of tangible and intangible assets. The latter were likewise acquired largely in connection with the investments. These payments were offset by receipts from increases in equity of EUR 29.7 million and from the raising of new loans totalling EUR 3.8 million, with the result that the financial resources overall rose by EUR 14.2 million. In view of the absence of business activities in the previous year, all comparative figures for 2004 are virtually zero.

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

The non-financial as well as the financial performance indicators are to be considered here. The procurement situation is an important indicator within the solar sector, as already discussed at length under "Procurement strategy". Relationships with customers have likewise already been commented on.

The quality of the management personnel and employees is of particular importance to the company's success. Through its takeovers, CENTROSOLAR has succeeded in gaining several of the solar sector's top managers, some of them with as much as 20 years' experience of the industry. Thanks to this high level of market expertise coupled with the skills of its M&A professionals, CENTROSOLAR has a management team of unique calibre. Among the other personnel, too, there are highly qualified employees who have worked for the respective subsidiaries for many years. CENTROSOLAR promotes loyalty to the company by granting independent responsibility to a high degree, thus enabling it to hold onto its employees in the long term.

In contrast to traditional companies, the relevance of environmental aspects for CENTROSOLAR centres not on emissions and pollution, but rather on reducing consumption of fossil energy sources. A photovoltaic solar energy system generates the energy consumed in its production and distribution in as little as 3 – 4 years (source: CLSA, Sarasin), subsequently generating zero-emissions energy with no flue gas, aesthetic interference or noise for approx. 20 – 40 years. In 2005, the group companies of CENTROSOLAR supplied new power generation capacity amounting to some 16 megawatt peak.

Research and development activities at CENTROSOLAR are closely linked to business operations at all production plants. Increasing the energy yield of solar applications is at the heart of all development and improvement efforts. The development activities of the group companies in 2005 in the area of module pro-

duction included the introduction of a new brazing method for processing thinner wafers and the processing of backside contacted cells. In the field of solar glasses, a modified coating technique for a dual-purpose process will enable the production volume in question to be doubled. An innovative mounting system by the name of "Quickstocc" for sloping roofs that can be installed without the need for screws and moreover improves the roof's tightness was another focal area of development in 2005.

One very promising research project away from the solar market was a greenhouse concept developed jointly with the Jülich Research Centre, which received the Environmental Award for Gardening from the federal state of North Rhine-Westphalia. The award-winning concept was a pioneering combination of glass and film with an anti-reflective coating that enables higher light transmission, with a highly transparent film-based air cushion that simultaneously provides thermal insulation.

III. Opportunities and risks

Risks: growth restricted by limited availability and other risks

It would appear that the public debate has homed in on just one risk at present: the "short supply of silicon". The stock market "loves" companies that have secured a long-term supply of cells. CENTROSOLAR begs to differ: a long-term supply entailing long-term price commitments can harbour a greater risk than temporary supply bottlenecks. Supply bottlenecks restrict growth and potentially lead to the loss of customers. Long-term commitments involving prices that may potentially no longer reflect the market rate could, however, threaten the very survival of a company in a few years' time. This is particularly the case if production costs fall more sharply than market operators expect in the present phase of short supply.
CENTROSOLAR is consequently pursuing the following strategy: it has firm supply agreements

that run for periods of between one and three years. Price commitments beyond 2006 have been made only at very attractive prices. The advances paid in cash (including a portion of the purchase price for Solarsquare) amount to less than EUR 8 million in order to limit liquidity risks from the agreements. Other solar companies have entered into deeper financial commitments; CENTROSOLAR has not followed suit, for the reasons outlined above. On the other hand, this strategy exposes CENTROSOLAR to another risk: the volumes it needs to source are less assured in the short term. There are very few guarantees covering the volumes to be procured in the medium term. If the anticipated easing of pressure at the procurement end does not materialise and CENTROSOLAR does not succeed in locating new sources for subsequent years at short notice, CENTROSOLAR would potentially have to settle for slower growth or even for a contraction of business.

In addition to the risks at the procurement end, there exist further risks that are often not picked up by the public debate but are nevertheless important:

The photovoltaics sector is still dependent on state subsidies to a large degree. If these were to be abolished or reduced, the impact on the entire market structure could be drastic. CENTROSOLAR has rated the probability of subsidies for solar power being abolished as considerably lower since autumn 2005. Many European countries are following the lead given by the German Renewable Energies Act (EEG). The next review of EEG, amended in 2003, is scheduled for the end of 2007. The extremely high level of acceptance of photovoltaics by the general public gives added weight to this trend. In a survey conducted by Greenpeace in August 2004, 85 % of the population said that subsidies for solar power should be maintained or even increased.

There is also a risk of the retail prices of solar energy systems falling in Germany but remaining high in other countries with more sun and higher subsidies. This would affect CENTROSOLAR as a company focusing on the German market. Germany will probably remain the largest national market between 2006 and 2008 because the market volume in Spain, France and Italy will take time to reach the same level as in Germany. Whereas there has been a market for photovoltaics in Germany for 20 years, a functioning infrastructure of suppliers of systems, project developers and installation companies will first have to be created in the latter countries. CENTROSOLAR will likewise be pushing forward with international expansion in this growth phase. Retail prices will moreover only remain at the present high level if silicon remains in short supply. If that remains the case, however, all players will find it relatively easy to sell their scarce goods on the domestic or export markets.

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

for module production, here again it has a degree of protection against possible breakdowns.

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

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

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

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

German EEG requires industry to reduce costs by 5 % p.a. This ought to be easily attainable in technical terms. (The current price rises are due to scarcity, not to technical factors.) If this trend continues, state subsidies for Southern Europe

should become unnecessary in around 10 years, and in around 15 – 20 years in Northern Europe. This is not a long period in the sphere of energy policy when one considers the billions with which nuclear power was subsidised over many decades.

Rising energy prices are accelerating the aforementioned trend. Some sources predict an irreversible shortage of oil in as little as 15 – 20 years if the growth in demand particularly in Asia continues and only limited easily accessible sources are identified as a result of the increasingly exhaustive exploration of the Earth's crust. Although there will continue to be cyclical fluctuations in energy prices, CENTROSOLAR is not alone in believing that overall there will a steady upward trend in prices.

For CENTROSOLAR in specific, further takeovers will offer fresh opportunities in the future. New products that are currently undergoing development, for example in the field of mounting systems (the new product "Quickstocc" has already been recommended by the trade journal Photon) and in the area of improved coating techniques likewise provide additional opportunities in the short term. CENTROSOLAR will moreover actively search for additional procurement sources that will provide access to new revenue potential. Here again, genuine prospects are in sight.

IV. Outlook

Expectations for 2006: high organic growth

On the basis of the existing agreements to supply solar cells and modules and the sales forecasts of the technical wholesale trade that CENTROSOLAR focuses on, a sharp rise in revenue is probable, including the area of accessories business which is likewise growing.

As a result of a procurement price strategy that focuses on minimising long-term commitments, CENTROSOLAR is prepared to absorb higher purchase prices than other market operators. On the other hand, CENTROSOLAR will enjoy greater flexibility if, as it hopes, prices fall from 2008 on. With regard to margins, there are currently no clear signs of fundamental changes compared with 2005. The higher capacity utilisation in relation to fixed costs as a result of the anticipated increase in volume may be able to counteract any possible reduction in gross margins. The already entirely adequate margins for 2005 (full year; see above) are attributable among other things to the fact that CENTROSOLAR sells high-quality systems for private homes; although these involve higher distribution expenses, they command higher retail prices than industrial-scale systems and are less risk-exposed.

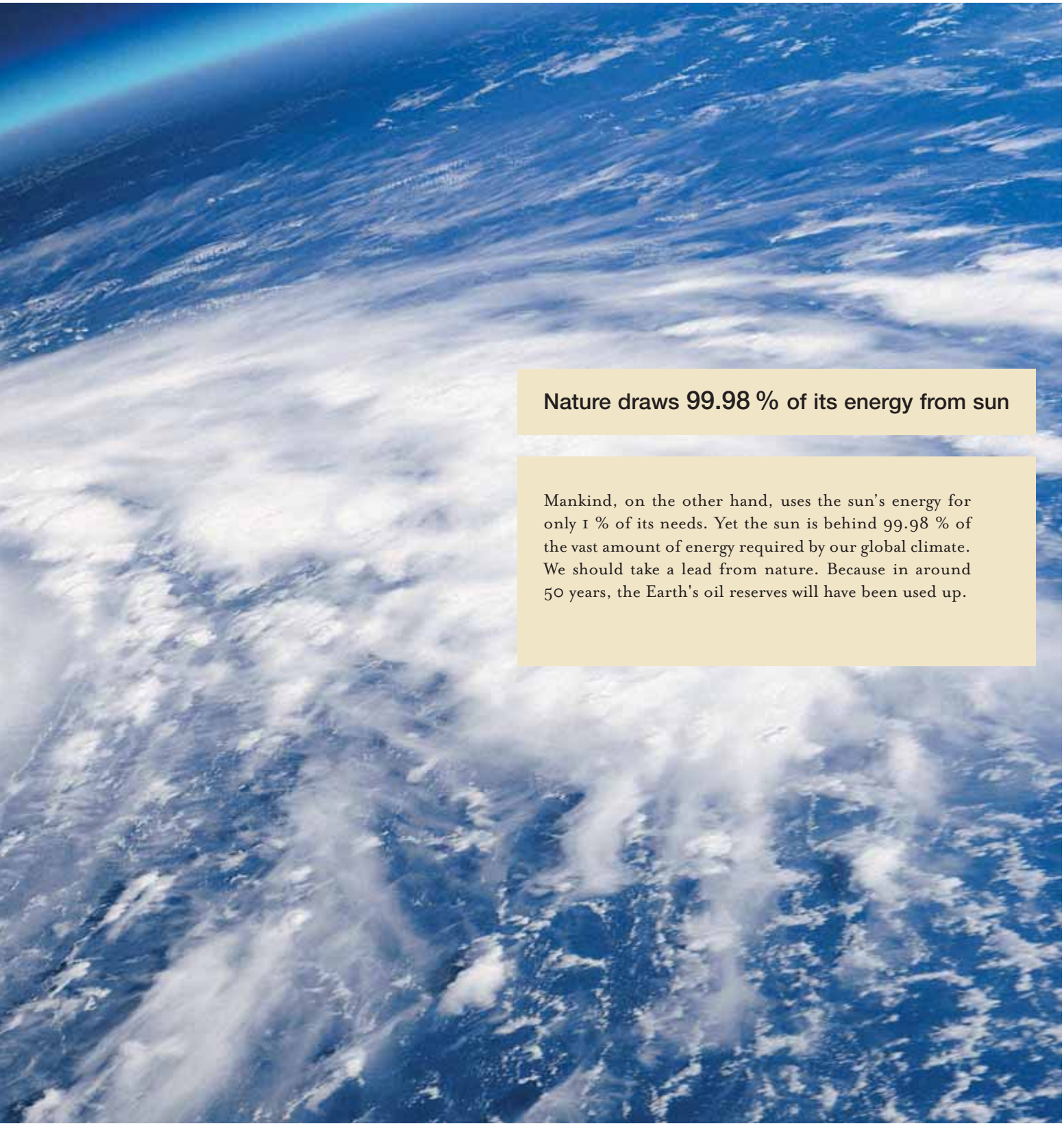
In addition to organic growth, CENTROSOLAR continues to strive for growth through acquisitions, which could have a positive effect on the business figures.

Medium-term expectations: growth remaining above the market trend

Disproportionately high organic growth is the target for 2006. In the medium term, too, CENTROSOLAR would like to grow faster than the market as a whole. The process of consolidation among market operators is likely to continue in 2006. Medium-size operators in particular will probably dwindle in significance or combine to form larger groups. CENTROSOLAR is planning to continue to exploit this trend.

CENTROSOLAR is embarking on the organic development of bases in other countries in 2006. For this venture, CENTROSOLAR will not only be able to call on the efficient network already established by CENTROTEC Sustainable AG, but will also be able to benefit from the wealth of experience that CENTROTEC has acquired in establishing foreign subsidiaries over the past 20 years. In parallel with its organic development, CENTROSOLAR will be actively on the lookout for takeover candidates in those countries.

Financial Statements



Nature draws 99.98 % of its energy from sun

Mankind, on the other hand, uses the sun's energy for only 1 % of its needs. Yet the sun is behind 99.98 % of the vast amount of energy required by our global climate. We should take a lead from nature. Because in around 50 years, the Earth's oil reserves will have been used up.

Consolidated Balance Sheet at December 31, 2005

Assets in EUR '000	[Notes]	31/12/2005	31/12/2004
Current assets			
Cash and cash equivalents	1	12,984	12
Short-term investments/marketable securities	1	1,560	0
Trade accounts receivable	2	7,337	0
Inventories	3	6,796	0
Prepaid expenses and other current assets	4	3,530	75
Income tax receivable		291	0
		32,499	**87**
Non-current assets			
Property, plant and equipment	5	4,696	0
Intangible assets	6	21,354	0
Financial investments and notes receivable /loans	7	8,558	0
Goodwill	8	13,431	0
Deferred tax	9	798	0
		48,837	**0**
Assets		**81,336**	**87**

Equity and liabilities in EUR '000	[Notes]	31/12/2005	31/12/2004
Current liabilities			
Debt and current portion of long-term debt	11	2,829	0
Trade accounts payable		4,426	0
Liabilities to affilated companies		989	0
Income tax payable		71	0
Other liabilities	13	4,924	11
		13,239	**11**
Non-current liabilities			
Debt less current portion	11	10,263	0
Deferred tax	14	4,512	0
Pension accruals	15	872	0
Other accruals	12	615	0
Other liabilities	13	7,636	0
		23,898	**0**
Shareholders' equity			
Share capital	17	10,894	280
Additional paid-in capital		31,012	0
Share benefit reserve		51	0
Retained earnings		(204)	(248)
Profit attributable to share capital holders of the parent		61	43
Minority interest, presented within equity	16	2,385	0
		44,199	**76**
Equity and liabilties		**81,336**	**87**

Consolidated Income Statement 2005

in EUR '000	[Notes]	01/01/2005 31/12/2005	01/01/2004 31/12/2004
Revenues		**15,107**	**0**
Other operating income	18	471	71
Changes in inventories of finished goods and work in progress		(1,683)	0
Production for own fixed asstes capitalized		101	0
Cost of purchased materials and services	19	(10,804)	0
Personnel expenses	20	(1,214)	0
Other operating expenses	21	(1,752)	(6)
EBITDA		**225**	**65**
Depreciation and amortistaion	5 6	(305)	(22)
Operating income (EBIT)		**(80)**	**43**
Interest income and expenses	22	(23)	0
Result of At Equity entities		113	0
Result before income tax (EBT)		**10**	**43**
Income tax	23	32	0
Net income (EAT)		**42**	**43**
Profit or loss attributable to minority interest	24	(19)	0
Profit or loss attributable to share capital holders of the parent		61	43

The consolidated income statement shows the income and expenses of the acquired companies on a time proportion basis, from the dates on which the takeovers were completed. The takeovers in question were all completed during the last quarter of 2005.

EPS (earnings per share in EUR)		31/12/2005	31/12/2004
Earnings per share (basic)	25	0.02	0.16
Earnings per share (diluted)	25	0.02	0.16
Weighted average shares outstanding (units; numbers; basic)		3,218	280
Weighted average shares outstanding (units; numbers; diluted)		3,237	280

Cash Flow Statement 2005

in EUR '000	[Notes]	01/01/2005 31/12/2005	01/01/2004 31/12/2004
Net income before taxes and interest (EBIT)		(80)	43
Depreciation	5 6	305	22
Gain/loss on disposal of non-current assets		3	(71)
Other non-cash items		(1,273)	0
Increase/decrease in provisions		6	0
Increase/decrease inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		(79)	(45)
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financial activities		(546)	11
Interest paid		35	0
Income taxes paid		(170)	0
Cash Flow from operating activities	27	**(1,801)**	**(39)**
Acquisition of share in participations-net of cash acquired		(11,469)	0
Purchase of property, plant and equipment/intangible assets		(6,058)	(26)
Proceeds from disposal of property, plant and equipment/intangible assets		1	75
Cash Flow from investing activities	27	**(17,527)**	**49**
Proceeds from issuance of shares		29,736	0
Proceeds from borrowings/repayment of borrowings		3,839	0
Acquisition of treasury shares		0	0
Cash Flow from financing activities	27	**33,575**	**0**
Change in liquid funds		**14,248**	**10**
Liquid funds at the beginning of the financial year		12	2
Liquid funds at the end of the financial quarter		14,259	12

Statement of Movements in Equity 2005

in EUR '000	Share capital	Additional paid-in capital	Treasury stock	Stock option reserve	Deferred tax reserve	Re-valuation reserves	Retained earnings and profit carry-forward	Profit attributable to share holders	Minority interest presented within equity	Consolidated equity
December 31, 2003	**280**	**0**	**0**	**0**	**0**	**0**	**(193)**	**(55)**	**0**	**32**
Payment into revenue reverses							(55)	55		0
Consolidated income								43		43
December 31, 2004	**280**	**0**	**0**	**0**	**0**	**0**	**(248)**	**43**	**0**	**76**
Payment into revenue reverses							43	(43)		0
Change in minority interest									2,404	2,404
Change from the exercise of options	9,920	22,170								32,090
Share options plan				51						51
Deposit for resolved increase of share capital	694	8,842								9,536
Currency translation differences						(0)				(0)
Consolidated income								61		61
Minority interest									(19)	(19)
December 31, 2005	**10,894**	**31,012**	**0**	**51**	**0**	**(0)**	**(204)**	**61**	**2,385**	**44,199**

Segment Report 2005

in EUR '000	Solar Integrated Systems 2005	Solar Integrated Systems 2004	Solar Key Components 2005	Solar Key Components 2004	Consolidation 2005	Consolidation 2004	Total 2005	Total 2004
Revenue from third parties	8,839	0	6,268	0	0	0	15,107	0
Revenue from other segments	0	0	4	0	(4)	0	0	0
Cost of purchased materials	(6,152)	0	(4,656)	0	4	0	(10,804)	0
Personnel expenses	(531)	0	(746)	0	62	0	(1,214)	0
Depreciation and amortisation	(44)	(22)	(261)	0	0	0	(305)	(22)
Other income and expense from ordinary activities	(2,284)	65	(518)	0	(62)	0	(2,863)	65
EBIT	**(172)**	**43**	**91**	**0**	**0**	**0**	**(80)**	**43**
Interest result							(23)	0
Result of at equity entities	113						113	0
EBT							**10**	**43**
Tax expense							32	0
Net income (EAT)							**42**	**43**
Profit or loss attributable to minority interests							19	0
Profit or loss attributable to share capital holders							**61**	**43**
Total assets	64,851	87	15,396	0		0	80,247	87
Financial assets, at equity	8,558						8,558	0
Tax assets*							1,089	0
Total liabilities	15,048	11	4,414	0	0	0	19,462	11
Financial liabilities							13,092	0
Tax liabilities*							4,583	0
Investment in property, plant and equipment	20,844	26	8,391	0	0	0	29,235	26

* Including deferred tax

in EUR '000	European euro countries 2005	European euro countries 2004	European non-euro countries 2005	European non-euro countries 2004	Rest of world 2005	Rest of world 2004	Consolidation 2005	Consolidation 2004	Total 2005	Total 2004
Revenue from third parties	14,059	0	235	0	813	0	0	0	15,107	0
Total assets	59,602	87	20,645						80,247	87
Investment in fixed ssets	11,180	26	18,055						29,235	26

see also segment report and note [26] on page 91

Notes to the Consolidated Financial Statements for the financial year 2005

A Basic data for the group

The CENTROSOLAR Group was created only in the course of 2005. At the balance sheet date of December 31, 2005 CENTROSOLAR was an internationally focused group with subsidiary companies in other European countries, total revenue for 2005 in excess of EUR 89.4 million (pro forma consideration of all group companies integrated at the time of the preparation of the financial statements, based on the assumption that they would have been part of the group from January 1, 2005) and 157 employees (FTE = full time equivalents).

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

The "Solar Integrated Systems" segment brackets together the activities of the group that are associated with the sale of turnkey photovoltaic systems and the production of solar modules.

The production and sale of components for solar energy systems (in particular mounting systems and glass covers) are grouped together in the "Solar Key Components" segment.

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 AG, as the group parent, has been listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the code WKN 514850 since September 29, 2005. The company is entered on the Commercial Register of the Local Court of Munich under the number HRB 127486. The head offices of the group are at Walter-Gropius-Strasse 15, 80807 Munich, Germany. The CENTROSOLAR Group is fully consolidated in the Consolidated Financial Statements of its parent CENTROTEC Sustainable AG, Brilon, Germany, ("CENTROTEC AG"). The group parent, CENTROTEC Sustainable AG, Brilon, is listed on the SDAX and GEX tiers under the codes CEV and WKN 540750 at Deutsche Börse. CENTROTEC Sustainable AG is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. That group's head office is located at Am Patbergschen Dorn 9, 59929 Brilon, Germany.

B Standards applied

The Consolidated Financial Statements at December 31, 2005 have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB), as applicable within the EU. All IFRS, IAS, IFRIC and SIC interpretations, the application of which is mandatory for the financial year from January 1, 2005, have been applied.

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

The Consolidated Financial Statements have been prepared on the basis of historical cost, with the restriction that the financial assets and financial liabilities have been recognised at fair value with an effect on income. Additional information is provided, over and above the disclosures required under IFRS, in order to comply with the requirements of German commercial law. There are furthermore changes with regard to the nature and extent of information provided in the Management Report.

First-time application of IFRS

These Consolidated Financial Statements are the first Consolidated Financial Statements of CENTROSOLAR. The IFRS are consequently likewise being applied for the first time. No exceptions pursuant to IFRS 1 (13) have been applied. No material effects as a result of the progression from German Commercial Code (previously and in future GAAP for the separate financial statements of CENTROSOLAR AG) to IFRS arise. The methods and effects of the first-time consolidation of acquired companies are explained in detail in Sections C and in Section D [8].

New accounting standards

The management is currently examining the extent to which revised IFRS standards, in particular IAS 19, 39 and IFRS 1, 4, 5, 6 and 7 as well as IFRIC 4 and 5, the application of which is mandatory from January 1, 2006 or 2007, affect the preparation and presentation of future financial statements of CENTROSOLAR. The management is currently working on the assumption that these will not have any substantial, material effect on CENTROSOLAR's financial statements, and merely result in modifications or additions to the disclosures already being made.

C Consolidation, Recognition and Measurement

Consolidation methods

The balance sheet date of the consolidated companies is December 31, 2005. The income statement covers the period from January 1 to December 31, 2005 and applies the nature of expenditure method. Unless otherwise indicated, the amounts quoted in the Consolidated Financial Statements are quoted in thousand euros (EUR '000).

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

a_Subsidiaries

Subsidiaries are included in the Consolidated Financial Statements in accordance with the rules on full consolidation, insofar as controlling influence is exercised. 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 currently be exercised or converted are taken into account. Where the group may determine the financial and business policy of a company even if it does not have a majority of voting rights, the company in question is likewise included in consolidation. 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. The accounts are prepared according to the purchase method. This means that all hidden reserves are disclosed, irrespective of the existence of minority interests. The cost of acquisition of the investment in question is offset against the corresponding acquirer's interest in the acquiree's net equity at the time of initial inclusion in the Consolidated Financial Statements. The acquiree's net equity is the fair value of the assets, liabilities and contingent liabilities included in the Consolidated Financial Statements. The difference in amount between the cost of acquisition and the pro rata net equity is initially allocated to the assets, liabilities and contingent liabilities where its fair value differs from the carrying amount at the time of first-time consolidation. The deferred tax effects resulting from a business combination are likewise taken into account. Any remaining difference is disclosed as goodwill. This is then tested for impairment on an annual basis. Impairment losses are applied to the lower goodwill established. Shares in the equity of subsidiaries that are not allocable to the group parent are reported as minority interests.

Intra-group gains, losses, revenues, expenses and earnings as well as accounts receivable and payable between consolidated companies have been eliminated in accordance with IAS 27. For consolidation measures with effect on income, the effects on income taxes are accounted for and deferred taxes are recognised in accordance with IAS 12.

Any inter-company profits from trade are eliminated on a pro rata basis if the assets concerned had not left the group as of the balance sheet date. In each case the data of the company managing the inventory has been taken as the basis here.

b_Associated companies

Investments in the form of associated companies are included in the Consolidated Financial Statements by the equity method if the proportion of 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 share of the profits of the investee after the date of acquisition. The share also includes goodwill arisen.

Unrealised gains from business transactions between the group and its associated companies are eliminated in proportion to the company's investment; 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.

c_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 exis-

tence of minority interests – the carrying amounts are rolled over at the time of inclusion of the companies thus included. No exposure of undisclosed reserves occurs. This roll-over comprises the fair value of the assets, liabilities and contingent liabilities included in the Consolidated Financial Statements. A goodwill balance between the rolled-over carrying amounts and the pro rata equity is recognised within equity with no effect on income. Instead of any existing goodwill being netted against equity components at first-time consolidation, it is likewise rolled over with the carrying amounts.

Segment Report

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

(1) "Solar Integrated Systems" comprises the production and sale of complete photovoltaic systems and solar modules as core components of a photovoltaic system.
(2) Within the "Solar Key Components" segment, glass covers and mounting systems for photovoltaic systems are the main sources of revenue.

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

Foreign currency translation

The functional currency of the investments is the national currency, as these companies operate their business as independent foreign entities in financial, economic and organisational terms. The items in the separate financial statements of a group company are therefore measured initially on that currency basis. Exchange differences resulting locally from transactions in foreign currencies or the devaluation of assets denominated in foreign currencies and the upward revaluation of liabilities at the balance sheet date are recognised in the income statement in the period in question.

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 translation into the group reporting currency are recognised within equity with no effect on income. Where necessary, shareholders' equity is translated at historical rates. Goodwill having arisen from business combinations and fair value amounts is attributed to the respective units, reassessed in their currency and, if necessary, translated at the exchange rates valid at the reporting date. None of the companies included in the Consolidated Financial Statements is based in a hyperinflationary economy. The following table shows important exchange rates and their development:

Foreign currency translation

	Rate at reporting date		Average rate	
ISO-Code	**31/12/2005**	31/12/2004	**2005**	2004
CHF	**1.5545**	1.5429	**1.5479**	1.5364

Impairment

Assets that are subject to depreciation and amortisation are examined for impairment if corresponding occurrences or changes in circumstances indicate that the carrying amount may no longer be realisable. The amount by which the original 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). Non-financial assets (apart from goodwill) where the carrying amount has been reduced for impairment are examined for a recovery in value in subsequent years.

Financial instruments

The balance sheet shows the financial instruments (financial assets, accounts receivable, securities, liabilities, financial liabilities, cash and cash equivalents) held by the company. The accounting policies on recognition and measurement of these items are presented in the respective accounting policies. The financial instruments may entail credit risks, currency risks and interest risks. At the balance sheet date, there basically existed risks for the principal financial instruments only to the extent that is evident in these Notes. Financial assets are generally recognised at the settlement date.

Financial assets are divided into the following categories:

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

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

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

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

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

At the balance sheet dates December 31, 2005 and 2004, the group had no financial assets which came under the category of held to maturity.

Recognition and measurement principles

a_ **Property, plant and equipment** are stated at cost less accumulated regular depreciation occasioned by use, pursuant to IAS 16. Subsequent costs are capitalised where these are associated with future economic benefit that can reliably be measured. Self-created plant includes shares of overheads in addition to the direct costs. Depreciation is charged accord-

ing to the straight-line method. If necessary, an impairment loss is recognised for property, plant and equipment down to the recoverable amount. Impairment losses are shown in the income statement under depreciation and amortisation. If the reasons for an impairment loss recognised for an asset in prior years no longer exist or have decreased, that impairment loss is reversed accordingly. All other expenses arising in conjunction with the maintenance of property, plant and equipment are recorded in the income statement for the period in which they are incurred.

b_ **Intangible assets**: Brand rights and licences are capitalised at cost and amortised in accordance with their anticipated useful lives. In the same way, purchased software and software developments are capitalised at cost and likewise amortised in accordance with their respective anticipated useful lives. According to IAS 38, development costs are to be capitalised as "intangible assets" insofar as certain criteria stated are met cumulatively. Capitalisation takes place if it is likely that the development activities will lead to a future economic benefit which will cover the development costs in addition to the normal costs. Capitalised development costs are amortised on a straight-line basis once a marketable status is achieved. No development costs that represented expense in previous periods are capitalised in later periods. Intangible assets are regularly examined for any signs of impairment losses, and amortised to the recoverable amount if necessary. All other 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.

c_ **Investment subsidies and grants**: Government grants in the form of investment subsidies and grants for depreciable assets are distinguished on the assets side of the Consolidated Financial Statements in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". 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.

Useful lives serving as the basis for depreciation and amortisation by the straight-line method for property, plant and equipment and intangible assets	**Years**
Technical equipment and machinery	4 – 12
Fixtures and office equipment	3 – 10
Brand rights and licences	5 – 40
Patents	5 – 10
Capitalised development costs	5 – 8
Software and software developments	3 – 5

d_ **Non-current financial investments** are measured at cost, including transaction costs. If necessary, an impairment loss down to the recoverable amount is recognised. Investments in associated companies are recognised using the equity method. Financial investments comprise investments in associated companies and other loans.

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

f_ **Inventories** are measured at cost or at the lower net realisable value. Raw materials and supplies are valued at the average cost. The cost of conversion for work in progress and

finished goods consists of direct costs of materials, direct labour 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.

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

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

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

j_ **Marketable securities** consist of investment in securities that are traded in liquid markets, are held for the purpose of investing in liquid funds and are not generally intended to be retained on a long-term basis. Their anticipated date of realisation is therefore in the next twelve months. Marketable securities are recognised as income at fair value. Amortisation of marketable securities is included in the income statement. Interest and dividends received on marketable securities are recognised as income. Gains and losses from the disposal of marketable securities are included in the income statement.

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

l_ **The pension accrual** is created for pension commitments to employees of the subsidiary Centrosolar Glas GmbH & Co. KG and calculated on the basis of the present value of future commitments pursuant to IAS 19 using the projected unit credit method, taking into account future pay and pension increases and the mortality tables currently available. Actuarial gains and losses are only booked to income once they move outside a margin of variation of ten percent of the volume of the obligation. The pension commitments exist only for long-serving employees of the aforementioned subsidiary. Pension commitments are no longer are given to other employees or to more recent employees of the above company.
For the majority of employees, CENTROSOLAR solely pays contributions to public pension schemes or makes payments to private insurers on the basis of salary sacrifice arrangements. There in addition exist contribution-based commit-

ments based on retirement benefit arrangements for individual management employees. (Benevolent fund).
Over and above the contribution payments, the group has entered into no further benefit obligations.

m_ **Other accruals and provisions** are created for all identified risks and external obligations at the balance sheet date resulting from previous business transactions and previous occurrences, where the amount and due date are uncertain. These accrued expenses are stated at the most likely, reliably estimable amount of settlement and are not netted against revenue and gains. The likelihood of the cash outflow must be more than 50 % ("more likely than not" criterion). Accruals are created only where a legal or factual obligation to third parties exists.

n_ **Liabilities** are carried at their redemption amount. Discounts or other transactions are distinguished from liabilities and amortised over the term on the basis of a calculation of the effective interest rate. Transaction costs are recognised as an expense in the period in which they are incurred. Liabilities from loans are classified as current if they are repayable within the next twelve months.

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

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

q_ **Shareholders' equity**: The share capital (capital stock) comprises all individual share certificates with no par value issued by CENTROSOLAR AG. Each individual share represents a pro rata amount of the capital stock of one euro.
Transaction costs incurred directly in connection with the issuing of new shareholders' equity are recognised as a deduction from equity including all associated income tax benefits. Transaction costs incurred directly in connection with the issuing of new shareholders' equity in the context of a business combination are a component of the acquisition costs and therefore of the purchase price. If a group company acquires treasury stock, the costs including ancillary costs and potential income tax effects are deducted from the shareholder's share of equity until the treasury stock has been withdrawn from circulation, reissued or sold. In the event of the reissue or sale of treasury stock, the purchase prices received, including all associated transaction costs and income tax benefits, are recognised in the shareholder's share of equity.

r_ **Share-based payment systems**: CENTROSOLAR uses share-based payment systems counterbalanced by equity instruments. Stock options are granted to employees, members of the management and Management Board members on the basis of a stock option scheme. They are recognised and measured on the basis of the IFRS 2 measurement principles in 2005. Under IFRS 2, share-based payment agreements are to be reported at the fair value of the consideration received. As the fair value of the consideration received cannot be estimated reliably, CENTROSOLAR calculates the changes to shareholders' equity indirectly, using the fair value of the stock options granted. In the absence of market prices, this fair value is determined with the aid of a measurement method (option pricing model) based on Black & Scholes. This latter estimates the price that could be achieved between knowledgeable, willing parties in an arm's length transaction for the stock options concerned at the relevant measurement date. All factors and assumptions that market players would take into consideration in determining the price and that are specified by IFRS are observed. Insofar as applicable, it is assumed when determining the factors and assumptions on which the calculation is based that historical values and developments will likewise apply to future developments and can serve as a point of reference or starting point for calculation parameters. Changes to the value of the option as a result of subsequent shifts in the parameters have no influence on the expense to be recognised, as only the issue value of the option is decisive.
The expense from share-based payment transactions is distributed over the earning period by the straight-line method

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

s_ **Revenue** is realised if it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably and has proceeded from its payment. Revenue is recognised net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue for services is recorded in the period in which the service was rendered.

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

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 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. The following notes expand on the other presentations in the Consolidated Financial Statements, which refer to assumptions, uncertainties and contingencies.

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

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

Particularly in the sphere of intangible assets, assumptions influence levels of goodwill and other intangible assets and in respect of their useful lives. Among other things, within the context of the first-time consolidation of acquired companies, intangible assets (e.g. customer or supplier relations) were identified that involve highly subjective estimates spanning several dimensions (quantities, margins, useful lives, discounting rates). Estimates that are of significance are moreover required in respect of assessing the need for reductions for impairment

particularly for goodwill when forecasting the availability of future financial resources and discount rates. Particularly concerning the start-up of 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 yielding the following results performed: if the estimates of the gross margins used had been 10 % (not 10 percentage points) lower, CENTROSOLAR would have had to reduce the carrying amounts of goodwill by approx. EUR 2 million. If the pre-tax interest rate used for discounting of the cash flows had been 10 % (not 10 percentage points) higher, a reduction in the carrying amounts for goodwill would by and large not have been necessary. Simultaneous changes in these key parameters can have either a compensating or an amplifying effect. Changes in the aforementioned key parameters in the same direction would have produced a need for reductions for impairment of EUR 5 million. Assumptions were moreover made with regard to the measurement of the intangible assets identified in the context of first-time consolidation. For example, assumptions regarding future sales volumes and margins were made for customer relations recognised as intangible assets. In the case of supplier relations and supply agreements on the purchasing side, certain assumptions were made with regard to the future level of market prices on the purchasing side. Erroneous estimates can lead to a corresponding need for write-down of these economic goods. A supply and commission agreement amounting to EUR 18 million has been capitalised. A reduction in the gross margins applied during measurement by 10 % (not percentage points) would have resulted in devaluation of approx. EUR 1 million. A loss of commission income would reduce the purchase price liability for the company holding the agreement by the same amount.

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

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

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

Financial risk management objectives and policies

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

Market risks from currency translation are limited, as transactions take place principally in eurozone countries. Only 7 % of revenues arise outside the eurozone.

If parties to a contract are not in a position to meet their obligations, there exists a credit risk. The maximum credit risk is the aggregate of the carrying amounts of financial assets in the balance sheet which are recognised net of reductions for impairment, plus these same reductions for impairment. Financial assets exist mainly in respect of customers in Germany, the Netherlands, France, the UK, Belgium, Denmark, Italy, Austria, Switzerland and the USA. The largest customer in the group accounts for less than 6.3 % of revenue.

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

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

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

Consolidated companies

The Consolidated Financial Statements of CENTROSOLAR include all direct and indirect subsidiaries of the parent company as well as the group parent pursuant to IAS 27, and also joint ventures pursuant to IAS 31. The following companies, which simultaneously constitute the CENTROSOLAR Group ("CENTROSOLAR"), were consolidated within "CENTROSOLAR AG" at December 31, 2005:

Company	Place and country of incorporation	Share of capital	Share capital	Currency (ISO code)	Founded/ acquired
Comprehensive consolidation					
CENTROSOLAR AG (formerly AutoInfo AG)	Munich, D	-	10,893,843	EUR	13/09/1999
"Solar Integrated Systems" segment					
Solarstocc AG	Durach, D	66.52 %	100,296	EUR	4/10/2005
Centrosolar Schweiz AG	Bern, CH	100 %	100,000	CHF	7/12/2005
Solarsquare AG	Meggen, CH	100 %	100,000	CHF	19/12/2005
Centrosolar Holding GmbH	Hamburg, D	100 %	25,000	EUR	21/10/2005
Centrosolar Trading GmbH	Munich, D	100 %	25,000	EUR	12/10/2005
Ubbink Solar Modules B.V.	Doesburg, NL	70 %	1,500,000	EUR	11/10/2005
Centrosolar International B.V.	Doesburg, NL	100 %	18,152	EUR	19/8/2005
"Solar Key Components" segment					
Ubbink Econergy Solar GmbH	Cologne, D	100 %	25,000	EUR	11/10/2005
Centrosolar Grundstücksverwaltung GmbH	Munich, D	100 %	25,000	EUR	16/11/2005
Centrosolar Glas Holding GmbH	Munich, D	100 %	25,000	EUR	23/8/2005
Centrosolar Glas Verwaltungs GmbH	Munich, D	100 %	25,000	EUR	23/8/2005
Centrosolar Glas GmbH & Co KG	Fürth, D	100 %	900,000	EUR	23/8/2005
Companies consolidated using the equity method					
Solara AG *	Hamburg, D	21.11 %	63,875	EUR	9/11/2005
Solara Sonnenstromfabrik Wismar GmbH*	Wismar, D	21.11 %	42,000	EUR	9/11/2005

* Fully consolidated from January 2006

Changes in the group

Comprehensive consolidation

The parent company CENTROSOLAR AG (until August 2005 AutoInfo AG) was founded on September 13, 1999 under the name CM 99157 Vermögensverwaltung Aktiengesellschaft.

The group was restructured in 2005 through the acquisition of subsidiaries, the founding of new companies and the contribution of the shares held by CENTROTEC in Ubbink Econergy Solar GmbH and Ubbink Solar Modules B.V.

Through these two contributions in kind, CENTROTEC had initially acquired a 43.8 % interest in CENTROSOLAR AG. The interest was diluted to 41.0 % by December 31, 2005 as a result of further acquisitions.

A voting trust agreement was concluded by contract dated September 2, 2005 between two shareholders of CENTROSOLAR AG and Ubbink B.V. One shareholder withdrew from this pooling agreement along with registration of the capital increase for contribution in kind in October 2005. As a result of this agreement, the CENTROTEC subsidiary Ubbink B.V. now controls more than 6.0 million voting rights and therefore over half of the voting rights in CENTROSOLAR AG, with the effect that CENTROTEC can control CENTROSOLAR AG. CENTROSOLAR AG has consequently been fully consolidated since October 11, 2005 and was included in the Consolidated Financial Statements of CENTROTEC at December 31, 2005 for the first time. CENTROSOLAR AG is included in the Regulated Unofficial Market under the codes C3O and WKN

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514850. CENTROSOLAR AG's listing in the Prime Standard is being targeted for mid-2006.

Companies consolidated using the equity method

By declaring exercise on November 9, 2005 of the option contract dated November 9, 2005, 21.1 % of the capital stock of Solara AG, Hamburg and of Solara Sonnenstromfabrik Wismar GmbH, Wismar, was acquired by CENTROSOLAR AG. The remaining shares were acquired by CENTROSOLAR AG after the reporting date, in January 2006.

Acquisition of investments and business combinations

The following notes and tables show the principal effects of acquisitions of assets and goodwill, of agreed purchase prices and of the completion of acquisitions on the net worth, financial position, financial performance and cash flow statement.

Business combinations under common control

Acquisition of Ubbink Solar Modules B.V. and Ubbink Econergy Solar GmbH

Ubbink Solar Modules B.V., Doesburg, the Netherlands, is a joint venture that manufactures solar modules. Ubbink B.V. (70% stake) established Ubbink Solar Modules B.V. jointly with Ecoventures B.V., the Netherlands (30 % stake). The shareholders' equity is fully paid in. Its development progressed according to plan. Production commenced on March 22, 2006. As a result of starting production in 2006, the company did not make any significant contribution to consolidated revenue and earnings in the 2005 financial year.

Ubbink Econergy Solar GmbH, Cologne, Germany, established at the end of 2004, develops and distributes mounting systems for solar energy systems. The company also sells integrated systems. The shareholders' equity is fully paid in. The company contributed EUR 1,217 thousand to the revenues and EUR 100 thousand to the net income of the group in the 2005 financial year. If the acquisition had taken place on January 1, 2005, the contribution to revenues would have been EUR 2,772 thousand, and EUR 210 thousand to the net income of the group.

The 70 % stake in Ubbink Solar Modules B.V. and a 100 % stake in Ubbink Econergy Solar GmbH were acquired by CENTROSOLAR AG from Ubbink B.V. by contract dated September 2, 2005 and taking effect on October 11, 2005. The shareholdings in both companies were transferred to CENTROSOLAR AG by way of a contribution in kind in exchange for the issue of new shares in the latter.

The following tables show the effects of the acquisition of assets and goodwill, the agreed purchase prices and the completion of the acquisition.

Ubbink Econergy Solar GmbH:

Balance sheet items [in EUR '000]

	Carrying amounts
Cash and cash equivalents	96
Property, plant and equipment and construction in progress	60
Intangible assets	500
Inventories	562
Trade accounts receivable	472
Prepaid expenses and other assets	7
Net deferred tax	(610)
Loans	(167)
Trade accounts payable	(80)
Other liabilities	(170)
Net assets acquired	**669**

Total purchase price to be paid in cash and cash equivalents	(5)
Change in purchase price liability (currently non-cash)	0
Cash and cash equivalents acquired	96
Cash inflow from the acquisition of Ubbink Econergy Solar GmbH	**91**

Ubbink Solar Modules B.V.

Balance sheet items [in EUR '000]

	Carrying amounts
Cash and cash equivalents	1,158
Property, plant and equipment and construction in progress	354
Prepaid expenses and other assets	2
Net deferred tax	
Loans	
Trade accounts payable	
Other liabilities	(23)
Net assets	**1,491**
70 % of which acquired	**1,044**

Total purchase price to be paid in cash and cash equivalents	(17)
Change in purchase price liability (currently non-cash)	0
Cash and cash equivalents acquired	1,158
Cash inflow from the acquisition of Ubbink Solar Modules B.V.	**1,141**

As a transaction under common control exists as a result of this acquisition from the CENTROTEC Group, the carrying amount was rolled over. IFRS 3 was consequently not applied in the case of Ubbink Econergy Solar GmbH and Ubbink Solar Modules B.V., and no goodwill arose within the CENTROSOLAR Group for each acquisition.

The purchase price in excess of the net assets acquired was consolidated within the shareholders' equity for the group.

Business combinations applying the purchase method

Acquisition of Solarsquare AG

CENTROSOLAR AG acquired Solarsquare AG, Meggen, Switzerland, in full on December 19, 2005. Solarsquare is a trading company for solar products and supplies customers in German-speaking countries. The acquired company contributed EUR 1,533 thousand to the revenues and EUR 80 thousand to the net income of the group. If the acquisition had taken place on January 1, 2005, the contribution to revenues would have been EUR 4,382 thousand, and EUR 343 thousand to the net income of the group.

The following table shows the effects of the acquisition of assets and goodwill, the agreed purchase prices and the completion of the acquisition.

Purchase price agreements [in EUR '000]

Purchase price paid	5,000
Purchase price liability	9,392
Market value of the shares issued	5,968
Cost of the acquisition	6
Total purchase price	**20,366**
Net assets acquired	**(14,643)**
Goodwill	**5,723**

The portion of the purchase price for Solarsquare paid in cash amounts to EUR 5,000 thousand, and the purchase price furnished in the form of shares in CENTROSOLAR AG is EUR 5,968 thousand. The assets and liabilities acquired are composed as follows:

Balance sheet items [in EUR '000]

	Market values	Carrying amounts
Cash and cash equivalents	7,496	7,496
Intangible assets	18,053	0
Prepaid expenses and other assets	398	398
Net deferred tax	(3,728)	0
Loans	(4,932)	(4,932)
Trade accounts payable	(1,531)	(1,531)
Other liabilities	(1,113)	(1,113)
Net assets acquired	**14,643**	**318**

Total purchase price to be paid in cash and cash equivalents		(14,392)
Change in purchase price liability (currently non-cash)		9,392
Cash and cash equivalents acquired		7,496
Cash inflow from acquisition of Solarsquare		**2,496**

New intangible assets from the viewpoint of the acquirer were identified. These consist in agreements on the receipt of agency commissions for the supply of solar silicon and on the supply of solar modules at purchase prices which are procured below the current market price level.

Acquisition of Solarstocc AG

CENTROSOLAR AG acquired 66.5 % of the shares of Solarstocc AG, Durach, Germany, on October 4, 2005. The acquisition comprised on the one hand the acquisition of existing shares and on the other the subscription to a capital increase in exchange for the issue of new shares of Solarstocc AG. Solarstocc is a supplier of solar energy systems, concentrating on integrated systems for private homes that are sold predominantly via technical specialist retailers. The acquired company contributed EUR 7,306 thousand to the revenues and EUR -46 thousand to the net income of the group. If the acquisition had taken place on January 1, 2005, the contribution to revenues would have been EUR 20,317 thousand, and EUR 203 thousand to the net income of the group.

The following table shows the effects of the acquisition of assets and goodwill, agreed purchase prices and the completion of the acquisition of Solarstocc on the cash flow statement.

Purchase price agreements [in EUR '000]

Purchase price paid	3,980
Purchase price liability	
Market value of the shares issued	
Cost of the acquisition	782
Total purchase price	**4,762**
Net assets acquired	**(870)**
Goodwill	**3,892**

Balance sheet items [in EUR '000]

	Market values	Carrying amounts
Cash and cash equivalents	(1,468)	(1,468)
Property, plant and equipment and construction in progress	80	80
Intangible assets	2,108	9
Inventories	4,256	4,144
Trade accounts receivable	1,773	1,833
Prepaid expenses and other assets	198	17
Net deferred tax	(705)	176
Accrued expenses	(94)	(806)
Loans	(2,126)	(2,126)
Trade accounts payable	(2,709)	(1,997)
Other liabilities	(6)	(6)
Net assets	**1,308**	**(143)**
66.5 % of which acquired	**870**	

Total purchase price to be paid in cash and cash equivalents	(4,762)
Change in purchase price liability (currently non-cash)	
Cash and cash equivalents acquired	(1,468)
Cash outflow from the acquisition of Solarstocc AG	**(5,448)**

The portion of the purchase price for Solarstocc paid for in cash amounts to EUR 3,980 thousand. The amount contributed to the company by way of capital increase is EUR 4,540 thousand. The portion of the purchase price paid in cash was moreover made available to the company by the sellers as a loan, in addition to an amount of EUR 3,000 thousand by CENTROSOLAR in the capacity of shareholder. CENTROSOLAR will convert the shareholder loan into additional paid-in capital provided that Solarstocc achieves certain contractually agreed milestones. The agreement furthermore envisages that the company founders are entitled and obliged to transfer their remaining shares in Solarstocc to the CENTROSOLAR Group at a later stage by way of a contribution in kind, in return for new shares in CENTROSOLAR AG, based on the profit contribution of Solarstocc to the CENTROSOLAR Group. It is planned to complete this transaction at June 30, 2006. The assets and liabilities acquired are composed as follows:

New intangible assets from the viewpoint of the acquirer were identified. These consist principally of brand values, identifiable customer relations and, to a lesser extent, patents and R&D achievements.

Acquisition of Centrosolar Glas GmbH & Co. KG

CENTROSOLAR AG indirectly acquired Centrosolar Glas GmbH & Co. KG, Fürth, Germany, in full on October 5, 2005. The acquisition took place as a result of accrual of the business operations of Flabeg Solarglas GmbH & Co. KG, Fürth by Centrosolar Glas GmbH & Co KG, Fürth, in exchange for payment of a cash purchase price and a seller's loan. Centrosolar Glas is a manufacturer of solar glasses for thermal and photovoltaic solar modules. The acquired company contributed EUR 5,055 thousand to the revenues and EUR -54 thousand to the net income of the group. If the

acquisition had taken place on January 1, 2005, the contribution to revenues would have been EUR 24,091 thousand, and EUR 386 thousand to the net income of the group.

The following table shows the effects of the acquisition of assets and goodwill, agreed purchase prices and the completion of the acquisition of Centrosolar Glas on the cash flow statement.

Purchase price agreements [in EUR '000]

Purchase price paid	7,500
Purchase price liability	
Market value of the shares issued	
Cost of the acquisition	100
Total purchase price	**7,600**
Net assets acquired	**(3,810)**
Goodwill	**3,790**

The portion of the purchase price for Centrosolar Glas paid for in cash amounts to EUR 7,500 thousand. The seller's loan amounts to EUR 1,910 thousand. The assets and liabilities acquired are composed as follows:

Balance sheet items [in EUR '000]

	Market values	**Carrying amounts**
Cash and cash equivalents	388	388
Property, plant and equipment and construction in progress	2,961	1,857
Intangible assets	862	2
Inventories	2,172	2,172
Trade accounts receivable	3,208	3,089
Prepaid expenses and other assets	397	153
Net deferred tax	13	0
Pensions	(820)	(445)
Accrued expenses	(567)	(1,305)
Loans	(1,910)	(1,910)
Trade accounts payable	(1,438)	(1,319)
Other liabilities	(1,458)	(97)
Net assets acquired	**3,810**	**2,588**

Total purchase price to be paid in cash and cash equivalents	(7,600)
Change in purchase price liability (currently non-cash)	
Cash and cash equivalents acquired	388
Cash outflow from the acquisition of Centrosolar Glas GmbH & Co. KG	**(7,212)**

Material assets were remeasured and new intangible assets were identified from the viewpoint of the acquirer. The existing machinery was revalued on the basis of market values determined by experts. The newly identified intangible assets consist principally of identifiable customer relations, R&D achievements and patents and, to a lesser extent, order backlogs.

D_ Notes to the Consolidated Balance Sheet and Consolidated Income Statement

1 Marketable securities and cash equivalents

Cash and cash equivalents total EUR 13.0 million, which for the most part result from the capital increase in September 2005.

Marketable securities [in EUR '000]

	2005	2004
Securities	1,560	0

The securities comprise current investments of surplus liquidity in money market securities available for sale.

2 Trade accounts receivable

Trade accounts receivable [in EUR '000]

	2005	2004
Receivables	7,395	0
Receivables overdue by more than 90 days	484	0
Reductions for impairment	(542)	0
Total	**7,337**	**0**

The trade accounts receivable are all due within one year. The accounts receivable in euros total EUR 7,311 thousand, and those in foreign currency EUR 26 thousand. Of the total receivables, EUR 2,478 thousand was serving as security for bank loans at the reporting date. Adequate provisions for losses on accounts receivable have been made on a case by case basis to cover identified risks. As a result of the large number of customers in various customer groups and the international customer structure, the credit risk of accounts receivable is diversified. The EUR 542 thousand change in the reductions for impairment was recognised in the income statement.

3 Inventories

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 net realisable value of these inventories. Of this total, EUR 2,300 thousand was serving as security for bank loans at the reporting date. The second table shows inventories broken down according to category.

Inventories [in EUR '000]

	2005	2004
Inventory at cost	7,081	0
Inventory at net realisable value		
Original value at cost	570	0
Provision for obsolescence	(285)	0
Net realisable value	285	0
Total	**6,796**	**0**

Inventories by category [in EUR '000]

	2005	2004
Raw materials and supplies	1,425	0
Work in progress	330	0
Finished goods	5,041	0
Total	**6,796**	**0**

4 Other current assets

The other current assets are as a whole due within one year. The nominal value as the carrying amount corresponds to the fair value. The payment periods are in general significantly shorter than one year.

The other assets include advances on deliveries of goods amounting to EUR 2,618 thousand.

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

Other current assets [in EUR '000]

	2005	2004
Miscellaneous assets	2,962	75
Receivables from sales tax	474	0
Prepaid expenses	94	0
Total	**3,530**	**75**

5 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]

	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
2005				
Accumulated cost Jan 1	0	0	0	0
Additions for first-time consol.	1,829	290	1,536	3,655
Additions	101	32	1,096	1,229
Disposals	0	(9)	0	(9)
Reclasses	1,573	204	(1,777)	0
Exchange differences	0	0	0	0
Accumulated cost Dec 31	3,503	517	855	4,876
Accumulated depreciation Jan 1	0	0	0	0
Additions for first-time consolidation	(4)	(51)	0	(55)
Additions	(110)	(20)	0	(130)
Disposals	0	5	0	5
Reclasses	0	0	0	0
Exchange differences	0	0	0	0
Accumulated depreciation Dec 31	(115)	(65)	0	(180)
Net carrying amount December 31, 2004	0	0	0	0
Net carrying amount December 31, 2005	**3,388**	**452**	**855**	**4,696**

The CENTROSOLAR Group operates its business exclusively from rented land and buildings.

Technical equipment and machinery at the production plants were purchased through acquisitions, and to some extent also extended and technologically upgraded. Other furniture, fixtures and office equipment consists of various items in production, warehouses and offices. At the reporting date, the assets in course of construction consist exclusively of machinery and plant supplied but not yet accepted. Property, plant and equipment includes no assets recognised on the basis of finance lease arrangements. EUR 3,662 thousand of this total was serving as security for bank loans at the reporting date.

The reclasses relate to the commissioning of a glass tempering stove at Centrosolar Glas GmbH & Co. KG that was under construction at the time of acquisition. No income-relevant effects relating to other periods resulted from this.

6 Intangible assets

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

Intangible assets [in EUR '000]

	Industrial rights and similar rights	Software	Capitalised development costs	Total intangible assets
2005				
Accumulated cost Jan 1	0	0	0	0
Additions for first-time consol.	21,419	19	135	21,573
Additions	0	4	0	4
Disposals	0	0	0	0
Reclasses	0	0	0	0
Exchange differences	(39)	0	0	(39)
Accumulated cost Dec 31	21,380	23	135	21,538
Accumulated amortisation Jan 1	0	0	0	0
Additions for first-time consol.	(0)	(9)	0	(9)
Additions	(167)	(1)	(7)	(175)
Disposals	0	0	0	0
Reclasses	0	0	0	0
Exchange differences	0	0	0	0
Accumulated amortisation Dec 31	(167)	(10)	(7)	(184)
Net carrying amount December 31, 2004	**0**	**0**	**0**	**0**
Net carrying amount December 31, 2005	**21,213**	**13**	**128**	**21,354**

The movements in intangible assets are largely dominated by the additions as a result of the companies consolidated for the first time. These are described in further detail under Acquisition of investments/business combinations.

In the context of the acquisition of intangible assets, as well as the contractual rights from the acquisition of Solarsquare amounting to EUR 18.1 million already outlined above, patents to the value of EUR 737 thousand were acquired. These are amortised by the straight-line method over a useful life of between 7 and 11 years. The acquired patents were allocated to "Self-created intangible assets" by the seller, and therefore not recognised on the balance sheet. A measurement based on market criteria was performed during first-time consolidation.

7 Financial investments

The financial investments comprise an investment included in the financial statement at equity. The classification and movements of financial investments are shown in the following schedule:

Financial investments [in EUR '000]

	Investments	Loans originated by the enterprise	Total financial investments
2005			
Accumulated cost Jan 1			
Additions for first-time consol.	8,558		8,558
Additions			
Disposals			
Reclasses			
Exchange differences			
Accumulated cost Dec 31	8,558		8,558
Accumulated amortisation Jan 1			
Additions for first-time consol.			
Additions			
Disposals			
Other changes			
Accumulated amortisation Dec 31	0	0	0
Net carrying amount December 31, 2004	**0**	**0**	**0**
Net carrying amount December 31, 2005	**8,558**		**8,558**

The investment relates to the minority interest recognised using the equity method in Solara AG and its fully owned subsidiary Solara Sonnenstromfabrik Wismar GmbH.

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

	2005	2004
At Jan 1	0	0
First-time consolidation	8,445	0
Share of losses	0	0
Share of gains	113	0
Close of Dec. 31	8,558	0

The financial investments recognised using the equity method include goodwill amounting to EUR 7,160 thousand. A portion of the purchase price for Solara was paid for in CENTROSOLAR AG shares. EUR 4,864 thousand was paid in cash.

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

	Solara 2005
Proportion of ownership interest in %	21.1
Fixed assets	2,922
Current assets	10,189
Total liabilities	4,926
Revenues	40,577
Net income	2,762

8 Goodwill

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

Goodwill [in EUR '000]

	Goodwill Total
2005	
Accumulated cost Jan 1	0
Additions for first-time consol.	13,431
Additions	0
Disposals	0
Accumulated cost Dec 31	13,431
Accumulated amortisation Jan 1	0
Other changes	0
Accumulated amortisation Dec 31	0
Net carrying amount December 31, 2004	0
Net carrying amount December 31, 2005	**13,431**

The goodwill amounting to EUR 13,431 thousand reported at December 31, 2005 arose entirely as a result of business combinations in the year under review. Details of its origin are provided in the notes on business combinations.

The impairment test was performed on the basis of value in use. The calculation was based on a cash flow oriented model. The calculations use as their basis values indicated by past experience on the individual output and income, as well as the approved budget for 2006 or the forecast for 2006 compiled at the time the impairment test was carried out, estimates of forward-looking assumptions that are planned over a period of three forecast years, and also a perpetual annuity calculated on the basis of the third forecast year. The perpetual annuity was assumed to have a growth rate of 1.0 % up to 2.0 %, depending on sector and area of activity. Calculation-specific assumptions on growth rates and developments in margins were moreover made. Conservative revenue growth rates which are in line with or lower than the anticipated growth rates for the respective segments as indicated in the management report were used as the basis of the impairment test. For the forecast years, this results in average weighted segment growth rates of between 3 % and 15 % for Solar Integrated Systems and Solar Key Components explicitly over the period of the forecast. Assumptions were moreover made individually with regard to gross margins derived from values indicated by past experience and currently known price and product mix developments. In the model, a discounting rate of approximately 8.4 % was applied. This was formed from the weighted costs of borrowed capital and equity capital, with the equity capital costs derived using CAPM by incorporating beta factors for both our own shares and also for comparable companies into the calculation. The resulting interest rate was then increased by a further slight amount.

The analysis did not result in any impairment of goodwill.

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

	2005	2004
Centrosolar Glas	3,790	0
Solarstocc	3,892	0
Solarsquare	5,723	0
Other	26	0
Total	**13,431**	**0**

Allocation of goodwill to segments [in EUR '000]

	Solar Integrated Systems		Solar Key Components		Total	
	2005	2004	2005	2004	2005	2004
European euro countries	3,918	0	3,790	0	7,708	0
European non-euro countries	5,723	0	0	0	5,723	0
Total	**9,641**	**0**	**3,790**	**0**	**13,431**	**0**

9 Deferred tax assets

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

In some cases deferred tax applies to areas in which losses arose. The deferred tax in question was subjected to an impairment test based on the budget for 2006 and on longer-range plans in the event of the loss-making situation continuing. Due to fiscally non-deductible company expenses or additions, higher tax results may be necessary in order to realise these deferred tax assets

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

Tax loss carryforwards [in EUR '000]

	2005	2004
Loss carryforwards	2,155	0
Deferred tax on loss carryforwards	857	0
Reductions for impairment of loss carryforwards	0	0
Total deferred tax on loss carryforwards (net)	**857**	**0**

Deferred tax assets [in EUR '000]

	Gross 2005	Gross 2004	Net 2005	Net 2004
Reversal expected within 12 months	857	0	798	0
Reversal expected after 12 months at the earliest	147	0	0	0
Total	**1,004**		**798**	**0**

10 Capital lease obligation

Leasing arrangements are entered into only to a limited extent. The decision on whether to finance an investment measure by bank loan or by lease agreement is reached on a case-by-case basis and depends primarily on the prevailing terms available at the time of deciding. There existed no finance lease agreements pursuant to IAS 17 (Finance Leases) at the balance sheet date.

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.

Operational leasing [in EUR '000]

	Total	Due in up to 1 year	Due in 1 to 5 years	Due in over 5 years
2005				
Property	2,099,590	375,861	1,080,390	643,339
Vehicles	169	53	116	0
Technical equipment and machinery	6	4	2	0
Total	**2,099,765**	**375,918**	**1,080,508**	**643,339**

No capital lease obligations existed in the 2004 financial year.

11 Financial liabilities

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

Liabilities [in EUR '000]

	Original principal amount	Outstanding amount at Dec. 31, 2005	Outstanding amount at Dec. 31, 2004	Interest rate	Exit date
General credit facilities	3,550	255	0	3.9 – 8 %	No repayment schedule
Other loans	13,406	12,837	0	3.1 – 6.7 %	2006 – 2009
Total	**16,956**	**13,092**	**0**		

Liabilities maturities schedule [in EUR '000]

	Outstanding amount at Dec. 31, 2005	Of which maturity < 1 year	Of which maturity > 1, < 5 years	Of which maturity > 5 years
General credit facilities	255	255	0	0
Other loans	12,837	6,787	6,050	0
Total	**13,092**	**7,042**	**6,050**	**0**

All bank liabilities and other non-current loans reflect their market values. In the case of the other loans, the fixed interest rates in the individual loan agreements expire at various times between 2006 and 2009, with the result that the risk is adequately diversified.

The following table indicates the level of securities furnished:

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

	2005
Intangible assets	250
Property, plant and equipment	3,697
Inventories	2,300
Receivables	5,865
Total	**12,112**

12 Accrued expenses

The following table shows the movements in accrued expenses in the year under review:

Accrued expenses [in EUR '000]

	31/12/2004	Added	Used	Liquidated	31/12/2005
Warranty obligations	0	615			615
Claims and court processes					
Personnel-related accruals					
Miscellaneous other accruals					
Total	**0**	**615**			**615**

The accrual for warranty obligations is calculated for each type of revenue according to values indicted by experience, as well as for specific individual cases.

13 Other liabilities

The following table shows the individual components of Other liabilities.

Other non-current liabilities

	2005
Outstanding instalments for acquisitions	7,601
Miscellaneous other liabilities	35
Total non-current:	**7,636**

The outstanding instalments for acquisitions relate to the acquisition of Solarsquare AG for EUR 7,601 thousand and will be paid in eleven regular instalments from September 2006 as contractually agreed, depending on the receipt of corresponding deliveries and commission income.

Other current liabilities [in EUR '000]

	2005	2004
Vacation and overtime	102	
Outstanding invoices	743	
Employee remuneration	26	
Bonus payments to customers	101	
Taxation and social premiums	487	
Outstanding instalments for acquisitions	2,989	
Miscellaneous other liabilities	476	11
Total current	**4,924**	**11**

The miscellaneous other liabilities include sales tax payments outstanding, among other things.

14 Deferred tax liabilities

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

Deferred tax liabilities [in EUR '000]

	Gross 2005	Gross 2004	Net 2005	Net 2004
Reversal expected within 12 months	1,606	0	680	0
Reversal expected after 12 months at the earliest	3,113	0	3,832	0
Total	**4,719**	**0**	**4,512**	**0**

15 Pension accrual

The pension accrual was calculated on the basis of the projected unit credit method, pursuant to IAS 19. This method also takes account of anticipated pay and retirement benefit increases, which result in coming back-service liabilities. The extent of the accrual has been calculated using actuarial methods and the latest mortality table (Heubeck 2005 G). Discounting has been based on an interest rate of 4.0 % in line with the average interest rate for high quality corporate bonds. The pensionable age is assumed to be 62 or 63 years for men and 60 or 62 years for women. Pay is assumed to rise by an annual 1.5 % for all employees. The anticipated fluctuation rate is assumed to be an average of 4.5 %. It is moreover assumed that benefits will be adjusted by 1.0 %. In the year under review, the pension accrual totalled EUR 872 thousand at the balance sheet date. The interest expense is shown under personnel expenses.

16 Minority interests

The minority interests comprise the outside shares in the consolidated shareholders' equity from the companies Ubbink Solar Modules, B.V. and Solarstocc AG that were included in full consolidation for the first time, and amount to EUR 2,385 thousand.

17 Shareholders' equity

General

The share capital of CENTROSOLAR AG amounts to EUR 11,714 thousand at the time of preparation of the Consolidated Financial Statements. It was EUR 10,894 thousand at December 31, 2005. It is fully paid in. With additional paid-in capital of EUR 31,012 thousand, other retained earnings of EUR -153 thousand and net income of EUR 61 thousand, the group had shareholders' equity of EUR 44,199 thousand at December 31, 2005.

Of the share capital, an amount of EUR 694 thousand resulting from a capital increase for contribution in kind in connection with the acquisition of Solara AG and Solarsquare AG had not yet been entered on the Commercial Register at December 31, 2005. This has now been done. It represents an amount of EUR 8,842 thousand in the additional paid-in capital.

Proposal for the distribution of accumulated profit

According to German stock corporation regulations, the separate financial statements of the group parent CENTROSOLAR AG constitute the basis for the appropriation of profits for the 2005 financial year. A distributable dividend therefore depends, among other things, on the retained earnings reported by that company in the separate financial statements at December 31, 2005. The company reported no net distributable profit at December 31, 2005.

Treasury stock

No treasury stock was held in the financial year.

Approved capital

Approved capital in addition exists. By the shareholders' resolution of August 12, 2005, the Management Board is authorised, with the approval of the Supervisory Board, to increase the company's capital stock by up to EUR 1,515,000 (approved capital) by December 31, 2009 through the issue of new individual share certificates in return for cash or non-cash contributions on one or more occasions. The new shares are to be accepted by banks, with the obligation to offer them for subscription to the shareholders. The Management Board is, however, authorised to exclude residual amounts from the shareholders' subscription right. The Management Board is also authorised to exclude the right of subscription in order to issue new shares in return for non-cash contributions. Moreover, the Management Board is entitled pursuant to Section 186 (3), fourth sentence of German Stock Corporation Law (AktG) to exclude the shareholders' right of subscription for up to 10 % of the existing capital stock, using the approved capital on one or more occasions, if the issuing price of the new shares is not significantly lower, but in no case more than 5 % lower, than the market price of the shares already listed at the time when the issuing price is finally fixed by the Management Board, which should be as close as possible to the placement of the shares. This approved capital had been used up by the time of the preparation of the accounts, apart from a residual amount of 934 shares.

Conditional capital II was approved at the Shareholders' Meeting on March 6, 2006. The Management Board is accordingly authorised, with the approval of the Supervisory Board, to increase the company's capital stock by up to EUR 3,585,000 (approved capital) by December 31, 2010 through the issue of new individual share certificates in return for cash or non-cash contributions on one or more occasions. The new shares are to be accepted by banks, with the obligation to offer them for subscription to the shareholders. The Management Board is, however, authorised to exclude residual amounts from the shareholders' subscription right. The Management Board is also authorised to exclude the right of subscription in order to issue new shares in return for non-cash contributions. Moreover, the Management Board is entitled pursuant to Section 186 (3), fourth sentence of German Stock Corporation Law (AktG) to exclude the shareholders' right of subscription for up to 10 % of the existing capital stock, using the approved capital on one or more occasions, if the issuing price of the new shares is not significantly lower, but in no case more than 5 % lower, than the market price of the shares already listed at the time when the issuing price is finally fixed by the Management Board, which should be as close as possible to the placement of the shares. The authorisation furthermore envisages an exclusion of subscription rights in the event of an issue of shares in connection with the inclusion of the company's shares in an organised market as defined in Section 2 (5) of German Securities Trading Law. An objection to the resolution was minuted and an action to rescind it was lodged; it had not yet been entered on the Commercial Register at the time of preparation of the accounts.

Conditional capital and share-based payments

The issue of a total of 303,000 stock options to members of the Management Board of CENTROSOLAR AG was agreed by resolution of the Supervisory Board on September 26, 2005. This issue was based on the application of the shareholders' resolution dated September 2, 2005, pursuant to which conditional capital of EUR 303,000 was created and then entered on the Commercial Register on September 30, 2005. The vesting period until the earliest possible time the options may be exercised is two years from the date of issue of the option. The earliest possible date for exercising of the options was specified as October 1, 2007. 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 conditional capital was used in full for the issue of stock options of amounting to 75,750 each to the Management Board members Kirsch, Huisman, Müller-Groeling and Güntzer (see below).

New conditional capital II of EUR 717,000 was in addition created at the Shareholders' Meeting on March 6, 2006. The purpose of the conditional capital II is to provide cover for subscription rights from stock options that will be issued by CENTROSOLAR AG in the context of the 2006 stock option scheme during the period from March 6, 2006 to December 31, 2010 on the basis of the authorisation of the Shareholders' Meeting of CENTROSOLAR AG dated March 6, 2006. Members of the Management Board of CENTROSOLAR AG have subscription rights for a total of up to 430,200 stock options; members of the management boards of group companies have subscription rights for up to 215,100 stock options; selected employees and management personnel of CENTROSOLAR AG and its group companies have subscription rights for up to 71,700 stock options. The exercise price per share (subscription price) to be paid upon exercising of the options shall be 90 % of the average closing price on the Frankfurt am

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

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

The measurement model for share-based payments took particular account of factors and assumptions regarding exercise prices, terms, prices, volatilities, dividends and risk-free interest rates, exercise deadlines and features. The volatility of CENTROSOLAR shares is falling thanks to the growing number of shares and higher turnover of shares, among other reasons. The assumed volatility over the term of the option is estimated at 42 %. Volatility describes the intensity of fluctuation in the share price around its mean value over a period of twelve months. It was assumed that no divided payment would be made. The risk-free interest rate is in the order of 2.5 % and is based on risk-free investment alternatives in Germany of comparable term. Based on the experience of other companies, the actual period for which options are held is significantly shorter than the maximum of seven years and has been estimated at 2 H years. As the consideration received is in essence not considered for purposes of recognition as assets, it is recognised overall as an expense.

With effect from September 26, 2005, 303,000 options were issued, the exercise of which is not dependent on individual targets. An exercise price of EUR 9.50 was agreed. The options lapse on September 30, 2012.

Total options	**2005 Options**	**2005 Average exercise price**	2004 **Options**	2004 **Average exercise price**
Start of year	0	9.50	0	
Granted	303,000	9.50	0	
Expired	0	9.50	0	
Exercised	0	9.50	0	
Lapsed	0	9.50	0	
End of year	303,000	9.50	0	
of which exercisable	0		0	

18 Other operating income

The breakdown of other operating income is as follows:

Other operating income [in EUR '000]

	2005	2004
Costs passed on, cost refunds	129	0
Government subsidies	66	0
Liquidation of accruals	18	0
Sales proceeds from the disposal of fixed assets	0	71
Other	258	0
Total	**471**	**71**

In connection with the nano-coating of solar glasses, the group received unconditional government grants totalling EUR 66 thousand in the year under review for research and development activities. Conditions that were attached to these payments have been fulfilled as at the balance sheet date.

19 Cost of purchased materials and services

Cost of purchased materials [in EUR '000]

	2005	2004
Cost of materials	10,067	0
Cost of services	744	0
Supplier discounts	(7)	0
Total	**10,804**	**0**

The overall materials ratio for 2005 was 80 %.

20 Employee benefit costs (personnel expenses) and number of employees

Personnel expenses [in EUR '000]

	2005	2004
Wages and salaries	951	0
Social insurance and expenses for retirement benefits and maintenance payments	213	0
Share-based payment	51	0
Personnel expenses	**1,215**	**0**

Employees

	2005 Average	2005 At reporting date	2004 Average	2004 At reporting date
FTE	157	157	0	0
Individuals	170	170	0	0

Personnel expenses amounted to 8.0 % of revenue in the year under review. The group spent EUR 66 thousand on contributions to the state pensions scheme.

21 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses [in EUR '000]

	2005	2004
Outward freight	273	0
Promotional costs	45	0
Maintenance costs	103	0
Legal and consultancy costs	43	3
Energy	276	0
Travel expenses and fleet	88	0
Sales commissions	158	0
Insurance	41	0
Packaging	120	0
Waste disposal	12	0
Rent for buildings	164	0
Leasing/other rent	17	0
IT expenses	33	2
Communication	10	0
Other personnel expenses	17	0
Patent protection	12	0
Other taxes	2	0
Disposal of assets	3	0
Exchange rate losses	29	0
Miscellaneous	306	1
Total	**1,752**	**5**

Other operating expenses totalled EUR 1,752 thousand. The item "Miscellaneous" includes expenses for the management of stock market affairs and the Shareholders' Meeting, among other items.

22 Interest income and expense

Interest income and expense is broken down as follows:

Financial result [in EUR '000]

	2005	2004
Interest income	110	0
Interest expense on loans	(128)	0
Other interest expenses	(5)	0
Total	**(23)**	**0**

23 Income tax expense

Income tax expense is composed as follows:

Income tax expense [in EUR '000]

	2005	2004
Income tax expense for the current financial year	(77)	0
Tax deferral	109	0
Total	**32**	**0**

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]

	2005	2004
Result before income taxes (incl. non-taxable interest in Solara)	(103)	43
Anticipated tax expense	**49**	**17**
Tax effect from non-deductible expenses	(22)	0
Tax effect from non-taxable income	0	0
Tax effect from goodwill amortisation	0	0
Tax effect from changes in tax rates	0	0
Adjustments from previous financial years	5	(17)
Total	**32**	**0**

Deferred tax [in EUR '000]

	2005	2004
Deferred tax assets		
Unused loss carryforwards	857	0
Pension and similar obligations	147	0
Other accruals	0	0
Other liabilities	0	0
Property, plant and equipment	0	0
Inventories	0	0
Trade accounts receivable	0	0
Intangible assets	0	0
	1,004	**0**
Deferred tax liabilities		
Property, plant and equipment	0	0
Inventories	0	0
Intangible assets	4,719	0
Advances received	0	0
	4,719	**0**
Deferred tax, balance (liabilities)	**3,715**	**0**

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

	2005	2004
Switzerland	3,728	0
Germany	(13)	0
Deferred tax, balance (net)	**3,715**	**0**

24 Minority interests

The other shareholders of Ubbink Solar Modules BV and Solarstocc AG account for a share of losses amounting to EUR 19 thousand in 2005.

25 Earnings per share

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

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

Earnings per share

	2005	2004
Consolidated net income in EUR '000	61	43
Weighted average ordinary shares issued, '000	3,218	280
Basic earnings per share, EUR	0.02	0.16

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.

303,000 options were issued at the end of September 2005. These stock options for subscription to new bearer shares in CENTROSOLAR AG were issued by the Supervisory Board of CENTROSOLAR to the Management Board members of CENTROSOLAR. They may be exercised no earlier than October 1, 2007. Over and above the profit target that the share price must exceed the exercise price by 30 %, no further individual targets were specified.

Stock option tranches CENTROSOLAR	Date of issue	Stock option scheme	Exercise price	Date of expiry	Options at end 2005	Options at end 2004	Change
1. tranche 2005	26/09/2005	No. 1	9.50	25/09/2012	303,000	0	+ 303,000

Within the context of the acquisition of Solarstocc, CENTROSOLAR undertook to purchase the remaining shares probably in mid-2006 in exchange for the issue of ordinary shares in CENTROSOLAR. The ratio for exchange of the CENTROSOLAR AG shares and the Solarstocc AG shares is based on the ratio between the earnings before interest and taxes of Solarstocc AG and the CENTROSOLAR Group, as well as the ratio between the net financial liabilities of both entities. In accordance with current valuation theories, the market capitalisation of CENTROSOLAR is based on the same variables, among other aspects. It is consequently likely that the price for the future contribution in kind in the form of shares to Solarstocc AG ought to correspond to the market price of the new CENTROSOLAR shares to be issued. Based on current estimates, no dilutive effect is therefore expected. In the 2005 financial year, the contribution of Solarstocc AG towards earnings was negative, with the result that based on the agreed rules for the exchange no new CENTROSOLAR would have been issued and no remaining shares in Solarstocc would have been received. Consequently, no adjustment in earnings and in the number of shares is performed. It is nevertheless expected that Solarstocc will make a positive contribution towards earnings in 2006, with the result that the aforementioned transaction will be completed with a positive effect on the consolidated net income and the number of shares.

Diluted earnings per share

	2005	2004
Consolidated net income in EUR '000	61	43
Weighted average ordinary shares issued, '000	3,218	280
Assumed creation of new dilutive shares from stock options granted (weighted average)	19	0
Weighted average diluted ordinary shares issued, '000	3,237	0
Diluted earnings per share, EUR	0.02	0.16

26 Segment report and revenues

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

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

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

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

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

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

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

Segment report [in EUR '000]

	Solar Integrated Systems		Solar Key Components		Consolidation		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Revenue from third parties	8,839	0	6,268	0	0	0	15,107	0
Revenue from other segments	0	0	4	0	(4)	0	0	0
Cost of materials	(6,152)	0	(4,656)	0	4	0	(10,804)	0
Employee benefit costs	(531)	0	(746)	0	62	0	(1,214)	0
Depreciation and amortisation	(44)	(22)	(261)	0	0	0	(305)	(22)
Other income and expense from ordinary activities	(2,284)	65	(518)	0	(62)	0	(2,863)	65
EBIT	**(172)**	**43**	**91**	**0**	**0**	**0**	**(80)**	**43**
Interest result							(23)	0
Result from investments recognised using the equity method	113						113	0
EBT							**10**	**43**
Income tax							32	0
Net income (EAT)							**42**	**43**
Profit or loss attributable to minority interests							19	0
Earnings of shareholders							**61**	**43**
Total assets	64,851	87	15,396	0		0	80,247	87
Financial assets, at equity	8,558						8,558	0
Tax assets*							1,089	0
Total liabilities	15,048	11	4,414	0	0	0	19,462	11
Financial liabilities							13,092	0
Tax liabilities*							4,583	0
Investment in property, plant and equipment	20,844	26	8,391	0	0	0	29,235	26

* Including deferred tax

[in EUR '000]	European euro countries		European non-euro countries		Rest of world		Consolidation		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Revenue from third parties	14,059	0	235	0	813	0	0	0	15,107	0
Total assets	59,602	87	20,645						80,247	87
Investment in fixed ssets	11,180	26	18,055						29,235	26

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" include cash on hand, demand deposits, deposits with a time to maturity of one month or less, and bank overdrafts repayable on demand, as recorded in the Consolidated Financial Statements.

The cash flow from operating activities totalled EUR -1,801 thousand and was dominated by the rise in working capital.

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

Breakdown of cash and cash equivalents [in EUR '000]

	2005	2004
Liquid funds	12,984	11
Investment securities	1,560	0
Bank overdrafts (included in "Bank liabilities" item)	(285)	
Total	**14,259**	**11**

Short-term credit facilities to secure constant liquidity have been arranged with several different credit institutions. At the balance sheet date, the available borrowing facilities from current account, guarantee/surety or discount lines amounts to EUR 3.85 million.

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

E Other particulars

1_Contingent liabilities

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

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

The obligation to acquire the remaining shares in Solarstocc AG has already been detailed above.

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

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

2_Significant events occurring after the balance sheet date

Acquisition of investments/business combinations

In January 2006 CENTROSOLAR AG acquired a further 78.9 % in Solara AG, Hamburg, and in its subsidiary Solara Sonnenstromfabrik Wismar GmbH, Wismar, with the result that these two companies have become fully owned subsidiaries of CENTROSOLAR AG. 30 % of the 100 % stake was acquired by way of a contribution in kind in exchange for the issue of shares in CENTROSOLAR AG by CENTROSOLAR AG. Even after this acquisition by CENTROSOLAR AG, CENTROTEC retains control of CENTROSOLAR AG via the voting commitment agreement, and will continue to include it as a fully consolidated subsidiary.

The following table shows the effects of the acquisition of assets and goodwill, the agreed purchase prices and the completion of the acquisition of Solara.

Purchase price agreements in [in EUR '000]

Purchase price paid	11,516
Purchase price liability	
Market value of the shares issued	7,539
Cost of the acquisition	4
Total purchase price	**19,060**
Net assets acquired	(6,458)
Goodwill 01/06	12,601
Goodwill from 11/05	6,556
Total goodwill	**19,157**

The fixed purchase price amounts to EUR 19.1 million for the 78.9 % share.

Balance sheet items [in EUR '000]

	Market values	Carrying amounts
Cash and cash equivalents	3,981	3,981
Property, plant and equipment	857	857
Intangible assets	2,066	41
Inventories	4,376	4,342
Trade accounts receivable	1,666	1,814
Prepaid expenses and other assets	167	18
Net deferred tax	(936)	0
Other accruals	(3,587)	(3,587)
Trade accounts payable	(403)	(1,339)
Net assets	**8,187**	**6,126**
Less minority interests	1,728	
Net assets acquired	**6,459**	

Changes in equity

The shareholders' equity of CENTROSOLAR AG was increased on January 27, 2006 by a cash amount of EUR 5 million through the issue of 336,000 new shares. In addition, 484,000 new shares were issued on January 12, 2006 in return for a contribution in kind of shares in Solara AG (see above).

Further changes to the group structure, members of corporate bodies and company names

At the start of February 2006, all shares of CENTROSOLAR AG in Ubbink Econergy Solar GmbH and Ubbink Solar Modules B.V. were transferred to Centrosolar International B.V., a fully owned subsidiary of CENTROSOLAR AG.

No further significant events occurred at and after the balance sheet date, or only to the extent that they are already represented as such or evident from the remarks in the group management report.

3_Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's financial and operating decisions. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Intra-group transactions are not disclosed as related party transactions in the Consolidated Financial Statements.

Key management personnel, including but not limited to members of the Management Board and the Supervisory Board as well as the shareholder Guido Krass, are "related parties". In addition, members of the family of Mr. Krass might be classified as related parties, although the Management Board has not yet been confronted with direct control from these persons.

Mr. Krass holds a minority interest in Pari Holding GmbH, Munich ("PH"). One Management Board member was the Co-Director of Pari Holding GmbH on a part-time basis. PH might therefore be classified as a "related party", even though the Management Board does not believe that control actually exists between the parties. Further companies of the Pari Group could likewise be classified as "related parties". These are Pari Corporate Finance Ltd., London (PCF), Pari Capital AG, Munich (PC) and Pari Private Equity AG, Munich. One Management Board member was Chairman of the Supervisory Board of PC, and one Management Board member was Management Board member of PC (see also details of the Management Board and Supervisory Board). Legal transactions were conducted with PCF and PC in the year under review. A consultancy agreement with PH exists for services in connection with corporate mergers and acquisitions, in respect of identifying, establishing contact with and acquiring potential target companies. In the event of a transaction being realised, PH receives a fee according to the "Lehman formula". PH provided such services in the financial year. The amount of EUR 650 thousand was billed by PH in 2005 in connection with acquisitions. A further amount of EUR 1,154 thousand was rebilled to PC for consultancy services in connection with the raising of equity.

CENTROSOLAR AG was developed through the combination of the solar activities of the CENTROTEC Group with it and with parties related to CENTROSOLAR. The 70 % stake in Ubbink Solar Modules B.V. and a 100 % stake in Ubbink Econergy Solar GmbH were acquired by CENTROSOLAR AG from Ubbink B.V. by contract dated September 2, 2005 and taking effect on October 11, 2005. The shareholdings in both companies were transferred to CENTROSOLAR AG by way of a contribution in kind in exchange for the issue of new shares in the latter. The sole proprietors of CENTROSOLAR AG on September 2, 2005 were Mr. Krass and the Supervisory Board member Dr. Bernhard Heiss. The relative value of CENTROSOLAR AG and the two Ubbink companies to be transferred was determined on the basis of the market values of the respective companies. The companies were measured using a productive value method on the basis of models. In the case of CENTROSOLAR, the valuation of the transaction corresponded to the cost of the subsidiary Centrosolar Glas already acquired in 2005. In the case of the companies transferred by the CENTROTEC Group, the valuation taken as the basis of the transaction exceeded the original acquisition costs from 2004 and 2005.

The law firm Freshfields Bruckhaus Deringer could likewise be classified as a related party, as Dr. Heiss, a Supervisory Board member of CENTROSOLAR AG, was a partner in this law firm until April 30, 2005. Legal consultancy services to the value of EUR 130 thousand were purchased in the year under review. Dr. Heiss himself provided CENTROSOLAR AG with legal consultancy services to the value of some EUR 50 thousand. The invoicing reflects the generally accepted market rates that are charged for such consultancy services in Germany and internationally.

Management Board and Supervisory Board

The members of the Management Board at the reporting date were:
Dr. Alexander Kirsch, Munich, Germany, merchant (Chairman)
Dr. Gert-Jan Huisman, Nijkerk, Netherlands, merchant
Thomas Güntzer, Munich, Germany, lawyer
Dr. Axel Müller-Groeling, Norderstedt, Germany, physicist

The members of the Supervisory Board at the reporting date were:
Dr. Bernhard Heiss, Munich, Germany, lawyer (Chairman)
Friedrich Lützow, Germering, Germany, tax consultant (Deputy Chairman)
Hans Wiertz, Stolberg, Germany, merchant

Members of the Management and Supervisory Boards also serve on the following supervisory boards as defined in Section 125 (1), third sentence of German Stock Corporation Law:

Management Board members:		
Kirsch Alexander, Dr.	Pari Capital AG, Munich, Germany	Munich, May 3, 2006
	Pari Private Equity AG, Munich, Germany	
	Rolf Schmidt Industriplast A/S, Kolding, Denmark	Dr. Alexander Kirsch, Chairman and Finance
Huisman Gert-Jan, Dr.	---	Dr. Gert-Jan Huisman, Modules and Mounting Systems
Güntzer Thomas	iTAC Software AG, Dernbach, Germany	Dr. Axel Müller-Groeling, Strategy and Operations
	Centrosolar Schweiz AG, Bern, CH	Thomas Güntzer, M&A and Expansion
Müller-Groeling Axel, Dr.	---	
Members of the Supervisory Board:		
Heiss Bernhard, Dr.	MME Moviement AG, Hamburg, Germany (Chairman)	
	Kögel Holding AG, Munich, Germany	
	Süddeutscher Verlag AG, Munich, Germany	
	Altium Capital AG, Munich, Germany	
	CENTROTEC AG, Brilon, Germany	
Lützow Friedrich.	Pari Private Equity AG, Munich, Germany	
	Eurohealth AG, Munich, Germany	

During the reporting period the members of the Management Board received remuneration totalling EUR 192 thousand (previous year EUR 0 thousand). This amount includes social contributions and fringe benefits. It does not include exercisable share options which are tied to the fulfilment of individual and company objectives. In 2005, 303,000 options were issued at an exercise price of EUR 9.50 per share.

The remuneration of the Supervisory Board in 2005 totalled EUR 15 thousand (previous year EUR 0 thousand) and was made up as follows: Dr. Heiss EUR 5 thousand, Mr. Lützow EUR 6 thousand and Mr. Wiertz EUR 4 thousand.

4_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 May 2, 2006. The Supervisory Board signed off the financial statements on May 3, 2006.

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