CentroSolar Group AG

Annual Report 2012

SUNSHINE IS OUR BUSINESS

WE ARE ON!

Key Figures
2012

P&L

	31/12/2012 in EUR '000	% of Revenue	31/12/2011 in EUR '000	% of Revenue	Change
Revenue	188,942	**100.0**	234,705	100.0	**-19.5 %**
Gross profit	45,488	**24.1**	50,456	21.5	**-9.8 %**
EBITDA	(19,378)	**-10.3**	(10,403)	-4.4	**86.3 %**
EBIT	(58,788)	**-31.1**	(16,572)	-7.1	**254.7 %**
Result from discontinuing activities	(8,762)	**n.a.**	2,235	n.a.	**n.a.**
EAT attributable to shareholders	(71,965)	**-38.1**	(16,813)	-7.2	**328.0 %**

Cash Flow Statement

Cash Flow from operating activities*	(13,636)	**-7.2**	(13,500)	-5.8	**1.0 %**
Cash Flow from investing activities*	(3,384)	**-1.8**	(17,181)	-7.3	**-80.3 %**
Cash Flow from financing activities*	(4,224)	**-2.2**	52,171	22.2	**n.a.**
Cash Flow from discontinuing activities	(4,372)	**n.a.**	581	n.a.	**n.a.**

Balance Sheet

		% Total		% Total	
Net Operating Working Capital	36,164	**23.6**	54,703	25.4	**-33.9 %**
Fixed Assets	54,014	**35.2**	103,872	48.2	**-48.0 %**
thereof Goodwill	12,961	**8.5**	49,429	23.0	**-73.8 %**
Net cash	(76,474)	**-49.9**	(68,800)	-32.0	**11.2 %**
Shareholders´ equity	7,749	**5.1**	79,197	36.8	**-90.2 %**
Balance sheet total	153,317	**100.0**	215,282	100.0	**-28.8 %**

Shares and EPS

	31/12/2012	31/12/2011
Number of shares (weighted average outstanding; basic)	20,351,433	20,344,406
EPS (in EUR; basic)	-3.54	-0.83

	04/01	Year-high	Year-low	31/12
Share price in EUR	1.41	1.56	0.55	0.95

Employees

	31/12/2012	31/12/2011	Change
Average total (in FTE)	761	1,100	-30.8 %

International sales

	31/12/2012	31/12/2011
International share in total sales* (in %)	71	59

* continuing activities

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

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

LOCATIONS AND BRANCHES

CENTROSOLAR Group AG
Parent company
Munich/Germany

Centrosolar AG
Systems integration
Hamburg/Kempten/
Paderborn/Germany

Centrosolar Sonnen-stromfabrik GmbH
Module manufacturing
Wismar/Germany

Centrosolar Schweiz AG
Muri/Switzerland

Centrosolar France SARL
Ecully/France

Centrosolar Hellas MEPE
Paleo Faliro/Greece

Centrosolar Italia S.r.l.
Verona/Italy

Centrosolar Fotovoltaico España S.L.
Barcelona/Spain

Centrosolar Benelux B.V.
Tiel/The Netherlands

Centrosolar America
Scottsdale/Fremont/USA

Centrosolar Canada Inc.
Toronto/Canada

Centroplan GmbH
Projektierung
Geilenkirchen/Germany

Centroplan UK Ltd.
London/United Kingdom

Centroplan Italia S.r.l.
Roma/Italy

Centroplan España S.L.
Barcelona/Spain

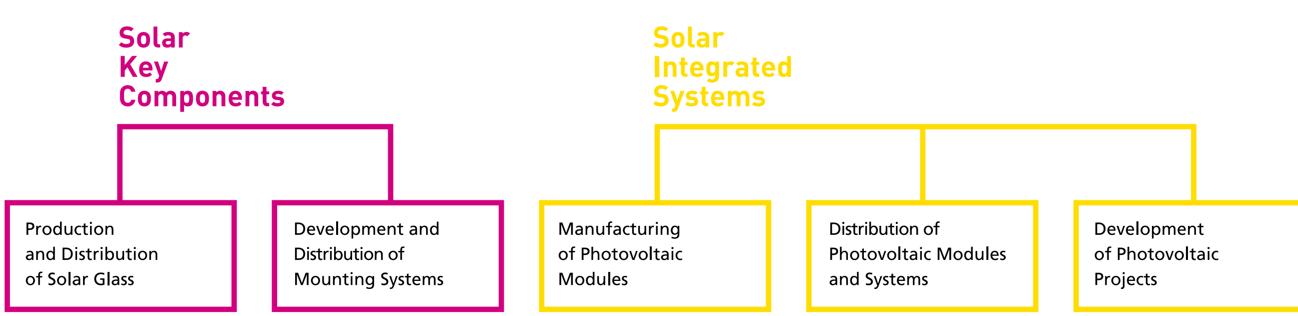
Renusol GmbH
Mounting systems
Köln/Germany

Renusol France SARL
Ecully/France

Renusol Italia S.R.L.
Verona/Italy

Renusol America Inc.
Atlanta/USA

BUSINESS SEGMENTS
OF CENTROSOLAR GROUP AG



Dr Axel Müller-Groeling

Dr Axel Müller-Groeling (born 1964), on the Executive Board since 2005, is a habilitated physicist and is responsible for the strategy and operational management of the CENTROSOLAR Group's affiliated companies. He brings over 15 years of professional experience in international scientific research as well as in the energy and financial industries (focus: strategy, risk management and post-merger integration). Prior to 2005, he worked as Associate Principal at McKinsey & Company.

Dr Alexander Kirsch
[Chairman of the Management Board]

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

Thomas Güntzer

Thomas Güntzer (born 1962), member of the Management Board since 2005, a fully qualified German lawyer, is responsible for new markets and major projects as well as M&A and human ressources at CENTROSOLAR Group AG. He has 15 years of experience in investment banking and private equity. Formerly he worked as a Managing Partner at Pari Group and for PPM Capital, the private equity arm of Prudential PLC, where he was responsible for private equity investments.

THE MANAGEMENT BOARD OF CENTROSOLAR GROUP AG

Dear Ladies and Gentlemen,

The solar industry is in a crisis. Especially in China production capacity has increased on a massive scale, while the public support for solar power in Europe has decreased. The result: No manufacturer of solar modules is currently able to make a profit. CENTROSOLAR neither. Our company has reported heavy losses in the 2012 fiscal year. The vast majority of these are accounting losses through goodwill adjustments because our portfolio companies have, as part of the restructuring, reduced their costs, but also their future growth potential. Operationally CENTROSOLAR not only performed better in sales but was able to keep its operating losses lower than almost all competitors.

We have acted boldly and have begun a comprehensive restructuring programme. We will not only save costs, but will in parallel work with concrete measures on revenue and margin protection. Besides operational restructuring we are also carrying out a financial restructuring. Here, the BondM listed corporate bond and a subordinated loan are to be converted into equity, thereby reducing our financial debt by over 60 %. The sale of the solar glass business considerably reduces the debt burden further. Another element is the strengthening of liquidity by selling non-core assets and a capital increase as well. The collateralised financiers, some business partners and all managers are supporting the restructuring of the affected areas by deferment of payment.

What are the next steps? At last there are the first signs of recovery. Some of our direct competitors – a large part of the European solar manufacturers have already left – have announced their exit. This is unfortunate, but helpful for the recovery of CENTROSOLAR. Also the dumping from suppliers in China is expected to be curbed (now officially acknowledged by the EU and the USA). The EU has agreed with China on specific minimum prices and maximum quantities for the import of solar products. And there are also areas of growth in demand! This can be observed particularly in the USA and Asia. CETNROSOLAR benefits directly from the Market growth in the USA with its own subsidiary and indirectly from growth in Asia, since it is helping to re-utilize the excess capacity worldwide.

Even if photovoltaics has lately been increasingly under attack – partly by interested parties – the technology to generate electricity from light is unstoppable. Technical progress is making electricity from the sun cheaper each year, whereas commodity prices are rising. The cost of generating solar power in many European countries is lready below the price of conventional electricity. Thus, the market structure will change. Not the countries with the high level of support but those with the high electricity prices are our PV markets. Large coal and nuclear power plants are being phased out. Power generation is increasingly becoming decentralized.
To embed small solar power plants in the energy supply of a household or a commercial business the solar

manufacturers need more than just production capacity: this requires the ability to provide on-site technical analysis and consultancy, to offer complete systems and deliver, with efficient logistics, a large number of complex orders. According to our customers, no solar provider is able to do this as professionally and efficiently as CENTROSOLAR.

We have a true advantage in terms of system skills for the changing market. We are commited to expand this. Our restructuring programme is suited to create the economic basis for it. We thank our bondholders and subordinated creditors as well as our shareholders for their approval of the conversion of bonds and subordinated loans into equity. We thank our collateralised financiers, business partners and our management for their deferral of contributions. We thank our employees for their exemplary commitment and great cohesion, which has, especially in the crisis year, again shown itself. We thank our customers and other business partners for their loyalty to us in the past fiscal year. We do everything we can to be at your side as a system partner with even better services and offerings in the future.

SINCERELY,
DR ALEXANDER KIRSCH

THOMAS GÜNTZER

DR AXEL MÜLLER-GROELING

FIRST PV AND STORAGE COMBINATION THAT PAYS ITS WAY.

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

PRACTICAL INNO-VATIONS

For instance we have combined PV systems with a heat pump for supplying hot water, using photovoltaics for heating up water for domestic use. This increases the internal consumption ratio to well over 30 %. The system is now able to store energy in the hot water tank for days, with minimal losses. This energy storage combination already pays its way! We also supply battery systems that can be extended on a modular principle and with an intelligent energy management system that regulates the energy flow between the solar system, the storage system, the household and the grid.

The Key Components segment is focusing on ways of steadily improving the ease with which our mounting systems can be installed. We established a new record-breaking installation time of 9 minutes for 8 modules with our new Metasole mounting system.

REPORT OF THE SUPERVISORY BOARD OF CENTROSOLAR GROUP AG

Guido A Krass
[Chairman of the Supervisory Board]

Guido A Krass (born 1957), industrial lawyer and entrepreneur, has been involved in high-growth mid-cap companies since 1986. He is active in a variety of sectors. He is able to draw on a worldwide network of contacts for developing new business opportunities and identifying potential partners.

Dr Bernhard Heiss

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

Martinus Brandal

Previous to joining the Supervisory Board Martinus Brandal (born 1960) has been the CEO of AKER Solution ASA amongst others. He is also Owner and Partner of BE Bio Energy Group AG, Switzerland and has got wide expertise in the Renewable Energies industry.

Dear shareholders,

The Supervisory Board of CENTROSOLAR Group AG continuously oversaw and supported the Management Board in an advisory capacity throughout the 2012 financial year, on the basis of Management Board reports, joint meetings and resolutions by written circular, in accordance with the law, the company's articles of incorporation and the rules of internal procedure.

The Supervisory Board shares the opinion of the Management Board that the company is currently in a restructuring phase. The Supervisory Board therefore devoted particular attention to cost efficiency and liquidity but also to the safeguarding of revenue and the long-term strategic further development of the company.

The Supervisory Board moreover shares the opinion of the Management Board that the current crisis in the industry is a temporary phenomenon. In the long term the Supervisory Board expects to see the photovoltaic industry in Europe and the USA grow because it offers an environmentally friendly, low-cost form of power generation. It moreover shares the opinion of the Management Board that the corporate strategy of concentrating on solar roof systems, among other products, is the right approach given the anticipated market trends in the EU and USA.

In light of the above, the priority over the year under review was to prepare a comprehensive restructuring programme resting on the following pillars:

1. Operational reorganisation

The company is to be significantly streamlined, to equip it to function well on a lower market volume. To that end costs are to be reduced over and above the measures already implemented last year. This will involve now handling administrative functions centrally to some degree, with sales operations refocused. In addition the administrative operations of the entire group are to be significantly slimmed down. Finally, senior management employees are to defer a significant portion of their remuneration to help the company.

2. Balance sheet reconstruction

The company's financial liabilities are to be reduced to below half the current level. The measures envisaged include converting the corporate bond for a nominal EUR 50 million into shareholders' equity in the form of shares. The financial creditors – banks and lessors – support this plan and are themselves prepared to contribute towards reconstruction by deferring interest and capital repayments to some degree and pledging to provide financing until the end of 2014.

3. Capital strengthening

To boost the equity base and protect the existing shareholders against dilution, there are plans to raise fresh funding by way of a capital increase with subscription rights. Shares not taken up by existing shareholders are to be placed with new investors.

For debt reduction reasons and to focus on core operations, the Centrosolar Glas area has now been disposed of.

With regard to the further deterioration in the group's financial situation specifically at the end of 2012, the Supervisory Board has resolved to increase the frequency of its meetings in 2013. It has in addition provided regular support for the Management Board in examining various matters in respect of insolvency law.

The other focal topics addressed included the expansion and operational improvement of North American business, the operational improvement and strategic fine-tuning of the mounting systems area as well as how to reduce costs and increase the effectiveness of sales activities for integrated systems and modules. The Supervisory Board also regularly assessed the political framework in the group's principal national sales markets and drew up suitable strategies in response. The Supervisory Board discussed in depth whether and to what extent it was advisable for the company to become involved in the impending anti-dumping proceedings against China in connection with wafers, cells and solar modules. The procurement of important components such as cells, modules and assembly systems was likewise a regular topic of discussion between the Management Board and Supervisory Board. The Supervisory Board furthermore carefully considered the annual planning for the 2013 financial year presented by the Management Board.

The topics discussed at the Supervisory Board meetings moreover included the fundamental aspects of business policy concerning the parent company and its subsidiaries, together with individual matters of significance to the group. The individual matters discussed comprised the strategic direction, important individual transactions, changes to negotiable instruments law, major investment decisions, examinations of the remuneration structures of the Management Board and management employees, the efficiency of the Supervisory Board's own activities, the selection and monitoring of the independent auditor, the corporate culture, and social issues and various topics concerning the operating companies. Management Board decisions which required ratification by the Supervisory Board were studied and approved.

Four Supervisory Board meetings in which members participated in person or by telephone took place in the 2012 financial year. In addition, eight resolutions were passed by means of telefax circular. The Supervisory Board was informed promptly and comprehensively by the Management Board of the company's current and future business progress, and in particular of the development in its revenue, orders, net worth, financial performance and financial position, as well as of other relevant aspects of corporate planning and of the group's strategic development. Discrepancies in business progress between actual performance and the plans and targets were discussed individually with the Supervisory Board and examined by it on the basis of the documents presented. In particular, half-yearly and quarterly financial reports were discussed by the Supervisory Board with the Management Board prior to their publication. Particular attention was devoted to considering the opportunities and risks, among other aspects. Matters examined in this context included the financial reporting process in general, the effectiveness of the internal system of control, risk management and internal auditing.

All Supervisory Board members attended all meetings and took part in resolutions by written circular in person. All members of the Supervisory Board in addition regularly discussed forthcoming projects and strategic decisions with the Management Board and with other management employees of the company by meeting in person and by means of telephone conferences. Written reports were furthermore submitted. The Management Board satisfied the information and reporting requirements laid down by the Supervisory Board in every respect.

As the Supervisory Board has only three members, there are no committees. All matters were discussed by the full board or with the aid of appropriate communication media. Where contracts existed between the company and Supervisory Board members, these were approved by the Supervisory Board pursuant to Section 114 of German Stock Corporation Law.

The Supervisory Board considered at length the disclosures made in the management report and group management report pursuant to Sections 289 (4) (5) as well as 315 (4) of German Commercial Code. Reference is made to the corresponding comments in the management report and group management report, which the Supervisory Board has examined and accepted.

The accounts, annual financial statements, management report, consolidated financial statements and group management report at December 31, 2012 have been examined by the auditors of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, who have given their unqualified certification thereof. A copy of the auditors' report was sent to each member of the Supervisory Board in a timely manner, discussed with the auditors and acknowledged with approval.

The Supervisory Board itself has moreover examined in detail the annual financial statements and consolidated financial statements, including group management report, as drawn up by the Management Board, as well as the dependence report drawn up by the Management Board. The examination by the Supervisory Board revealed no cause for objection. There are no objections to the concluding declaration in the dependence report. The annual financial statements of the company and the consolidated financial statements at December 31, 2012 were approved by the Supervisory Board. The annual financial statements of the company were granted the unqualified approval of the Supervisory Board, and are thus established pursuant to Section 172 (1) of German Stock Corporation Law.

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

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

Yours sincerely,

MUNICH, AUGUST 2013
THE SUPERVISORY BOARD
GUIDO A KRASS
CHAIRMAN OF THE SUPERVISORY BOARD

Guido Krass

PROVEN QUALITY

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

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

That explains the remarkably low rate of complaints about our products, and we are able to guarantee a much longer product life for our systems compared with other players in our industry.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CORPORATE GOVERNANCE REPORT 2012 OF CENTROSOLAR GROUP AG

The "German Corporate Governance Code" was last amended on May 15, 2012. Its objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised. CENTROSOLAR Group AG welcomes the sections of the Code that have been drafted with a view to upholding sustainable, entrepreneurial action by the corporate bodies.

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

Management and governance structure

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

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

The Supervisory Board monitors and advises the Management Board. It specifies the duties of the Management Board to report and inform. The Supervisory Board issues and amends the rules of internal procedure for the Management Board where necessary. The Supervisory Board appoints and dismisses the members of the Management Board. It may appoint a Chair of the Management Board, and has done so. In keeping with the relevant statutory requirements and the rules of internal procedure for the

Supervisory Board, four Supervisory Board meetings in which members participated in person or by telephone took place in the 2012 financial year. In addition, eight resolutions were passed by means of telefax circular.

Shareholders, Shareholders' Meeting and Supervisory Board

The shareholders exercise their rights through the Shareholders' Meeting and make use of their voting rights there. Each share carries one vote. Every shareholder is entitled to take part in the Shareholders' Meeting. The Shareholders' Meeting takes decisions concerning largely the appropriation of profits, discharge of the Management Board and Supervisory Board, the articles of incorporation and amendments thereto, key entrepreneurial measures, measures that change the capital such as the issue of new shares, the acquisition of treasury stock and conditional capital. It moreover elects the Supervisory Board members. The Supervisory Board of CENTROSOLAR Group AG comprises the following members:

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

Remuneration system of the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board. The remuneration of the members of the Management Board comprises an annual fixed salary and a bonus tied to individual targets. The bonus is dependent on attainment of certain targets specified at the start of the financial year. This variable portion is paid in the form of stock options via the stock options scheme, which serves to have a long-term incentivising effect by virtue of the currently applicable vesting period of at least two years. The rules on the stock options scheme and the number of options that Management Board members are able to exercise are shown in the Notes to the Consolidated Financial Statements in this Annual Report. The same applies to the overall remuneration system of the members of the Management Board in individualised form. No retirement benefits and termination pledges are envisaged.

In addition to reimbursement of their out-of-pocket expenses, the members of the Supervisory Board receive a fixed annual remuneration that is laid down in the articles of incorporation. The fixed remuneration is EUR 20 thousand per year for a member of the Supervisory Board. The members of the Supervisory Board moreover receive variable remuneration amounting to 0.1% of the total amount of the dividend distributed for the respective financial year. The Chairman of the Supervisory Board receives 2 times and the Deputy Chairman 1.5 times the fixed and variable remuneration.

The remuneration of each individual member of the Supervisory Board, as well as the payments made to them for consultancy services, are presented in detail in the Notes to the Consolidated Financial Statements in this Annual Report. The conditions for the payment of a variable remuneration component were not met.

Third-party financial loss insurance (D&O cover) has been taken out for the company's Management Board and Supervisory Board members; an appropriate excess has been agreed. The managing directors and administrative board members of subsidiaries are included in this cover.

Transparency

The company acts openly and responsibly. It adopted this approach even before it pledged to observe the key tenets of the Corporate Governance Code. The overriding objective of its corporate communication is to provide prompt, continuous, comprehensive and consistent information to all target groups and to maintain a relationship with its shareholders that is characterised by transparency. In addition to financial data, the financial calendar showing all key dates for CENTROSOLAR Group AG, press releases and ad hoc information, the latest developments regarding corporate governance and notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act ("Directors' Dealings") are published on the website of CENTROSOLAR Group AG and disclosed to both Deutsche Börse and to the Federal Financial Supervisory Authority.

Article 6.6 of German Corporate Governance Code stipulates that, in addition to the disclosure of "Directors' Dealings" that is required by law, directors' holdings and holdings of related financial instruments by Management Board and Supervisory Board members are to be disclosed if they amount directly or indirectly, and individually or collectively, to more than 1 % of the shares issued by the company. At December 31, 2012 the members of the Management Board held a total of around 1.1 % of the shares of CENTROSOLAR Group AG, and the members of the Supervisory Board none.

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

Legal transactions with the members of the Supervisory Board were also conducted during the financial year. These were approved by the Supervisory Board.
As presented in detail in the Declaration of Compliance, these did not constitute any conflict of interests.

The Management Board issued a dependence report. The concluding remark from the dependence report 'reads: "Pursuant to Section 312 (3) of the German Stock Corporation Act, we declare that, on the basis of the circumstances known to us at the time when the aforementioned legal transactions were conducted, our company received adequate consideration for each legal transaction in the past financial year of 2012."

Diversity

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

Financial reporting and auditing of financial statements

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

Declaration of Compliance

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

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

Background

The "German Corporate Governance Code" was last amended on May 15, 2012. Its objective is to render the German corporate governance system transparent and intelligible, and to promote investors' confidence in the way German listed companies are supervised.

Pursuant to Section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with.

Declaration of Compliance

The Management Board and Supervisory Board of CENTROSOLAR Group AG declare that the recommendations of the "German Corporate Governance Code" as amended on May 15, 2012 are and have been complied with, with the exceptions stated below:

1. Article 4.2.3 of the Code recommends that the remuneration of the Management Board should comprise a variable as well as a fixed component. The variable component is, in particular, intended to be performance-related, have a long-term incentivising effect and possess a risk character. The Code quotes stock options schemes as an example. CENTROSOLAR Group AG has been operating a stock options scheme for the Management Board members since 2005. We believe that the scheme reflects the spirit of the Code, but we draw attention to two aspects which might be interpreted as a departure from it.

The Code recommends reference to comparative parameters. The stock options scheme envisages a performance target based on the absolute increase in the share price. This form was chosen in order to provide an incentive for success in absolute rather than relative terms.

The Code in addition recommends that the variable remuneration be capped. In the case of the stock options scheme, this was realised through allowing the exercise of options only within a limited time frame. Options received as a result of the attainment of targets are not retrospectively withdrawn by the company, nor the parameters governing them altered. In addition to the aforementioned share price target, the exercising of the options is moreover linked to further internal performance targets in order to preserve a demanding but equitable form of variable remuneration.

2. Article 5.3 of the Code recommends the formation of committees on the Supervisory Board. These shall, however, be dependent on the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board consists of three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.

3. Article 5.4.2 of the Code recommends that the Supervisory Board should include an adequate number of independent members. For the purpose of this recommendation a Supervisory Board member is to be regarded as not independent if they have business or personal relations with the company, its corporate bodies, a controlling shareholder or an affiliated company that could constitute a substantial and not merely temporary conflict of interests. In its own opinion, our Supervisory Board includes an adequate number of independent members. Although Supervisory Board members have business associations with the company or were themselves shareholders of the company or members of corporate bodies of a controlling shareholder, this does not constitute a conflict of interests.

MUNICH, AUGUST 2013

ON BEHALF OF THE MANAGEMENT BOARD DR ALEXANDER KIRSCH CHAIRMAN

ON BEHALF OF THE SUPERVISORY BOARD GUIDO A KRASS CHAIRMAN

COMPETITIVE WORLD-WIDE

KNOW-HOW TRANSFER FROM HIGH-TECH INDUSTRIES.

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

In introducing continuous improvement processes at our solar manufacturing plant in Wismar, we have become one of the European leaders for quality and costs. We see this confirmed in the fact that we are being increasingly chosen by other module manufacturers to produce for them on a contract basis.

GROUP MANAGEMENT REPORT OF CENTROSOLAR GROUP AG FOR THE 2012 FINANCIAL YEAR

Group Management Report

I Business and underlying situation

1 Overview

CENTROSOLAR Group AG, Munich, is a stock corporation listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and supplies photovoltaic systems especially for roofs, as well as key components for the photovoltaic market, via its group companies. At December 31, 2012 the CENTROSOLAR Group had 947 employees and generated annual revenue of EUR 227 million. This total also includes the 201 employees of the Glass Division, which generated revenue of EUR 38.5 million. On May 7, 2013 this division was sold to Ducatt NV, Lommel, Belgium (Ducatt) and reported as discontinued operations in the consolidated financial statements for the 2012 financial year.

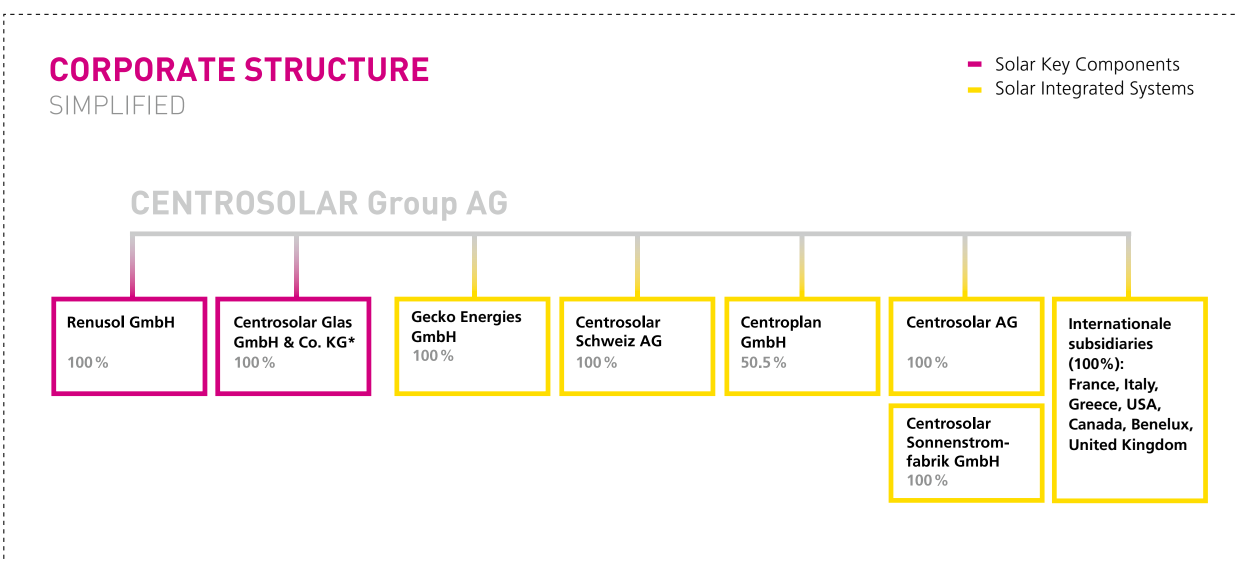
The product range of the CENTROSOLAR Group comprises solar integrated systems, modules, inverters, mounting systems and solar glass. Just under three-quarters of revenue is generated internationally. CENTROSOLAR has international subsidiaries in Italy, France, the UK, Greece, Switzerland, the Netherlands, Canada and the USA.

The CENTROSOLAR Group manufactures modules at a plant in Wismar. With an annual capacity of 350 MWp, the company considers Sonnenstromfabrik Wismar to be one of the largest and most efficient such facilities in Europe. In addition, the CENTROSOLAR Group had a solar glass plant in Fürth until May 2013.

2 Group structure

The foundations for the present-day business activities of CENTROSOLAR Group AG were laid from autumn 2005 on through the acquisition of various operating companies, some of which had already been active in the solar industry for over 20 years. The CENTROSOLAR Group was created in 2005 and 2006 through the merger of the photovoltaics businesses Solara, Biohaus, Solarstocc, Ubbink Solar Modules, Renusol, Centrosolar Glas and Solarsquare, together with the establishment of Centroplan. More recently the company has diversified internationally and expanded by establishing branches in France, Italy, Spain, Greece, Benelux, the UK and North America. Today, CENTROSOLAR employs over 900 people at 20 locations.

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



* Held for sale at closing date. Sold in May 2013.

3 Business activities

3.1 Business areas

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

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

The activities of the Solar Key Components segment have hitherto comprised on the one hand the development, manufacture and sale of solar glass mainly for photovoltaic solar modules and thermal collectors, and on the other hand the development and sale of mounting systems for photovoltaic solar systems. The customers who buy mounting systems include solar engineers and wholesalers, but also competitors in our Solar Integrated Systems segment. Our solar glass was sold predominantly to manufacturers of photovoltaic modules and thermal collectors. The Solar Glass Division was disposed of in May 2013.

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

Latterly, the CENTROSOLAR Group has earned more than 70 % of its revenue outside Germany. The principal sales markets apart from Germany are Italy, France, the UK and the USA.

3.2 Management, remuneration and governance

CENTROSOLAR Group AG has a management and governance structure conforming to the German Stock Corporation Act and corporate governance guidelines. The Supervisory Board is elected by the Shareholders' Meeting and oversees the Management Board, which manages the operations of the entire group. This dual management structure is mirrored at the holding company's subsidiaries. The targets for the individual companies are coordinated and documented in annual budget negotiations. Individual targets derived from these for managing directors, Management Board members and senior managers serve as the basis for their variable pay components. The key performers (selected employees, directors and board members of subsidiaries and the Management Board members of the group parent) in addition participate in the stock options scheme of CENTROSOLAR Group AG. The granting of the stock options is linked to the fulfilment of individual performance targets. The exercise of stock options is only possible after a multi-year vesting period and is subject to specific requirements relating to the share price performance being met.

Variable compensation elements – overview

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

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

CENTROSOLAR does not view bonus agreements as the right foundation for a corporate culture that is geared towards sustainability. The emphasis is on a steady strengthening of the market position and corporate value, customer satisfaction with the quality of the products and services, and the propagation of solar technology. To implement these long-term targets, the strategy is to focus on dedicated managers and employees showing a sense of responsibility. To enable them to develop to their full potential, the group is organised non-centrally with a flat hierarchy. Intensive communication between and within the companies assures a continuous exchange of ideas and innovations. That communication is underpinned by various committees that are made up of experts and managers from throughout the group. The fundamental corporate strategy and principal group targets are coordinated with the Management Board and the narrower management team in regular strategy meetings. The Management Board of the CENTROSOLAR Group conducts review workshops with all management teams of the principal areas of business at least once a quarter. In addition, the group-wide operational handling of functional topics is supported and assured by corresponding committees, in particular the "Business Development Board", the "R&D Board" and the "IT Board". Group-wide coordination processes are also given an institutional footing in the Accounting and Controlling areas. Clearly documented decision-making processes provide an objective, strategy-compliant set of priorities for the principal development measures.

A comprehensive, segment-specific system of performance indicators that is made available to the decision-makers by Group Controlling is used for operational management of the company. To that end a new reporting system based on a central data warehouse has been implemented; with its web-based user platform, it is capable of producing up-to-date reports that are tailored to specific user groups. The introduction of SAP in the USA in the past financial year means that all principal operating companies throughout the group are now integrated into this reporting system.

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

The corporate governance of CENTROSOLAR Group AG as a listed German stock corporation is determined primarily by the German Stock Corporation Act and secondarily by the rules of the German Corporate Governance Code in its current version. The declaration on corporate governance pursuant to Section 289 a of German Commercial Code and the Declaration of Compliance by the Management Board and Supervisory Board of CENTROSOLAR Group AG on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act can be viewed on the website of CENTROSOLAR Group AG at www.centrosolar-group.com.

3.3 Research and development

Alignment of R&D activities

Solar Integrated Systems

In 2012, two main issues dominated R&D activities in the CENTROSOLAR Group. The rapidly falling feed-in tariffs in all PV markets and the rapid growth in competition from the Far East led to intense pressure to cut costs for both modules and frame systems; the company sought to resist this by optimising designs and switching to new, improved materials. The second major focal area is the growing significance of own power consumption instead of the feed-in tariff, especially in countries where electricity prices are high. First, this is prompting the integration of photovoltaic generators into energy systems and driving the more widespread use of electrical and thermal stores. Second, the increased operating life of the PV generator is having a highly beneficial effect on the kilowatt-hour generating cost.

An important innovation in the PV modules area is the market introduction of a new type of glass-glass module based on glass only 2.6 mm thin, developed jointly with Centrosolar Glas GmbH & Co. KG and now used in the company's own modules. This S-Class Vision module combines high mechanical resistance with low weight and a substantially longer operating life. In internal consumption scenarios, this cuts the levelized cost per kilowatt-hour by around 25 % compared with a conventional glass-film module. The S-Class Vision is the first product on the market to come with a 15-year product guarantee and a performance guarantee of 30 years. The anticipated operating life of such a PV system is in the order of 40 years. The S-Class Vision will initially be used in a purpose-developed in-roof mounting system (Estetiq Elegance); an on-roof version is currently undergoing development.

In the module manufacturing area, as well as systematically optimising materials especially for solar cells, glass and embedding and backing films, we devoted particular attention to maintaining our high standards of quality. Appropriate checks and audits of CENTROSOLAR's cell manufacturers thus continue to assure the complete freedom from PID of the entire module portfolio made by Sonnenstromfabrik Wismar.

Own consumption of solar power is becoming increasingly significant especially in Germany and Italy due to high electricity prices and rapidly falling feed-in tariffs. To that end, the previous R&D area of "solar systems" has been broadened and now renamed "energy systems". Work in the area of electrical storage units was given prominence in 2012. Together with venture partners, the groundwork was performed for a portfolio of battery storage solutions that was brought onto the market in the first half of 2013. The venture partners are in charge of the component development side, while CENTROSOLAR is handling the systems integration aspect. Since mid-2012 there has also been a partnership venture with the Fraunhofer Institute for Solar Energy System (ISE) in the area of control algorithms for electrical and thermal storage units.

In response to strong growth for systems business in the USA, system products developed specifically for the American market have increasingly been introduced. For example, complete systems with micro-inverters are a new addition to the range. In addition a new portal to help with the swift, efficient handling of the leasing process, going by the name of "Centrolease", has been introduced.

The CENIQ flat-roof mounting system unveiled by Centrosolar AG in 2011 saw the addition of a new support rail and a new deflector plate in the period under review. These brought a significant reduction in costs compared with the original concept, without adversely affecting stability or the low specific weight.

Solar Key Components

At the 2012 Intersolar Europe, Renusol GmbH showcased its substantially broadened range of products and services. The spotlight was on the evolutionary version of the MetaSole, the PV mounting system for trapezoidally corrugated sheet steel. The mounting solution that has been awarded a building permit is now also compatible with trapezoidally corrugated sheet aluminium. This neat solution does away altogether with mounting rails and is optimised for a swift, uncomplicated PV mounting process. An array of new roof fastenings, such as solar fasteners, standing seam clamps and roof hooks, were also presented. In another new departure, diverse new services, functions and languages were added to the self-developed design and configuration software for Renusol customers.

At Centrosolar Glas GmbH & Co. KG, which was disposed of in May 2013, the focus of research and development work was on a reliable process for the manufacture of thin, hardened solar glasses; there is also considerable interest in these products from companies unrelated to the CENTROSOLAR Group. The reduced thickness of this glass achieves increased light transmission, and in conjunction with the patented anti-reflective coating from Centrosolar Glas this results in a significantly increased energy yield compared with a standard module.

R&D organisation

The use of synergies and the improved efficiency of development processes impacted the organisational development of the CENTROSOLAR Group in the year under review. The key measure was the combining of the development work conducted by Centrosolar AG and Renusol GmbH in the field of mechanics in a joint team based at the Paderborn location. Renusol GmbH's previous development location of Berlin was closed down with effect from August 31, 2012.

In addition to this joint development work for the area of mechanics, at December 31, 2012 there were development departments at Centrosolar Glas GmbH & Co. KG in Fürth for the solar glass operations, at Centrosolar AG in Paderborn for the energy systems area and in Hamburg for the modules area. A development lab majoring in service life tests in Wismar is used jointly by Sonnenstromfabrik and Centrosolar AG. There are furthermore regional development activities in France and the USA for developing nationally specific solutions which are then submitted for national certification tests.

The research and development expenditure rose to EUR 4.0 million in 2012 (previous year: EUR 2.1 million). Of this total, the discontinued operations account for EUR 0.3 million (previous year EUR 0.7 million).

The combining of mechanics activities meant the total number of R&D employees fell by 2 compared with the previous year, to 19 FTE.

At December 31, 2012 there were three registered utility models, six basic patents granted and 20 applications being examined or at the disclosure stage. There are in addition around 40 such patents/utility models applied for/ pending at national level. In 2012, new patent applications were filed for five inventions.

3.4 Important products, services and business processes

3.4.1 Products and services

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

The bulk of revenue is generated by modules and integrated PV systems of small to medium sizes. The company also supplies large-scale systems, particularly for industrial roofs. For large-scale systems from approx. 100 kWp, it can install turnkey systems in conjunction with its partner Pohlen Bedachungen. Pohlen's roofing expertise, CENTROSOLAR's solar expertise and the planning expertise of their joint venture Centroplan have already led to the installation of over 300 large-scale systems for example on the roofs of retail chains such as ALDI and REWE. Centroplan has in addition installed turnkey open-site PV systems, such as a 10 MWp system in a former gravel pit near Aachen.

The crystalline solar modules that CENTROSOLAR sells in Europe for smaller roof systems are manufactured by CENTROSOLAR itself. Thanks to having its own production operations, it is very well placed to supply a comparatively broad range of both standard and special modules very flexibly. In North America, it also supplies modules that are made by selected production partners in Asia and the USA. For turnkey systems, customers also have the option of third-party modules.

The Solar Key Components business area supplies module mounting systems made by the subsidiary Renusol, which has specialised in roof installation systems. Among the products it supplies are flat-roof solutions where the roof skin does not need to be drilled through, and sloping-roof solutions where the system is fully integrated into the roof.

The Solar Glass Division, which likewise belonged to the Solar Key Components segment in the past financial year, was an important supplier for the core operations of the solar Integrated Systems segment. However there is no strategic importance in its being part of the group. Because of the difficult economic situation of the company and the possibility to reinforce additional synergies through an alliance with a raw-glass manufacturer – no such synergy is available within the CENTROSOLAR Group – this division was disposed of on May 7, 2013.

Principal products and services

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

3.4.2 Procurement

CENTROSOLAR is not tied into long-term price commitments for the procurement of solar cells, choosing instead to buy them at the prevailing market prices. Because of the abrupt increase in cell production output in recent years, coupled with the levelling-off of sales growth, competition in the upstream value creation stages has become much more intense. This has led to considerable pressure on prices which, thanks to its independence, CENTROSOLAR is able to use to its advantage in countering the price pressure on its own value creation stage.

The downward trend in prices that has been continuing for some time highlights the advantages of specialising in the downstream part of the value chain. Especially in the currently overheated consolidation phase of the industry, the price level currently achieved means it is impossible to realise acceptable margins at any value creation stage. The impact of this is particularly being felt by the fully integrated competitors, which are faced with the pressure of competition at all value creation stages – from polysilicon production all the way to module manufacturing. However it is likely to prove increasingly difficult to withstand this pressure in the current competitive environment. CENTROSOLAR doubts whether any player is capable of leading the field at every point in the value chain.

CENTROSOLAR places high demands on the preliminary products that it employs. Thus, the modules meet the highest quality standards a fact that has been confirmed in various tests carried out by independent institutes. For example, all modules made by Centrosolar Sonnenstrom-fabrik passed the TÜV resistance test to potential-induced degradation, a technical problem that CENTROSOLAR believes is still underestimated by many of its competitors. This effect can be prevented by appropriate design of the cells and embedding films in the module manufacturing process. Resistance to corrosion and ammonia has also been confirmed by independent test bodies following extensive testing; CENTROSOLAR modules are therefore also suitable for long-term use in the agricultural sector and in coastal regions.

3.4.3 Production

With its current production stages, CENTROSOLAR covers around one-third of the entire value chain for integrated PV systems. In the Solar Integrated Systems area, the emphasis is on the manufacturing of crystalline solar modules.

The production of inverters and other components is largely outsourced to European contract manufacturers, which operate to CENTROSOLAR's specifications and high quality standards.

In the Solar Key Components area, the mounting systems developed by the subsidiary Renusol are put together. Manufacturing of their component parts is mostly contracted out to plastic and metal processing companies. Until the disposal of glass business in May 2013, CENTROSOLAR also finished low-iron raw glass to produce shatterproof safety glass that may also be given an anti-reflective coating that transmits light and energy particularly effectively, depending on customer requirements.

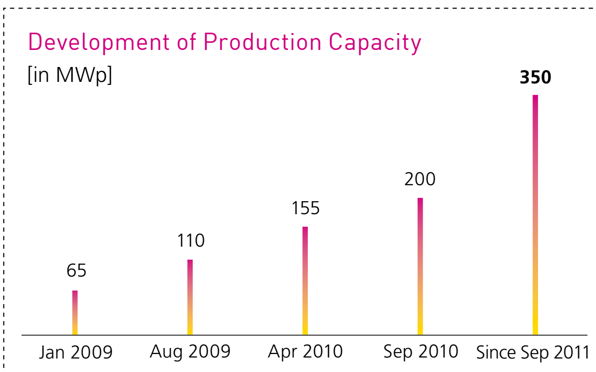
As well as the above value added steps, CENTROSOLAR offers other services. These comprise:

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

Photovoltaic module production
Particularly in the segment targeted by CENTROSOLAR, in other words for installers and investors of small and medium roof systems, the focus when selecting modules is on quality and the soundness of the investment, with appropriate returns. Centrosolar Sonnenstromfabrik GmbH is certified to DIN EN ISO 9001:2008 for quality management, and for environmental management to DIN EN ISO 14001:2009 as well as to DIN EN 18001:2007 since June 2012. The re-audits conducted in November 2011 and January 2012 successfully confirmed these certifications. CENTROSOLAR modules are certified to the internationally

valid standards IEC 61215-2 and IEC 61730. In addition, certain module types are certified to the American standard UL 1703 and under the Microgeneration Certification Scheme (MCS), which is required for the UK.

Centrosolar Sonnenstromfabrik GmbH in Wismar has production capacity for 350 MWp. Centrosolar Sonnenstromfabrik GmbH is thus one of the largest module plants in Europe, having developed from a small business into one of Wismar's largest employers within the space of a few years. The workforce has grown from an initial 15 employees in 2001 to an average of 355 employees in 2012. While there is still space for additional production lines with a capacity of 150 MWp in the latest production hall, no further expansion to capacity is planned for the time being.



Solar glass production

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

A speciality of the company is that it treats solar glasses with a patented anti-reflective coating made from porous silicon dioxide, as a result of which these glasses exhibit even greater energy/light transmission than conventional solar glasses. In the 2012 financial year, coated solar glass accounted for 88 % of revenue for glass.

On May 7, 2013 Centrosolar Glas GmbH & Co. KG was sold to the Belgian glass manufacturer Ducatt NV and reported as discontinued operations in the Consolidated Financial Statements for the 2012 financial year.

3.4.4 Marketing and sales

Solar Integrated Systems

Following the merger of the various legacy product brands under the umbrella brand of CENTROSOLAR, the brand has become well established in the market. Brand awareness has been boosted effectively thanks to a concerted marketing strategy. This ascendancy is not limited to Germany. In January 2013 the company received the award of "Top Brand PV" for the French market from the independent research institute EuPD Research. CENTROSOLAR products have now been included in the main catalogues of wholesale suppliers to tradespeople. These workmen, the pivotal partners in the company's sales strategy, are trained in solar technology in technical seminars. Their contacts with the owners of private houses in their region give CENTROSOLAR a vital foothold en route to developing thousands of square metres of roof area throughout Europe, and increasingly in North America too. CENTROSOLAR serves the German market through a nationwide network of sales representatives as well as through sales offices in Hamburg, Kempten and Paderborn. The company also has a corresponding area-wide network of field representatives in France and Italy; in Italy in particular, the company was able to more than double its sales in the past year. In North America, the company believes it now ranks as the market leader in the roof systems segment in Arizona and its market entry in California and New Jersey is being given a further push by sales executives on the ground. Its international presence in the Solar Integrated Systems area is rounded off by other sales subsidiaries in Greece, the Netherlands and the UK.

For large systems for industrial roofs, the owners and operators of the building in question play a key role. The joint venture partner Pohlen acts as a vital intermediary in this respect. As the roof contracting partner to major retail and wholesale chains such as ALDI, REWE and the Otto/ECE Group, that company enjoys the trust of those clients and can smooth the way for the decision-making process.

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

Solar Key Components
Centrosolar Glas supplies solar module manufacturers worldwide, with Renusol supplying wholesalers and solar installation companies in Europe and North America. Both of them serve their own customer bases, which even include competitors in the Solar Integrated Systems segment. They therefore operate their own sales networks and pursue distinct marketing strategies. At the core of all segments in the CENTROSOLAR Group is the desire for further international expansion. Renusol is accessing new sales regions in Europe (currently mainly in Northern and Eastern Europe) and has also moved into the North American market.

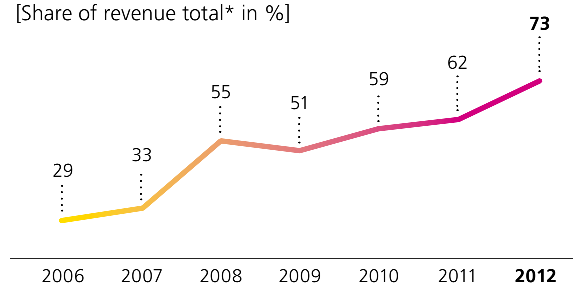
3.5 Principal sales markets and competitive position

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

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

Renusol has developed into one of the leading suppliers of roof mounting systems and concentrates on selling products to systems integrators in Germany, Italy, the UK, Denmark, Benelux, France and the USA.

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



*Incl. glass business held for sale

Centrosolar Glas, Fürth, which was disposed of in May 2013, has operations worldwide and its own subsidiary in China. Customers include many renowned module manufacturers in Europe and America.

Overall, the export revenue share was increased from 62 % to 73 % in the past financial year (incl. the glass operations disposed of in May 2013). The export ratio for the continuing operations was even increased from 59 % to 71 %.

3.6 Legal and economic influencing factors

The photovoltaic industry is still relatively resistant to fluctuations in the global business cycle. The decisive factor behind demand is how profitable a PV system is to operate. Profitability varies depending on the investment outlay, sunlight levels, electricity price and the various national incentives available for power generated by photovoltaic means (typically in the form of feed-in tariffs). The investment outlay has gradually been brought down thanks to technical progress, the industrial-scale manufacturing of all PV system components and also the onslaught of predatory competition over the past two years. By contrast, the costs of power generated by conventional means have previously been steadily climbing. This means that the incentives that are currently still needed can be gradually scaled back. In markets with high levels of sunlight and comparatively high electricity costs, the levelized cost of solar power is in some cases already well below the electricity prices paid by end users. In Germany, too, the sharp fall in prices means that grid parity has now been reached. This is influencing the dimensions and designs of systems. Instead of configuring systems for feeding as much power as possible into the grid, considerations such as the owner's own use of the power generated and its sale locally are becoming more important.

Group Management Report

4.1 Product and market strategy

Diversification into highly promising market segments
Against a backdrop of rising energy prices, national incentives and the ever more obvious consequences of climate change, promoting renewable energies remains a major concern for many developed industrial nations. Nevertheless, in Germany there is growing criticism of excessive rates of new installations and concerns are being voiced that this will inflate electricity prices. Especially in Southern European countries, the international debt crisis is putting increased pressure on governments to avoid imposing extra financial burdens on their citizens.

Worldwide production capacity has increased hugely over the past few years, particularly for the capital-intensive areas of polysilicon, wafers and cells. It can therefore be assumed that even if the market situation normalises after the current dominant trend of consolidation has ended, an environment of intense competition will exist.

Undoubtedly the current banking crisis represents a major challenge for the company. Nevertheless CENTROSOLAR has had the foresight to prime its corporate strategy for a more intensive competitive environment over the past few years. CENTROSOLAR enjoys a broad, internationally diversified customer base and can offer a demand-led product range. The company has furthermore been able to steadily improve its cost position.

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

- First, to strengthen its market position internationally for roof systems for private houses and small to midsize businesses. The cornerstones of its market strategy are to create a denser worldwide sales network, offer a more extensive range of integrated systems with innovative solutions to boost the energy efficiency of private houses and business premises, and to refine the tailormade support it provides for local solar engineers.
- Second, to build high-quality crystalline solar modules cost-effectively, including for third-party customers.
- And third, to multiply the USPs of the key components supplied by the company, and in particular of the mounting systems.

4.1.1 Solar Integrated Systems

"Capillary" sales structure to reach local fitters worldwide
The "Solar Integrated Systems" segment with its focus on small to midsize roof systems requires a very fine-meshed, "capillary" sales structure in order to serve thousands of fitters who operate exclusively on a local scale. Developing such a highly complex sales organisation with an increasingly international make-up requires particular effort, but also foresight and patience. Once contacts with local fitters have been established, this infrastructure is relatively less prone to market fluctuations and competitor products than a sales structure based on project developers and wholesalers. However, more technical expertise in roofs, a high level of service and demonstrably high module quality are expected.

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

Cost-effective building of quality modules
CENTROSOLAR filled important senior executive positions early on with experts not just from within the solar sector, but also from the semiconductor and automotive industries. By adopting important manufacturing and quality assurance processes from these long-established industries and introducing continuous improvement processes, CENTROSOLAR has secured itself one of the best cost positions in Europe for solar module manufacturing. In many cases CENTROSOLAR's requirements for the components used in module production and for its own prefabricated articles far exceed the formal quality standards of the IEC verification catalogues. For instance, all modules are exposed to the climate test conditions according to IEC 61215-2, which provide a valuable indication of a module's durability, for twice the required period. Compliance with these requirements is assured by internal quality assurance processes and regular checks by independent testing institutes.

4.1.2 Solar Key Components

Multiplication of USPs and increased international spread

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

- To expand its international presence in Europe and the USA.
- To further diversify the product range in the mounting systems area. It is important to ensure that the product range is adjusted to reflect the frequently changing regulatory requirements.
- To steadily improve and optimise the cost position.

5 Overview of the financial year

5.1 General economic situation

According to the Kiel Institute for the World Economy (ifw Kiel), the downturn in the global economy that started in the previous year has continued in 2012. In the second quarter, global domestic product expanded at an annual rate of 2.1 percent, the lowest level of growth since the global recession was overcome in 2009, and the rate of expansion remained weak in the second half at around 2.5 percent. The rise in gross domestic product especially in the advanced economies was meagre, and the Eurozone even slipped into recession. Especially the need to clear excessive sovereign debt levels and the resulting unsettling effect this had on consumers and investors weighed on demand in many countries and regions. Growing tension on financial markets moreover led to significant amounts of capital draining away from emerging economies because investors are wanting to reduce the risks to which their assets are exposed.

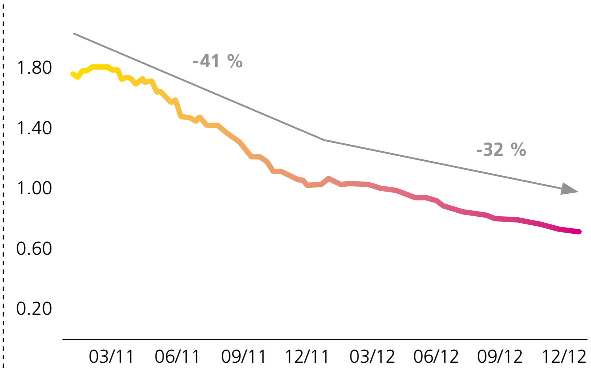
5.2 Industry-specific situation

The attractiveness of investing in photovoltaic systems continues to depend fundamentally on the features of state incentives programmes for renewable energies and therefore only to a limited extent on the overall economic situation. However the continuing fall in prices is increasingly opening the way to investment options that are not subsidy-dependent. Nevertheless, according to an analysis by Bloomberg New Energy Finance, investment in solar systems in the past year was for the first time down 9 % on the previous year, at USD 142.5 billion. However solar technology remains easily the largest industry for renewables, followed by the wind power sector, which contracted by 13 % year on year to USD 78.3 billion.

Within renewables, the overall trend towards non-central power generation continued. While investment in major power plants fell by 17 %, spending on smaller facilities – predominantly roof-based solar systems – actually rose by 5 % on the previous year.

The positive overall pattern of installation in the market for small photovoltaic systems in which CENTROSOLAR is active is in stark contrast to the turbulence being experienced by businesses in the PV industry. The creation of considerable surplus capacity at the production end had already created huge pressure on the profit margins of manufacturers in 2011. This trend further intensified in 2012 and the price pressure on solar modules continued more or less unabated. The market environment has moreover suffered as a result of further cutbacks to the financial incentives available for photovoltaics in Europe and the growing squeeze on financing. The market's consolidation as a result of bankruptcies (e.g. Q-Cells, Centrotherm, Solarwatt) and exits from the market (Schott, Siemens) continued. The consolidation phase cannot yet be regarded as completed.

Price Development of Crystalline Modules
[in EUR/Wp]



Source: Photon Profi

Group Management Report

5.3 Principal events shaping the business performance

- *Acquisition of Gecko Group AG:*
  On December 29, 2011 CENTROSOLAR submitted an offer of purchase for certain assets of the bankrupt Gecko Group AG, Wetzlar, and its subsidiaries. The offer was accepted by the insolvency administrator in the first week of January 2012. Gecko is active in the marketing and sale of PV systems to end customers, with the focus on private customers and smaller businesses. The company's regional focus is central Hesse and parts of Rhineland-Palatinate. Gecko acquires customers through an active field force, and takes charge of technical planning matters and site management. Systems are installed mainly in partnership with local firms of fitters. Gecko also provides services for installed solar systems. The purchase price was EUR 0.45 million. The company now operates as the separate enterprise "Gecko Energies GmbH".
- *Cuts to solar incentives:*
  - From April 1, 2012 the tariffs in Germany were cut by between 20 and 30 %. For photovoltaic roof systems, a new performance category of 10 to 40 kW earning a payment of initially 18.5 cents/kWh was created. For systems rated output from 10 to 1,000 kW inclusive, the payment under the feed-in tariff is moreover capped at 90 % of the annual power yield. The overall development target for incentivised photovoltaics was set at 52 GW in total. A monthly reduction in the feed-in tariffs was moreover specified. In December 2012 the rate earned by small roof systems up to 10 kWp was 17.45 ct/kWh. Systems producing up to 40 kWp attracted only 16.54 ct/kWh.
  - Conto Energia V passed into law in Italy on August 27, 2012. Not only was the feed-in tariff reduced; the supplementary sell-back payment previously made was abolished. Obligatory registration was introduced for larger and midsize roof systems with a rated output of 12 kW upward, and for small roof systems with an output of 12 kW upwards. With few exceptions, open-site systems now no longer attract any payment. Roof systems where asbestos is simultaneously removed from the roof at the time of their installation are given priority for placing on the register. The local content rule is retained, with a bonus of initially two cents per kilowatt-hour if the system is built using European-made components. Building-integrated systems incorporating innovative features also earn a higher feed-in tariff of eight cents per kilowatt-hour fed into the grid.
- *Reduced credit lines:*
  In the first half of 2012 CENTROSOLAR reached agreement with the financing banks to reduce its usable cash credit lines from a total of EUR 46.3 million to EUR 26.3 million (of which EUR 6.0 million in discontinued Glass operations and EUR 0.3 million collateralized by cash).
- *CENTROTEC disposes of its shares:*
  In October CENTROTEC Sustainable AG, until then the biggest shareholder, disposed of its holding of around 26 %. This was described as the final step in a strategy launched at the end of 2011 to withdraw altogether from the solar business.

5.4 CENTROSOLAR shares

The market environment

The worsening euro crisis was not reflected in the performance of stock markets in 2012: the German share index gained 29 %. The American S&P 500 Index, too, rose by around 12 %. Even the share indices of the crisis-hit Eurozone countries Greece and Italy advanced.

On the other hand most solar stocks performed rather weakly, reflecting the difficult industry environment. The Photovoltaik Global 30 Index shed 38 % of its value in the course of the year.

Share and shareholder structure data

The shares of CENTROSOLAR Group AG (WKN 514850) likewise broadly followed the industry trend and surrendered 27 % of their value in the course of the year. The shares closed the year on EUR 0.95.

The average daily trading volume was 273,419 shares and therefore well up on the prior-year figure (59,911 shares per day). It is generally striking how the trading volume increased especially in the second half of the year (average 475,591 shares per day).

The shares of CENTROSOLAR Group AG

Total shares	
2012 average	20,351,433
At end of 2012	20,351,433
Share type	No par value bearer ordinary shares carrying full voting rights
Free Float	No voting rights notifications on file at the reporting date
Traded on stock exchange since	September 2005
Trading segment	Prime Standard of Deutsche Börse
German Securities Identification Number (WKN)	514850
Securities Identification Code (ISIN)	DE 0005148506
Common Code	22975897
Stock exchange code	C3O
Closing price on first trading day of 2012	EUR 1.41
Closing price on last trading day of 2012	EUR 0.95
2012 year-high	EUR 1.56
2012 year-low	EUR 0.55

The capital stock of CENTROSOLAR Group AG at December 31, 2012 amounted to EUR 20,351,433, divided into 20,351,433 no par value bearer ordinary shares carrying full voting rights, each representing an arithmetical nominal value of one euro.

The following investors conducted share transactions involving CENTROSOLAR shares that triggered reporting thresholds pursuant to Section 26 (1) of the German Securities Trading Act during the course of 2012:

- On September 4, 2012 CENTROTEC Sustainable AG passed below the threshold of 30 %. The decrease below the voting rights threshold of 30 % occurred by other means. As a result of the transfer of shares in CENTROSOLAR Group AG held in a voting pool by Mr Guido A Krass on September 4, 2012 a former voting trust agreement ended with effect from that date and with it the attribution of the voting rights from those shares to CENTROTEC Sustainable AG pursuant to Section 22 (2) of the German Securities Trading Act (WpHG).
- On October 3, 2012 the share of voting rights of CENTROTEC moreover passed below the thresholds of 25 %, 20 %, 15 %, 10 %, 5 % and 3 % and was 0 % (0 voting rights) on that date.
- The share of voting rights of Mr Guido A Krass, Switzerland, passed below the thresholds of 30 %, 25 %, 20 %, 15 %, 10 %, 5 % and 3 % of voting rights as a result of the termination of the voting trust agreement with CENTROTEC Sustainable AG, Brilon, Germany, as well as through the sale of his 4.32 % shareholding, and was latterly 0 % (equivalent to 0 voting rights).
- DWS Investment GmbH, Frankfurt am Main, Germany, passed below the threshold of 5 and 3 % of voting rights on April 30, 2012 and held 0 % (equivalent to 0 voting rights) on that date.

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

Investor Relations

CENTROSOLAR Group AG practises transparent, regular reporting. Information that could materially affect the share price is published without delay in the form of "ad hoc announcements". The company in addition makes supplementary information available on its homepage so that this is simultaneously available to all interested parties. The Management Board and the Investor Relations department of CENTROSOLAR Group AG communicate with financial market players through one-to-one talks, roadshows, telephone conversations and conferences, at specific investor events and at the Annual General Meeting. In the 2012 financial year the Management held presentations at international investor events.

Various international banks observe the performance of the shares of CENTROSOLAR Group AG. Institutes such as HSBC Trinkaus, M.M. Warburg, Solventis and Jefferies have included CENTROSOLAR in their publications in recent years. However a marked decrease in analyst publications on CENTROSOLAR was observed in the past year.

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

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

Authorisation of the Management Board to issue or buy back shares

The Management Board is, with the consent of the Supervisory Board, authorised to increase the capital stock on one or more occasions by up to EUR 10,166,654 by May 18, 2015 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital). The new shares shall fundamentally be offered to the shareholders for subscription (including by way of indirect subscription pursuant to Section 186 (5) first sentence of the German Stock Corporation Act). With the consent of the Supervisory Board the Management Board is, however, authorised to exclude the shareholders' statutory subscription right in the following instances:

- Residual amounts;
- Capital increases for contribution in kind;
- Convertible and/or warrant-linked bonds, participation rights and/or participating bonds;
- Capital increases for cash;
- the issuance of shares to employees of the company.

Details of the above are set forth in the articles of incorporation of the company. The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the effecting of capital increases from approved capital.

The capital stock has been increased conditionally by EUR 303,000 (Conditional Capital I). The conditional capital increase is only effected to the extent that the bearers of the option certificates issued by the company pursuant to the authorisation of the Shareholders' Meeting of September 2, 2005 exercise their subscription right to ordinary bearer shares in the company (option right). The Conditional Capital I is divided into up to 303,000 no par value shares.

The capital stock is increased by EUR 850,282 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of the German Stock Corporation Act (Conditional Capital II). The conditional capital increase is only effected to the extent that the bearers of stock options issued by the company pursuant to the authorisations of the Shareholders' Meetings of March 6, 2006 and August 28, 2006 exercise their right to subscribe to ordinary bearer shares in the company (option right). The Conditional Capital II is divided into up to 850,282 no par value shares.

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

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

The Extraordinary Shareholders' Meeting of the company on May 22, 2013 in addition resolved the following:

a) The capital stock of the company amounting to EUR 20,351,433.00, divided into 20,351,433 no par value bearer ordinary shares representing a pro rata amount of EUR 1.00 of the capital stock is reduced by EUR 8.00 to EUR 20,351,425.00 by way of the simplified retirement of shares pursuant to Section 237 (1) first sentence, second alternative in conjunction with Section 237 (3) No. 1 of the German Stock Corporation Act. The reduction takes place through the retirement of 8 no par value shares on which the issue price is fully paid and which are made available to the company by a shareholder free of charge, and are thus acquired. The capital reduction serves solely the purpose of permitting a round consolidation ratio in the subsequently envisaged simplified capital reduction to compensate for reductions in value and cover other losses.

   The capital stock of the company, which amounts to EUR 20,351,425.00 after implementation and entry of the capital reduction through the above retirement of shares and is divided into 20,351,425 no par value bearer ordinary shares representing a pro rata amount of EUR 1.00 of the capital stock, is reduced in simplified form in accordance with the requirements of Sections 229 ff. in conjunction with Sections 222 ff. of the German Stock Corporation Act by a ratio of 25:1, by EUR 19,537,368.00 to EUR 814,057.00. The purpose of the capital reduction is to compensate for reductions in value and to cover other losses. Because the pro rata amount of the reduced capital stock which each individual share represents would be below the minimum amount pursuant to Section 8 (3) of the German Stock Corporation Act, the reduction pursuant to Section 229 (3) in conjunction with Section 222 (4) second sentence of the German Stock Corporation Act takes place by combining the no par value shares on a ratio of 25:1. The further details of the implementation of the resolution will be determined by the Management Board with the consent of the Supervisory Board. The current approved and conditional capital of the company (see above) remain unchanged. However the Management Board and Supervisory Board undertake to exercise the authorisation to utilise the approved and conditional capital in each case only up to a level that does not exceed 50 % of the capital stock of the company at the time of utilisation of the authorisation in question.

b) The capital stock of the company is increased by EUR 5,500,000.00 to EUR 6,314,057.00 through the issuance of 5,500,000 new bearer ordinary shares representing a pro rata amount of the capital stock of EUR 1.00 each. The capital increase is for contribution in kind. The statutory subscription right of the shareholders is excluded. The bank M.M.Warburg & CO Kommanditgesellschaft auf Aktien, with registered office in Hamburg, is admitted to underwrite the new shares with the obligation to offer the new shares for acquisition by the bearers of the 7.0 % debenture 2011/2016 of the company with the total nominal amount of EUR 50,000,000.00 (ISIN: DE000A1E85T 1, WKN A1E85T) divided into 50,000 partial debentures of EUR 1,000 each. The bearers of the debenture have the right to subscribe to a total of 110 new shares in the company for every debenture with a nominal value of EUR 1,000 exchanged for a pro rata acquisition right. To the extent that bond creditors do not exercise their acquisition right wholly or partially, the settlement agent will use the shares to which those bond creditors are entitled to acquire in accordance with the resolution of the creditors' meeting, for the purpose of paying a cash settlement through their sale. The Board of Management is, with the consent of the Supervisory Board, authorised to determine the further details of the capital increase and their respective implementation.

c) The capital stock of the company is increased by EUR 760,000.00 to EUR 7,074,057.00 through the issuance of 760,000 new bearer ordinary shares representing a pro rata amount of the capital stock of EUR 1.00 each. The capital increase is for contribution in kind. The statutory subscription right of the shareholders is excluded. BO Bright Ocean B.V., with registered office in Rotterdam, the Netherlands, is admitted to underwrite the new shares. By way of contribution in kind BO Bright Ocean B.V. is to transfer to the company in full its entire receivables from the company amounting to a nominal EUR 9.5 million plus accrued and unpaid as well as future interest from the subordinated of January 11, 2007 granted to the company by PREPS 2007-1 plc with registered office in Dublin and transferred to BO Bright Ocean B.V. (by PREPS 2007-1). In return BO Bright Ocean B.V. is to receive 760,000 new shares in the company for the contribution of the subordinated loans. The Board of Management is, with the consent of the Supervisory Board, authorised to determine the further details of the capital increase in accordance with agenda item 5.1 and their respective implementation.

d) The capital stock of the company is increased by up to EUR 5,000,000.00 through the issuance of up to 5,000,000 new bearer ordinary shares representing a pro rata amount of the capital stock of the company of EUR 1.00 per share. The new shares are eligible for dividends from January 1, 2013. The issue price of the new shares is EUR 1.00 per share and the total issue amount therefore up to EUR 5,000,000.00. The bank M.M.Warburg & CO Kommanditgesellschaft auf Aktien, with registered office in Hamburg ("settlement agent") is admitted to underwrite the shares with the obligation

- to offer the new shares to the existing shareholders for subscription for cash at a subscription price to be determined by the Management Board with the consent of the Supervisory Board, which shall correspond to at least the issue price (indirect subscription right), excluding any residual amount from the subscription right of the shareholders, and
- to pass on to the company any surplus proceeds from the placement of the shares under the subscription offer – less deduction of an appropriate commission, as well as costs and expenses.

The Management Board is authorised to grant additional subscription rights and to sell shares not placed through the subscription offer or additional subscription arrangements by way of private placement and/or a public offering for the best price, but at least the subscription price, whether directly or via a bank or other intermediary to handle processing. The Management Board shall determine the subscription period, which must be at least two weeks. The resolution on the increase in the capital stock shall become null and void if the capital increase has not been implemented within six months of the day after this Shareholders' Meeting or, if legal challenges are mounted against the shareholders' resolution, within six months of the corresponding court processes being brought to a legally effective conclusion or, if a release ruling according to Section 246a of the German Stock Corporation Act is issued, within six months of this ruling. Implementation of the capital increase after the expiry of the above period is not permissible. The Management Board is, with the consent of the Supervisory Board, authorised to determine the further details of the capital increase and its implementation, in particular the further conditions for the issuance of the new shares and the subscription price. The subscription price per share shall be determined by the Management Board with the consent of the Supervisory Board, taking account of the prevailing market situation and a markdown for the risks involved.

5.5 General statement on business performance

2012, like the year before it, brought a drastic tumble in prices. According to data regularly collected by the magazine Photon Profi, the market prices for solar modules fell by a further 32 % within just 12 months, having already come down by 41 % in the previous year. This deterioration in prices is also reflected in CENTROSOLAR's profit performance. The revenue of the CENTROSOLAR Group reached EUR 227 million, down approx. 22 % on the figure reported for the previous year of EUR 293 million. Increased pressure of competition likewise affected the solar glass operations, which experienced falling market prices. The bankruptcy of two customers furthermore undermined the performance of this business area. In order to realise synergies in the latter area through the closer linking-up of the glass finishing lines raw to glass melting furnaces, preparations were made to dispose of this division at the end of 2012 and its disposal was completed in 2013. In order to meet the criteria for classification as financial assets held for sale pursuant to IFRS 5, the assets and debts were reclassified and remeasured accordingly in the financial year. The expenditure and income are summarised separately in the Income Statement as the result from discontinued operations and thus no longer appear in the operating revenue and earnings figures of the group.

The revenue for the continuing operations came to EUR 188.9 million, representing a 19.5 % fall compared with the prior-year figure (EUR 234.7 million). The mainly price-driven fall in revenue was behind the reduced gross profit, which is by and large responsible for the downturn in the operating result at EBITDA level from EUR -10.4 million in the previous year to EUR -19.4 million. The net result was well down on the previous year's EUR -16.8 million at EUR -72.0 million. The main factor at work here was the deterioration in the held-for-sale glass operations from EUR 2.2 million in the previous year to EUR -8.8 million, reported in the financial result, as well as the write-downs of goodwill amounting to EUR 32.7 million (previous year EUR 0 million).

Overall, the net financial position of the continuing operations increased from EUR -68.8 million to EUR -76.5 million. The equity ratio fell from 36.8 to 5.1 % as a result of the high goodwill amortisation, the negative contribution of the glass operations held for sale and the negative operating result for the continuing operations.

Overall, the company cannot be satisfied with the earnings and financial situation. At the same time, the management considers the development of the operating result for the continuing operations in particular to be still comparatively good in industry terms (i.e. the loss is less acute); it attributes this to the company's generally good strategic position. Based on this fundamental state of affairs, the successful implementation of the planned restructuring programme (see report on post-balance sheet date events) will improve the company's earnings and financial position once more. The management believes this will put the company in a promising competitive position that will enable it to achieve profitable growth once more in a consolidated photovoltaic market.

II Financial performance, financial position and net worth

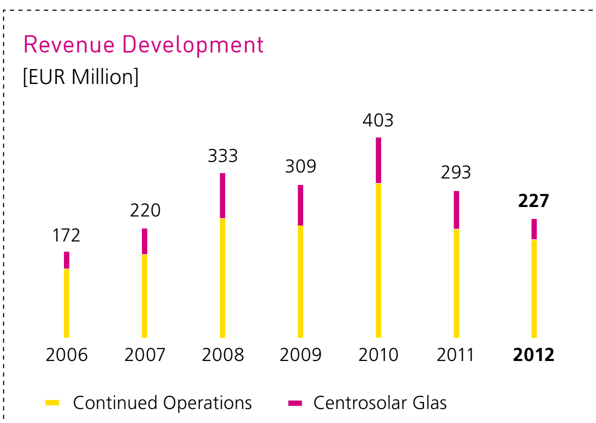
1 Financial performance

Selected financial performance ratios

[EUR '000]	31/12/2012	31/12/2011	Change
Revenue from third parties	188,942	234,705	-19.5 %
EBITDA	(19,378)	(10,403)	-86.3 %
EBIT	(58,788)	(16,572)	-254.7 %
Earnings before taxes (EBT)	(65,232)	(22,884)	-185.1 %
Earnings from discontinued operations	(8,762)	2,235	N/A
Consolidated net income/net loss (EAT)	(71,965)	(16,813)	-328.0 %

Sales and revenue: continuing sharp drop in prices drives down revenue

As in the previous year, the past financial year saw a continuing sharp deterioration in prices at all stages of the industry's value chain. Total external revenue for all consolidated companies of EUR 227.5 million was thus down on the prior-year figure of EUR 292.8 million (-22 %). The revenue for the continuing operations came to EUR 188.9 million, representing a 19.5 % fall compared with the prior-year figure (EUR 234.7 million).



Around 89 % of revenue was generated by the Solar Integrated Systems segment, with 11 % of revenue coming from the Solar Key Components segment. After elimination of glass revenue from the discontinued operations within the Solar Key Components segment, that segment's share came to 26 %. The proportion of revenue generated internationally was significantly increased for the group as a whole: the export ratio was 73 %, compared to 62 % in the previous year. The position is similar when solely the continuing operations are considered: in this instance the export ratio grew from 59 % to 71 %. Italy was the strongest export market, contributing more than EUR 52 million in revenue, followed by France and the USA on EUR 19 million each.

The main factor driving down revenue was the sharp fall in prices in the course of the year. The prices of standard modules declined by 37 % as the year progressed.

On the other hand the sales volume of the Solar **Integrated Systems** segment actually rose slightly from 125 MWp in the previous year to 130 MWp. The strongest growth was achieved in Italy, followed by the USA, Benelux and Greece. In Germany, on the other hand, there was a marked retreat in sales volume in line with the market's weak performance following the cuts to the feed-in tariffs for roof systems with effect from April 1. However falling prices meant that revenue for this segment fell from EUR 216.4 million in 2011 to EUR 167.3 million in the past financial year, despite the higher volumes sold.

The continuing operations in the **Solar Key Components** segment substantially comprise the mounting systems area. External revenue here was increased from EUR 18.3 million in the previous year to EUR 21.6 million despite the difficult market environment. This growth was achieved by successfully moving into new markets, including in particular Denmark and the UK. In addition to the standard Variosole solution for sloping roofs, especially the mounting solution introduced in the previous year for metal roofs (MetaSole) succeeded in generating considerable growth. On the other hand, external revenue for the solar glass operations that are reported as held for sale fell sharply from EUR 58.1 million to EUR 38.6 million. This reflected, among other developments, the bankruptcy of two important customers and the generally weak level of sales in the industry.

Earnings: steady decline in prices and non-recurring effects weigh on earnings performance
The past financial year closed with an operating loss before interest, taxes, depreciation and amortisation (EBITDA) of EUR 19.4 million (previous year: loss of EUR 10.4 million) for the continuing operations.

At EUR 20.5 million, the loss is attributable to the Solar Integrated Systems segment (previous year: loss of EUR 5.8 million). A major driver of this profit performance was the steady, sharp fall in module prices. Although the prices of the key purchased materials fell in parallel and the purchased materials ratio was even cut from 80 % in the previous year to 78 % in the past year, lower selling prices meant that the absolute gross profit was reduced from EUR 43.6 million to EUR 36.5 million despite the higher sales volume. Because the downward trend in prices continued until the end of the fourth quarter, the scheduled reduction in stock levels at the end of the year had a particularly high impact.

Due to the tight market situation following the cuts to the feed-in tariff for photovoltaic roof systems in Germany from April 1, the operations of the Gecko company acquired in January were not yet able to cover its costs; this was a major factor in the increase in the otherwise stable personnel costs in the past year.

The above-average write-downs of receivables compared to previous years also proved to be a burden. There were expenses amounting to EUR 8.1 million in this segment, with the value adjustments occurring in Italy. Consultancy costs also rose as a result of the conducting of a sales optimisation programme and more intensive negotiations with lenders.

The operating result before interest and taxes (EBIT) in this segment was additionally eroded by depreciation and amortisation predominantly not related to operations. Although IFRS 3 depreciation and amortisation fell from EUR 1.6 million in the previous year to only EUR 0.1 million, write-downs of goodwill, brand rights and investments amounting to EUR 33.7 million were reported. This non-operating depreciation and amortisation is made up of the following:

- Reduction in the goodwill of Centrosolar AG by EUR 26.8 million to reflect the now more difficult market environment, the weaker market expectations that result from this and the company's increased risk exposure
- Reduction in the goodwill of Centrosolar Schweiz AG by EUR 5.8 million due to the consistently lower volume of project business activity
- Write-down of the value of the investment in Sunarc Technology A/S by EUR 0.7 million in response to the general weak state of the European solar industry. Sunarc Technology A/S operates in the same area of business as the held-for-sale glass segment of CENTROSOLAR.
- Reduction in the brand rights obtained in connection with the acquisition of Gecko Energies by EUR 0.3 million due to the continuing weak level of sales in the German market

Operating depreciation and amortisation likewise increased by EUR 1.2 million, from EUR 4.0 million to EUR 5.2 million, as a result of the expansion of production operations in the previous year. In total, EBIT reached EUR -59.4 million (previous year EUR -11.4 million).

By contrast, in the Solar Key Components segment business for mounting systems was successfully turned around following its high loss in 2011. Gross profit was increased, while personnel costs and other expenses (less other income) were substantially reduced. Overall, the operating result before interest and taxes (EBIT) improved from EUR -4.5 million in the previous year to EUR -0.8 million.

The interest result for the continuing operations remained virtually constant at EUR 6.4 million (previous year EUR 6.3 million).

Finally, the net result was substantially diminished by the separately reported contribution of the discontinued glass operations. The sales volume of that area fell well short of the levels of previous years. As a result of the market's consolidation and weak demand worldwide, many customers scaled back the planned volume of their purchases. Coupled with the high pressure on prices in this area too, gross profit was substantially reduced. In addition high write-downs on receivables totalling EUR 2.2 million, necessitated mainly by the bankruptcy of two major customers, reduced the result.

After elimination of the non-operating depreciation and amortisation and the result from discontinued operations, the consolidated result before tax came to EUR -31.5 million, compared with EUR -21.2 million in the previous year. Taking all non-recurring effects into account, the net result is EUR -72.0 million (previous year EUR -16.8 million). Earnings per share were EUR -3.54, as opposed to EUR -0.83 in the previous year.

2 Net worth and financial position

Selected balance sheet ratios

[EUR '000]	31/12/2012	31/12/2011	Change
Net operating working capital	36,164	54,703	-33.9 %
Fixed assets	54,014	103,872	-48.0 %
Of which goodwill	12,961	49,429	-73.8 %
Net financial position	(76,474)	(68,800)	-11.2 %
Shareholders' equity	7,749	79,197	-90.2 %
Balance sheet total	153,317	215,282	-28.8 %

2.1 Principles and aims of financial management

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

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

The group is financed in part at the level of the operating companies and in part centrally via the holding company. In the Solar Integrated Systems segment, capital goods and working capital are financed primarily via Centrosolar Sonnenstromfabrik GmbH and Centrosolar AG. Financing of start-ups and growth for accessing new sales markets and developing projects is handled centrally via the holding company. The mounting systems area in the Solar Key Components segment is likewise currently financed via the holding company. The Solar Glass Division reported as held for sale at the balance sheet date is independently financed. The financial structure of the holding company involves profit transfer agreements with a number of major subsidiaries: the gains and losses of the subsidiaries thus pass directly to CENTROSOLAR Group AG.

2.2 Acquisitions and divestments

The priority for the past financial year was organic development. In January CENTROSOLAR nevertheless took over individual assets of the insolvent Gecko Group AG, Wetzlar, for its continued restructuring. Gecko is active in the marketing and sale of PV systems to end customers, with the focus on private customers and smaller businesses. The company's regional focus is central Hesse and parts of Rhineland-Palatinate. Gecko acquires customers through an active field force, and takes charge of technical planning matters and site management. Systems are installed mainly in partnership with local firms of fitters. Gecko also provides services for installed solar systems. The purchase price was EUR 0.45 million.

The company now operates as "Gecko Energies GmbH" under the umbrella of the CENTROSOLAR Group AG. However the decision has now been taken to close down the company. Please refer to the report on post-balance sheet date events for further details.

The solar glass operations were prepared for disposal, in order to realise the necessary synergies for the continuation of this business area through the closer linking-up of the glass finishing lines to raw glass melting furnaces. As the criteria for classification as financial assets held for sale pursuant to IFRS 5 were met at the end of 2012, the assets were reported as such in the financial year. The area was disposed of in May 2013 (see report on post-balance sheet date events).

2.3 Investment: predominantly modernisation measures

CENTROSOLAR did not add to its production capacity in the past financial year, in particular because of the weak state of the market. Investing activities were thus limited mainly to modernisation measures.

Within intangible assets, the company invested in the further roll-out of SAP, in a comprehensive planning and reporting management system and in self-developed products and software solutions.

The overall volume of investment in property, plant and equipment and in intangible assets for the continuing operations came to EUR 3.0 million. The amount of EUR 2.6 million was invested in the held-for-sale solar glass operations. This compared with an investment volume of EUR 19.6 million in the previous year for the group as a whole, as a result of the major expansion of the module production plant in Wismar.

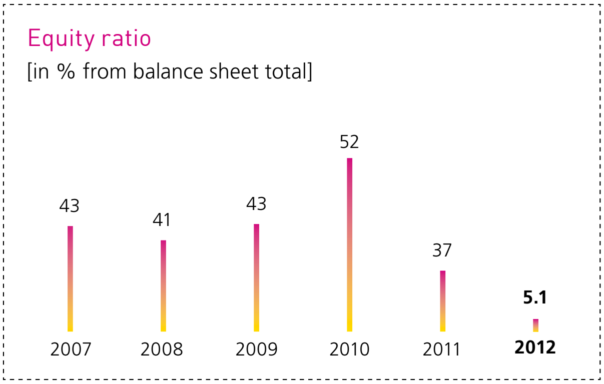
2.4 Balance sheet structure

The balance sheet total contracted from EUR 215.3 million to EUR 153.3 million in the past financial year. The structure of the assets changed as a result of the reporting of the solar glass operations as financial assets held for sale at the reporting date of December 31, 2012, pursuant to IFRS 5. The decrease in the balance sheet total is substantially attributable to the following development in major line items:

- *Fixed assets:*
  - The reduction in goodwill of EUR 36.4 million from EUR 49.4 million to EUR 13.0 million represents the major driver behind the lower balance sheet total.
  - The reported reduction in property, plant and equipment of EUR 13.7 million is mainly due to the reclassification of the glass operations (EUR 10.3 million).
- *Current assets:*
  - Inventories fell from EUR 42.9 million to EUR 25.4 million. This is partly as a result of the reclassification of the glass operations' assets pursuant to IFRS 5 (EUR 8.2 million), along with the sale of a major solar park in Spain with an inventory value of EUR 5.7 million. Furthermore, the falling production costs reduced the value of stock.
  - Trade receivables came down EUR 5.1 million compared with the previous year, from EUR 25.2 million to EUR 20.1 million. Along with the reclassification of the glass operations, which prompted a fall in value of EUR 2.1 million at the 2012 reporting date, increased uncollectable receivables amounting to EUR 3.7 million contributed in particular to the fall. On the other hand there was a one-off increase in total receivables of EUR 5.2 million representing the receivables from the sale and also outstanding electricity revenue from the sold major project in Spain
  - Other current assets also fell by EUR 5.6 million. This item was significantly influenced by receivables from investment subsidies for the expansion of the new plant in Wismar amounting to EUR 2.2 million. Advance payments to suppliers equally fell by EUR 0.7 million. EUR 2.7 million of the decrease is attributable to the reclassification of the glass operations.
  - Cash and cash equivalents fell from EUR 25.9 million to EUR 18.3 million.

As a result of the lower inventories and trade receivables, net operating working capital (inventories plus trade receivables less trade liabilities) fell from EUR 54.7 million in the previous year to EUR 36.2 million at December 31, 2012.

2.5 Financing



The accumulated net losses prompted a reduction in the equity ratio from 36.8 % to 5.1 % in the past financial year. At the same time the net financial position improved to EUR 90.3 million (previous year EUR 68.8 million), among other reasons because of cash burn. The net financial position of the continuing operations is EUR 76.5 million.

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

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

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

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

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

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

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

At December 31, 2012 CENTROSOLAR had cash and cash equivalents amounting to EUR 18.3 million (previous year EUR 25.9 million). Of the cash and cash equivalents EUR 0.6 million (previous year EUR 0.4 million) were not freely available. In addition, on the reporting date, the group had unutilised credit lines in the continuing operations totalling EUR 2.4 million (previous year EUR 39.1 million).

The reported borrowings are composed as follows:

Borrowings [in EUR '000]	Original principal amount or credit line	Outstanding amount at Dec. 31, 2012	Outstanding amount at Dec. 31, 2011	Interest rate	Maturity date
General credit facilities	20,303*	14,831	2,261	1.3 - 4.6 %	2014
Bank loans	21,029	14,462	22,735	4.2 - 6.6 %	2012 - 2018
Other loans	62,472	60,973	63,607	6.0 - 7.8 %	2012 - 2016
Finance leases	13,747	4,476	6,108	not applicable	2012 - 2018
Total	**117,551**	**94,743**	**94,711**		

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

In addition the amount of EUR 3.0 million was utilised from general credit facilities for guarantees at December 31, 2012 (Previous year EUR 4.9 million, EUR 1.0 million thereof from discontinued operations). With the exception of one general credit facility of USD 0.5 million, all borrowings are denominated in euros. Only the general credit facilities have a variable interest rate. All other borrowings have a fixed interest rate.

There are operating leases e.g. for fixtures and office equipment and for cars. These assets are not reported under fixed assets due to the contractual agreements in place. In addition, receivables of EUR 0.7 million for the discontinued operations were covered by factoring contracts.

2.6 Liquidity

The cash flow reflects both the investment activity and the operating losses. The cash flow from operating activities thus totalled EUR -15.0 million (previous year EUR -9.1 million). In the continuing operations, the operating cash flow remained largely unchanged at EUR -13.6 million (previous year EUR -13.5 million). Investing activities fell from EUR 19.3 million to EUR 5.9 million. The negative financing activities of EUR -4.7 million (previous year EUR 50.4 million) are essentially the result of the scheduled repayment of loan and finance lease liabilities. CENTROSOLAR also refers to the risk report with regard to the expected liquidity position and its development.

3 People at CENTROSOLAR

Common values and aims

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

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

All management personnel affected by the restructuring programme as well as the Supervisory Board are contributing towards the company's restructuring by voluntarily deferring portions of their remuneration. Through this deferral they have sent out a clear message that they believe in the success of the restructuring plan. The prospect of receiving the deferred remuneration components moreover provides an incentive not to leave and instead to contribute actively to the restructuring. Nevertheless, the restructuring and additionally in the case of the management employees the relinquishing of pay create an elevated risk of destabilisation, which may lead to an exodus or demotivation.

Employee total adjusted in line with reduced volume of business

As a result of the considerable pressure on prices, revenue has fallen significantly in the past two years despite growing sales volume. In order to survive in such an environment, processes need to be made more efficient, synergies realised within the group and therefore costs reduced. After six years of continuous growth, this turn of events is now also adversely affecting the number of people employed within the group. At the end of the reporting period there were 947 employees, corresponding to 915 full-time equivalents (FTEs), in employment at CENTROSOLAR Group companies. The corresponding figures for the previous year were 1,043 employees and 1,026 full-time equivalents. The average employee total over the year was 1,027 (previous year 1,121). That corresponds to 1,023 full-time equivalents (FTE) (previous year 1,100). The total included 201 employees in the Solar Glass Division earmarked for sale at the reporting date, or 199 full-time equivalents. There were 251 FTEs on short-time at the reporting date, including 136 FTEs in the continuing operations.

4 General statement on the economic situation

The industry's consolidation phase is in full spate and again led to a huge drop in prices for solar modules and systems in the past financial year. The revenue and earnings targets originally announced were therefore missed in the past financial year. Tough price competition led to a deterioration in gross margins as well as low capacity utilisation in both production and sales. CENTROSOLAR is not the only player to have suffered losses as a result of the market environment. Scarcely any manufacturer – neither European competitors nor the ostensibly low-price manufacturers from the Far East – succeeded in posting positive results in the past year. The management view is that with an EBITDA margin of -10.3 %, CENTROSOLAR's operating losses are very modest. Only few competitors succeeded in increasing their sales volume in the past financial year, as CENTROSOLAR did. That is substantially down to the fact that CENTROSOLAR has adhered to a strategy of sustainability over many years. Its international position and its focus on higher-value systems for applications on private and industrial roofs remain the company's strength. Unlike many competitors, therefore, no fundamental change of strategy is needed. With the implementation of the planned restructuring programme (see report on post-balance sheet date events) the Management Board believes that the company will return to profitability as soon as the industry's consolidation phase and the company's restructuring phase are over.

All the same, the losses that it has sustained in the meantime erode its very substance. The equity ratio and liquidity position have fallen sharply and indebtedness has risen. That also means CENTROSOLAR's risk exposure has increased compared with the previous year. To counter this, in early 2013 the company launched a restructuring programme that is explained in the following report on post-balance sheet date events.

III Report on post-balance sheet date events

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

CENTROSOLAR launches comprehensive restructuring programme

In light of the market's ongoing consolidation phase and the threat that this poses to the company's survival, the Management Board of CENTROSOLAR has agreed a comprehensive restructuring programme that envisages all parties concerned making significant contributions. The programme rests on three pillars:

- *1. Operational reorganisation:*
  The company is to be significantly streamlined, to equip it to function well on a lower market volume. This will involve reducing costs over and above the measures already implemented last year. Among other things administrative functions will now be handled centrally to some degree, with sales operations refocused. In addition, administrative operations in the holding company and the group companies will be appreciably scaled back. Thus the number of employees who do not work at Sonnenstromfabrik fell from 429 in December 2012 to only 342 in June 2013. Finally, senior management employees and the Supervisory Board will be deferring a significant portion of their remuneration to help the company.
- *2. Balance sheet reconstruction:*
  The company's financial liabilities are to be reduced significantly. The measures involved include a capital reduction in preparation for the BondM-listed bond for a nominal EUR 50 million to be then converted into shareholders' equity in the form of shares. The PREPS loans for EUR 9.5 million maturing in March 2014 are likewise to be converted into shareholders' equity. The financial creditors for this collateral – banks and lessors – support this plan and are themselves prepared to contribute towards reconstruction. In March they signed a restructuring agreement to this effect, according to which interest and capital repayments will be deferred in part until June 30, 2014 and financing assured until the end of 2014. The repayment of the deferred interest is envisaged for September 30, 2014. In accordance with the restructuring agreement the deferred capital repayments are to be repaid on December 31, 2014. In this connection it was also agreed that the financial situation of the company will be re-analysed in the first half of 2014 and that the company and its financial creditors will renegotiate a suitable repayment schedule if the repayment plans envisaged in the agreement should not be possible.
- *3. Capital strengthening:*
  To boost the equity base and protect the existing shareholders against dilution, there are plans to raise fresh funding by way of a capital increase for cash with subscription rights. Shares not taken up by existing shareholders are to be placed with new investors. Strategic investors will also be targeted in this respect.

The strategy of international expansion and of focusing on higher-value systems for applications on private and commercial roofs will not be modified as a result of the restructuring programme, because the management believes that positioning remains the company's strength. The restructuring programme has the goal of giving the company the necessary clout as the industry enters the consolidation phase, and will enable it to grow again once photovoltaics as a market of the future regains stability.

Bond creditors and shareholders approve balance sheet reconstruction

By a majority of over 99 % of the bond capital represented at the vote, the bond creditors of the EUR 50,000,000 7 % bond 2011/2016 ("Bond" or "Debentures") of CENTROSOLAR Group AG voted in favour of the proposed balance sheet reconstruction concept at the creditors' meeting on May 21, 2013. The resolution envisages that all bond creditors transfer their Debentures to a bank acting as settlement agent ("Settlement Agent") for their contribution to CENTROSOLAR Group AG, and in return, after the capital reduction, receive the right to acquire a total of 5,500,000 newly issued shares in the company via the Settlement Agent without further consideration ("Acquisition Right"). This means that if all bond creditors exercise their pro rata Acquisition Right, they will each receive 110 new shares in the company per Debenture with a nominal value of EUR 1,000.00 (plus interest accrued) with no further consideration. The resolution of the creditors' meeting is binding for all bond creditors. Dr Christian Becker, lawyer, was in addition appointed as joint representative of all bond creditors.

On May 22, 2013 the shareholders, too, approved the package of measures drawn up by the Management Board for the reconstruction of the balance sheet of CENTROSOLAR Group AG, again by a majority of over 99 % of the capital represented.

In essence the following resolutions were passed: the capital stock of the company will be reduced in a simplified form from EUR 20,351,433 to EUR 814,057, after the retirement of 8 shares. In a first step the number of shares in the company is thus reduced by a ratio of 25:1. In the next step, it was resolved to increase the company's capital stock against contribution in kind of the EUR 50,000,000 7 % bond 2011/2016 ("Bond") and a subordinated loan by a total of EUR 6,260,000 to EUR 7,074,057. The Bond with a nominal total of EUR 50 million and the subordinated loan of a nominal EUR 9.5 million can consequently be converted into equity capital, and the financial liabilities thus reduced by over 60 %. Finally, as a third, later step it was resolved to increase the capital stock of the company for cash, with shareholder subscription rights, for up to 5,000,000 no par value shares in the company. This resolution is intended to inject fresh financial resources into the company.

Implementation of the measures is envisaged for the second half of 2013.

CENTROSOLAR disposes of the Glass Division

On May 7, 2013 CENTROSOLAR Group AG signed a share purchase agreement according to which 100 % of the shares of Centrosolar Glas GmbH & Co. KG, Fürth, Germany and Centrosolar Glas Holding GmbH, Munich, Germany, are sold to Ducatt NV, Lommel, Belgium (Ducatt). Centrosolar Glas is the technology leader for anti-reflective coatings for solar glass with maximum light transmission. In the context of its restructuring programme, CENTROSOLAR Group AG decided to sell this subsidiary, which no longer forms part of its core business operations. CENTROSOLAR is selling its glass activities for a token purchase price plus a share of future profits. Through this transaction, CENTROSOLAR reduces its consolidated borrowings by approximately EUR 14 million. This sale moreover represents a milestone for CENTROSOLAR in its endeavours to focus on the core business of PV roof systems for private and commercial uses. Centrosolar Sonnenstromfabrik will continue to source a significant portion of the solar glass it needs in the manufacturing of modules from Centrosolar Glas and Ducatt.

As a result of the integration of CENTROSOLAR's glass finishing business into a progressive glass manufacturer, further cost and technological improvements can, according to the management, now be implemented. Centrosolar Glas is now able to benefit not only from synergies with Ducatt's glass melt activities, but also from Ducatt's technological lead in the sphere of thin glass for solar applications.

Close down of Gecko Energies

On May 28, 2013 CENTROSOLAR decided to wind up Gecko Energies GmbH with effect from June 30, 2013. This decision was taken in light of the insufficient prospects of making Gecko Energies profitable in the short term, despite a restructuring programme already implemented. Gecko's weak economic development was largely attributable to the trenchant cutbacks to solar incentives in Germany. Though the management believes Gecko Energies has prospects of being a success in the long term, this decision was taken against a backdrop of the need to restructure the group as a whole and therefore to focus efforts rigorously on the top priorities.

Negotiated solution for anti-dumping of solar modules

On 28 July 2013 the European Commission announced that a negotiated solution regarding the anti-dumping proceeding on imports of solar panels from the People's Republic of China had been reached. The solution requires the consent of the majority of Member States, there is also the opportunity to challenge the court solution. A final assessment is not yet possible. From the management perspective, a negotiated solution with the mentioned vertices would be expected to impact positively on CENTROSOLAR.

IV Risk report

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

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

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

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

2 Individual risks

2.1 Risks from the economic environment and the industry

In general there is evidence that the company's plans are based on a gradual improvement in the market and competitive environment, which will have the effect of reducing the pressure on market prices and margins. At present CENTROSOLAR is of the view that the industry is witnessing a level of predatory competition which means that to the best of CENTROSOLAR's knowledge no listed manufacturer of PV modules in Europe or indeed China is able to operate profitably. As a result of the current market exits of competitors, fresh demand outside Europe that is once again allowing capacity worldwide to be fully utilised and possibly also because of potential anti-dumping measures by the EU, CENTROSOLAR expects predatory competition and therefore also the pressure on prices and margins to ease in the second half of 2013 and above all in 2014. In particular considering the fact that direct competitors such as Bosch/Aleo, Sunways and Conergy are likely to withdraw, at least partially, from the market as manufacturers, there are now signs of an incipient improvement. If the improvement should not materialise or be maintained as expected by CENTROSOLAR and should the price decline and margin pressures continue unabated, the measures planned in the restructuring programme (see also further below in the risk report) could potentially prove to be inadequate. As a result, the future of the group of companies and the CENTROSOLAR Group AG could be endangered. The loss of individual affiliated companies may result in the entire group and the CENTROSOLAR Group AG being endangered in their existence.

In addition various individual risks regarding the environment and the industry need to be taken into account.

From a regulatory viewpoint, our business environment is still influenced by regional variations in the incentive payments available for solar plants. The removal of state incentives or a sharp degression in feed-in tariffs could have a negative effect on the markets concerned as a whole, or simply on specific product versions sold in those markets. In the past it was necessary to adjust to occasionally abrupt regulatory changes. The weaker economic position of the company currently makes it more susceptible to future changes. It is already known that the current "Conto Energia V", which regulates feed-in tariffs for solar systems in Italy, will come to an end in July 2013. It is not yet known what form any successor regulation will take. In developing systems for internal consumption, the company is endeavouring to become less dependent on state regulations. All the same, this market too is dependent at least on not experiencing any disadvantageous state regulation. There are regulatory risks in unfavourable conditions for photovoltaics arising e.g. fiscally or in terms of building regulations or the electricity market. Grid integration, too, is becoming more difficult along with the spread of photovoltaics, and this could put the brakes on the pace of growth. CENTROSOLAR management employees are involved in industry associations in order to play an active part in the political decision-making process for the regulation of renewables.

The European Commission is currently conducting anti-dumping proceedings for solar wafers, solar cells and solar modules from the People's Republic of China and has now reached a provisional conclusion. At the start of June provisional import duties of 11.8 % were agreed. On 27 July 2013 a negotiated solution was announced by the European Commission. If the mutually agreed solution with China fails, the plans envisage increasing the provisional duties to 47.6 %. CENTROSOLAR does not source any solar cells from the People's Republic of China. Nevertheless the anti-dumping proceedings harbour risks because potential import duties could result in solar cells from outside the People's Republic of China becoming in short supply. CENTROSOLAR counters this risk by reminding its core suppliers of high-quality cells that CENTROSOLAR has been cooperating with them reliably for longer and that collaboration should also take place in future. If the European Commission's measures against dumping prove to be ineffective, CENTROSOLAR is still threatened by dumping.

Technology changes, too, could have negative consequences. CENTROSOLAR continues to give preference to modules made from crystalline silicon cells. The company's analyses show this technology to be still the most future-proof thanks to its proven track record, the reduced costs and its comparatively good efficiency per unit area. Nevertheless, solar energy itself could become economically obsolete for instance if other economical renewables technologies emerge or if the costs of energy from fossil fuels fall sharply e.g. through the use of shale gas.

The very intense competition in the industry also represents a risk. CENTROSOLAR is pursuing a strategy of market-led pricing but does not take part in the industry's unfortunately quite widespread practice of offering special deals with the goal of hugely undercutting the prices of competitors. The management does not believe value can be created in such a way. However because many competitors are much larger and have greater financial resources, CENTROSOLAR might not be in a position to survive predatory competition in the industry. The management response to this danger is to implement systematic restructuring while at the same time ensuring and promoting liquidity in order to prepare for the expected end of the consolidation phase. The market is expected to show a gradual improvement in the course of the second half of 2013 and in 2014. If this upturn is not as pronounced as expected, the effect of the restructuring measures might not be sufficient and the future of the group of companies, as well as the CENTROSOLAR Group AG, Munich, could be at risk.

With regard to the industry itself, there is a general risk in the area of purchasing. With falling prices for solar silicon, there is the potential risk of buying at too high a price. In response to that risk, CENTROSOLAR pursues a purchasing policy of short-term supply agreements so that it can respond flexibly to the forecast drop in prices and minimise this specific risk. This strategic decision nevertheless goes hand in hand with the new risk of a potential shortfall in supply. Although there was excess capacity right along the value chain in the past two years, various scenarios that could once again lead to temporary bottlenecks in the supply chain – such as the imposing of import duties on cells from China – are conceivable (see above). There were previously such bottlenecks (in particular between 2004 and 2008) due to a shortage of hyperpure silicon. Developing capacity for purifying silicon involves relatively long lead times. At present there is if anything an oversupply. However as demand rises, this could tip over into a shortfall in supply again. CENTROSOLAR consciously takes this risk and believes that in such an event it will be possible to pass on to the customer the higher purchase prices that basically all competitors will have to pay, as is the case in other industries.

However it is not possible to avoid short-term, in-year price risks because inventories are accumulated and reduced during the course of the year in order to cover seasonal fluctuations. In light of the experience of previous financial years, when excessive inventories led to losses from write-downs, CENTROSOLAR pursues a conservative stock keeping policy that, if in doubt, gives priority to lower write-down risks over greater sales opportunities. As the company has sufficient production capacity, production can be adjusted swiftly in line with demand at relatively little capital input. In this connection it should also be pointed out that CENTROSOLAR generally manufactures on the basis of sales forecasts rather than in response to specific orders, because smaller systems are typically ordered at short notice by trade customers. CENTROSOLAR therefore prepares regular forecasts and also monitors the planning accuracy of these.

The sharp fall in prices over the past two years has triggered off a massive wave of consolidation. Quite a number of market participants have encountered financial difficulties and high-profile competitors have already gone bankrupt. Amid this environment of consolidation, ailing companies are trying to optimise their liquidity by offering prices that do not cover the costs, even if by doing so they are crystallising their losses. Such developments temporarily further aggravate the pressure on prices. Here, too, the company is helped by its conservative stock keeping policy. In addition, since mid-2011 the company has been using a comprehensive programme to optimise its processes and cost position in the sales and administrative organisation, and also uses the services of external consultants in this connection. These cost reductions, among other measures, will be further increased through the restructuring programme announced in February 2013.

The industry crisis and the associated restructuring scenario at many customers and suppliers of CENTROSOLAR create further risks, which in essence stem from the fact that the creditworthiness of CENTROSOLAR's business partners has fallen, customers are finding it less easy to access financing for the purchase of solar systems, and the battered image of "solar" in general can have an adverse effect on prospective customers, partners and lenders as well as CENTROSOLAR's employees (e.g. in the form of leaving/avoiding the company). CENTROSOLAR has to live with many of these general industry risks and seeks to harness them mainly by monitoring credit limits for receivables from customers, within the scope available to it. As there are very few opportunities for teaming up with solar manufacturers unaffected by the industry crisis, the general nature of the industry crisis to some degree moderates the risk of important suppliers, customers and employees switching to competitors.

Finally, there is the risk of competitive distortion from state financial incentives and subsidies for manufacturers in individual countries, for instance in the form of low-cost loans, export subsidies and import tariffs. In common with all other market participants, CENTROSOLAR is dependent on regulatory corrective measures at political level.

2.2 Corporate strategy risks

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

In the interim at least, CENTROSOLAR is adopting a regional focus on markets in Europe and North America. This decision is based on the management's conclusion that the financial resources do not currently permit expansion, for instance into Asian markets, which are currently expanding rapidly. CENTROSOLAR could as a result be at a disadvantage, not just from the reduced scope for sales, but possibly also in the form of unfavourable price developments, e.g. if the prices of preliminary materials are driven up by the demand in Asia without the scope for passing these increases on to customers.

The development of new products and services outside the existing value chain – for example complementary solutions for self consumption – likewise harbours risks. In the absence of market studies and market experience the consequences are particularly hard to predict, with the result that revenue and earnings targets set in advance might not be achieved. CENTROSOLAR therefore only invests in such activities after checking in depth whether they are in line with the corporate strategy and defined milestone plans.

The general strategic direction of focusing on small to midsize solar roof systems with its own module manufacturing operations, extensively expanded installation network in Europe and the USA and a flexible purchasing approach is to be retained because the management believes it is the best way to prepare for the future. However this assessment could prove to be incorrect, in which case the future of the group of companies, as well as the CENTROSOLAR Group AG, Munich, would be endangered.

2.3 Performance-related risks

In manufacturing high-quality solar modules at the plant in Wismar, CENTROSOLAR is dependent on the smooth operation of the facilities available for that purpose. Though CENTROSOLAR attaches prime importance to maintenance and optimised operation, short-term bottlenecks may occur in deliveries in the event of plant breakdowns. A further risk in this connection concerns complaints about product defects, which may also be caused by errors by an external production partner. This risk is countered by increasing provisions for guarantees and auditing the upstream suppliers.

The modules manufactured by the company itself must moreover consistently satisfy market expectations in respect of quality and price. CENTROSOLAR has therefore further increased R&D spending and recruited experts from the automotive and semiconductor industries to its management team. Warranty risks should also be mentioned in this connection. These comprise guarantees for products and also guarantees in connection with solar projects for which we took on the role of general contractor. CENTROSOLAR creates provisions for these.

Solar modules are to be taken back by the manufacturer after use and recycled. Recycling technologies are currently undergoing development but at present it is not possible to estimate accurately whether and to what extent future costs will actually be involved in taking back the products.

CENTROSOLAR has received or applied for patents for certain products. The possibility cannot be excluded that patents or patent applications will be successfully challenged. There are currently no challenges. At the same time CENTROSOLAR could itself infringe the protective rights and patents of third parties.

CENTROSOLAR is furthermore exposed to risks from liability for possible environmental damage, in particular in connection with the site in Fürth, which has been in industrial use for over 80 years. CENTROSOLAR has commissioned appraisals to assess any legacy issues. These reports indicate that while pollution does exist, it does not need to be cleaned up.

The capacity utilisation of the production facilities but also of the sales and administrative overhead is likewise a risk. In this respect the management is pursuing a strategy of market-led but not excessively low prices in the distribution of its own products. The valuations of assets, for example technical equipment, goodwill or current assets, might need to be reduced further if no adequate level of utilisation or profitable use should be possible in the long run, contrary to CENTROSOLAR's planning assumptions. Also deterioration of the medium and long-term business prospects may lead to write-downs of assets.

CENTROSOLAR halted the production of solar glass with the sale of the Solar Glass Division on May 7, 2013. CENTROSOLAR consequently now depends on third parties for its supplies of solar glass. CENTROSOLAR has concluded a multi-year supply agreement with Centrosolar Glas GmbH & Co. KG and is tied into a commitment for the next five years to purchase the bulk of its solar glass (up to 85 % in the first year, subsequently declining to 50 %) from Centrosolar Glas GmbH & Co. KG. The prices, pursuant to the contact, are to be fixed in accordance with a market-oriented pricing policy, whereby the contractually agreed price adjustment rules out jumps, which, in case of heavy future decreases in prices, pose the risk, at least temporarily, of a need to purchase too expensively. The loss of the main supplier of solar glass could equally hamper production in the interim, though CENTROSOLAR is able to add alternative suppliers to its portfolio to reduce the risk, and is working on securing such back-up arrangements.

CENTROSOLAR has taken out group-wide insurance policies to cover such eventualities as fire, business interruption, business liability and product liability claims. If the insurance policies proved to be insufficient, CENTROSOLAR would have to bear additional costs in the event of a loss. Risks exist in the IT area. Such measures as data backups are carried out on a regular basis as a precaution. A data protection guideline has been issued and a data protection officer appointed; nevertheless the abuse of data could lead to liability risks for CENTROSOLAR.

Liability risks may likewise result from litigation currently in progress:

- The insolvency administrator of Q-Cells SE has started a lawsuit for compensation claim against Centrosolar Schweiz AG for EUR 11.1 million and a penalty in the amount of EUR 207 thousand, totaling EUR 11.3 million, due to non-acceptance of the contractually agreed minimum volumes of solar cells based on a long-term supply contract from April 2007. In the management's view the claim is unfounded. Centrosolar Switzerland AG refused acceptance as the solar cells supplied from July 2010 did not conform to the agreed quality and were therefore defective. Since that time Q-Cells SE has been unable to supply defect-free solar cells so Centrosolar Switzerland AG refused acceptance. This legal opinion has been confirmed by an external law firm.
- Matheis GbR sought an independent procedure of taking evidence against Centrosolar AG pursuant to Sections 485ff of the German Code of Civil Procedure based on the alleged defectiveness of a photovoltaic system supplied by the latter. In the worst case, a possible lawsuit could lead to the cancellation of the agreement with a value of approx. EUR 0.6 million. Because CENTROSOLAR believes such a procedure has no prospect of success, no provisions have been created. This assessment has been confirmed by an external law firm.

While no such breaches are known at present, a possible breach of permits, or the failure to obtain necessary permits, would also involve liability risks.

As part of the operational reorganisation that is planned, the company is to be significantly streamlined to equip it to function well on a lower market volume. This will involve reducing costs over and above the measures already implemented last year. Among other things administrative functions will now be handled centrally to some degree, with sales operations refocused. In addition, administrative operations in the group holding company and the group companies will be appreciably scaled back. Further optimisation measures are envisaged in the production area, too. However the cost-cutting measures could have a deeper adverse effect on the company's operating efficiency than planned, whether through precipitating the migration of key performers or through excessively trenchant intervention in key operational processes. The measures affecting operations are therefore being supported by management consultants with experience of reorganisation.

2.4 Personnel risks

Relevant personnel risks above all concern the exit of leading specialists and members of the management. The current state of the industry increases this risk and also makes it more difficult to attract new specialists and managers. CENTROSOLAR adopts a two-pronged strategy for retaining key individuals. On the one hand local managing directors are given a very high degree of entrepreneurial leeway on how to run the areas for which they are responsible. Meanwhile the coordination and integration of all companies in the group are handled by a group-wide steering committee. The deferral of a portion of the remuneration of management personnel agreed as part of the restructuring programme may on the one hand be a risk to their motivation and to staying with the company, but on the other hand it also serves as an incentive to recover amounts deferred through active participation in the success of the restructuring.

2.5 General financial risks

In its normal course of business, CENTROSOLAR is exposed to financial risks in the areas of foreign exchange, interest rates and receivables. In the past financial year foreign exchange risks, which arose for example through the purchasing of cells in US dollars and the sale of modules in the Eurozone, were limited to a minor extent through in-year hedging by means of put options and forward transactions which focused on the global exchange rate risk rather than on individual transactions. Growing sales in the US market increasingly provide a natural hedge to the exchange rate risk. Financial market fluctuations may adversely affect the demand for solar systems, in particular by limited capital availability or high cost of capital, which can make the purchase of solar panels unattractive.

The deterioration in the creditworthiness of customers and business partners as a result of the industry crisis increases the risk of debt defaults and losses from advance payments on behalf of customers or other business partners. To counter debt defaults, advance payment is normally required from first-time customers and customers with limited creditworthiness. Finally, CENTROSOLAR is exposed to interest rate risks. Around half of borrowings at the reporting date had fixed interest rates or were linked to fixed-interest derivatives.

With regard to financing options, bearing in mind the Basel III requirements for banks, the continuing intense political debate about reduced financial incentives in the solar industry and the company's poorer financial performance and position, there is the general risk that access to credit at short notice could become limited and that loans already received could be called in prematurely.

Particularly in the U.S. CENTROSOLAR's works with sales partners who provide customers with financing for their solar systems. Failure of these funding partners would have a negative effect.

2.6 Financial risks from the planned restructuring programme

CENTROSOLAR has launched a comprehensive restructuring programme. The restructuring programme has been put together with the help of management consultants experienced in corporate reorganisation. In addition, in February a restructuring report based on the proposed restructuring measures was submitted by the management consultants, confirming the viability of restructuring and the strong probability that the continuing operations can be maintained as a going concern. The plan was updated in June 2013 and examined by the management consultants. The viability of restructuring was reaffirmed.

The restructuring programme comprises the following broadly operational and financial restructuring measures, which to some extent are cumulative, meaning that the failure of one measure could hinder or prevent other measures further down the line:

- ***Measures to reduce costs and shore up revenue***
  The cost reductions are to be achieved, inter alia, through staff reductions and operating cost savings in the sales and administrative organization. In addition, continuous cost improvements in purchasing and production are taking place. To shore up revenue the introduction of a customer relations program, the creation of a new distribution of solutions ("Solution Center"), modernization of the pricing and discount management and sales incentives and the alignment of the management structure to the development of various markets have, among other things, been started.
- ***Deferral agreements***
  To increase the liquidity position the major financiers of the Company have agreed deferrals of their interest and repayment claims under a restructuring agreement (see also detailed versions below). In addition, the managers and the Supervisory Board involved in the restructuring program are contributing to the reorganization of the company through voluntary deferral of portions of their compensation until January 2015. Some business partners have also agreed to deferrals of claims.
- ***Capital increases for contribution in kind in the form of contribution of the receivables of bond creditors and the subordinated loan***
  To improve the financial situation, the Shareholders' Meeting of the company on May 22, 2013 approved a balance sheet reconstruction comprising a capital reduction as well as a capital increase for contribution in kind from the bond issued in 2011 and listed in the BondM SME segment of Stuttgart Stock Exchange with a nominal value of EUR 50 million (plus interest outstanding).

  In addition the Shareholders' Meeting of CENTROSOLAR approved the conversion of the subordinated loan (PREPS) due in March 2014 with a nominal value of EUR 9.5 million into shareholders' equity through contribution of the loan receivable. To that end, extensive negotiations have already been held with the recovery manager appointed by PREPS and the principal framework conditions and action have been discussed. The parties are aware that the loan could possibly be terminated under the terms of the PREPS loan, especially as it has no longer been serviced with interest since the start of the year. If PREPS should no longer pursue the conversion into shareholders' equity, the resolutions of the creditors' and shareholders' meetings would be no longer workable. This could moreover lead to termination of the financing agreement with the banks. The entire reconstruction of the balance sheet could accordingly be endangered, and thus also the continuation of the group of companies and the CENTROSOLAR Group AG, Munich.

The soundness of the contribution in kind in this instance remains to be confirmed at the time the capital increase is effected by an auditor of the contribution in kind appointed by the Local Court of Munich.

Should the auditor of the contribution in kind should not support the soundness of the contribution in kind of the minimum value of EUR 1 per share, for instance due to significant deviations from the plans, or if it should not be possible to enter the effecting of the two contributions in kind on the commercial register by January 31, 2014 for any other reason, the principal financial creditors would have termination rights (see financing agreement below) and the payment commitments regarding the interest and repayment of the loan and subordinated loan would fall due on February 15, 2014. As matters stand the payment commitments could not be fulfilled. In this instance the survival of the group of companies and the CENTROSOLAR Group AG, Munich would therefore be endangered.

- *Further measures to promote and safeguard liquidity*
  The updated planning in June shows a liquidity gap arose for the first time in August 2013 after completion of the above measures, that grows to EUR 3.0 million in the fourth quarter of 2013 and increases up to 8.8 million EUR until the third quarter of 2014. Therefore, the implementation of further liquidity-enhancing measures is required. The main measure, as one of several measures, envisaged to achieve this is a capital increase for cash, the implementation of which depends on the successful conversion of the bond and subordinated loan, but also on the capital market conditions. It is uncertain whether the capital increase for cash can raise sufficient net proceeds from the issue to cover liquidity requirements. The capital increase for cash is initially to be offered to the existing shareholders for subscription. The company can use subscription rights not taken up to target new investors.

  In order to find new investors, financial investors specialising in turnaround situations and investors interested for strategic reasons are to be addressed. Bearing in mind that the conversion of the bond and PREPS loan will, as expected, already have been completed by the time of the capital increase for cash and the operational reorganisation will probably also be well advanced, the management expects to be able to raise the necessary amount among existing shareholders and new investors.

  By way of further supplementary liquidity-promoting measures and alternatives to the capital increase for cash, both operational measures (e.g. active net working capital management, and development of additional sources of funding through collateral-free lending) and non-operation measures (e.g. the disposal and liquidation of other parts of the group, the sale of land and property not required to operate business activities, as well as, settlement of litigation) have been identified. Work has already begun on the implementation of the identified measures parallel to the preparation of the capital increase. If the capital increase for cash cannot be implemented, or not to the desired extent, it is imperative that sufficient cash contributions to cover liquidity gaps mentioned above are obtained with the alternative measures.

If the capital increase for cash cannot be carried out and the further measures to promote liquidity cannot be implemented successfully and thus cannot close the resulting liquidity gaps as planned by CENTROSOLAR from August 2013, the future of the group of companies and the CENTROSOLAR Group AG, Munich, would be endangered.

The overall assessment with regard to the restructuring programme is that the future of the group of companies and the CENTROSOLAR Group AG, Munich will be endangered if key measures of the restructuring programme cannot be implemented to the required extent or at the required time, or cannot be replaced with equally effective alternative measures.

To improve the company's financial position and reduce the financial risks, CENTROSOLAR concluded a restructuring agreement with all major financing banks and lessors for the Solar Integrated Systems segment in March 2013. In it, the financing parties give an undertaking of substantial deferrals of capital and interest payments until the end of June 2014. These are included above in the 'Deferral Agreement' catalogue of measures.

In addition the short term overdraft facilities of EUR 20 million have been guaranteed until December 31, 2014. The repayment of the deferred interest is envisaged for September 30, 2014. In accordance with the restructuring agreement the deferred capital repayments are to be repaid on December 31, 2014. The restructuring agreement is based on the above restructuring report and the measures envisaged in the restructuring programme. The parties financing the restructuring agreement have extraordinary termination rights, in particular if...

… the conversion of the bond fails or has not been implemented in full by January 31, 2014

… the amount due under the subordinated loan cannot be redeemed according to plan by January 31, 2014 or PREPS interest is paid

… the restructuring measures cannot be implemented according to plan or an external restructuring specialist indicates that restructuring is no longer viable.

… certain financial performance indicators (covenants) to be tested quarterly are not met. These have been derived from the restructuring report and adjusted in accordance with the updated plans in June 2013. They refer to earnings before tax, working capital and the liquidity position of the group or the European core companies in the Solar Integrated Systems segment.

… insufficient liquidity according to the restructuring report can be generated from the capital increase for cash or other measures to safeguard liquidity

… CENTROSOLAR does not fulfil its obligation to inform and furnish evidence in accordance with the restructuring agreement

… CENTROSOLAR does not meet its payment commitments towards the financial creditors involved or files for insolvency.

… CENTROSOLAR's agreed deferrals of portions of the salary of senior staff and fee deferrals of a consulting firm cannot be proved.

If extraordinary termination of the restructuring agreement and of key related loans is given, the future of the group of companies and the CENTROSOLAR Group AG, Munich will be under threat.

With regard to reconstruction of the balance sheet, binding information concerning the tax-exempt status of the restructuring profit from the conversion of the bond and subordinated loan into shareholders' equity has been requested. The Munich and Cologne tax offices are responsible. The Munich tax office has now supplied the binding information. The Cologne tax office, to which approximately one-third of the trade tax on the restructuring profit would be payable, has not yet supplied any information. The restructuring profit in essence comprises the portions of the converted bond and the converted subordinated loan no longer deemed sound. In this case loss carry-forwards may be offset under the statutory restrictions. Based on a value appraisal prepared in May 2013 by the management consultant Duff & Phelps, the portions of the bond and subordinated loan deemed not sound amount to EUR 32.9 million. Utilising the loss carryforwards, the trade tax due in Cologne would amount to approx. EUR 1.0 million. This amount may be higher if the non-sound portions of the bond and subordinated loan should be estimated to be higher by the tax authorities at the time of their actual conversion and/or if loss carryforwards should not be recognised, the management however, does not believe this to be the case. If tax exemption is applied to the restructuring profit, CENTROSOLAR Group AG will cease to enjoy the other loss carryforwards.

2.7 Other financial risks

Due to the crisis situation fresh consultancy requirements could arise at short notice, pushing costs beyond the levels envisaged in the liquidity plan. Missed targets in the continuing operations could likewise result in deterioration of liquidity. CENTROSOLAR has provided seller's guarantees for the disposed-of operations of Centrosolar Glas, which are essentially limited to the agreed earn-out plus EUR 0.5 million. CENTROSOLAR has assumed unlimited liability for ownership of the shares and for environmental pollution. Even if no further commitments have been entered into, especially in the event of the bankruptcy of Centrosolar Glas it cannot be excluded that CENTROSOLAR will be faced with further-reaching demands and caught up in protracted litigation. As a result of its sale to an industrial partner, the management believes the restructuring prospects for Centrosolar Glas have been substantially improved because the buyer is able to realise synergies between glass processing at Centrosolar Glas and its own glass production operations. CENTROSOLAR currently has no information that would indicate an insolvency of Centrosolar Glas and the possible claims which may arise from the sale of the company.

The module plant in Wismar represents another financial risk: in the event that the terms for the receipt of public funding amounting to EUR 11.9 million are not met, this would be repayable with interest. The principal conditions here refer to certain levels of employment being maintained. Until now the required employment level has been easily exceeded on every occasion when checks have been conducted. However the current employment level is below that required for 2014. However here, too, the required employment level should be maintained according to the plans, among other means by taking on work from third parties to utilise capacity better.

3 General statement on the risk situation of the group

In view of declining political support for financial incentives for solar power in individual major sales markets and the current excess capacity, competitive and price pressures in the industry are expected to remain high in 2013. These effects will be amplified by the growing number of companies in financial difficulty that are striving to maintain their liquidity by offering below-cost prices.

Strategically, the management believes CENTROSOLAR is still relatively well positioned in industry terms to emerge stronger from the current phase of consolidation. Through continuous institutionalized improvement processes, the company has, step by step, increased its ability to increase efficiency. The company has also deliberately specialised in targeting installation firms for smaller and medium-size roof systems for a number of years now, and has developed an international sales network to match. As a result of the losses made in the past financial year, the consumption of equity and the reduced liquidity position, CENTROSOLAR's risk exposure overall has nevertheless increased. The restructuring programme needs to be implemented to survive in the industry despite the continuing pressures of consolidation. The failure of individual key elements of the restructuring programme or of an accumulation of several measures will endanger the future of the group of companies and the CENTROSOLAR Group AG, Munich, as presented above. The same applies if the financing banks exercise the extraordinary termination right which they have under the restructuring agreement. Its continuation as a going concern is also endangered if key assumptions in the corporate plans do not materialise, in particular if the pressure on prices and margins cannot be reduced despite market exits by competitors, fresh demand from outside Europe and anti-dumping measures, or if the scope for achieving an acceptable revenue volume cannot be realised. A chain reaction from various different risks can also be considered to pose a threat to the company as a going concern.

Despite the partial existential risks, some of which are a threat to the group of companies and the CENTROSOLAR Group AG, Munich, the management considers that it is predominantly likely to survive. This assessment, which has also been examined monthly by the experienced restructuring consultant nexpert AG and until now has been regularly confirmed. The positive resolutions passed at the creditors' and shareholders' meetings mean that considerable progress has been made with the balance sheet reconstruction. The balance sheet reconstruction and the future-proof business model will also, in the view of the management, help to attract fresh liquid funds. All the same, further economic developments will need to be closely monitored to prevent creditors from being disadvantaged. For that reason the management not only continually monitors the progress and viability of restructuring itself, but also has these examined by a firm of consultants experienced in handling restructuring scenarios.

V Report on expected developments

1 Direction of the group

CENTROSOLAR is not planning any substantial changes to its long-term basic strategy, which focuses on sustained growth and differentiation. It will remain an internationally oriented solar technology business focusing on photovoltaic roof systems, which sells PV systems and components to market players and users, and manufactures them either independently or together with partners. It will place the focus on increasingly complex energy efficiency solutions for private homes and businesses. Because the glass area is of lesser strategic importance for this positioning and synergies with glass manufacturers will need to be realised if its competitiveness is to be preserved, the group has withdrawn from activities in this particular sub-segment.

The company fundamentally pursues the following strategic objectives:

- *Product strategy:*
  In technological terms, in the Solar Integrated Systems segment the company concentrates on the processing of crystalline cells into modules and their integration into or mounting on the roof skin of buildings. The central Development Department of CENTROSOLAR teams up e.g. with cell manufacturers, semiconductor manufacturers and research institutes to develop and implement such solutions. Solutions to optimise internal consumption by the system's owner are also developed. In the Solar Key Components segment, the focus is on the development of easy-to-install mounting systems for on-roof and in-roof solar systems.
- *Market strategy:*
  The company adheres to its internationalisation strategy. Its focus is predominantly on markets offering high potential for roof systems, in particular Europe and the USA.

In addition, the company continues to look to continuous improvement processes to further consolidate and build on its strong position for quality and costs in the manufacturing of solar modules in Europe.

This fundamental strategy also dictates the parameters for the restructuring measures chosen, and which are to be implemented during the industry's current consolidation phase. During this phase, the short to medium-term emphasis will be less on boosting international growth than on optimising the liquidity and profit position. To that end, all investment and growth projects will be examined much more rigorously and a close eye will be kept on working capital. Extensive cost optimisation measures that were already started in the past year and are now being rolled out group-wide are also a vital aspect.

2 Economic conditions

Weak performance of global economy expected
The global economy weakened considerably in the course of 2012. However according to estimates by the Kiel Institute for the World Economy (IfW), there are now growing signs of a palpable recovery in production. Especially in the advanced national economies that are particularly important for CENTROSOLAR, the sentiment indicators are once again well on the up. The institute finds that the mood on financial markets, too, has improved following the tensions of the past year. Political measures such as the ECB's announcement to buy unlimited amounts of bonds of crisis-hit countries if necessary have bolstered this recovery. The expansionist monetary policy and the associated extremely low base rates are also promoting the flow of liquidity into markets. Overall, the institute expects global production to rise by 3.2 percent in the current year. Global GDP is then expected to rise by 3.8 percent in 2014.

Grid parity creates new market segment and sustained opportunities for growth
In the past, the development of the photovoltaic industry was determined less by national or international business cycles, and tended to correlate more with the objectives of state incentives programmes. However the sharp falls in the prices of photovoltaic systems now mean that in many markets the average levelized costs of energy for the end user can be considerably lower than the cost of power from the grid, bought from utilities: grid parity has thus

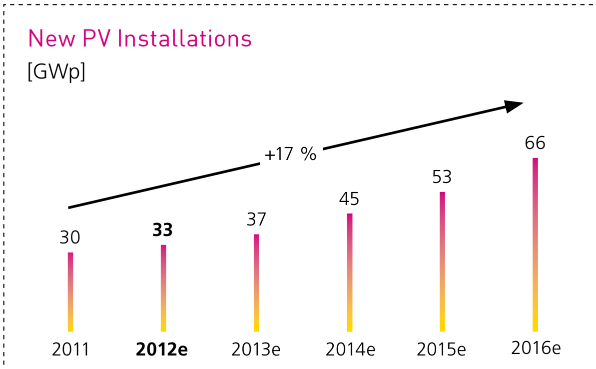
been achieved. This has led to the emergence of a new market segment that is independent of subsidies and is permanently capable of generating demand.

This assessment has also been confirmed by Deutsche Bank's analysts (Industry Solar Update of February 22, 2013), who expect the market situation to improve fundamentally in 2013. Alongside growing demand driven by incentive programmes in new sales markets such as China and India, in which CENTROSOLAR has so far not been active, the growing appeal of photovoltaics as a means of covering internal consumption is leading to improved market prospects. For CENTROSOLAR's core markets – in particular Germany, Italy and the USA – the bank's experts anticipate relatively good fundamentals for small and medium-size roof systems.

Here is a summary of the current financial incentives and market conditions in CENTROSOLAR's principal sales markets:

- *Germany:*
  The feed-in tariffs for electricity from photovoltaic systems are currently subject to a monthly adjustment, the extent of which is determined by the historical new installation rates. The political objective is to maintain annual new installations within a corridor of 2.5 to 3.5 GWp. For the months of February to April, the monthly degression in feed-in tariffs is 2.2 % and therefore above the figure of 1.0 % envisaged for the target corridor. This is mainly attributable to the large number of major power plants installed in September 2012, which at that time were still covered by more attractive interim arrangements. In June 2013 the feed-in tariff for small systems up to 10 kWp is 15.35 ct/kWh. Photovoltaic power plants with a rating of more than 1 MWp receive only 10.63 ct/kWh. CENTROSOLAR believes that larger installations intended exclusively for supplying the grid are now scarcely economically viable. However thanks to the high energy prices that end users have to pay, the fundamentals for systems which to a large extent generate power for internal consumption are very attractive.
- *Italy:*
  Based on the current legal position enshrined in the Conto Energia V, the incentivisation of solar systems is capped at EUR 6.7 billion per year. This cap was reached in July 2013. Whether and to what extent further incentivisation will be available currently remains to be seen. In addition, the Italian market even more so than the German market offers an attractive basis for systems with a high portion of the power produced used internally, thus getting around the dependence on state incentives. In Italy, tax concessions are moreover available for smaller solar energy systems with internal consumption.
- *France:*
  Unlike Germany and Italy, electricity prices for the consumer are relatively low in France. As a result, demand for photovoltaic systems in that country still depends greatly on whether the financial incentives are sufficiently attractive. CENTROSOLAR is able to benefit from the special incentivisation of roof-integrated systems in France – a market segment in which the company has enjoyed a strong position for many years. The general incentives were boosted by a further 10 % by the decree passed on January 7, 2013 for photovoltaic systems in which the modules and key components are made in Europe. Because CENTROSOLAR modules secured the necessary certification in March, CENTROSOLAR expects this development to provide a further boost to its already strong market position in France.
- *Benelux:*
  Both the Belgian and Dutch markets offer attractive financial incentives for smaller systems because payments for solar power can be settled by means of a net metering system – in other words, at the end of each year the end user merely pays the difference between the power they have used over the year and the power they have generated. The lower costs of generating solar power have made this system increasingly attractive. In the Netherlands, this system is moreover complemented by investment subsidies available for small systems.

- *USA:*
  In the USA, investments in photovoltaic systems are tax-deductible. There are also various rates of financial incentives which vary from state to state, and even from one utility to the next. The market conditions in the USA are described as very good by analysts and industry associations, with particular growth potential for small and midsize roof systems.



Source: Bank Sarasin, Nov. 2012

For the medium term, many analysts forecast sustained worldwide growth in the industry. The industry experts from Sarasin Bank, for example, expect annual new installations to double from 33 GWp in 2012 to 66 GWp in 2016.

Excess capacity driving consolidation
Despite the positive outlook in all major sales markets that are relevant to CENTROSOLAR, in the short term the market for the photovoltaic industry remains dominated by a severe imbalance between supply and demand. Worldwide production capacity estimated at 70 GWp is thus more than double the current level of demand. Considering the weak financial performance and position of most market participants, CENTROSOLAR therefore expects the industry's process of consolidation to continue in 2013. In the short term, prospective bankruptcies and market exits among even major manufacturers will cause temporary upheaval in the sales market due to sell-offs of stock, but in the medium term this will pave the way for the market to return to normal.

3 Anticipated financial performance and financial position

Thanks to its strong international sales organisation the company is fundamentally well placed to compensate for a possible loss of demand in individual markets. For example the past financial year's fall in sales volume in the Solar Integrated Systems segment in Germany was more than outweighed by the substantially increased sales in markets such as Italy and the USA. For 2013 CENTROSOLAR expects that possible declines in the Italian market due to the expiry of incentives under Conto Energia V could be counterbalanced at least in part by higher sales in France. For Germany, CENTROSOLAR expects sales volume to decline, bearing in mind that the cuts to feed-in tariffs last year prompted anticipatory effects. CENTROSOLAR will refrain from financing major roof projects in order to preserve liquidity in a difficult market environment. Overall CENTROSOLAR expects to see a decline in sales of own modules compared with the previous year. However the production of modules for third parties should increase capacity utilisation at Sonnenstromfabrik. Because the components used for these operations are supplied by the customer, the revenue effect of these sales is nevertheless low.

Already last year, the company had forecast a stabilization of prices. As explained above, that forecast did not materialise, leading to earnings for the past financial year that fell well short of expectations. In the first half of 2013, selling prices have now stabilised at a much lower level than originally anticipated. Among other things this can be attributed to the fact that the current price level at many stages of the value chain is already below the operating costs of many market participants. The room for further price reductions is therefore severely limited. However the average price level in 2013 will be below the average level for the previous year. All in all, CENTROSOLAR expects the continuing operations to achieve a revenue level of EUR 135 to 150 million. The fall will be somewhat sharper for the Solar Integrated Systems segment than in the Solar Key Components segment.

Given the dynamic market environment, considerable uncertainty surrounds any earnings forecast. Positive trends created by the opportunities arising out of the new regulations in France and possible import duties on Chinese modules are balanced out by short-term negative factors such as a possible oversupply created by the stocks left behind when important competitors go bankrupt. In implementing the planned restructuring programme, CENTROSOLAR is preparing for an extended phase of consolidation and assumes that normal market conditions will not be restored until 2014. CENTROSOLAR therefore again expects to post an operating loss for 2013, which however should be lower overall than in the previous year. The costs of the restructuring programme, which are currently estimated at just under EUR 5 million, are factored into this. In 2014 CENTROSOLAR is again expecting a slightly positive operating profit before interest, taxation, depreciation and amortization.

Provided there are no premature subsidy cuts in any of the major sales markets resulting in interim special economic circumstances it is to be expected that both sales and earnings follow a seasonal pattern, reaching their peak at the end of the third and at the beginning of the fourth quarter. By contrast, the winter months of the first quarter and December are usually weaker due to the weather.

The operating result for the first quarter will be affected in particular not only by seasonally weak sales, but also by the anticipated restructuring costs, which are to be booked to the period in which the measures were announced.

The CENTROSOLAR Group continues to regard itself long-term as a growth company that is active in a growing sector. It is strategically well positioned to prevail against its competitors once the restructuring measures have been implemented. The company plans to adhere to its previous ploughback policy – as soon as it turns a profit again and the liquidity situation allows – rather than distributing profit in the form of a dividend; this approach is designed to safeguard the company's financial resources and increase its corporate value.

Over and above necessary repair and modernisation investment, no major investment projects are planned for the current financial year or for 2013.

4 Strategic and performance-based opportunities for CENTROSOLAR

As in the previous year, the current market environment is characterised by constantly changing terms for financial incentives, oversupply right the way along the value chain, and an intense price war. The consolidation phase which started in mid-2011 is likely to continue for most of 2013. That said, the companies which survive the phase of consolidation will enjoy enduring opportunities for growth and profit. The CENTROSOLAR Group has all the credentials to belong to this group of successful companies:

- *Strong international position:*
  CENTROSOLAR has earned over 70 % of its revenue outside Germany. For this export business, the company can call upon a strong network of sales employees and it has regional branches in many markets. Some of those employees have built up strong ties with installation engineers and wholesalers over a period of many years.
- *Focus on the lucrative roof segment:*
  Unlike many of its competitors, in the Solar Integrated Systems segment and for mounting systems CENTROSOLAR concentrates on solutions for roof systems that increasingly attract financial incentives. The ability to provide fitters with sales and technical support wherever they are and to deliver integrated systems on a just-in-time basis is moreover a core skill of the CENTROSOLAR Group. The highly diversified customer structure that this has produced is seen as providing a clear competitive edge over module manufacturers that do not have a clearly defined sales network.
- *Cost-effective building of quality modules:*
  Early on, CENTROSOLAR recruited experts not just from within the solar sector, but also from the semiconductor and automotive industries, to fill important senior executive positions. By adopting important manufacturing and quality assurance processes from these other long-established industries and introducing continuous improvement processes, the Management Board believes that the company has secured itself a good position to offer cost-effective and high-quality solar modules.

- *Experienced management team:*
  CENTROSOLAR has experienced, well-qualified management. As well as the extensive industry expertise of the Management Board members and directors of the operating companies, CENTROSOLAR's management has extensive experience in corporate acquisitions, enterprise integration following business combinations, and corporate restructuring.

Thanks to this profile, there are performance-based opportunities for CENTROSOLAR in 2013 that could in certain circumstances be beneficial to the revenue position and financial performance.

- *Financial incentives in France for European modules:*
  In its own assessment CENTROSOLAR is one of the leading suppliers of photovoltaic modules and systems on the French market. In January 2013 the company received the award of "Top Brand PV" for the French market from the independent research institute EuPD Research. The new tariff bonus for European-made modules opens the way for CENTROSOLAR to increase its market share and earn attractive margins.
- *Anti-dumping proceedings of the European Union:*
  Since June 2013, provisional anti-dumping duties of 11.8 % have been levied on wafers, cells and modules from the People's Republic of China. It hints at a negotiated settlement that will lead to minimum prices and quantity limits for imports. The solution requires the consent of the majority of Member States, there is also the opportunity to challenge the court solution. A final assessment is not yet possible. From the management's perspective, a negotiated solution with the mentioned key points would be expected to impact positively on CENTROSOLAR.

5 General statement on the expected development of the group

The industry's essential consolidation, having encompassed 2012, will also dominate most of 2013: the aggressive predatory competition that it has prompted will create a very difficult market environment for both CENTROSOLAR and all other competitors. This year too, CENTROSOLAR must and will therefore view the goals of preserving liquidity, improving the cost position, intensifying sales efforts and minimising risks as temporarily much more important than maintaining steady growth or indeed maximising profitability. Please also refer to the explanatory notes on the financial risks in the risk report.

CENTROSOLAR considers itself to be strategically well placed to withstand such a competitive environment and corner a larger share of the industry's growth following this phase of consolidation. Thanks to having built up a comparatively strong sales organisation over a number of years, alongside its flexible purchasing policy and its continuous improvement processes aimed at optimising costs, the company has long been prepared for tackling an intensely competitive environment. Furthermore, with its focus on roof systems and by offering value-added services such as the delivery of integrated systems accurately to the day, special solutions to optimise internal consumption and financing arrangements, CENTROSOLAR is able to set itself apart from the competition.

In order to exploit this strong strategic positioning long-term, in the context of implementing the restructuring programme in 2013 it will also lay the operational and financial foundations for pulling through the consolidation phase successfully:

- The operational reorganisation will bring the cost positions particularly in the administrative areas into line with the lower market and revenue volume.
- Through the balance sheet reconstruction, the company is substantially reducing its debt burden; this will ease the liquidity position by trimming the interest burden, and enhance the company's appeal to financial and strategic investors.
- The planned capital increase for cash will additionally reinforce the company's equity base and lastingly shore up the liquidity position. As a flanking measure to the capital increase for cash there will be further measures to secure liquidity (for example sales of receivables, working capital optimisation and the sale of assets not essential to operations).

The completed sale of the glass operations will pave the way for tapping synergies with a raw glass manufacturer and simplify CENTROSOLAR's business structure. CENTROSOLAR anticipates revenue in the order of EUR 135 to 150 million for the current financial year for the continuing operations. The management expects to see a slight improvement in the operating result before interest, taxes, depreciation and amortisation, but break-even will not yet be attainable in either the Solar Integrated Systems or Solar Key Components segment, not least due to the anticipated costs of restructuring and the dynamic market environment.

The difficult market environment and the company's financial constraints mean the risk exposure of CENTROSOLAR has seriously deteriorated. The continuation of the company as a going concern will therefore hang on whether the principal risks outlined in the risk report are realised and the company's plans are adhered to.

Once corporate restructuring has been successfully completed and the market situation has returned to normal, the management believes the environment will become much more positive. The prices that photovoltaic systems have now reached lead to levelized cost of electricity already lower than retail electricity prices in many markets, and in some cases quite significantly lower. The scope for internal consumption will thus add to the appeal of investing in a photovoltaic system. Roof systems that generate power for internal consumption are the first solutions that can already compete with electricity bought from a utility company even in the absence of feed-in tariffs or other financial incentives.

CENTROSOLAR has always tailored its strategy to the segment of small to medium-size roof systems and secured a strong competitive position in many sales markets that are of key importance. Furthermore, CENTROSOLAR regards itself as a leading developer of solutions for maximising internal consumption. With this strategy, the company is in its own view well placed to resume the growth of earlier years once the industry's consolidation has finished and the planned restructuring measures have been successfully implemented, and it aims to break even once again from 2014.

MUNICH, AUGUST 2, 2013

DR ALEXANDER KIRSCH
[Chairman and Finance]

Alexander Kirsch

THOMAS GÜNTZER
[New Markets & Major Projects, M&A and Human Resources]

DR AXEL MÜLLER-GROELING
[Strategy and Operations Management]

A. Müller-Groeling

CONSOLIDATED FINANCIAL STATEMENTS OF CENTROSOLAR GROUP AG FOR THE FINANCIAL YEAR 2012

Consolidated Financial Statements

Consolidated Financial Statements

Notes

Appendix

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2012

Assets

in EUR '000	Notes	31/12/2012	31/12/2011
Non current assets			
Goodwill	1	12,961	49,429
Other intangible assets	2	4,280	4,001
Property, plant and equipment	3	36,772	50,443
Other loans and other financial investments accounted for using the cost method	4	291	981
Deferred tax	5	7,785	5,457
		62,090	**110,311**

Current assets			
Inventories	6	25,350	42,916
Trade account receivables	7	20,076	25,216
Other assets	8	4,609	10,292
Income tax receivable		770	651
Cash and cash equivalents	10	18,251	25,896
Assets held for sale	11	22,171	0
		91,227	**104,971**
Assets		**153,317**	**215,282**

Equity and liabilities

in EUR '000	Notes	31/12/2012	31/12/2011
Shareholders` equity			
Share capital	12	20,351	20,351
Additional paid-in-capital	12	81,238	81,238
Other reserves			
Share benefit reserve	12	2,174	1,792
Currency translation difference	12	(580)	(715)
Retained earnings and other Reserves	12	(23,469)	(6,656)
Profit attributable to share capital holders of CENTROSOLAR Group AG	12	(71,965)	(16,813)
		7,749	**79,197**
Non current liabilities			
Pension accruals	11	0	1,159
Other accruals	13	1,645	2,790
Financial liabilities	14	73,012	83,886
Other liabilities	17	4	6
Derivative financial instruments	9	317	76
Deferred tax	16	850	914
		75,827	**88,831**
Current liabilities			
Other accruals	13	282	973
Financial liabilities	14	21,731	10,825
Trade account payable	15	6,950	10,807
Income tax payable		889	2,108
Other liabilities	17	17,474	22,522
Derivative financial instruments	9	0	19
Liabilities related to assets held for sale	11	22,415	0
		69,741	**47,254**
Equity and Liabilities		**153,317**	**215,282**

CONSOLIDATED INCOME STATEMENT 2012

in EUR '000	Notes	01/01/2012 31/12/2012	01/01/2011 31/12/2011
Revenues	18	**188,942**	**234,705**
Cost of purchased materials and services	19	(148,377)	(189,379)
Changes in inventories of finished goods and work in progress		4,922	5,130
Production for own fixed assets capitalized		297	644
Other operating income	20	7,292	6,812
Personnel expenses	21	(34,399)	(32,828)
Other operating expenses	22	(38,056)	(35,488)
EBITDA		**(19,378)**	**(10,403)**
Depreciation and amortisation	1, 2, 3, 4	(39,410)	(6,169)
Operating income (EBIT)		**(58,788)**	**(16,572)**
Interest income	23	387	504
Interest expenses	23	(6,831)	(6,829)
Other income/losses from investments		0	13
Result before income taxes (EBT)		**(65,232)**	**(22,884)**
Income tax	24	2,029	3,836
Result from continuing activities		**(63,203)**	**(19,048)**
Result from discontinuing activities	25	(8,762)	2,235
Net loss/income (EAT)		**(71,965)**	**(16,813)**
Non controlling interests		0	0
Profit or loss attributable to share capital holders of CENTROSOLAR Group AG		(71,965)	(16,813)
EPS (Earnings per share in EUR)			
Earnings per share (basic)	26	-3.54	-0.83
of which from continuing activities	26	-3.11	-0.94
of which from discontinuing activities	26	-0.43	0.11
Earnings per share (diluted)	26	-3.54	-0.82
of which from continuing activities	26	-3.11	-0.93
of which from discontinuing activities	26	-0.43	0.11
Weighted average shares outstanding (in numbers; basic)	26	20,351,433	20,344,406
Weighted average shares outstanding (in numbers; diluted)	26	20,351,433	20,384,740

STATEMENT OF COMPREHENSIVE INCOME 2012

in EUR '000	01/01/2012 31/12/2012	01/01/2011 31/12/2011
Net income (EAT)	**(71,965)**	**(16,813)**
Currency translation differences	136	(136)
Comprehensive income	**(71,829)**	**(16,949)**
Non controlling interests	0	0
Comprehensive income attributable to share capital holders of CENTROSOLAR Group AG	(71,829)	(16,949)

CONSOLIDATED CASH FLOW STATEMENT 2012

in EUR '000	Notes	01/01/2012 31/12/2012	01/01/2011 31/12/2011
Operating income (EBIT)		(58,788)	(16,572)
Depreciation	1, 2, 3, 4	39,410	6,169
Loss on disposal of non-current assets		46	42
Other non-cash items		606	230
Increase/decrease in provisions		(1,051)	1,254
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		15,449	539
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		(2,492)	2,761
Dividends		0	13
Interests received and paid		(5,808)	(2,130)
Income taxes paid		(1,008)	(5,807)
Cash Flow from operating activities of continuing activities		**(13,636)**	**(13,500)**
Cash Flow from operating activities of discontinuing activities		(1,385)	4,420
Cash Flow from operating activities	**28**	**(15,021)**	**(9,081)**
Acquisition of business units -net of cash acquired		(450)	0
Purchase of property, plant and equipment/intangible assets/financial assets		(2,974)	(17,194)
Proceeds from disposal of property, plant and equipment/ intangible assets/financial assets		40	13
Cash Flow from investing activities of continuing activities		**(3,384)**	**(17,181)**
Cash Flow from investing activities of discontinuing activities		(2,558)	(2,097)
Cash Flow from investing activities	**28**	**(5,943)**	**(19,278)**
Proceeds from issurance of shares		0	23
Proceeds from borrowings		289	58,342
Repayment of borrowings		(4,513)	(6,194)
Cash Flow from financing activities of continuing activities		**(4,224)**	**52,171**
Cash Flow from financing activities of discontinuing activities		(429)	(1,742)
Cash Flow from financing acitivites		**(4,653)**	**50,429**
Change in liquid funds	**28**	**(25,616)**	**22,070**
Liquid funds at the beginning of the financial year	28	25,425	2,885
Currency translation difference liquid funds	28	(22)	(3)
Cash and cash equivalents of discontinuing activities		(3,633)	(473)
Liquid funds at the end of the financial year	28	3,420	25,425

STATEMENT OF MOVEMENTS IN EQUITY 2012

in EUR '000	Share capital	Additional paid-in capital	Share stock options reserve	Currency trans-lation difference	Retained earnings and profit carry-forward	Profit attribut-able to share-holder	Non controlling interests	Consoli-dated equity
December 31, 2010	**20,333**	**81,228**	**1,251**	**(579)**	**(22,416)**	**15,760**	**0**	**95,577**
Payment in revenue reserves	0	0	0	0	15,760	(15,760)	0	0
Change from equity increase	18	18	0	0	0	0	0	36
Costs for issuing equity	0	(13)	0	0	0	0	0	(13)
Deferred taxes	0	4	0	0	0	0	0	4
Share option plan	0	0	541	0	0	0	0	541
Comprehensive income	0	0	0	(136)	0	(16,813)	0	(16,949)
December 31, 2011	**20,351**	**81,238**	**1,792**	**(715)**	**(6,656)**	**(16,813)**	**0**	**79,197**
Payment in revenue reserves	0	0	0	0	(16,813)	16,813	0	0
Share option plan	0	0	381	0	0	0	0	381
Comprehensive income	0	0	0	136	0	(71,965)	0	(71,829)
December 31, 2012	**20,351**	**81,238**	**2,174**	**(580)**	**(23,469)**	**(71,965)**	**0**	**7,749**

Number of shares outstanding	
December 31, 2010	20,333,309 Stocks
December 31, 2011	20,351,433 Stocks
December 31, 2012	20,351,433 Stocks

SEGMENT REPORT 2012

in EUR '000	Solar Integrated Systems 31/12/2012	% of Revenue	31/12/2011	% of Revenue
P&L Key Figures				
Revenue total	**167,406**	**100.0**	**216,367**	**100,0**
Revenue from third parties	167,320	99.9	216,366	100.0
Revenue from other segments	86	0.1	1	0.0
Gross profit	**36,472**	**21.8**	**43,626**	**20.2**
Personnel expenses	(30,358)	-18.1	(28,287)	-13.1
Other income and expenses	(26,624)	-15.9	(21,140)	-9.8
EBITDA	**(20,510)**	**-12.3**	**(5,800)**	**-2.7**
Operative depreciation	(5,160)	-3.1	(3,953)	-1.8
EBIT operative	**(25,670)**	**-15.3**	**(9,754)**	**-4.5**
Non operative depreciation	(33,766)	-20.2	(1,639)	-0.8
EBIT	**(59,436)**	**-35.5**	**(11,393)**	**-5.3**
Revenue by regions				
Revenue from third parties	**167,320**	**100.0**	**216,366**	**100.0**
Germany	48,428	28.9	88,816	41.0
Rest of Europe	100,037	59.8	112,338	52.0
Rest of World	18,855	11.3	15,211	7.0
Balance sheet key figures		**In Revenue-days**		**In Revenue-days**
Net operating working capital	**29,760**	**48.0**	**41,418**	**68.9**
Inventories	20,462		29,912	
Stock payments on account/Received in advance	(2,536)		(3,074)	
Trade account receivable	18,269		20,018	
Trade account payable	(6,435)		(5,438)	
Financial assets	**2,354**		**8,572**	
Tangible and intangible assets	**49,726**		**84,968**	
Operative	35,797		38,284	
Capitalized according to IFRS 3 and goodwill	13,929		46,684	
Investments				
Total	**2,705**		**17,044**	
In tangible and intangible assets	2,681		17,044	
In financial assets	24		0	

Solar Key Components				Konsolidierung		Konzern			
31/12/2012	**% of Revenue**	31/12/2011	% of Revenue	**31/12/2012**	31/12/2011	**31/12/2012**	**% of Revenue**	31/12/2011	% of Revenue
22,564	**100.0**	**19,437**	**100.0**	**(1,028)**	**(1,099)**	**188,942**	**100.0**	**234,705**	**100.0**
21,622	95.8	18,339	94.4	0	0	188,942	100.0	234,705	100.0
942	4.2	1,098	5.6	(1,028)	(1,099)	0	0.0	0	0.0
8,863	**39.3**	**6,879**	**35.4**	**153**	**(49)**	**45,488**	**24.1**	**50,456**	**21.5**
(4,041)	-17.9	(4,541)	-23.4	0	0	(34,399)	-18.2	(32,828)	-14.0
(5,148)	-22.8	(6,276)	-32.3	1,305	(615)	(30,467)	-16.1	(28,031)	-11.9
(326)	**-1.4**	**(3,939)**	**-20.3**	**1,458**	**(664)**	**(19,378)**	**-10.3**	**(10,403)**	**-4.4**
(509)	-2.3	(576)	-3.0	0	0	(5,669)	-3.0	(4,530)	-1.9
(835)	**-3.7**	**(4,515)**	**-23.2**	**1,458**	**(664)**	**(25,047)**	**-13.3**	**(14,933)**	**-6.4**
0	0.0	0	0.0	25	0	(33,741)	-17.9	(1,639)	-0.7
(835)	**-3.7**	**(4,515)**	**-23.2**	**1,483**	**(664)**	**(58,788)**	**-31.1**	**(16,572)**	**-7.1**

21,622	**100.0**	**18,339**	**100.0**	**0**	**0**	**188,942**	**100.0**	**234,705**	**100.0**
5,704	26.4	7,408	40.4	0	0	54,132	28.6	96,225	41.0
14,817	68.5	10,743	58.6	0	0	114,854	60.8	123,081	52.4
1,101	5.1	188	1.0	0	0	19,956	10.6	15,399	6.6

	In Revenue-days		**In Revenue-days**				**In Revenue-days**		**In Revenue-days**
6,551	**78.4**	**13,504**	**56.5**	**(147)**	**(219)**	**36,164**	**51.7**	**54,703**	**67.3**
4,952		13,223		(65)	(219)	25,350		42,916	
225		452		0	0	(2,312)		(2,622)	
2,039		5,317		(232)	(118)	20,076		25,216	
(665)		(5,488)		150	118	(6,950)		(10,807)	
0		**0**		**(2,062)**	**(7,592)**	**291**		**981**	
4,288		**18,804**		**0**	**100**	**54,014**		**103,872**	
4,288		14,981		0	0	40,085		53,265	
0		3,823		0	100	13,929		50,607	

328		**2,558**		**0**	**0**	**3,033**		**19,602**	
328		2,558		0	0	3,009		19,602	
0		0		0	0	24		0	

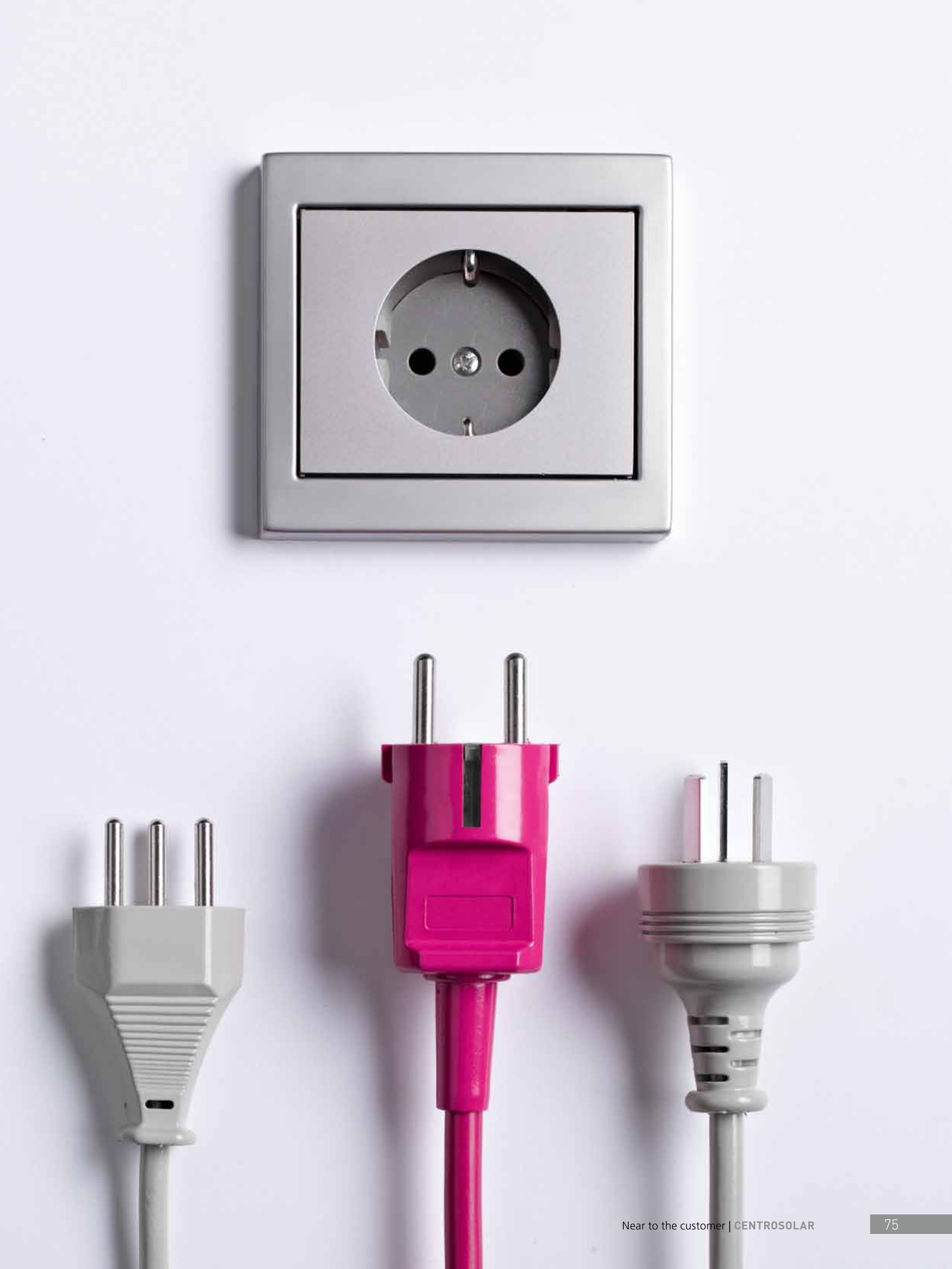
Consolidated Financial Statements

CLOSE TO CUSTOMERS

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

We have been optimising our distribution concept for many years in terms of how to provide technical and sales support for installation engineers across an entire area and supply them punctually with small, easy-to-install integrated systems – throughout Europe and also in North America. We currently generate almost three-quarters of our revenue outside Germany. And in many markets we are a local supplier, not an exporter.

INTERNATIONALLY REGIONAL SALES STRUCTURE – WORLDWIDE



CENTROSOLAR GROUP AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2012

A Basic data for the group

The CENTROSOLAR Group (hereinafter referred to as CENTROSOLAR) has an international focus, with subsidiaries in Germany, other European countries, North America and Asia. With revenue for the full year of 2012 reaching EUR 189 million (previous year EUR 235 million), the group has 716 employees (FTE = full time equivalents) (previous year 1,026, of which 286 from discontinued operations).

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

As well as the existing business activities, CENTROSOLAR defines its business purpose as creating and acquiring new business areas and companies in which photovoltaic systems or system components are developed and sold.

CENTROSOLAR Group AG, as the group parent, was listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the code WKN 514850 from September 29, 2005. The company has been listed in the Prime Standard since October 16, 2006. The company is entered on the Commercial Register of the Local Court of Munich, Germany, under the number HRB 127486. The registered offices of the group are at Walter-Gropius-Strasse 15, 80807 Munich, Germany.

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

B Standards applied

The Consolidated Financial Statements at December 31, 2012 have been prepared in accordance with Section 315a (1) of German Commercial Code (HGB) in agreement with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), and the additional requirements of German commercial law. All IFRS, IAS, IFRIC and SIC interpretations, the application of which is mandatory within the EU for the financial year from January 1, 2012, have been applied.

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

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

New and revised standards the application of which is mandatory for the first time for all financial years beginning on or after January 1, 2012

Certain accounting standards have been revised and published by the IASB. They wholly or partly replace earlier versions of these standards or constitute new standards. CENTROSOLAR has applied the following IFRS in full for the first time or applied the correspondingly revised standards in agreement with the corresponding transitional provisions and – insofar as necessary – adjusted the comparative figures for 2011 in agreement with the new accounting standards:

- IFRS 7 Disclosures: Transfer of Financial Assets

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

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

The first-time application of the amended standards concerns only the operations available for sale and therefore has no effect on the recognition and measurement principles of the group.

New and revised standards that have already been published but application of which was not yet mandatory for companies with a financial year ending December 31, 2012

The following new standards, revised standards and interpretations are to be observed from the 2013 financial year or later:

Notes

	Application mandatory from	Application by CENTROSOLAR Group AG
IAS 1 Presentation of Financial Statements	01/07/2012	01/07/2012
IAS 12 Deferred Tax: Recovery of Underlying Assets	01/01/2013	01/01/2013
IAS 19 Employee Benefits	01/01/2013	01/01/2013
IAS 27 Separate Financial Statements	01/01/2014	01/01/2014
IAS 28 Investments in Associates	01/01/2014	01/01/2014
IAS 32 Financial Instruments: Presentation	01/01/2014	01/01/2014
IFRS 7 Financial Instruments: Disclosures	01/01/2013	01/01/2013
IFRS 9 Financial Instruments: Classification and Measurement	01/01/2015	01/01/2015
IFRS 10 Consolidated Financial Statements	01/01/2014	01/01/2014
IFRS 11 Joint Arrangements	01/01/2014	01/01/2014
IFRS 12 Disclosure of Interests in Other Entities	01/01/2014	01/01/2014
IFRS 13 Fair Value Measurement	01/01/2013	01/01/2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	01/01/2013

In June 2011 the IASB published an amendment to IAS 1 "Presentation of Financial Statements". The principal changes are the renaming of the statement of recognised income and expense as statement of profit or loss and other comprehensive income, and the restructuring of other comprehensive income. In future, other comprehensive income is to be divided into two sections: one section contains the elements that are to be transferred to subsequent periods in the income statement (recycling), and the other section the elements that will not be recycled in subsequent periods. The amendments take effect from July 1, 2012 and have already been adopted into European law. Because these are merely changes in presentation, the application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In December 2010 the IASB published an amendment to IAS 12 "Income Taxes". The amendment offers a solution to the question relating to deferred tax of whether the carrying amount of an asset is recovered through use or sale. The rebuttable presumption was introduced that recovery of the carrying amount normally takes place through sale. This amendment has the result that SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" is no longer to be applied to investment properties carried at fair value. The amendments take effect from January 1, 2013 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In June 2011 the IASB published an amendment to IAS 19 "Employee Benefits". The changes essentially concern actuarial gains and losses that are to be presented in other comprehensive income (OCI) in future. The previous option of presentation in the income statement, OCI or delayed reporting using the corridor approach is removed. In future, interest will be applied using the discount rate for the retirement benefit obligation instead of based on expectations. The amendments take effect from January 1, 2013 and have already been adopted into European law. The first-time application of the amended standard concerns only the operations available for sale and therefore has no effect on the recognition and measurement principles of the group.

In October 2012 the IASB published an amendment to IAS 27 "Separate Financial Statements". As a result of the new IFRS 10, the standard now only contains rules on the accounting of and disclosures for subsidiaries, joint ventures and associated companies which are relevant for separate financial statements prepared to IFRS. The amendments take effect from January 1, 2014 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In May 2011 the IASB published an amendment to IAS 28 "Investments in Associates". The changes were required by the introduction of the new IFRS 11. The application of the equity method is substantially widened and in future it is also to be applied to investments in joint ventures. Proportionate consolidation is discontinued. Interests that are affected by the amendment are not remeasured. In this connection we also refer to the notes on IFRS 11. The amendments take effect from January 1, 2014 and have already been adopted into European law. The impact of application of the amended standard for the first time on the net worth, financial position and financial performance of the group is currently being investigated.

In December 2011 the IASB published an amendment to IAS 32 "Financial Instruments: Presentation". In the amended version the IASB clarifies various details concerning the offsetting of financial assets with financial liabilities. Further explanatory details are required in this connection. However, there are no fundamental changes to the previous rules on offsetting. The amendments take effect from January 1, 2014 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In connection with the amendments to IAS 32 "Financial Instruments: Presentation" the IASB simultaneously published amendments to the disclosures pursuant to IFRS 7 "Financial Instruments: Presentation" in December 2011. Additional disclosures are required for all financial instruments that have been offset pursuant to IAS 32. Equally, disclosures are to be made on all financial instruments that are subject to enforceable global offsetting or similar agreements, even if they have not been offset pursuant to IAS 32. The amendments take effect from January 1, 2013 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In November 2009 the IASB issued the new standard IFRS 9 "Financial Instruments". This standard replaces IAS 39 and simplifies the accounting of financial assets. In future these will be divided into only two categories (financial assets measured at fair value and financial assets measured at amortised cost) instead of previously four. In October 2010 requirements on financial liability accounting were incorporated into the standard. These supplement the future requirements on the classification and measurement of financial assets and liabilities. Most of the provisions of the existing IAS 39 for liabilities have been adopted into the new standard. One difference is now that gains and losses from the fair value measurement of own financial liabilities that are attributable to changes in one's own credit risk are now presented not in profit or loss, but in other comprehensive income (OCI). The provisions on the derecognition of financial assets and liabilities have been adopted unchanged from IAS 39. In mid-December 2011 an amendment was published in which the effective date of the standard was put back to January 1, 2015. This also granted the relief from restating comparative periods in the first year of application, instead of which a reconciliation is to be prepared for the date of changeover. The standard has not yet been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In May 2011 the IASB issued the new standard IFRS 10 "Consolidated Financial Statements". It replaces the previous IAS 27. The conditions and obligations for the full consolidation of subsidiaries are now described more clearly. The emphasis is now placed more on the economic rather than the legal relationship. The amendments take effect from January 1, 2014 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In May 2011 the IASB issued the new standard IFRS 11 "Joint Arrangements". Enterprises under joint control that have previously been consolidated proportionately are to be consolidated using the equity method in future. The option of proportionate consolidation therefore ceases to be available. The amendments take effect from January 1, 2014 and have already been adopted into European law. The impact of application of the amended standard for the first time on the net worth, financial position and financial performance of the group is currently being investigated.

In May 2011 the IASB issued the new standard IFRS 12 "Disclosure of Interests in Other Entities". As a result, extensive disclosures on enterprises that are fully consolidated or not included in the consolidated financial statements are required, in particular along with the reasons. The amendments take effect from January 1, 2014 and have already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

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

In October 2011 the IASB published the new IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". It discusses when and how to account for the benefits from stripping activities to gain access to ore and mineral deposits, and how these benefits are to be measured upon initial recognition and subsequently. The standard is applicable from January 1, 2013 and has already been adopted into European law. The application of the amended standard for the first time will not have any impact on the net worth, financial position and financial performance of the group.

C Consolidation, recognition and measurement

Consolidated companies and other subsidiaries

The Consolidated Financial Statements of CENTROSOLAR include all direct and indirect subsidiaries of the parent company as well as the group parent pursuant to IAS 27, joint ventures pursuant to IAS 31, and associated companies pursuant to IAS 28. The following companies, which simultaneously constitute the CENTROSOLAR Group ("CENTROSOLAR"), were consolidated within CENTROSOLAR Group AG at December 31, 2012:

Company	Place and country of incorporation	Share of capital	Issued capital	Currency ISO code	Founded/ acquired
Fully consolidated					
CENTROSOLAR Group AG	Munich, D	-	20,351,433	EUR	04/10/2005
"Solar Integrated Systems" segment					
Centrosolar AG	Hamburg, D	100 %	100,300	EUR	04/10/2005
Centrosolar America Inc.	Scottsdale, USA	100 %	10	USD	03/04/2007
Gecko Energies GmbH	Wetzlar, D	100 %	100,000	EUR	12/10/2005
Centrosolar Fotovoltaico España S.L.	Barcelona, E	100 %	50,000	EUR	04/07/2006
Centrosolar France SARL	Ecully, F	100 %	50,000	EUR	28/11/2006
Centrosolar Hellas MEPE	Paleo Faliro, GR	100 %	50,000	EUR	24/11/2004
Centrosolar International B.V.	Doesburg, NL	100 %	18,151	EUR	19/08/2005
Centrosolar Italia Srl	Verona, I	100 %	50,000	EUR	15/12/2006
Centrosolar Schweiz AG	Muri, CH	100 %	1,000,000	CHF	07/12/2005
Centrosolar Sonnenstromfabrik GmbH	Wismar, D	100 %	42,000	EUR	02/01/2006
Centrosolar Benelux B.V.	Tiel, NL	100 %	18,000	EUR	31/07/2009
Centrosolar Canada Inc.	Markham, CAN	100 %	50,000	CAD	10/03/2010
Centrosolar UK Ltd.	London, UK	100 %	10,000	EUR	12/05/2010
Centrosolar Belgie BVBA	Antwerp, B	100 %	50,000	EUR	11/03/2011
"Solar Key Components" segment					
Centrosolar Grundstückverwaltung GmbH	Fürth, D	100 %	25,000	EUR	16/11/2005
Renusol GmbH	Cologne, D	100 %	25,000	EUR	11/10/2005
Renusol France SARL	Ecully, F	100 %	10,000	EUR	30/06/2009
Renusol America Inc.	Dover, USA	100 %	0	USD	24/01/2011
Renusol Italia Srl	Merano, I	100 %	10,000	EUR	24/03/2011
Proportionate consolidation pursuant to IAS 31					
Centroplan GmbH	Geilenkirchen, D	50.5 %	100,000	EUR	21/12/2006
Companies consolidated using the equity method pursuant to IAS 28					
Itarion Solar Lda	Vila do Conde, P	49 %	20,000,000	EUR	16/07/2008
Available-for-sale financial assets					
SunarcTechnology A/S	Rønde, DK	12.59 %	1,687,500	DKK	09/05/2006
WestfalenSolar GmbH	Lichtenau, D	18.75 %	60,000	EUR	09/05/2006
Centroplan España S.L.	Barcelona, E	50.5 %	10,000	EUR	06/03/2008
Centroplan Italia Srl	Rome, I	50.5 %	10,000	EUR	21/11/2008
Centroplan France SARL	Ecully, F	50.5 %	10,000	EUR	28/04/2010
Centroplan UK Ltd.	Banbury, UK	50.5 %	1	GBP	27/01/2011
Assets held for sale (previous year: Solar Key Components)					
Centrosolar Glas GmbH & Co. KG	Fürth, D	100 %	900,000	EUR	23/08/2005
Centrosolar Glas Trading Co. Ltd.	Huzhou, CN	100 %	140,000	EUR	17/11/2009
Centrosolar Glas Holding GmbH	Munich, D	100 %	25,000	EUR	23/08/2005
Centrosolar Glas Verwaltung GmbH	Munich, D	100 %	25,000	EUR	23/08/2005

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

In the financial year the companies Centrosolar Glas GmbH & Co. KG, Centrosolar Glas Trading Co. Ltd., Centrosolar Glas Holding GmbH and Centrosolar Glas Verwaltung GmbH formerly included in the "Solar Key Components" were classified as financial assets held for sale in accordance with the requirements of IFRS 5. In this connection we also refer to the remarks in D 11.

The business activities of CENTROSOLAR also include long-term project development. The project development activities encompass both the planning and construction of solar parks and their marketing to investors, who invest in the project companies created specifically for project development purposes from a certain point on. The project companies are established for the purpose of realising the plants. The operating project companies are normally consolidated as soon as the construction work begins. Other details of the fundamental approach to the consolidation of project companies are explained in the section "Consolidation methods".

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

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

[in EUR '000]	31/12/2012	31/12/2011
Non-current assets	76	98
Current assets	2,347	6,057
Non-current liabilities	51	51
Current liabilities	2,183	5,998
Net assets	(189)	105
Income	4,419	6,505
Expense	(4,336)	(6,566)
Earnings after tax	83	(61)

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

Changes in the group

Fully consolidated

With effect from November 21, 2012 the previously fully consolidated project companies Terminator Mode S.L., Studios Minsk S.L., Speedwell & Island S.L., Fort Stevens S.L., San Pedro Corporate S.L., Easter Region S.L., Edificaciones William DOS S.L., Royal Navy Quince S.L., Proyectos Wadi Rum S.L., Batty Boat Cruise S.L., Desarollos Torretta Doce S.L., Chicago Bleu S.L. were sold. From that date on, they are therefore no longer included in consolidation. The sale produced no gain or loss.

Proportionate consolidation

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

Companies consolidated using the equity method

There were no changes compared with the previous year.

Available-for-sale financial assets

There were no changes compared with the previous year.

Business combinations applying the purchase method

Centrosolar Cell GmbH – a fully owned subsidiary of CENTROSOLAR Group AG – acquired a major portion of the business operations of Gecko Group AG with effect from January 1, 2012 by way of an asset deal through a transferred reorganisation scheme. The seller was Dr Jan Markus Plathner, lawyer, in his capacity as insolvency administrator of the assets of the companies Gecko Group AG, Geckologic GmbH, Geckologic Installations GmbH, Geckologic Service GmbH and Geckologic Voltaik GmbH, all with Wetzlar as their place of incorporation. The acquirer was renamed Gecko Energies GmbH and has transferred its place of incorporation to Wetzlar. CENTROSOLAR Group AG has exercised control over Gecko Energies GmbH since the time of acquisition. The principal business activity of Gecko is selling PV systems to private end customers and smaller business establishments. The regional focus of business is central Hesse and parts of Rhineland-Palatinate. Gecko's concept is to acquire customers through an active field force. Systems are installed in partnership with local firms of fitters. Gecko thus fits in with CENTROSOLAR's existing strategy of providing trade customers with a better-than-average service by not simply selling them individual products, but also offering the trade comprehensive solutions including integrated solar systems and the full range of accessories, technical service and sales support. The purchase price for the assets and liabilities is EUR 450 thousand and was paid in cash (cash outflow from acquisition).

The acquired company contributed EUR 4,488 thousand to the revenues as well as EUR -3,151 thousand to the consolidated net income of the group.

The following table shows the effect of the acquisition of assets and liabilities, the calculation of the goodwill and the settlement of the acquisition:

Purchase price agreement

[in EUR '000]	
Purchase price paid, corresponds to total cost	450
Net assets acquired	-450
Goodwill	**0**

The assets and liabilities acquired are composed as follows:

[in EUR '000]	Fair value at Jan 1, 2012	Carrying amount at Jan 1, 2012
Intangible assets	326	326
Other assets	179	179
Total assets	**505**	**505**
Other liabilities	-55	-55
Total liabilities	**-55**	**-55**
Net assets	**450**	**450**

Consolidation methods

The balance sheet date of the parent company and all subsidiaries, associated companies and joint ventures included in consolidation is December 31, 2012. The income statement covers the period from January 1 to December 31, 2012 and has been prepared using the nature of expenditure method. Unless otherwise indicated, the amounts quoted in the Consolidated Financial Statements are quoted in thousand euros (EUR thousand).

The local financial statements of the domestic and foreign subsidiaries included in consolidation have been prepared according to uniform recognition and measurement principles corresponding to those of the parent company, i.e. pursuant to IAS 27 in conjunction with SIC-12, IAS 28 and IAS 31, adjusted and audited. Where the parent company holds no more than half the voting rights in a subsidiary either directly or indirectly via a subsidiary, the subsidiary is consolidated in accordance with sections b to e.

Unless indicated to the contrary, the consolidation methods applied in these accounts have remained unchanged from the previous year.

a) Subsidiaries

Subsidiaries are included in the Consolidated Financial Statements in accordance with the rules on comprehensive consolidation, insofar as controlling influence that constitutes control over the financial and business policy of the subsidiary is exercised by the group. Controlling influence is assumed to apply where a share of more than 50 % of the shareholders' equity with voting rights is held, and where over half the voting rights are at the company's disposal. Potential voting rights that can be exercised or converted at the reporting date are taken into account. The date of first or last inclusion in the Consolidated Financial Statements within the context of full consolidation is based on the date on which controlling influence is acquired or lost.

Business combinations are reported according to the purchase method. For this purpose, all assets and liabilities as well as contingent liabilities of the acquired company in existence at the time of acquisition are measured at fair value, irrespective of the existence of non-controlling interests. The value of the consideration is offset against the corresponding proportion of equity held in the subsidiary at the time of initial inclusion in the Consolidated Financial Statements. Transaction costs are booked to the income statement.

The difference in amount between the value of the consideration and the pro rata net equity is initially allocated to the assets, liabilities and contingent liabilities where its fair value differs from the carrying amount at the time of first-time consolidation.

The deferred tax effects resulting from a business combination are likewise taken into account. Any remaining balance in the value of the consideration over the fair value measurement of the net assets acquired is reported as goodwill. This is then tested for impairment on an annual basis at the level of the cash generating units and, if necessary, written down to the lower value determined. For every non-100 % acquisition, the non-controlling interests can be measured either at fair value or at the proportional revalued net assets. This is a transaction-related option leading to reporting of either the full goodwill or of merely of the proportion of goodwill that is allocable to the majority shareholder.

Where the value of the consideration falls below the fair value measurement of the net assets acquired, the remaining difference is recognised in profit and loss.

Shares in the equity of subsidiaries that are not allocable to the group parent are reported within equity as non-controlling interests.

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

Intra-group transactions, balances, revenues, expenses and earnings, gains, losses as well as accounts receivable and payable between consolidated companies have been eliminated. For consolidation measures with an effect on income, the effects on income taxes are accounted for and deferred taxes are recognised. Any intercompany profits from trade are eliminated on a pro rata basis if the companies concerned had not left the group as at the balance sheet date. In each case the data of the company managing the inventory has been taken as the basis here.

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

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

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

b) Joint ventures

Investments where the contractual agreement establishes the basis for joint running of the enterprise together with a partner are reported in the Consolidated Financial Statements as joint ventures in accordance with the rules on proportionate consolidation. The Consolidated Balance Sheet contains the group's share of the assets and liabilities of the joint venture. The Consolidated Income Statement contains the group's share of the income and expenditure of the joint venture. All assets, liabilities, income and expenditure of the joint venture are recognised proportionately under the respective items of the Consolidated Financial Statements. Unrealised gains from transactions between the group and its joint ventures are eliminated in proportion to the ownership interest; unrealised losses are likewise eliminated proportionately.

c) Associated companies

Investments in associated companies are included in the Consolidated Financial Statements by what is known as the equity method if the ownership interest is between 20 % and 50 % or if the group exercises considerable influence, but no control, by another means.

Under the equity method, shares in associated companies are measured initially at cost. The carrying amount is increased or decreased to recognise the investor's profit share of the investee's earnings for the period after the date of acquisition. The share also includes goodwill arisen at the date of acquisition. The entire carrying amount is subjected to an impairment test where this is indicated. Undisclosed reserves are recorded in an auxiliary calculation and written down on the basis of expected useful life. The resulting effect is shown in the income statement. No expense or income arose in this way in the financial year under review.

Unrealised gains from business transactions between the group and its associated companies are eliminated in proportion to the company's ownership interest; unrealised losses are likewise eliminated proportionally, unless the value of the transferred asset has been diminished. Where the group's share of the loss of an associated company exceeds the carrying amount of its investment, the group does not record any further losses, unless it has assumed liabilities on behalf of the associated company or made payments for obligations of the associated company.

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

d) Miscellaneous investments
Investments over which the group exercises no control or no significant influence and where its ownership interest is generally not in excess of 20 %, as well as immaterial holdings, are recognised as available-for-sale financial assets.

e) Transactions under common control
A business combination of companies under common control constitutes a merger in which ultimately all merging companies are controlled by the same party or parties both before and after the merger, and where this control is not merely temporary in nature. Business combinations of companies under common control are not recorded according to the purchase method of IFRS presented above. Business combinations of this category are recognised by means of a rollover of the carrying amount, whereby – irrespective of the existence of non-controlling interests – the carrying amounts are rolled over at the time of inclusion of the companies thus included. No exposure of undisclosed reserves and encumbrances occurs. This rollover comprises the valuations of the assets, liabilities and contingent liabilities included in the Consolidated Financial Statements. A difference between the rolled-over carrying amounts of the investment and the pro rata equity capital, as the reported net assets of the subsidiary, is netted income-neutrally within equity. Instead of any existing goodwill being netted against equity components at first-time consolidation, it is likewise rolled over with the carrying amounts.

Segment reporting

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

(1) "Solar Integrated Systems"
This segment comprises the production and sale of complete photovoltaic systems and solar modules as core components of a photovoltaic system. Turnkey photovoltaic systems are also manufactured, operated and sold.

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

The presentation of reporting corresponds to internal reporting. Segment reporting is based on the same accounting policies as for the other sections of the Consolidated Financial Statements. Income and expenditure are directly attributable to the segments on the basis of source or origin.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the company is active. In the year under review, the euro was the functional currency of all consolidated companies except for the following: Centrosolar America Inc. and Renusol America Inc. (both US dollar), Centrosolar Glas Trading Co. Ltd. (Chinese Yuan), Centrosolar Canada Inc. (Canadian dollar), Centrosolar UK Ltd. (pound sterling). The Consolidated Financial Statements are likewise prepared in euros, as this is the functional currency of CENTROSOLAR Group AG.

Transactions conducted are translated into the functional currency using the current exchange rate at the date of the transaction. Exchange differences resulting locally from the fulfilment of such transactions in foreign currency or from the devaluation of assets denominated in foreign currencies or the upward revaluation of liabilities at the balance sheet date are recognised in the income statement in the period in question, unless they are to be recognised within equity as qualified cash flow hedges or qualified net investment hedges. The items in the financial statements of a group company reported in foreign currency are initially remeasured in their functional currency at the reporting-date rate. Exchange differences from changes in the fair value of non-monetary items in the financial statements reported in foreign currency are recognised directly within equity.

As part of the consolidation process, the financial statements of foreign group companies are translated into euros where they have been prepared in a different currency. Assets and liabilities are translated at closing rates, and expense and income items are translated at average exchange rates for the period under review. Any currency translation differences from this translation into the group reporting currency are recognised within equity with no effect on income. In the event of the disposal of business operations, translation differences hitherto recognised income-neutrally within equity are recognised within income. Shareholders' equity is translated at historical rates. Goodwill having arisen from business combinations as well as adjustments of valuations to fair values are attributed to the respective units, reassessed in their currency and, if necessary, translated at the exchange rates valid at the reporting date. None of the companies included in the Consolidated Financial Statements is based in a hyper-inflationary economy.

The following table shows important exchange rates and their development:

Foreign currency translation	Rate at reporting date		Average rate	
ISO Code	31/12/2012	31/12/2011	2012	2011
GBP	0.8161	0.8353	0.81087	0.86788
CNY	8.2207	8.1588	8.1052	8.9960
CAD	1.3137	1.3215	1.2842	1.3761
USD	1.3194	1.2939	1.2848	1.3920

Financial instruments

The balance sheet shows the financial instruments (investments, accounts receivable, liabilities, debt, cash and cash equivalents) held by the company. The recognition and measurement principles are shown below. The financial instruments may entail credit risks, currency risks and interest risks. At the balance sheet date, there basically existed risks for the principal financial instruments only to the extent that is evident in these Notes.

Financial assets are generally recognised at the settlement date.

Financial assets are divided into the following categories:

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

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

All purchases and sales of financial assets are recognised at the settlement date, in other words the date on which the group undertakes to buy or sell the asset. Financial assets that do not come under the category of "measured at fair value through profit and loss" are initially recognised at their fair value plus transaction costs.

The financial assets that are measured at fair value through profit and loss are financial assets held for trading. They are classified as such if they are acquired with a view to selling them in the near future. Derivative financial instruments are also classified as held for trading, unless they are derivatives that have been designated as hedges and are effective as such. Gains or losses from financial assets held for trading are recognised through profit and loss. The fair value option pursuant to IAS 39 for the measurement of financial instruments is not exercised. Loans and receivables as well as receivables in the category "held to maturity" are recognised at amortised cost, using the effective interest rate method. Realised and unrealised gains and losses from the change in the fair value of assets in the category "measured at fair value through profit and loss" are booked to income in the period in which they arise. Gains from the change in the fair value of non-monetary securities in the category "financial assets available for sale" are recognised within equity. If financial assets in the category "available for sale" are sold or impaired not just temporarily, the cumulative adjustments to the fair value within equity are recognised in profit and loss, in the income statement, as a gain or loss from financial assets.

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

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

Financial assets are derecognised if the rights to payments from the investment have expired or been transferred and the group has in essence transferred all risks and rewards associated with their title.

Financial liabilities are divided into the following categories:

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

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

Financial liabilities in the "through profit and loss" category are measured at fair value through profit or loss.

The measurement of cash flow hedges, which are used for hedging future cash flows, is reported under equity and liabilities until the income effect of the underlying transaction is realised. If the cash flow hedge does not satisfy the documentation requirement or is to be regarded as not effective, gains or losses are recognised with an effect on income. No hedge accounting was used for derivative financial instruments. These are measured at cost upon acquisition, then subsequently at fair value through profit and loss.

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

As in the previous year, the group had no financial assets which came under the category of held to maturity at the balance sheet date of December 31, 2012.

Other recognition and measurement principles

(a) Goodwill is the excess of the value of consideration or of assets over the market value of the acquiree's assets (on a time proportion basis) less liabilities. Goodwill is recognised as an asset, and included in the carrying amount of the investment at the time of acquisition of an associated company. It is allocated to the cash generating unit or group of cash generating units where it is assumed that they will benefit from the merger. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of other groups of assets. The cash generating unit does not necessarily correspond to distinctions made under company law. Cash generating units are determined at the lowest possible level at which monitoring is performed, and are never greater than a segment. Allocation is made on the basis of economic features. Gains and losses from the disposal of a company comprise the carrying amount of the goodwill that is allocated to the company being disposed of.

Goodwill is assessed for impairment once a year by means of an impairment test, irrespective of whether or not there is evidence of impairment. If there is evidence of impairment (triggering event), an impairment test is carried out several times in-year. If necessary, a reduction for impairment is applied. Goodwill is recognised at cost, less accumulated impairment. If the reasons for applying a reduction for impairment on the basis of an impairment test wholly or partly cease to exist in a subsequent period, that reduction for impairment is not written up.

(b) Other intangible assets: acquired brand rights, customer bases, software and licences are capitalised at cost and amortised in accordance with their anticipated useful lives. In the same way, software developments and other development work that can be capitalised at cost are capitalised at cost and likewise amortised in accordance with their respective anticipated useful lives. Intangible assets also comprising brand names identified upon the acquisition of a company are amortised in accordance with the underlying expectations. In the event of unlimited use, an annual impairment test is conducted and, if necessary, appropriate impairment applied. Apart from goodwill, there are currently no assets of unlimited use.

The customer bases acquired in connection with business combinations are amortised on the basis of anticipated use, shrinkage rates and margins, correspondingly to their economic benefits. Profitable supply agreements are amortised on the basis of the underlying terms of the agreements, correspondingly to their economic benefits.

According to IAS 38, development costs are to be capitalised as "intangible assets" insofar as the criteria of IAS 38.57 are met cumulatively. Capitalisation takes place if it is likely that the development activities will lead to a future economic benefit which will cover the development costs. Capitalised development costs are amortised on a straight-line basis once a marketable status is achieved. No development costs that represented expense in previous periods are capitalised in later periods. Research costs are not capitalised. All expenses arising in conjunction with the maintenance and upkeep of intangible assets are recorded in the income statement in the period in which they are incurred.

Impairment of non-monetary assets such as property, plant and equipment and intangible assets

Assets that are subject to depreciation and amortisation are tested for impairment if corresponding occurrences or changes in circumstances indicate that the carrying amount may possibly no longer be realisable.

Assets that have unlimited use as well as development costs in the course of construction are not amortised. Instead, they are tested for impairment each year, irrespective of whether or not there is evidence of impairment. If evidence of impairment emerges between the scheduled test dates as a result of unscheduled occurrences, an impairment test is performed irrespective of when the next scheduled impairment test is.

The amount by which the carrying amount exceeds the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less the costs of disposal, or the value in use.

For the impairment test, assets are combined at the lowest level for which independent cash flows can be identified (cash generating units). For determining the value in use, forecast cash flows are discounted at the pre-tax interest rates applied by the market at that time, to reflect the asset-specific risks that have not been taken into account in the forecast cash flows. Non-financial assets (apart from goodwill) where the carrying amount has been reduced for impairment are in subsequent years examined for a recovery in value to the recoverable amount, but to no more than the scheduled values, i.e. without impairment loss. The reversal of impairment losses recognised in previous periods is recognised within income immediately.

Useful lives serving as the basis for depreciation and amortisation by the straight-line method for property, plant and equipment and intangible assets	**Years**
Brand rights, licences and customer bases	1-40
Patents/technologies	5-25
Software and software developments	2-5
Capitalised development costs	3-10
Buildings	7-33
Technical equipment and machinery	1-20
Fixtures and office equipment	1-32

(c) Property, plant and equipment are stated at cost less cumulative regular depreciation occasioned by use, pursuant to IAS 16. Subsequent costs are capitalised where these are associated with future economic benefit that can reliably be measured. Self-created plant includes shares of overheads in addition to the direct costs. Depreciation is applied according to the straight-line method. If necessary, a reduction for impairment is recognised for property, plant and equipment down to the recoverable amount. All expenses arising in conjunction with the maintenance of property, plant and equipment are recorded in the income statement for the period in which they are incurred.

(d) Investment subsidies and grants: Government grants are reported at fair value if it is relatively certain that the grant will be made and the group satisfies the necessary conditions to receive the grant. Investment subsidies are netted directly with the costs, and investment grants are reported under other liabilities and liquidated on a straight-line basis over the anticipated useful life of the assets in question, with an income effect. Performance-related grants which either compensate for corresponding expenses or constitute income at the time they are claimed but are not associated with current or future expenses are recognised as income.

(e) Financial investments: Financial investments comprise investments in associated companies, non-associated companies and other loans originated by the enterprise. The associated companies are stated at cost, which rises or falls depending on the share of net profits in the subsequent period. Investments in non-associated companies are recognised initially at fair value and subsequently at amortised cost. They are assigned to the category “available for sale”. Credit (loans originated by the enterprise) is assigned to the category “loans and receivables”. If necessary, a reduction for impairment down to the recoverable amount is recognised.

(f) Inventories are measured at the lower of cost or net realisable value. Raw materials and supplies are valued at the average cost. Work in progress, finished goods and merchandise are measured at average values or on the basis of cost, using the FIFO method. The cost of conversion for work in progress and finished goods consists of direct costs of materials, direct labour, other direct costs as well as appropriate shares of production-related indirect materials and indirect labour which have arisen as a result of bringing the inventories to their current location and current state, on the basis of normal capacity utilisation. Appropriate discounts are performed for sales-related risks. The net realisable value constitutes the estimated selling price in the ordinary course of business less the estimated costs of completion and sale yet to be incurred.

Customer-specific construction contracts are normally recognised applying the percentage of completion (POC) method. Contract costs are recognised when they arise. Contract revenue is only recognised to the extent that costs are recoverable. If the outcome of a construction contract can be determined reliably and it is probable that the contract will be profitable, the contract revenue is recognised over the duration of the contract. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The stage of completion corresponds to the percentage of the contract costs incurred by the balance sheet date compared with the expected total costs of a contract. All ongoing construction contracts with balances due from customers and unpaid partial invoices are shown under trade receivables, and contracts with balances due to customers are shown under trade payables. If no reliable project controlling is available to determine the stage of completion and the profit, the "zero profit method" is used. Here, revenues are reported at the same levels as the corresponding expenses.

(g) Accounts receivable and other assets: Accounts receivable and other assets are recognised and measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Appropriate impairment has been recognised for identified risks, as indicated by experience. The impairment is determined from the difference between the nominal value and the anticipated future discounted cash receipts. It is distinguished on the assets side as soon as there is objective evidence that the principal due is not fully recoverable. Impairment is recognised in the income statement. These non-derivative financial assets are not quoted and are not held with the intention of trading these accounts receivable. They are considered to be loans and receivables within current assets, provided their maturity date is no more than twelve months from the balance sheet date. Other current assets also include prepaid expenses which relate to expenditures for future periods.

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

Where the underlying matter is recognised within equity, the deferred tax on it is likewise recognised within equity. Deferred tax assets and liabilities are netted with each other for the individual company, provided the conditions for netting are met. Deferred tax is classified as non-current on the balance sheet.

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

(j) Non-current assets held for sale are classified as such if the carrying amount is realised predominantly through a sale transaction and not through continued use. From that date on, the assets are not depreciated. Measurement is at the lower of the carrying amount or the fair value less the costs of disposal. Changes in value resulting from initial classification as a financial asset held for sale and from subsequent measurement are recognised in the income statement.

(k) Pension provisions are created for pension commitments to employees of the subsidiary Centrosolar Glas GmbH & Co. KG and calculated on the basis of the present value of future commitments pursuant to IAS 19 using the projected unit credit method, taking into account future pay and pension increases and the mortality tables currently available. In the case of existing plan assets, the present value determined is reduced by their fair value and adjusted to reflect as yet unrecognised actuarial gains and potentially also unrecognised past service cost. Actuarial gains and losses are taken into account where they exceed 10 % of the extent of the liability or value of the asset. These are indicated by experience adjustments and changes to actuarial assumptions. The amount in excess of this corridor is booked to or against income over the period of the average remaining working lives of the active workforce. Past service cost is recognised immediately as an expense unless it is to be distributed on a straight-line basis until a benefit becomes vested.

The pension commitments exist only for long-serving employees of the aforementioned subsidiary. Pension commitments are not given to other employees or to more recent employees of the above company.

For the majority of employees, CENTROSOLAR solely pays contributions to public pension schemes. The employees are able to make use of various company-assisted schemes for funding their retirement that involve converting pay into pension contributions (direct insurance, pension fund, benevolent fund). Over and above the contribution payments, the group has entered into no further benefit obligations.

There in addition exist employer-financed, contribution-based commitments based on retirement benefit arrangements for individual management employees. Over and above the contribution payments, the group has not entered into any further benefit obligations.

(l) Other provisions are created for all present obligations at the balance sheet date resulting from previous business transactions or past occurrences, where the amount and due date are uncertain. These provision are stated at the most likely, reliably estimable amount of settlement and are not netted against revenue and gains. Those with a maturity of more than one year are measured at the present value. The likelihood of the cash outflow must be more than 50 % ("more likely than not" criterion). Provisions are created only where a legal or factual obligation to third parties exists and the level of the provisions could be reliably determined. In the event of a wide range of obligations of a similar nature resulting for instance from statutory warranty obligations, they are determined on the basis of this group of obligations. Provisions may in certain circumstances be recognised as a liability if the likelihood of an isolated obligation materialising within the underlying overall group is slight.

(m) Financial liabilities: Financial liabilities are stated at fair value including discounts or other transaction costs upon initial measurement, and subsequently reported at amortised cost using the effective interest rate method. Transaction costs are recognised as an expense in the period in which they are incurred. Liabilities from loans are classified as current if they are repayable within the next twelve months. These include in particular the credit lines made available for the working capital.

(n) Leases where all opportunities and risks are allocable in substance to the group are classified as finance leases. They are measured at the fair value of the asset at the start of the lease term or at the lower present value of the future lease instalments. Every lease payment is divided up into a capital and an interest portion. Leases where significant portions of the opportunities and risks rest with the lessor are classified as operating lease obligations. CENTROSOLAR occupies the role of lessee in the context of finance leases and lessor in the context of operating leases.

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

(p) Obligations from customer loyalty programmes arose for the first time in the financial year. Pursuant to IFRIC 13, provided they are likely to be used the bonus points collected under these but not yet used are recognised at fair value using the deferred revenue method and reported as deferred income. The fair value here reflects the value of the bonus for the customer. No deferral is formed for bonus points that will probably expire. Bonus points that will probably expire are taken into account in measurement using an anticipated forfeiture rate.

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

Transaction costs incurred directly in connection with the issuing of new shareholders' equity are recognised as a deduction from equity including all associated income tax benefits. Transaction costs incurred directly in connection with the issuing of new shareholders' equity in the context of a business combination are a component of the acquisition costs and recognised through profit and loss. If a group company acquires treasury stock, the costs including ancillary costs and potential income tax effects are deducted from the shareholder's share of equity until the treasury stock has been withdrawn from circulation, reissued or sold. In the event of the reissue or sale of treasury stock, the purchase prices received, including all associated transaction costs and income tax benefits, are recognised in the shareholders' share of equity.

The other reserves essentially comprise profit or loss brought forward, the values of changes from currency translation recognised in equity and the reserve formed for stock options.

The non-controlling interests comprise the equity portions allocable to non-controlling interests, including shares of profits and losses, as well as possible amounts allocable to these from currency translation.

(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 on the basis of the principles defined in IFRS 2, and are measured once on the respective date of granting. Under IFRS 2, share-based payment agreements are to be reported at the fair value of the consideration received. As the fair value of the consideration received cannot be estimated reliably, CENTROSOLAR calculates the changes to shareholders' equity indirectly, using the fair value of the stock options granted. In the absence of market prices, this fair value is calculated with the aid of a binominal model. This model estimates the price that could be achieved between knowledgeable, willing parties in an arm's length transaction for the stock options concerned at the relevant measurement date. The factors and assumptions in accordance with the specifications of IFRS 2 that market players would take into consideration in determining the price. Insofar as applicable, it is assumed when determining the factors and assumptions on which the calculation is based that historical values and developments will likewise apply to future developments and can serve as a point of reference or starting point for calculation parameters. The value of an option calculated at its date of issue is used as the basis for the expense to be recognised. Changes due to shifts in the parameters after the date of issue are then no longer reflected in the value of the option if they relate to service or market related performance features. On the other hand, new indications of the anticipated number of options exercised are reflected in expense during the vesting period.

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

(s) Revenue recognition: Revenue reflects the fair value of the consideration received or still to be received for deliveries and services in the normal course of business. It is realised if it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue can be measured reliably and has proceeded from its payment. Revenue is recognised net of VAT and discounts, and after elimination of intra-group transactions, when delivery has taken place and transfer of risks and rewards has been completed. Revenue for services is recorded in the period in which the service was rendered.

(t) Financing costs such as interest are recognised as income or expense time-proportionally and on an accrual basis that reflects the terms of the asset or liability, using the effective interest rate method. Financing costs are only included in the cost of property, plant and equipment, intangible assets and inventories where qualifying assets exist.

(u) Dividends: Dividend revenue from investments and shareholders' entitlements to dividend payments are recognised as payments when the right to receive payment arises.

Critical assumptions and estimates

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

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

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

Non-current assets have either limited or unlimited useful lives. Changes in intended uses, technologies, maintenance intervals and changes in the general economic contexts or sectors in which CENTROSOLAR is active may result in the recoverable amounts of these assets changing. CENTROSOLAR therefore examines the useful lives on a regular basis to assimilate the carrying amounts with the realisable benefits by way of reductions for impairment. In spite of every effort to determine appropriate useful lives, certain situations may arise where the value of a non-current asset or group of assets is reduced and thus the economic value is below the carrying amount. As impairment normally occurs only sporadically for individual capital goods and not at all for entire classes, it is not possible to estimate these expenses precisely as early as the preparation of the financial statements. No general sensitivity analysis for all useful lives is performed.

For acquisitions, assumptions and estimates have an influence on the purchase price allocation process. Assumptions relate in particular to levels of goodwill as well as intangible assets and liabilities, and also in respect of their useful lives with the result that the residual goodwill changes. In the context of business combinations, intangible assets (e.g. patents, customer relationships or supplier agreements) are identified and are subject to estimates in respect of several criteria (quantities, margins, useful lives, discounting rates).

Other estimates are required in respect of assessing reductions for impairment of goodwill when forecasting the availability of future financial resources and discount rates. Particularly for new business operations, the uncertainty of forecasts is greater than where operations have been in existence for longer.

Goodwill is subjected to an impairment test at least once a year, and a sensitivity analysis is performed. In the past financial year this test was conducted for the first time on the goodwill of Centrosolar Schweiz at September 30, 2012 because the level of activities in the project business area had declined. All goodwill was additionally tested at the closing date of December 31, 2012. The discount rate applied in this case was a pre-tax WACC rate of 9.2 % to 11.3 %. For the goodwill of the discontinued glass operations, the expected (and subsequently realised) selling prices were taken into account for measurement purposes. The impairment tests revealed an need for impairment amounting to EUR 32,678 thousand. Application of a discount rate one percentage point higher would increase the overall need for wimpairment by EUR 5,845 thousand. A reduction in the gross margin of one percentage point would result in the complete write-off of the existing goodwill.

In the case of supplier relations and supply agreements on the purchasing side, certain assumptions were made with regard to the future level of market prices on the purchasing side. Erroneous estimates can lead to these agreements being implemented without losses being adjusted.

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

The group is subject to the jurisdictions of various countries. Estimates that are of significance are required in the creation of tax provisions and deferred tax items. Transactions and calculations within the normal course of business are subject to various uncertainties with regard to fiscal effects and recognition. The corresponding accounting policies are applied in the creation of provisions for potential liabilities that may arise as a result of future field tax investigations of past transactions. In cases where the final tax calculations deviate from the assumptions originally reported, the effects are taken into account in the income statement. To establish the soundness of deferred tax on loss carryforwards, estimated budget figures serve as the basis for a tax planning calculation.

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

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

Financial risk management objectives and policies

The CENTROSOLAR Group operates internationally. In view of the variety of its activities, the group is exposed to a wide range of risks such as market risks, credit risks and liquidity risks.

The group's risk management system analyses various risks and attempts to minimise negative effects on the financial position of the group. Risk management is practised in the finance departments on the basis of existing guidelines. Risk managers identify, measure, assess and support the steering of potential sources of risks.

Market risk

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

Exchange rate risk

- **Dependence on exchange risk:** Market risks from currency translation are limited, as sales transactions take place principally in euros. At the procurement end, there exist risks essentially in connection with the purchasing of solar cells and thin-film laminates in USD.
- **Controlling the exchange rate risk:** In recent financial years foreign exchange risks were limited to some extent through in-year hedging by means of put options or forward transactions which focused on the global exchange rate risk rather than on individual transactions. Growing sales in the US market increasingly provide a natural hedge to the exchange rate risk. Hedge accounting was not used in the financial year.
- **Sensitivity to exchange rate fluctuations:** The following table shows the sensitivity of earnings before tax to fluctuating exchange rates based on the trade receivables and payables and other financial assets and liabilities at December 31, 2012. Sensitivity was determined by comparing the amounts measured in EUR in a variety of foreign currency exchange rate scenarios.

Foreign currency risk		Change in earnings before tax if		Change in shareholders' equity if	
[in EUR '000]	Net carrying amount 31/12/2012	euro appreciates by 5 %	euro weakens by 5 %	euro appreciates by 5 %	euro weakens by 5 %
CAD	(4)	0	0	0	0
CHF	(26)	1	(1)	0	0
GBP	115	(5)	6	0	0
USD	1,473	(70)	78	0	0
Total	**1,558**	**(74)**	**83**	**0**	**0**
	Net carrying amount 31/12/2011	euro appreciates by 5 %	euro weakens by 5 %	euro appreciates by 5 %	euro weakens by 5 %
CAD	90	(4)	5	0	0
CHF	(35)	2	(2)	0	0
CNY	175	(8)	9	0	0
GBP	965	(46)	51	0	0
USD	3,133	(149)	165	0	0
Total	**4,329**	**(206)**	**228**	**0**	**0**

The present values of the foreign currency hedges are moreover exposed to exchange rate risks that directly affect earnings before tax. There were no foreign currency derivatives at December 31, 2012.

Interest rate risk

- **Dependence on interest rate risks:** Interest rate risks occur for interest-bearing instruments. At December 31, 2012 the group reported variable-rate borrowings of EUR 26,125 thousand (previous year EUR 19,016 thousand).
- **Managing the interest rate risk:** To minimise the interest rate risks, interest cap certificates (swaps) were taken out for approximately 33 % of the variable-rate borrowings (previous year 53 %). Cash flows from interest rate and currency hedges are assigned to the cash flow from operating activities and recognised through profit and loss. No hedge accounting was used in the financial year. The fair value is calculated according to investment mathematics methods based on market data (essentially cash value calculations, or based on the Black-Scholes model in the case of derivatives).
- **Sensitivity to interest rate changes:** Based on the borrowings and liquid financial assets at December 31, 2012 with a variable interest rate and for which no interest rate hedging transactions exist, an assumed rise or fall in interest rates of 50 base points would reduce or increase the earnings before tax by EUR 88 thousand (previous year EUR 45 thousand).

Price risks

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

Credit risk

- **Dependence on credit risks:** Credit risk refers to the risk that arises when one party to a contract is unable to meet its obligations concerning a financial instrument. The maximum credit risk is the aggregate of the carrying amounts of financial assets recognised on the balance sheet. Trade receivables exist mainly in respect of customers in the eurozone and the USA. CENTROSOLAR has no significant concentration of credit risk with any single customer. The largest customer in the group accounts for 2.2 % of revenue (previous year 3.7 %). Other assets essentially comprise receivables due from a wide range of different counterparties.
- **Managing the credit risk:** Credit risks regarding accounts receivable are in essence limited by the application of credit approvals, limits and monitoring procedures. The level of a credit limit reflects the creditworthiness of a counterparty and the typical size of the transaction volume with that counterparty. The assessment of creditworthiness is based on the one hand on information from external credit reporting agencies and on the other hand on internally acquired past experience in dealing with the counterparty in question.

Liquidity risk

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

Additional disclosures on financial instruments

Carrying amounts, valuations and fair values by measurement category

	Measurement category acc. to IAS 39	Carrying amount	Valuation acc. to IAS 39				Valuation acc. to IAS 17	Fair value
2012 [in EUR '000]			Amortised cost	Acquisition cost	Fair value in equity	Fair value through profit and loss		
Assets								
Loans originated by the enterprise	LaR	3	3					3
Trade receivables	LaR	20,076	20,076					20,076
Cash and cash equivalents	LaR	18,251	18,251					18,251
Other financial assets								
Other receivables	LaR	1,982	1,982					1,982
Available for Sale Financial Assets	AfS	289		289				289
Equity and liabilities								
Financial debt								
Due to banks	FLAC	29,293	29,293					26,803
Finance lease liabilities	n.a.	4,476					4,476	4,043
Other financial debt	FLAC	60,973	60,973					29,379
Trade payables	FLAC	6,950	6,950					6,950
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	317				317		317
Other financial liabilities	FLAC	2,759	2,759					2,759
2011 [in EUR '000]								
Assets								
Trade receivables	LaR	25,216	25,216					25,216
Cash and cash equivalents	LaR	25,896	25,896					25,896
Other financial assets								
Other receivables	LaR	3,865	3,865					3,865
Available for Sale Financial Assets	AfS	981		981				981
Equity and liabilities								
Financial debt								
Due to banks	FLAC	24,996	24,996					20,915
Finance lease liabilities	n.a.	6,108					6,108	5,331
Other financial debt	FLAC	63,607	63,607					37,593
Trade payables	FLAC	10,807	10,807					10,807
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	95				95		95
Other financial liabilities	FLAC	3,732	3,732					3,732

Total per measurement category acc. to IAS 39

2012 [in EUR '000]	Measurement category acc. to IAS 39	Carrying amount	Valuation acc. to IAS 39: Amortised cost	Valuation acc. to IAS 39: Acquisition cost	Valuation acc. to IAS 39: Fair value in equity	Valuation acc. to IAS 39: Fair value through profit and loss	Valuation acc. to IAS 17	Fair value
Loans and Receivables	LaR	40,312	40,312					40,312
Available for Sale Financial Assets	AfS	289		289				289
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Liabilities Measured at Amortised Cost	FLAC	99,974	99,974					65,890
Financial Liabilities Held for Trading	FLHfT	317				317		317
2011 [in EUR '000]								
Loans and Receivables	LaR	54,978	54,978					54,978
Available for Sale Financial Assets	AfS	981		981				981
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Liabilities Measured at Amortised Cost	FLAC	103,142	103,142					73,047
Financial Liabilities Held for Trading	FLHfT	95				95		95

Net result by measurement category

[in EUR '000]	From interest, dividends	From subsequent measurement: At fair value	From subsequent measurement: Currency translation	From subsequent measurement: Reductions for impairment	From disposals	Net result 2012	Net result 2011
Loans and Receivables (LaR)	148	n.a.	(209)	(6,224)	0	(6,285)	(1,810)
Available for Sale Financial Assets (AfS)	0	n.a.	0	0	0	0	0
Financial Assets Held for Trading (FAHfT)	n.a.	0	n.a	n.a.	0	0	0
Financial Liabilities Measured at Amortised Costs (FLAC)	(5,579)	n.a.	(13)	n.a.	0	(5,592)	(5,774)
Financial Liabilities Held for Trading (FLHfT)	n.a.	(262)	n.a.	n.a.	19	(243)	137

For the derivative financial instruments, the market value was determined using calculation methods based on observed market data (level 2). Trade receivables and payables as well as other receivables and liabilities have predominantly short maturity dates. Their carrying amounts therefore correspond basically to the fair value. The assets in the category "Available for Sale" are not traded in an active market. Therefore no fair value can be reliably determined and the carrying amount is stated.

D Notes to the consolidated balance sheet and consolidated income statement

1 Goodwill

Goodwill

[in EUR '000]	Total goodwill
2012	
Accumulated cost Jan 1	49,429
Additions for first-time consolidation	0
Additions	0
Disposals	0
Exchange differences	0
From financial assets held for sale	(3,790)
Accumulated cost Dec 31	45,639
Accumulated impairment Jan 1	0
Additions	(32,678)
Accumulated impairment Dec 31	(32,678)
Net carrying amount December 31, 2012	**12,961**
2011	
Accumulated cost Jan 1	49,429
Additions for first-time consolidation	0
Additions	0
Disposals	0
Exchange differences	0
Accumulated cost Dec 31	49,429
Accumulated impairment Jan 1	0
Additions	0
Accumulated impairment Dec 31	0
Net carrying amount December 31, 2011	**49,429**

An impairment test was performed for each cash generating unit on the basis of value in use. The calculation was based on a cash flow oriented model. The calculations use as their basis values indicated by past experience on the individual service provided, as well as the planned provisional budget for 2013, estimates of forward-looking assumptions that are planned over a period of five forecast years, and also a rollover value calculated on the basis of the fifth forecast year. A growth rate of 2.0 % p.a. was assumed in the calculation of the rollover value. Specific assumptions on growth rates and developments in margins were moreover made for the cash-generating units. These were derived e.g. from values indicated by past experience, general market expectations and currently known price and product mix developments.

A discounting rate of 9.2 % to 11.3 % p.a. for earnings before tax was applied in the model. This was formed from the weighted costs of borrowed capital and equity capital, with the equity capital costs derived using CAPM by incorporating beta factors for the peer group into the calculation. The borrowing costs taken as the basis were adjusted accordingly to reflect the increased risk exposure of the industry and the company.

As a result of the reduced activities in the project business area, it was necessary to write off fully the reported goodwill of Centrosolar Schweiz AG in the amount of EUR 5,817 thousand. In the Centrosolar AG cash generating unit, write-down totalling EUR 26,818 thousand were made. There were two key reasons for the write-down. First, in the wake of the industry crisis this area is the subject of an extensive restructuring programme involving both cost savings and in particular a sharp downward revision of revenue plans compared with the figures previously targeted. Second, the capitalisation rate increased as a result of the changed general prospects and risk assessment.

The write-downs were limited exclusively to the Solar Integrated Systems segment.

Allocation of goodwill to cash generating units

[in EUR '000]	2012	2011
Centrosolar Glas	0	3,790
Centrosolar Schweiz AG	0	5,817
Centrosolar AG	12,961	39,779
Miscellaneous	0	42
Total	**12,961**	**49,429**

Allocation of goodwill to segments

[in EUR '000]	Solar Integrated Systems		Solar Key Components		Total	
	2012	2011	2012	2011	2012	2011
Germany	12,961	39,821	0	3,790	12,961	43,611
Rest of Europe	0	5,817	0	0	0	5,817
Total	**12,961**	**45,638**	**0**	**3,790**	**12,961**	**49,429**

2 Other intangible assets

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

Intangible assets [in EUR '000]	Industrial rights and similar rights	Software	Capitalised development costs	Assets in course of construction	Total intangible assets
2012					
Accumulated cost Jan 1	27,532	3,592	678	227	32,029
Additions for first-time consolidation	297	29	0	0	326
Additions	22	878	597	265	1,762
Disposals	0	(37)	0	0	(37)
Reclasses	0	0	191	(203)	(13)
Exchange differences	0	(2)	0	0	(2)
From financial assets held for sale	(683)	(255)	(304)	0	(1,242)
Accumulated cost Dec 31	27,168	4,205	1,161	289	32,823
Accumulated impairment Jan 1	(26,046)	(1,628)	(354)	0	(28,028)
Additions	(455)	(895)	(133)	0	(1,483)
Disposals	0	34	0	0	34
Reclasses	0	0	0	0	0
Exchange differences	0	2	0	0	2
From financial assets held for sale	540	188	205	0	933
Accumulated impairment Dec 31	(25,962)	(2,299)	(282)	0	(28,542)
Net carrying amount December 31, 2012	**1,206**	**1,906**	**879**	**289**	**4,280**
2011					
Accumulated cost Jan 1	27,446	2,867	581	255	31,149
Additions for first-time consolidation	0	0	0	0	0
Additions	74	962	97	227	1,360
Disposals	(2)	(477)	(9)	(20)	(508)
Reclasses	14	238	9	(235)	26
Exchange differences	0	2	0	0	2
Accumulated cost Dec 31	27,532	3,592	678	227	32,029
Accumulated impairment Jan 1	(24,279)	(1,314)	(281)	0	(25,874)
Additions	(1,769)	(787)	(73)	0	(2,629)
Disposals	2	477	0	0	478
Reclasses	0	(3)	0	0	(3)
Exchange differences	0	(1)	0	0	(1)
Accumulated impairment Dec 31	(26,046)	(1,628)	(354)	0	(28,028)
Net carrying amount December 31, 2011	**1,486**	**1,964**	**323**	**227**	**4,001**

The reductions in the revenue plans outlined in D1 also necessitated application of an impairment loss of EUR 272 thousand on brand rights in the Solar Integrated Systems segment in the financial year.

The additions from first-time consolidation included the brand rights and software of Gecko Energies GmbH determined in the above purchase price allocation.

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. A correction of EUR -5 thousand was applied to investment subsidies in the financial year. In the previous year, EUR 114 thousand in total was netted for investment subsidies.

3 Property, plant and equipment

The classification and movements of property, plant and equipment are shown in the following schedule:

Property, plant and equipment [in EUR '000]	Land and buildings	Technical equipment and machinery	Furniture, fixtures and office equipment	Assets in course of construction	Total property, plant and equipment
2012					
Accumulated cost Jan 1	19,998	40,646	8,659	789	70,092
Additions for first-time consolidation	0	0	0	0	0
Additions	58	473	608	109	1,248
Disposals	0	0	(410)	0	(410)
Reclasses	0	333	45	(365)	13
Exchange differences	0	(13)	(5)	0	(18)
From financial assets held for sale	(2,133)	(16,316)	(1,879)	(421)	(20,749)
Accumulated cost Dec 31	17,923	25,123	7,018	112	50,175
Accumulated impairment Jan 1	(2,288)	(13,199)	(4,162)	0	(19,649)
Additions	(499)	(2,916)	(1,123)	0	(4,537)
Disposals	0	0	327	0	327
Reclasses	0	0	0	0	0
Exchange differences	0	2	4	0	6
From financial assets held for sale	1,141	7,943	1,366	0	10,450
Accumulated impairment Dec 31	(1,646)	(8,170)	(3,587)	0	(13,403)
Net carrying amount December 31, 2012	**16,277**	**16,953**	**3,431**	**112**	**36,772**
2011					
Accumulated cost Jan 1	13,071	29,708	6,938	3,225	52,943
Additions for first-time consolidation	0	0	0	0	0
Additions	5,016	10,588	1,882	757	18,243
Disposals	(22)	(809)	(241)	0	(1,072)
Reclasses	1,933	1,159	75	(3,193)	(26)
Exchange differences	0	0	4	0	4
Accumulated cost Dec 31	19,998	40,646	8,659	789	70,092
Accumulated impairment Jan 1	(1,594)	(9,221)	(2,974)	0	(13,789)
Additions	(703)	(4,718)	(1,411)	0	(6,832)
Disposals	9	761	225	0	995
Reclasses	0	0	3	0	3
Exchange differences	0	(21)	(6)	0	(27)
Accumulated impairment Dec 31	(2,288)	(13,199)	(4,162)	0	(19,649)
Net carrying amount December 31, 2011	**17,710**	**27,447**	**4,497**	**789**	**50,443**

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

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

There exist purchase commitments for property, plant and equipment amounting to EUR 13 thousand at the balance sheet date (previous year EUR 110 thousand).

Investment subsidies are netted directly with the costs, thus reducing the basis for measuring depreciation. The following amounts of investment subsidies were netted in the financial year: For land and buildings EUR 9 thousand (previous year EUR 1,235 thousand), for furniture, fixtures and office equipment EUR 28 thousand (previous year EUR 133 thousand). A correction of EUR -7 thousand was applied to technical equipment and machinery. In the previous year, EUR 1,540 thousand was netted. Furniture, fixtures and office equipment consists of various items in production, warehouses and offices. At the reporting date, the assets in course of construction consist of machinery and plant supplied but not yet accepted.

Technical equipment and machinery as well as furniture, fixtures and office equipment include assets with a carrying amount of EUR 6,720 thousand (previous year adjusted EUR 8,494 thousand) reported in the context of finance leases. These assets had been added at historical costs of EUR 11,470 thousand (previous year adjusted EUR 12,896 thousand). Depreciation amounting to EUR 1,395 thousand (previous year adjusted EUR 1,979 thousand) was applied to them in the financial year. The accumulated depreciation totals EUR 4,750 thousand (previous year EUR 4,402 thousand, adjusted). As this was not due to an accounting error, it had no effect on other disclosures in the financial statements.

EUR 25,784 thousand (EUR 33,301 thousand) of the reported property, plant and equipment served security for bank loans at the reporting date.

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

Their classification and development of these assets are shown below:

Financial Investments [in EUR '000]	Financial investments accounted for using the equity method	Available-for-sale financial assets	Loans originated by the enterprise	Total
2012				
Accumulated cost Jan 1	10,135	992	0	11,126
Additions	0	22	2	24
Disposals	0	0	0	0
Reclasses	0	0	0	0
Accumulated cost Dec 31	10,135	1,014	0	11,150
Accumulated impairment Jan 1	(10,135)	(11)	0	(10,146)
Additions	0	(713)	0	(713)
Accumulated impairment Dec 31	(10,135)	(725)	0	(10,859)
Net carrying amount December 31, 2012	**0**	**289**	**2**	**291**
2011				
Accumulated cost Jan 1	10,135	992	36	11,162
Additions	0	0	0	0
Disposals	0	0	(36)	(36)
Reclasses	0	0	0	0
Accumulated cost Dec 31	10,135	992	0	11,126
Accumulated impairment Jan 1	(10,135)	0	0	(10,135)
Additions	0	(11)	0	(11)
Accumulated impairment Dec 31	(10,135)	(11)	0	(10,146)
Net carrying amount December 31, 2011	**0**	**981**	**0**	**981**

Notes

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

The investment in SunarcTechnology A/S was written down by EUR 713 thousand to a carrying amount of EUR 250 thousand due to the difficult economic situation in the European solar industry.

The depreciation for the category of investments accounted for using the equity method comprises the full write-off of the 49 % interest in Itarion Solar Lda. Due to the bankruptcy of the joint-venture partner Qimonda AG and the resulting discontinuation of the project, Itarion Solar Lda. also filed for bankruptcy in July 2009. Because the bankruptcy proceedings have not yet been completed, the company remains listed as a company consolidated using the equity method. There were no movements in the carrying amount and on the balance sheet, and all values remain unchanged at 0.

5 Deferred tax assets

The deferred tax assets pursuant to IAS 12 are calculated on the temporary difference between the valuations of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. They were measured at tax rates of between 8.5 % and 34 %.

Deferred tax assets

[in EUR '000]	2012	2011
Loss carryforwards	23,629	20,193
Deferred tax on loss carryforwards	7,444	5,882
Measurement difference for intangible assets	171	152
Deferred tax on intangible assets	56	49
Measurement difference for property, plant and equipment	211	146
Deferred tax on property, plant and equipment	36	44
Measurement difference for inventories	461	1,926
Deferred tax on inventories	148	617
Measurement difference for trade receivables	2,447	0
Deferred tax on trade receivables	673	0
Measurement difference for pension provisions	0	403
Deferred tax on pension provisions	0	126
Measurement difference for other provisions	50	59
Deferred tax on other provisions	16	19
Measurement difference for financial debt	53	279
Deferred tax on financial debt	17	88
Measurement difference for derivatives	317	95
Deferred tax on derivatives	102	31
Measurement difference for other liabilities	98	0
Deferred tax on other liabilities	27	0
Total deferred tax (gross)	**8,519**	**6,855**

The figure stated for the deferred tax assets on tax loss carry-forwards takes account of the probability of their being realised; the useful life of the loss carryforwards is indefinite. No deferred tax asset was stated for loss carryforwards amounting to EUR 50,304 thousand (previous year EUR 25,669 thousand). In the financial year, a total of EUR 1,871 thousand (previous year EUR 189 thousand) in impairment of deferred tax assets on loss carryforwards was recognised. No deferred tax assets were recognised in the income statement for loss carryforwards that once again met the recognition criteria (previous year EUR 95 thousand). The net values represent the total of the anticipated netted values of deferred tax assets and liabilities of a group company in respect of a taxation authority.

At December 31, 2012 the group stated deferred tax assets of EUR 6,108 thousand (previous year EUR 3,361 thousand) for companies that suffered a loss in the current period and in the previous period. The basis for creating deferred tax is the management's assessment that it is probable that the companies in question will generate taxable profits against which the deductible temporary differences can be offset.

No deferred tax (previous year EUR 4 thousand) was reported in equity in the financial year.

Deferred tax assets

[in EUR '000]	Gross		Net	
	2012	2011	2012	2011
Reversal expected within 12 months	6,591	2,027	6,451	1,818
Reversal expected after 12 months at the earliest	1,928	4,828	1,334	3,639
Total	**8,519**	**6,855**	**7,785**	**5,457**

6 Inventories

The inventories are divided into the following categories:

Inventories by category

[in EUR '000]	2012	2011
Raw materials and supplies	6,724	14,005
Work in progress	38	1,174
Finished goods and merchandise	18,587	27,736
Total	**25,350**	**42,916**

Of the inventories, an amount of EUR 16,801 thousand (previous year EUR 21,027 thousand) served as security for bank loans at the reporting date.

The solar parks completed and under construction in the previous year amounting to EUR 6,138 thousand were disposed of in 2012. At the balance sheet date there are no further solar parks in 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 carrying amount of these inventories after reductions for impairment.

Inventories

[in EUR '000]	2012	2011
Inventories at historical cost	16,048	34,897
Inventory at net realisable value		
Original value at historical cost	12,313	10,350
Reduction for impairment for obsolescence	(426)	(986)
Reduction for impairment due to lower net realisable value	(2,585)	(1,346)
Carrying amount after reduction for impairment	9,302	8,018
Total	**25,350**	**42,916**

Reductions for impairment amounting to EUR 2,992 thousand (previous year EUR 2,532 thousand) were recognised in the income statement in the financial year. These reductions for impairment are attributable in part to the substantial drop in module and component prices. There was in addition a substantial fall in prices in the raw glass area, largely affecting the operations held for sale.

7 Trade receivables

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

Trade receivables

[in EUR '000]	2012	2011
Receivables not overdue or overdue by less than 30 days	16,285	17,179
Receivables overdue by more than 30 days	683	1,202
Receivables overdue by more than 60 days	454	1,684
Receivables overdue by more than 90 days	2,052	4,778
Total	**19,474**	**24,843**

With regard to the unimpaired receivables and loans originated by the enterprise, there is no evidence at the reporting date that the debtors will not meet their payment commitments. The trade receivables are all due within one year.

At the balance sheet date there were receivables amounting to EUR 128 thousand (previous year EUR 593 thousand), which were recognised in connection with customer-specific construction contracts applying the percentage of completion (POC) method. No advances received (previous year EUR 28 thousand) were offset against this balance.

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

Sensitivity of foreign currency receivables [in EUR '000]	Carrying amount	Exchange rate change	Effect on income statement
2012			
CAD	31	+/- 5 %	(1)/2
CHF	3	+/- 5 %	(0)/0
GBP	402	+/- 5 %	(19)/21
USD	4,760	+/- 5 %	(227)/251
Total	**5,196**		**(247)/274**
2011			
CAD	215	+/- 5 %	(10)/11
CHF	13	+/- 5 %	(1)/1
CNY	753	+/- 5 %	(36)/40
GBP	991	+/- 5 %	(47)/52
USD	5,252	+/- 5 %	(250)/276
Total	**7,224**		**(344)/380**

The portion of receivables covered by credit insurance at the balance sheet date was EUR 4,391 thousand (previous year EUR 5,684 thousand). As a result of the large number of customers and various customer groups as well as the international customer structure, the credit risk of accounts receivable is diversified.

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

Impairment developed as follows:

[in EUR '000]	2012	2011
At Jan 1	2,469	931
Additions due to first-time consolidation	0	0
Allocated	5,068	1,933
Used	(485)	(349)
Reversed	(95)	(57)
Exchange differences	(16)	10
From financial assets held for sale	(834)	
At Dec 31	**6,107**	**2,469**

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

[in EUR '000]	2012	2011
Expenses for the full derecognition of receivables	(1,261)	(963)
Income from the receipt of derecognised receivables	10	22
Total	**(1,251)**	**(941)**

The above-average write-downs on receivables compared with the previous year result mainly from non-payment by customers in Italy who were suffering from solvency problems.

Of the total receivables, EUR 1,615 thousand (previous year EUR 7,012 thousand) served as security for bank loans at the reporting date. Adequate impairment for losses on receivables has been applied on a case by case basis to cover identified risks.

8 Other current assets

The following table shows a breakdown of other current assets.

Other current assets

[in EUR '000]	2012	2011
Payments on account for inventories	303	1,126
Loans	846	661
Tax assets	1,401	2,112
Prepaid expenses	563	425
Receivables from factoring	0	632
Compensation/other credits	180	710
Receivables from investment subsidies	103	2,596
Other	1,213	2,030
Total	**4,609**	**10,292**

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

The receivables from investment subsidies largely concern the expansion of the production line at Wismar and should be received by the end of 2013.

9 Derivative financial instruments

The CENTROSOLAR Group has concluded various interest rate swaps. These constitute derivative financial instruments held for trading and are measured at fair value with an effect on earnings. Derivative financial instruments held for trading are classified as current assets or liabilities. The full fair value of a derivative hedging instrument is classified as non-current provided the maturity of the hedged instrument exceeds 12 months; it is otherwise classified as current.

The following table provides an overview of the derivative financial instruments recognised at December 31, 2012:

[in EUR '000]	Assets		Liabilities	
	2012	2011	2012	2011
Interest rate swap – held for trading	0	0	317	95
Total	**0**	**0**	**317**	**95**
Of which current portion	0	0	0	19

Derivative financial instruments yielded the following profit contributions:

Effects on profit of derivative financial instruments

[in EUR '000]	2012	2011
Interest rate swaps – held for trading	(243)	(137)
Total	**(243)**	**(137)**

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

10 Cash

Cash and cash equivalents totalled EUR 18,251 thousand at the reporting date (previous year EUR 25,896 thousand). This item comprised substantially credit balances in current and overnight accounts.

Of this amount, EUR 649 thousand (previous year EUR 387 thousand) is blocked by way of a security deposit for credit lines and is not freely available.

11 Discontinued operations and held-for-sale assets and debts

Based on various market observations and talks held with potential buyers the "Solarglass" operations , comprising the individual companies Centrosolar Glas GmbH & Co. KG, Centrosolar Glas Trading Co. Ltd., Centrosolar Glas Holding GmbH and Centrosolar Glas Verwaltung GmbH, meets the criteria for classification as assets held for sale in accordance with IFRS 5. The assets and liabilities were thus reclassified and remeasured accordingly in the financial year. The sale was concluded on 7 May 2013 (see Chapter E 3 Significant events after the balance sheet date).

The assets are composed as follows:

[in EUR '000]	2012	2011
Goodwill	3,790	0
Other intangible assets	177	0
Property, plant and equipment	9,586	0
Deferred tax assets	122	0
Inventories	3,860	0
Trade receivables	2,458	0
Other assets	2,064	0
Income tax receivable	35	0
Cash	79	0
Total	**22,171**	**0**

To reflect the anticipated sales proceeds for the solar glass operations no write-downs were necessary. The discontinued operation was evaluated in accordance with IAS 36 and IFRS5. The result was then validated according to the current information of the negotiations on the sale of the operations. No material costs of sales are expected.

There are the following liabilities in connection with these assets:

Liabilities

[in EUR '000]	2012	2011
Pension provisions	1,220	0
Other provisions	954	0
Financial debt	13,909	0
Deferred tax liabilities	54	0
Trade payables	4,319	0
Other liabilities	1,851	0
Income taxes payable	108	0
Total	**22,415**	**0**

Income of EUR 66 thousand from currency translation was recognised in equity.

In connection with the presentation of the held-for-sale debts, borrowings amounting to EUR 13,909 thousand are also to be recognised because they were raised by Centrosolar Glas GmbH & Co. KG without assumption of liability by the group parent.

The pension entitlements are equally to be treated in the context of the presentation of the held-for-sale debts, because these arise exclusively in respect of Centrosolar Glas, the disposal of which is planned. Employees' entitlements to defined benefit plans are based on direct contractual commitments and comprise the payment of retirement benefits which are payable upon reaching pensionable age. The level of the payments depends in essence on the number of years' service completed and the pensionable salary prior to the start of benefit payments.

The pension provisions stated on the balance sheet correspond to the present value of the share of retirement benefits earned at the balance sheet date, taking account of future increases (defined benefit obligation), after adjustment for accumulated, unrecognised actuarial gains and losses and unrecognised past service cost.

The pension provisions were calculated using the projected unit credit method pursuant to IAS 19, which also takes account of anticipated pay and retirement benefit increases. The extent of the provisions has been calculated using actuarial methods and the latest mortality tables (Heubeck 2005).

Significant actuarial assumptions

[in %]	2012	2011
Pensionable age (years)	63	63
Discount rate at Dec 31	3.6	4.9
Assumed salary increases	1.25	1.25
Assumed pension increases	1.25	1.25
Employee turnover	4.5	4.5

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

Retirement benefit payments

[in EUR '000]	2012	2011
Present value of non-fund-financed obligations	1,446	1,081
Unrecognised actuarial losses/gains	(226)	78
Pension provisions	**1,220**	**1,159**

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

Development in provisions

[in EUR '000]	2012	2011
At start of financial year	1,159	1,107
Total expense recognised in the income statement	81	67
Payments made	(20)	(15)
At end of the financial year	**1,220**	**1,159**

The amounts recognised in the income statement are as follows:

Pension cost

[in EUR '000]	2012	2011
Current service cost	28	26
Interest expense	52	50
Actuarial gains recognised in the current year	0	(9)
Total	**80**	**67**

The interest expense is shown under personnel expenses.

Experience adjustments to plan debts amounting to EUR 7 thousand (previous year EUR 1.5 thousand) arose in the 2012 financial year. The present value of the defined benefit obligation is the carrying amount.

Pension payments amounting to EUR 27 thousand are expected for 2013.

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

[in EUR '000]	2012	2011
At start of financial year	1,081	932
Expense for pension rights acquired in the financial year	28	26
Interest expense	52	50
Pension payments	(20)	(15)
Actuarial gains	305	88
Total	**1,446**	**1,081**

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

[in EUR '000]	2008	2009	2010	2011	2012
Present value of non-fund-financed obligations	702	797	932	1,081	1,446
Experience adjustments to plan debts	(0)	(0)	2	2	7
Adjustments due to changes in actuarial assumptions	(77)	39	76	86	298

12 Shareholders' equity

General

The capital stock of CENTROSOLAR Group AG amounted to EUR 20,351 thousand at the balance sheet date (previous year EUR 20,351 thousand). It is fully paid in. With additional paid-in capital of EUR 81,238 thousand (previous year EUR 81,238 thousand), other retained earnings of EUR -21,876 thousand (previous year EUR -5,580 thousand) and profit attributable to the shareholders of EUR -71,965 thousand (previous year EUR -16,813 thousand), the group had shareholders' equity of EUR 7,749 thousand at December 31, 2012 (previous year EUR 79,197 thousand). The additional paid-in capital consists exclusively of funds allocated to it as premium in connection with capital increases.

The group's capital management approach in particular pursues the objectives of safeguarding the company as a going concern and increasing the value of the company's equity in the long term, taking account of environmental aspects and the justified interests of the employees. To this end, it strives for an optimum capital structure, depending on the specific risks within the subsidiaries. This involves for instance the use of borrowed capital to finance assets and transactions with a low credit risk as well as only the selective granting of sureties by the group parent or subsidiaries for loans to other parts of the group. To that extent, no blanket criterion is applied in steering the group. On the one hand care is taken to ensure that liabilities are counterbalanced by corresponding assets (non-current and current assets). On the other hand it is ensured that the anticipated net cost of servicing liabilities is significantly lower than the anticipated profitability.

The increase in other retained earnings consists mainly of the scheduled allocations of EUR 381 thousand (previous year EUR 541 thousand) to the reserves for stock options for tranches already issued.

Appropriation of profit

According to German stock corporation regulations, the separate financial statements of the group parent CENTROSOLAR Group AG constitute the basis for the appropriation of profit for the 2012 financial year. A distributable dividend therefore depends, among other things, on the reporting of an accumulated profit by that company in the separate financial statements. The company reported no accumulated profit at December 31, 2012.

Treasury stock

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

Approved capital

The Management Board is, with the consent of the Supervisory Board, authorised to increase the capital stock on one or more occasions by up to EUR 10,166,654 by May 18, 2015 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital). The new shares shall fundamentally be offered to the shareholders for subscription (including by way of indirect subscription pursuant to Section 186 (5) first sentence of the German Stock Corporation Act). With the consent of the Supervisory Board the Management Board is, however, authorised to exclude the shareholders' statutory subscription right in the following instances:

- residual amounts;
- capital increases;
- convertible bonds and / or bonds with warrants, participation rights and/or income bonds;
- cash capital increases;
- of shares to employees of the Company.

Details are set out in the Articles of Association of the Company. The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of the effecting of capital increases from approved capital.

Conditional capital

The capital stock has been increased conditionally by EUR 303,000 (Conditional Capital I). The conditional capital increase is only effected to the extent that the bearers of the option certificates issued by the company pursuant to the authorisation of the Shareholders' Meeting of September 2, 2005 exercise their subscription right to ordinary bearer shares in the company (option right). The Conditional Capital I is divided into up to 303,000 no par value shares.

The capital stock is increased by EUR 850,282 for the purpose of issuing stock option rights to members of the company's Management Board, selected employees and managers of the company, as well as to members of the management and selected employees and managers of affiliated companies pursuant to Section 15 of the German Stock Corporation Act (Conditional Capital II). The conditional capital increase is only effected to the extent that the bearers of stock options issued by the company pursuant to the authorisations of the Shareholders' Meetings of March 6, 2006 and August 28, 2006 exercise their right to subscribe to ordinary bearer shares in the company (option right). The Conditional Capital II is divided into up to 850,282 no par value shares.

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

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

Furthermore, the Extraordinary General Meeting of the Company dated 22 May 2013 decided:

a) The Company's share capital of EUR 20,351,433.00, divided into 20,351,433 no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 is simplified by way of cancellation of shares pursuant to § 237 paragraph 1 sentence 1 2nd alternative reduced in conjunction with § 237 para 3 No 1 AktG by EUR 8.00 to EUR 20,351,425.00. The reduction is due to recovery of 8 shares of which the issue price is fully paid, and which were provided to the Company by a shareholder without charge. The capital reduction serves no other purpose than to allow for a smooth consolidation ratio of the following intended simplified capital reduction to offset impairments and to cover other losses.

   The share capital of the Company, which after execution and registration of the capital reduction by cancellation of aforementioned shares is EUR 20,351,425.00 and is divided into 20,351,425 no-par-value bearer shares with a pro rata amount of the share capital of EUR 1.00, is reduced in a simplified form to the provisions of § § 229 ff in conjunction with § § 222 et seq in the ratio 25:1 by EUR 19,537,368.00 to EUR 814,057.00. The purpose of the share capital reduction is the compensation of impairments and to cover other losses. Since the individual share accounts of the reduced capital stock would fall below the minimum amount according to § 8 paragraph 3 AktG, the reduction is made in accordance with § 229 paragraph 3 in conjunction with § 222 paragraph 4 sentence 2 AktG, by merging the shares in the ratio 25:1. The details of the implementation of the decision is specified by the Management Board with the approval of the Supervisory Board. The currently authorized capital and the Contingent Capital of the Company (see above) remain unchanged. However, the Management Board and the Supervisory Board undertake to exercise the authorization for use of authorized and Contingent Capital only up to an amount that does not exceed 50% of the existing share capital of the Company at the time of utilization of the respective authorization.

b) The Company's share capital will be increased by EUR 5,500,000.00 to EUR 6,314,057.00 by issuing 5,500,000 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 each. The capital increase will be executed against a contribution in kind. The statutory subscription right of shareholders is excluded. To subscribe for the new shares Bankhaus MM Warburg & CO Kommanditgesellschaft auf Aktien with headquarters in Hamburg, was given approval to offer holders the Company's new shares of the 7.0% bond 2011/2016 to the total amount of EUR 50,000,000.00 (ISIN: DE000A1E85T 1, WKN A1E85T) divided into 50,000 bonds of EUR 1,000 for purchase. The holders of the Bonds have the right to obtain a total of 110 new shares in the Company for each of them exchanged in a proportionate right with a nominal value of EUR 1,000. As far as bond holders do not exercise their purchase right in full or partly, the Clearing House will, for the purpose of paying a cash settlement to those bondholders entitled, sell the shares in accordance with the decision of the creditors' meeting. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and their respective implementation.

c) The Company's share capital is increased by EUR 760,000.00 to EUR 7,074,057.00 through the issue of 760,000 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 each. The capital increase will be executed against a contribution in kind. The statutory subscription right of shareholders is excluded. To subscribe for the New Shares, the BO Bright Ocean BV, based in Rotterdam, The Netherlands, is approved. As contributions in kind, the BO Bright Ocean B.V. transferred in full to the Company all of their claims against the company amounting to nominal value of EUR 9.5 million plus accrued and unpaid as well as future interest from the company from PREPS 2007-1 plc based in Dublin and granted (by PREPS 2007-1) on the BO Bright Ocean B.V. transferred subordinated loan of 11 January 2007. BO Bright Ocean B.V. receives 760,000 new shares of the Company in return for the contribution of subordinated claims. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase pursuant to Item 5.1 and their respective execution.

d) The share capital of the Company is increased against cash contributions of up to EUR 5,000,000.00 by issuing up to 5,000,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company in the amount of EUR 1.00 per share. The new shares are entitled to share in profits from 1 January 2013. The issue price of new shares is EUR 1.00 per share, the total issue amount representing up to EUR 5,000,000.00. To subscribe for the new shares Bankhaus MM Warburg & CO Kommanditgesellschaft auf Aktien with headquarters in Hamburg, has assumed the obligation

- offer the new shares to existing shareholders at a subscription price to be determined by the Board with the approval of the Supervisory Board, which must be at least equal to the issue price for cash for the shareholders (indirect subscription right), with a possible peak value from the subscription right of shareholders ruled out, and
- transfer any possible surplus proceeds from the issue of shares within the framework of the subscription offer to the Company – less a reasonable commission, costs and expenses.

The Management Board is authorized to grant more subscription rights and not subscribed under the terms of the offer or additional subscription through placed shares by private placement and/or public offer to achieve the best, but at least the subscription price, directly or through a financial institution or other intermediary. The Board determines the time period, which must be at least two weeks. The decision to increase the share capital is ineffective, if not within six months after the date of this Annual General Meeting or, unless legal challenges are brought against the Annual General Meeting within six months after the relevant proceedings were terminated legally or, if a release decision is issued in accordance with § 246a AktG, within six months after this decision, the capital increase was carried out. An implementation of the capital increase after the aforementioned period is not permitted. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, particularly the further conditions for the issue of new shares and the subscription price payable. The fixing of the subscription price per share is made by the Board with the approval of the Supervisory Board, taking into account the current market situation and a risk discount.

Stock option schemes

CENTROSOLAR uses share-based payment transactions counterbalanced by equity instruments. The share-based payment agreements are based on corresponding resolutions by Shareholders' Meetings. Pursuant to these, at the reporting date of December 31, 2012 there existed conditional capital (Conditional Capital I, II and III) of a total amount of EUR 2,015,206 (previous year EUR 2,015,206), of which the amount of EUR 1,302,072 (previous year EUR 1,176,822) had been earmarked for options outstanding at the reporting date. The Management Board was authorised to issue stock options for subscription to new bearer shares in the company until December 31, 2012 (on one or more occasions); the Supervisory Board decides on their granting to Management Board members. Employees, managing directors and Management Board members of the consolidated companies and of their affiliated companies pursuant to Section 17 of the German Stock Corporation Act are entitled to subscribe, on the basis of individual stock option agreements.

The granting of the stock options is linked to the fulfilment of individual performance targets. Employees, managing directors and Management Board members must achieve individually agreed targets. Attainment of targets leads to the granting of the stock options. For the tranches for the years 2005 to 2010, the vesting period until the earliest possible time the options may be exercised is two years from the date of issue of the option. This simultaneously necessitates a two-year period of service, so that the option does not lapse. The maximum term of the options is seven years from the time of their granting. The 2011 tranche may be exercised after four years at the earliest. The maximum term in this case is eight years.

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

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

Stock options based on Conditional Capital I and Conditional Capital II were issued to members of the Management Board of CENTROSOLAR Group AG, to management bodies of the group companies and to employees of the group.

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

Total options	2012		2011	
	Options	Avg. exercise price	Options	Avg. exercise price
Start of year	1,176,822	5.08	1,169,307	5.07
Granted	290,500	1.00	169,597	3.80
Forfeited	77,500	1.00	133,327	3.80
Exercised	0	n.a.	18,124	2.00
Expired	87,750	8.41	10,631	4.64
End of year	1,302,072	4.19	1,176,822	5.08
– of which exercisable	156,193	2.00	156,193	2.00

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

Granting of stock options	Exercise price	Share price on date of issue	Date of issue	Date of expiry	Outstanding end 2012	Outstanding end 2011
Granted 2005	9.50	n.a.	26/09/2005	25/09/2012	0	75,750
Granted 2006	8.40	11.75	20/12/2006	19/12/2013	84,173	84,173
Granted 2007	8.00	9.15	29/11/2007	28/11/2014	204,283	204,283
Granted 2009	2.00	2.17	31/03/2009	30/03/2016	156,193	156,193
Granted 2010 (1)	3.60	3.90	01/02/2010	31/01/2017	262,000	262,000
Granted 2010 (2)	4.20	4.90	01/12/2010	30/11/2017	130,063	130,903
Granted 2010 (3)	4.30	4.98	20/12/2010	19/12/2017	227,250	227,250
Granted 2011	3.80	4.08	20/06/2011	19/06/2019	35,110	36,270
Granted 2012	1.00	0.67	24/05/2012	24/05/2020	203,000	0
Total					**1,302,072**	**1,176,822**

Notes

The weighted average fair value of the options issued in the 2012 financial year is EUR 0.29 (previous year EUR 1.86) per option. The options were measured with the aid of a binominal model. The option rules in essence envisage that the options are exercised upon attainment of a minimum profit of 30 %. The model moreover took the parameters described below as the basis:

The date of issue of the 2012 tranche was May 24, 2012. The exercise price is EUR 1.00, and the share price on the date of issue EUR 0.67. No dividend is expected. The risk-free interest rate is 1.39 % and is based on risk-free investment alternatives in Germany (Federal government securities) of a comparable term. The normalised volatility of CENTROSOLAR shares was determined using the historical daily volatility since listing as a public company, adjusted for the effects of the financial crisis. The normalised volatility for this tranche was determined as 53.61 %. The fair value per option in this case is EUR 0.29.

When determining the underlying option totals, levels of target attainment and fluctuation rates among option holders were moreover taken into account; the option total will be adjusted accordingly if changes in the estimates occur during the vesting period for the options. As the consideration received is in essence not considered for purposes of recognition as assets, it is recognised overall as an expense. A personnel expense amounting to EUR 381 thousand arose in the 2012 financial year from the stock options schemes described here (previous year: EUR 541 thousand). The options scheme in place since 2011 envisages the following split for the options issued: to the Management Board 50 %, managing directors of subsidiaries 35 %, and employees of the company and of subsidiaries 15 %.

13 Other provisions

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

[in EUR '000]	01/01/2012	Added	Used	Compounding	Reversed	From debts held for sale	31/12/2012
Warranty obligations	3,025	156	(260)	52	(768)	(742)	1,464
Miscellaneous provisions	738	275	(404)	2	(51)	(97)	463
Total	**3,763**	**431**	**(664)**	**54**	**(818)**	**(839)**	**1,927**

Of the total other provisions, EUR 282 thousand (previous year EUR 973 thousand) have less than one year to maturity, EUR 1,427 thousand (previous year EUR 2,710 thousand) between 1 and 5 years to maturity and EUR 219 thousand (previous year EUR 80 thousand) more than 5 years to maturity. The miscellaneous provisions mainly comprise provisions for impending losses amounting to EUR 41 thousand (previous year EUR 59 thousand), provisions for severance payments totalling EUR 282 thousand (previous year EUR 231 thousand) and for legal disputes amounting to EUR 140 thousand (previous year EUR 448 thousand).

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

14 Financial debt

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

Financial debt [in EUR '000]	Original principal amount or credit line	Outstanding amount at Dec. 31, 2012	Outstanding amount at Dec. 31, 2011	Interest rate	Exit date
General credit facilities	20,303*	14,831	2,261	1.3 – 4.6 %	2014
Bank loans	21,029	14,462	22,735	4.2 – 6.6 %	2012 – 2018
Other loans	62,472	60,973	63,607	6.0 – 7.8 %	2012 – 2016
Finance leases	13,747	4,476	6,108	not applicable	2012 – 2018
Total	**117,551**	**94,743**	**94,711**		

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

Financial debt maturities schedule [in EUR '000]	Outstanding amount at Dec. 31, 2012	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
General credit facilities	14,831	14,831	0	0
Bank loans	14,462	2,654	9,955	1,853
Other loans	60,973	2,687	58,286	0
Finance leases	4,476	1,559	2,913	4
Total	**94,743**	**21,731**	**71,154**	**1,858**
	Outstanding amount at Dec. 31, 2011			
General credit facilities	2,261	2,261	0	0
Bank loans	22,735	4,208	14,221	4,307
Other loans	63,607	2,683	60,924	0
Finance leases	6,108	1,673	4,393	42
Total	**94,711**	**10,825**	**79,537**	**4,349**

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

In the case of the other loans, the fixed interest rates in the individual loan agreements expire at various times between 2013 and 2018, with the result that this constitutes risk diversification.

Of the general credit facilities, there is a credit line for EUR 20,000 thousand (previous year EUR 35,000 thousand) for Centrosolar AG.

In the 2007 financial year the company raised a Mezzanine loan for a nominal amount of EUR 9,500,000 under the PREPS scheme. These PREPS funds are granted as participatory rights for 7 years with no regular capital repayments, and attract ongoing interest at 7.8 % p.a. In the event of net income (consolidated or reported in the separate balance sheet of CENTROSOLAR Group AG and after elimination of adjustment items) of more than EUR 15 million, a profit share in the form of an interest supplement of 1.0 % is payable for that financial year, and a profit share in the form of an interest supplement of 2.0 % for a financial year in which net income exceeds EUR 20 million. The profit-sharing was approved by the Shareholders' Meeting of CENTROSOLAR Group AG on May 23, 2007. Prior to its approval, the funds were granted in the form of a subordinated loan bearing non-profit-dependent interest surcharge of 1.0 % p.a. The loan will be repaid in a single lump sum on March 4, 2014. Withholding tax was retained on the interest payments to PREPS on the basis of the participatory rights agreement.

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

The following table indicates the total level of securities furnished:

Security for liabilities to credit institutions [in EUR '000]	2012	2011
Fixed assets	25,784	33,301
Inventories	16,801	21,027
Receivables	1,615	7,012
Total	**44,200**	**61,340**

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

There existed 38 finance lease agreements (previous year 42) pursuant to IAS 17 (Finance Leases) at the balance sheet date. The technical equipment and machinery was classified as a finance lease as the equipment in question comprises special machinery of only minimal second-hand value and the term of the lease covers a large part of the customary useful life. Various hire purchase contracts were in addition concluded. In the vehicles category, there is a residual value agreement with an option to buy.

The following tables show the finance lease obligations with corresponding discounted and nominal leasing instalments including the interest component, broken down according to the term and category of the leased articles.

Finance leases (present value) [in EUR '000]	Total	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
2012	**4,476**	1,559	2,913	4
2011	**6,108**	1,673	4,393	42

Finance leases (nominal) [in EUR '000]	Total	Of which maturity < 1 year	Of which maturity > 1 < 5 years	Of which maturity > 5 years
2012				
Technical equipment and machinery	**4,917**	1,800	3,112	5
Other plant and equipment	**9**	8	1	0
Nominal value	**4,926**	**1,808**	**3,113**	**5**
Of which interest portion	**450**	249	200	1
Present value	**4,476**	**1,559**	**2,913**	**4**
2011				
Technical equipment and machinery	**6,881**	2,014	4,824	43
Vehicles	**20**	12	9	0
Nominal value	**6,901**	**2,026**	**4,833**	**43**
Of which interest portion	**794**	353	440	1
Present value	**6,108**	**1,673**	**4,393**	**42**

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

Analysis by maturity for financial debt [in EUR '000]	Carrying amount 31/12/2012	2013 Interest	2013 Principal	2014 Interest	2014 Principal	2015 to 2018 Interest	2015 to 2018 Principal
General credit facilities*	14,831	583	14,831	0	0	0	0
Bank loans	14,462	604	2,762	481	2,606	793	9,253
Other loans	60,973	4,321	2,687	3,871	9,500	5,250	50,000
Finance leases	4,476	249	1,559	140	1,609	61	1,308
Other non-interest-bearing liabilities	2,759	0	2,755	0	0	0	4
Trade payables	6,950	0	6,950	0	0	0	0
Derivative financial liabilities	317	0	0	0	0	317	0
Total	**104,768**	**5,757**	**31,544**	**4,492**	**13,715**	**6,421**	**60,565**

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

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

15 Trade payables

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

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

Sensitivity of foreign currency liabilities [in EUR '000]	Carrying amount	Exchange rate change	Effect on income statement
2012			
CAD	35	+/- 5 %	2/(2)
CHF	28	+/- 5 %	1/(1)
GBP	287	+/- 5 %	14/(15)
USD	3,287	+/- 5 %	157/(173)
Total	**3,637**		**174/(191)**
2011			
CAD	125	+/- 5 %	6/(7)
CHF	48	+/- 5 %	2/(3)
CNY	578	+/- 5 %	28/(30)
GBP	26	+/- 5 %	1/(1)
USD	2,119	+/- 5 %	101/(112)
Total	**2,896**		**138/(153)**

At the balance sheet date there were liabilities amounting to EUR 415 thousand (previous year EUR 0 thousand), which were recognised in connection with customer-specific construction contracts applying the percentage of completion (POC) method. EUR 645 thousand (previous year EUR 0 thousand) in advances received was offset against this balance.

16 Deferred tax liabilities

The deferred tax liabilities pursuant to IAS 12 are calculated on the difference between the measurements of assets and liabilities in the IFRS balance sheet and the tax balance sheet. The net values represent the total of the anticipated netted values of deferred tax assets and liabilities of a group company in respect of a taxation authority. They were measured at tax rates of between 8.5 % and 34 %.

Deferred tax liabilities [in EUR '000]	2012	2011
Measurement difference for intangible assets	1,933	3,314
Deferred tax on intangible assets	625	1,051
Measurement difference for property, plant and equipment	402	914
Deferred tax on property, plant and equipment	130	290
Measurement difference for inventories	593	658
Deferred tax on inventories	191	210
Measurement difference for trade receivables	233	115
Deferred tax on trade receivables	75	37
Measurement difference for other assets	19	590
Deferred tax on other assets	6	194
Measurement difference for other provisions	6	9
Deferred tax on other provisions	2	3
Measurement difference for financial debt	1,568	1,576
Deferred tax on financial debt	517	520
Measurement difference for trade payables	87	26
Deferred tax on trade payables	28	8
Measurement difference for other liabilities	30	0
Deferred tax on other liabilities	10	0
Total deferred tax (gross)	**1,585**	**2,312**

Deferred tax liabilities

[in EUR '000]	Gross		Net	
	2012	2011	2012	2011
Reversal expected within 12 months	445	534	305	243
Reversal expected after 12 months at the earliest	1,139	1,779	545	671
Total	**1,585**	**2,312**	**850**	**914**

No deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to EUR 572 thousand (previous year EUR 577 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

17 Other liabilities

The following table shows the individual components of other liabilities.

Other non-current liabilities

[in EUR '000]	2012	2011
Miscellaneous liabilities	4	6
Total non-current	**4**	**6**
– of which more than 5 years	**0**	**0**

Other current liabilities

[in EUR '000]	2012	2011
Vacation and overtime	760	975
Outstanding invoices	2,351	2,727
Outstanding interest	3,806	3,650
Employee remuneration	1,098	1,660
Bonus payments to customers	224	546
Taxation and social premiums	1,468	4,648
Payments on account	2,615	3,748
Prepaid expenses	4,883	4,215
Miscellaneous liabilities	269	353
Total current	**17,474**	**22,522**

The prepaid expenses include a deferred item for investment grants for the expansion of production operations at Wismar amounting to EUR 3,763 thousand (previous year 4,182 thousand).

This item also includes the deferral to be formed for the first time in 2012 for the customer loyalty programme: 300,649 bonus points were to be measured at December 31, 2012. The obligations resulting from these were recognised at EUR 37 thousand (previous year: EUR 0 thousand).

18 Revenue

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

Revenues amounting to EUR 48 thousand (previous year EUR 599 thousand) were realised in connection with customer-specific construction contracts applying the percentage of completion (POC) method. The revenues were determined according to the zero profit method. No margins were thus recorded.

19 Cost of purchased materials and services

Cost of purchased materials

[in EUR '000]	2012	2011
Cost of purchased materials	143,460	214,188
Cost of purchased services	5,025	7,552
Supplier discounts	(108)	(949)
Reclasses to held for sale	0	(31,412)
Total	**148,377**	**189,379**

20 Other operating income

The breakdown of other operating income is as follows:

Other operating income

[in EUR '000]	2012	2011
Costs passed on, cost refunds	1,148	1,907
Compensation/guarantees	3,354	2,173
Government grants	553	585
Reversal of provisions	818	171
Foreign currency gains	542	2,379
Reversal of impairment/income from receivables written off	106	140
Other	771	1,463
Reclasses to held for sale	0	(2,006)
Total	**7,292**	**6,812**

The government grants include investment allowances as part of EU regional aid at the Wismar location. Government grants for costs are recognised over the period in which the corresponding costs which they are intended to cover arise.

Investment allowances are reported under other liabilities. They are liquidated through profit and loss on a straight-line basis over the anticipated useful life of the assets in question.

Of the miscellaneous other income, EUR 227 thousand (previous year EUR 378 thousand) is not related to the accounting period and comprises mainly bonus and cost reimbursements from the previous year.

21 Personnel costs and employee total

Personnel expenses

[in EUR '000]	2012	2011
Wages and salaries	28,759	34,548
Share-based payment	381	541
Social insurance	2,829	3,490
Pension cost – defined contribution plans	2,430	2,937
Pension cost – defined benefit plans	0	67
Reclasses to held for sale	0	(8,755)
Total	**34,399**	**32,828**

The wages and salaries include expenses for severance pay in connection with the termination of employment amounting to EUR 415 thousand (previous year EUR 231 thousand).

Employee total	2012		2011	
	Average	At reporting date	Average	At reporting date
Full time equivalents (FTE)	1,023	915	1,100	1,026
From financial assets held for sale	262	199	312	286
Individuals	1,027	947	1,121	1,043
From financial assets held for sale	264	201	315	288
Of which employed at companies included pro rata:				
FTE	12	12	12	11
Individuals	14	16	14	12

At the reporting date there were 136 FTE on short-time (previous year 0 FTE).

At the reporting date, the employee totals quoted for the continuing operations include 28 FTE (previous year 45 FTE) who are employed on a temporary basis by the group. The average for the year was 64 FTE (previous year 74 FTE). The corresponding expenses are reported under other operating expenses.

22 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

[in EUR '000]	2012	2011
Outward freight/external warehouses	4,786	6,613
Promotional and representation costs	3,468	4,545
Maintenance costs	737	2,318
Legal and consultancy costs	4,504	4,286
Energy	696	4,416
Travel expenses and fleet	3,210	3,467
Sales commissions	644	850
Insurance	359	468
Waste disposal	142	212
Rent for buildings	2,643	2,594
Operating leasing/other rent	172	653
IT expenses and communication	2,043	2,225
Outside and temporary workers	3,129	6,754
Other personnel expenses	653	832
Patent protection	109	440
Warranty	540	2,604
Other taxes	185	175
Losses from the disposal of assets	86	104
Exchange rate losses	781	1,618
Allocation to impairment and write-down of receivables	6,330	3,011
Other	2,839	2,828
Reclasses to held for sale	0	(15,525)
Total	**38,056**	**35,488**

Of the miscellaneous other expenses, EUR 306 thousand (previous year EUR 167 thousand) is not related to the accounting period.

By way of explanatory notes on the expenses for impairment and write-down of receivables, we refer to the remarks on trade receivables.

The income statement includes research costs, as well as development costs (continuing operations only) that do not satisfy the criteria for capitalisation pursuant to IAS 38.57, amounting to EUR 3,691 thousand (previous year EUR 1,402 thousand).

This comprises EUR 2,210 thousand (previous year EUR 540 thousand) for personnel expenses, EUR 70 thousand (previous year EUR 99 thousand) for cost of purchased materials, EUR 316 thousand (previous year EUR 87 thousand) for depreciation and amortisation, and EUR 1,094 thousand (EUR 676 thousand) for other operating expenses.

The following table shows the non-capitalised operating lease obligations (operational leasing) at the reporting date, with the corresponding lease instalments broken down by maturity and minimum remaining period, as well as by category of the leased articles. The present value of the operating lease obligations is EUR 4,411 thousand (previous year EUR 6,230 thousand).

Operational leasing [in EUR '000]	Total	Term to maturity < 1 year	Term to maturity > 1 < 5 years	Term to maturity > 5 years
2012				
Property	**2,260**	987	1,271	2
Vehicles	**1,139**	568	571	0
Technical equipment and machinery	**430**	176	251	3
Other equipment	**907**	581	326	0
Total	**4,736**	**2,312**	**2,419**	**5**
2011				
Property	**3,320**	1,290	2,009	21
Vehicles	**1,222**	588	634	0
Technical equipment and machinery	**993**	539	451	3
Other equipment	**1,422**	721	701	0
Total	**6,957**	**3,138**	**3,795**	**24**

23 Interest income and expenses

Interest income and expense is broken down as follows:

Financial result [in EUR '000]	2012	2011
Interest income	387	564
Interest expense for bank loans and overdraft facilities	(769)	(1,357)
Interest expense for other loans	(4,419)	(4,211)
Other interest expense	(1,643)	(2,195)
Reclasses to held for sale	0	874
Total	**(6,444)**	**(6,325)**

The interest result includes expenses of EUR 462 thousand (previous year EUR 581) due to discounting.

24 Income tax

Income tax is composed as follows:

Income tax [in EUR '000]	2012	2011
Income tax expense for the current financial year	226	(238)
Deferred tax on temporary differences	241	116
Deferred tax on loss carryforwards	1,562	3,700
Reclasses to held for sale	0	258
Total	**2,029**	**3,836**

The actual tax expense includes income unrelated to the accounting period of EUR 321 thousand (previous year EUR 426 thousand).

The relationship between actual tax expense and anticipated tax expense is as follows:

Reconciliation of actual tax expense with anticipated tax expense [in EUR '000]	2012	2011
Result before income taxes	(73,994)	(20,390)
Anticipated tax income/expense 32.0% (previous year: 32.0 %)	23,678	6,525
Difference due to variation in tax rates	**(1,063)**	**223**
Tax effect from the result for the discontinued operations	(2,804)	0
Tax effect from non-deductible expenses	(11,063)	(587)
Tax effect from non-taxable income	681	332
Tax effect from unrecognised deferred tax on loss carryforwards	(7,055)	(3,247)
Tax effect from change in recognition of deferred tax on loss carryforwards	(1,870)	(94)
Adjustments from previous financial years	302	426
Reclasses to held for sale	0	258
Total	**2,029**	**3.836**

The effects from non-deductible expenses include the effects from the goodwill write-downs.

Notes

The tax rate is composed of:

	2012	2011
Corporation tax incl. solidarity surcharge	15.83 %	15.83 %
Trade tax	16.17 %	16.17 %
Total	**32.0 %**	**32.0 %**

25 Result for discontinued operations

The result for the discontinued "Solar Glass" operations is made up as follows:

[in EUR '000]	2012	2011
Revenue	38,549	58,073
Cost of purchased materials and changes in inventories	(22,061)	(29,260)
Other income	878	2,148
Personnel expenses	(8,811)	(8,755)
Other expenses	(13,690)	(15,525)
Depreciation and amortisation	(3,448)	(3,303)
Interest income and expenses	(835)	(874)
Other losses from investments	0	(10)
Income tax expense from discontinued operations	656	(258)
Total	**(8,762)**	**2,235**

26 Earnings per share

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

Earnings per share	2012	2011
Consolidated net income/net loss in EUR '000	-71,965	-16,813
of which from discontinued operations	-8,762	2,235
Weighted average ordinary shares issued, '000	20,351	20,344
Basic earnings per share in EUR	-3.54	-0.83
of which from continuing operations	-3.11	-0.94
of which from discontinued operations	-0.43	0.11

The diluted figure includes potential shares from stock options in the number of shares to be taken into account, over and above the number of shares in the basic figure. The diluted earnings per share are based on the assumption that all stock options issued through stock option schemes that could be exercised if the balance sheet date were the end of the contingency period have actually been exercised. The dilutive effect is calculated on the assumption that the issue of shares on the basis of potential exercise of options is made at fair value, being the average quoted price of the shares during the financial year in question. The exercise price for the options, which is increased by the expense already recognised as personnel costs pursuant to IFRS 2, is deducted from this. The relationship between fair value and exercise price produces the dilutive effect. The number of options issued, weighted with the dilutive effect, is treated as an issue of ordinary shares for no consideration. Such ordinary shares generate no proceeds and have no effect on the net profit attributable to ordinary shares outstanding. Therefore such shares are dilutive and they are added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

Stock option tranches	Conditional capital No.	Date of issue	Date of expiry	Outstanding end 2012	Outstanding end 2011
2005 tranche	1	26/09/2005	25/09/2012	0	75,750
2006 tranche	2	20/12/2006	19/12/2013	84,173	84,173
2007 tranche	2	29/11/2007	28/11/2014	204,283	204,283
2009 tranche	2	31/03/2009	30/03/2016	156,193	156,193
2010 (1) tranche	2	01/02/2010	31/01/2017	262,000	262,000
2010 (2) tranche	2	01/12/2010	30/11/2017	130,063	130,903
2010 (3) tranche	1	20/12/2010	19/12/2017	227,250	227,250
2011 tranche	3	20/06/2011	19/06/2019	35,110	36,270
2012 tranche	3	24/05/2012	24/05/2020	203,000	0
Total				**1,302,072**	**1,176,822**

Diluted earnings per share	2012	2011
Consolidated net income/net loss in EUR '000	-71,965	-16,813
of which from discontinued operations	-8,762	2,235
Weighted average ordinary shares issued, '000	20,351	20,344
Assumed creation of new dilutive shares from stock options granted (weighted average)	0	41
Weighted average diluted ordinary shares issued, '000	20,351	20,385
Diluted earnings per share in EUR	-3.54	-0.82
of which from continuing operations	-3.11	-0.93
of which from discontinued operations	-0.43	0.11

27 Segment reporting

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

The activities of the "Solar Integrated Systems" area encompass the activities of Centrosolar AG including its sales subsidiaries in other European countries, Centrosolar America and Canada, and Centrosolar Schweiz AG. The solar module production lines operated by Centrosolar Sonnenstromfabrik GmbH have likewise been allocated to this segment. The solar modules constitute the central technical component of a photovoltaic system and are also easily the most important component of the system in terms of value.

An integrated solar system also includes mounting systems. This area, together with the production and sale of glass covers, comprises the "Solar Key Components" segment.

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

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

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

The figures for revenue by country were drawn up largely on the basis of the country in the invoiced customer is based.

The depreciation and amortisation for the segments represents the loss of value by the segments' assets, and the investments the additions to the fixed assets for the segments.

Solar Integrated Systems

P&L Key Figures	31/12/2012 EUR '000	% of revenue	31/12/2011 EUR '000	% of revenue
Revenue total	**167,406**	**100.0**	**216,367**	**100.0**
Revenue from third parties	167,320	99.9	216,366	100.0
Revenue from other segments	86	0.1	1	0.0
Gross profit	**36,472**	**21.8**	**43,626**	**20.2**
Personnel expenses	(30,358)	-18.1	(28,287)	-13.1
Other income and expenses	(26,624)	-15.9	(21,140)	-9.8
EBITDA	**(20,510)**	**-12.3**	**(5,800)**	**-2.7**
Operative depreciation	(5,160)	-3.1	(3,953)	-1.8
EBIT operative	**(25,670)**	**-15.3**	**(9,754)**	**-4.5**
Non-operative depreciation	(33,766)	-20.2	(1,639)	-0.8
EBIT	**(59,436)**	**-35.5**	**(11,393)**	**-5.3**

Revenue by regions

Revenue from third parties	**167,320**	**100.0**	**216,366**	**100.0**
Germany	48,428	28.9	88,816	41.0
Rest of Europe	100,037	59.8	112,338	52.0
Rest of World	18,855	11.3	15,211	7.0

Balance sheet key figures		In Revenue-days		In Revenue-days
Net operating working capital	**29,760**	**48.0**	**41,418**	**68.9**
Inventories	20,462		29,912	
Stock payments on account/Received in advance	(2,536)		(3,074)	
Trade account receivable	18,269		20,018	
Trade account payable	(6,435)		(5,438)	
Financial assets	**2,354**		**8,572**	
Tangible and intangible assets	**49,726**		**84,968**	
Operative	35,797		38,284	
Capitalized according to IFRS 3 and goodwill	13,929		46,684	

Investments

Total	**2,705**		**17,044**	
In tangible and intangible assets	2,681		17,044	
In financial assets	24		0	

Solar Key Components				Consolidation		Total Group			
31/12/2012		31/12/2011		31/12/2012	31/12/2011	31/12/2012		31/12/2011	
EUR '000	% of revenue	EUR '000	% of revenue	EUR '000	EUR '000	EUR '000	% of revenue	EUR '000	% of revenue
22,564	**100.0**	**19,437**	**100.0**	**(1,028)**	**(1,099)**	**188,942**	**100.0**	**234,705**	**100.0**
21,622	95.8	18,339	94.4	0	0	188,942	100.0	234,705	100.0
942	4.2	1,098	5.6	(1,028)	(1,099)	0	0.0	0	0.0
8,863	**39.3**	**6,879**	**35.4**	**153**	**(49)**	**45,488**	**24.1**	**50,456**	**21.5**
(4,041)	-17.9	(4,541)	-23.4	0	0	(34,399)	-18.2	(32,828)	-14.0
(5,148)	-22.8	(6,276)	-32.3	1,305	(615)	(30,467)	-16.1	(28,031)	-11.9
(326)	**-1.4**	**(3,939)**	**-20.3**	**1,458**	**(664)**	**(19,378)**	**-10.3**	**(10,403)**	**-4.4**
(509)	-2.3	(576)	-3.0	0	0	(5,669)	-3.0	(4,530)	-1.9
(835)	**-3.7**	**(4,515)**	**-23.2**	**1,458**	**(664)**	**(25,047)**	**-13.3**	**(14,933)**	**-6.4**
0	0.0	0	0.0	25	0	(33,741)	-17.9	(1,639)	-0.7
(835)	**-3.7**	**(4,515)**	**-23.2**	**1,483**	**(664)**	**(58,788)**	**-31.1**	**(16,572)**	**-7.1**

21,622	**100.0**	**18,339**	**100.0**	**0**	**0**	**188,942**	**100.0**	**234,705**	**100.0**
5,704	26.4	7,408	40.4	0	0	54,132	28.6	96,225	41.0
14,817	68.5	10,743	58.6	0	0	114,854	60.8	123,081	52.4
1,101	5.1	188	1.0	0	0	19,956	10.6	15,399	6.6

	In Revenue-days		In Revenue-days				In Revenue-days		In Revenue-days
6,551	**78.4**	**13,504**	**56.5**	**(147)**	**(219)**	**36,164**	**51.7**	**54,703**	**67.3**
4,952		13,223		(65)	(219)	25,350		42,916	
225		452		0	0	(2,312)		(2,622)	
2,039		5,317		(232)	(118)	20,076		25,216	
(665)		(5,488)		150	118	(6,950)		(10,807)	
0		**0**		**(2,062)**	**(7,592)**	**291**		**981**	
4,288		**18,804**		**0**	**100**	**54,014**		**103,872**	
4,288		14,981		0	0	40,085		53,265	
0		3,823		0	100	13,929		50,607	

328		**2,558**		**0**	**0**	**3,033**		**19,602**	
328		2,558		0	0	3,009		19,602	
0		0		0	0	24		0	

Reconciliation to Results for the Group	Sum of the Segments		Consolidation		Total Group	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
P&L Key Figures	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Revenue total	**189,970**	**235,804**	**(1,028)**	**(1,099)**	**188,942**	**234,705**
Revenue from third parties	188,942	234,705	0	0	188,942	234,705
Revenue from other segments	1,028	1,100	(1,028)	(1,099)	0	0
Gross profit	**45,334**	**50,505**	**153**	**(49)**	**45,488**	**50,456**
Personnel expenses	(34,399)	(32,828)	0	0	(34,399)	(32,828)
Other income and expenses	(31,772)	(27,416)	1,305	(615)	(30,467)	(28,031)
EBITDA	**(20,837)**	**(9,739)**	**1,458**	**(664)**	**(19,378)**	**(10,403)**
Operative depreciation	(5,669)	(4,530)	0	0	(5,669)	(4,530)
EBIT operative	**(26,506)**	**(14,269)**	**1,458**	**(664)**	**(25,047)**	**(14,933)**
Non-operative depreciation	(33,766)	(1,639)	25	0	(33,741)	(1,639)
EBIT	**(60,271)**	**(15,908)**	**1,483**	**(664)**	**(58,788)**	**(16,572)**
Balance sheet key figures						
Net operating working capital	**36,311**	**54,922**	**(147)**	**(219)**	**36,164**	**54,703**
Inventories	25,414	43,135	(65)	(219)	25,350	42,916
Stock payments on account/Received in advance	(2,312)	(2,622)	0	0	(2,312)	(2,622)
Trade account receivable	20,308	25,334	(232)	(118)	20,076	25,216
Trade account payable	(7,100)	(10,925)	150	118	(6,950)	(10,807)
Financial assets	**2,354**	**8,572**	**(2,062)**	**(7,592)**	**291**	**981**
Tangible and intangible assets	**54,014**	**103,772**	**0**	**100**	**54,014**	**103,872**
Operative	40,085	53,265	0	0	40,085	53,265
Capitalized according to IFRS 3 and goodwill	13,929	50,507	0	100	13,929	50,607
Investments						
Total	**3,033**	**19,602**	**0**	**0**	**3,033**	**19,602**
In tangible and intangible assets	3,009	19,602	0	0	3,009	19,602
In financial assets	24	0	0	0	24	0

	31/12/2012		31/12/2011	
The following countries account for over 10 % of total consolidated revenue	EUR '000	% of revenue	EUR '000	% of revenue
France	-	less than 10 %	54,739	23.3 %
Italy	52,019	27.5 %	38,550	16.4 %
Non-current assets by region				
Germany	60,751		100,881	
Rest of Europe	1,704		7,290	
Rest of world	685		2,140	

28 Cash Flow Statement

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

The cash flow from operating activities amounted to EUR -15,021 thousand (previous year EUR -9,081 thousand), of which an amount of EUR -1,385 thousand (previous year EUR 4,420 thousand) relates to the discontinued operations. The operating cash flow for the continuing operations is dominated by interest payments and changes in the inventories.

The cash flow from investing activities includes cash payments for the continuing operations for property, plant and equipment of EUR 1,189 thousand (previous year EUR 15,895 thousand), intangible assets of EUR 1,761 thousand (previous year EUR 1,299 thousand) and investments of EUR 24 thousand (previous year EUR 0 thousand).

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

Breakdown of financial resources

[in EUR '000]	2012	2011
Cash	18,251	25,896
Bank overdrafts	(14,831)	(2,261)
Reclasses to held for sale	0	1,790
Total	**3,420**	**25,425**

CENTROSOLAR reached agreement with the financing banks in the first half of 2012 to reduce its cash credit lines from a total of EUR 46.3 million to EUR 26.3 million (of which EUR 6.0 million in discontinued Glass division and EUR 0.3 million collateralized by cash). That reduction was based on the corporate planning which indicated that higher credit lines could not have been used. In March 2012 the banks providing the credit lines undertook to provide the reduced lines until March 30, 2013. In February 2013 the pledge was further extended until December 31, 2014 (see report on post-balance sheet date events). Short-term credit facilities to secure constant liquidity have been arranged with several different credit institutions. At the balance sheet date, the available borrowing facilities from current account, guarantee/surety or documentary credit lines amounts to EUR 2.9 million (previous year EUR 39.1 million).

Material non-cash transactions result from the existing issuance of stock options, from currency translation differences and from discounting effects. The Consolidated Cash Flow Statement has been presented after adjustment for these.

E Other particulars

1 Contingent liabilities

The customary warranty obligations are entered into, for which provisions have been formed where claims are probable. In the context of its ordinary business activities, the company moreover regularly enters into contingent liabilities from guarantees, cheques and bills of exchange, among other things. In particular, the CENTROSOLAR Group AG is liable for originated, not cash-backed guarantees amounting to EUR 0.5 million, to secure the guarantees of two solar parks. Furthermore, contingent liabilities may arise from areas of the group in which there exist statutory arrangements on partial retirement but for which no provisions have been recognised, as it is unlikely that employees in those areas will call upon the existing statutory arrangements. Provisions were formed for areas in which the probability of use is greater than 50 %.

Future tenancy and lease obligations are shown under [22] Other operating expenses.

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

2 Litigation

Sunarc Technology A/S

In March 2012 Sunarc Technology A/S, a supplier of glass to Centrosolar Sonnenstromfabrik GmbH, filed a compensation claim of approx. EUR 2.3 million against the latter with a Danish court due to the alleged non-acceptance of glass ordered. In addition to asserting the inadmissibility of the action, Centrosolar Sonnenstromfabrik GmbH argues that it is unfounded due to the deficient quality of the glass offered. Notwithstanding this, the parties agreed on a settlement on March 13, 2013 to the effect that the action will be withdrawn following the acceptance of a specified quantity of glass over a specified period, among other things. For the above reasons, it was not appropriate to create a provision at any time.

Q-Cells SE/Global PVQ SE

The insolvency administrator of Q-Cells SE filed a compensation claim by way of action against Centrosolar Schweiz AG for EUR 11,085 thousand and contractual penalty for EUR 207 thousand, totalling to EUR 11,293 thousand, due to non-acceptance of agreed minimum quantities of solar cells based on a perennial supply agreement concluded in April 2007. In the management's assessment the compensation claim is unfounded. Centrosolar Schweiz AG refused to accept further solar cells on the grounds that from July 2010 the supplied solar cells had not in agreed quality and so were defect. Since that time Q-Cells SE has been unable to supply defect-free solar cells. This legal opinion has been confirmed by an external lawyer's office.

Matheis GbR

Matheis GbR sought an independent procedure of taking evidence against Centrosolar AG pursuant to Sections 485ff of the German Code of Civil Procedure based on the alleged defectiveness of a photovoltaic system supplied by the latter. In the worst case, a possible lawsuit could lead to the cancellation of the agreement with a value of approx. TEUR 600,000. As we believe such a procedure has no prospect of success, no provisions have been created.

Dansk Photovoltaik A/S

Dansk Photovoltaik A/S, a former shareholder of the company Solarstocc AG which now operates as Centrosolar AG, has brought an action against the latter under summary procedure for the partial repayment of a shareholder loan amounting initially to EUR 1,230 thousand plus interest. Centrosolar AG has exercised a right of retention in the matter, which it bases on the counter-claims assigned to it for collection by the company in particular due to breach of contractual obligations in connection with the acquisition of the shares of Solarstocc AG by the company in the years 2005 and 2006. Following the increase in the action by further loan instalments to a total of EUR 2,255 thousand plus interest, the matter was heard before the District Court of Munich, in consequence of which the action concerning the loan was upheld in a provisional judgment based on the defendant's acknowledgement. The court then ordered stay of execution against security. The loan liability of the claim has been recognised in full as a short-term borrowing since the debt arose. In subsequent proceedings to the above proceedings Centrosolar AG filed a claim for payment of EUR 7,745 thousand jointly and severally against Dansk Photovoltaik A/S and German Solar AG by way of a counter-claim and third-party counterclaim. German Solar AG is the legal successor to Stock Invest GmbH, to which Dansk Photovoltaik A/S had transferred shares in the former Solarstocc AG prior to the acquisition of the latter by the company. Centrosolar AG is thus asserting claims from assigned rights amounting to EUR 10,000 thousand in total (filing for dismissal of action EUR 2,255 thousand; (third-party) filing of counterclaim EUR 7,745 thousand). The defendants have filed an action against Centrosolar AG and the company to determine that no entitlement to compensation exists. In separate proceedings brought before the District Court of Munich I, Dansk Photovoltaik A/S in addition brought an action against Centrosolar AG under summary procedure for the repayment of the remaining instalment of the aforementioned shareholder loan amounting to EUR 205 thousand plus interest, and for repayment of two other shareholder loans amounting to a total of EUR 242 thousand plus interest. Centrosolar AG is exercising the same right of retention as in the aforementioned proceedings. The loan liability of this claim, too, has been recognised in full as a short-term borrowing since the debt arose. The matter was heard before the District Court of Munich I, which upheld the action concerning the loan in a provisional judgment based on the defendant's acknowledgement. The court then ordered stay of execution against security and consolidation with the above (subsequent) proceedings. The consolidated proceedings before District Court of Munich I are currently ongoing.

3 Significant events occurring after the balance sheet date

CENTROSOLAR launches comprehensive restructuring programme

In light of the market's ongoing consolidation phase and the threat that this poses to the company's survival, the Management Board of CENTROSOLAR has agreed a comprehensive restructuring programme that envisages all parties concerned making significant contributions. The programme rests on three pillars:

- *1. Operational reorganisation:*
  The company is to be significantly streamlined, to equip it to function well on a lower market volume. This will involve reducing costs over and above the measures already implemented last year. Among other things administrative functions will now be handled centrally to some degree, with sales operations refocused. In addition, administrative operations in the holding company and the group companies will be appreciably scaled back. Thus, the number of employees who are not engaged in the solar power plant is down from 429 employees in December 2012 to only 342 employees in June 2013. Finally, senior management employees and the Supervisory Board will be deferring a significant portion of their remuneration to help the company.
- *2. Balance sheet reconstruction:*
  The company's financial liabilities are to be reduced significantly. The measures involved include a capital reduction in preparation for the BondM-listed bond for a nominal EUR 50 million to be then converted into shareholders' equity in the form of shares. The PREPS loans for EUR 9.5 million maturing in March 2014 are likewise to be converted into shareholders' equity. The financial creditors for this collateral – banks and lessors – support this plan and are themselves prepared to contribute towards reconstruction. In March they signed a restructuring agreement to this effect, according to which interest and capital repayments will be deferred in part until June 30, 2014 and financing assured until the end of 2014. The repayment of the deferred interest is envisaged for September 30, 2014. In accordance with the restructuring agreement the deferred capital repayments are to be repaid on December 31, 2014. In this connection it was also agreed that the financial situation of the company will be re-analysed in the first half of 2014 and that the company and its financial creditors will renegotiate a suitable repayment schedule if the repayment plans envisaged in the agreement should not be possible.
- *3. Capital strengthening:*
  To boost the equity base and to protect the existing share-holders against dilution, there are plans to raise fresh funding by way of a capital increase for cash with subscription rights. Shares not taken up by existing shareholders are to be placed with new investors. Strategic investors will also be targeted in this respect.

The strategy of international expansion and of focusing on higher-value systems for applications on private and industrial roofs will not be modified as a result of the restructuring programme, because the management believes that positioning remains the company's strength. The restructuring programme has the goal of giving the company the necessary clout as the industry enters the consolidation phase, and will enable it to grow again once photovoltaics as a market of the future regains stability.

Bond creditors and shareholders approve balance sheet reconstruction

By a majority of over 99 % of the bond capital represented at the vote, the bond creditors of the EUR 50,000,000 7 % bond 2011/2016 ("Bond" or "Debentures") of CENTROSOLAR Group AG voted in favour of the proposed balance sheet reconstruction concept at the creditors' meeting on May 21, 2013. The resolution envisages that all bond creditors transfer their Debentures to a bank acting as settlement agent ("Settlement Agent") for their contribution to CENTROSOLAR Group AG, and in return, after the capital reduction, receive the right to acquire a total of 5,500,000 newly issued shares in the company via the Settlement Agent without further consideration ("Acquisition Right"). This means that if all bond creditors exercise their pro rata Acquisition Right, they will each receive 110 new shares in the company per Debenture with a nominal value of EUR 1,000.00 (plus interest accrued) without further consideration.

The resolution of the creditors' meeting is binding for all bond creditors. Dr Christian Becker, lawyer, was in addition appointed as joint representative of all bond creditors.

On May 22, 2013 the shareholders, too, approved the package of measures drawn up by the Management Board for the reconstruction of the balance sheet of CENTROSOLAR Group AG, again by a majority of over 99 % of the capital represented.

In essence the following resolutions were passed: the capital stock of the company will be reduced in a simplified form from EUR 20,351,433 to EUR 814,057, after the retirement of 8 shares. In a first step the number of shares in the company is thus reduced by a ratio of 25:1. In the next step, it was resolved to increase the company's capital stock against contribution in kind of the EUR 50,000,000 7 % bond 2011/2016 ("Bond") and a subordinated loan by a total of EUR 6,260,000 to EUR 7,074,057. The Bond with a nominal total of EUR 50 million and the subordinated loan of a nominal EUR 9.5 million can consequently be converted into equity capital, and the financial liabilities thus reduced by over 60 %. Finally, as a third, later step it was resolved to increase the capital stock of the company for cash, with shareholder subscription rights, for up to 5,000,000 no par value shares in the company. This resolution is intended to inject fresh financial resources into the company.

The measures are envisaged to be implemented in the second half of 2013.

CENTROSOLAR disposes of the Glass Division

On May 7, 2013 CENTROSOLAR Group AG signed a share purchase agreement according to which 100 % of the shares of Centrosolar Glas GmbH & Co. KG, Fürth, Germany and Centrosolar Glas Holding GmbH, Munich, Germany, are sold to Ducatt NV, Lommel, Belgium (Ducatt). Centrosolar Glas is the technology leader for anti-reflective coatings for solar glass with maximum light transmission. In the context of its restructuring programme, CENTROSOLAR Group AG decided to sell this subsidiary, which no longer forms part of its core business operations. CENTROSOLAR is selling its glass activities for a token purchase price plus a share of future profits. Through this transaction, CENTROSOLAR reduces its consolidated borrowings by approximately EUR 14 million. This sale moreover represents a milestone for CENTROSOLAR in its endeavours to focus on the core business of PV roof systems for private and commercial uses. Centrosolar Sonnenstromfabrik will continue to source a significant portion of the solar glass it needs in the manufacturing of modules from Centrosolar Glas and Ducatt.

As a result of the integration of CENTROSOLAR's glass finishing business into a progressive glass manufacturer, substantial further cost and technological improvements can now be implemented, according to the management. Centrosolar Glas is now able to benefit not only from synergies with Ducatt's glass melt activities, but also from Ducatt's technological lead in the sphere of thin glass for solar applications.

Closure of Gecko Energies GmbH

On 28 May 2013 CENTROSOLAR agreed on the closure of Gecko Energies GmbH. The decision was taken after a previously completed restructuring program showed there to be little chance of bringing Gecko Energies to profitability in the short-term. The weak economic growth of Gecko, was significantly influenced by the sharp cuts in solar subsidies in Germany. Although Gecko Energies has, in the view of the management, long-term prospects, this decision was taken with the background of the rehabilitation situation of the Group which makes it necessary to concentrate the remaining forces rigorously.

Negotiated Solution for Anti-Dumping of Solar Modules

On 28 July 2013 the European Commission announced that a negotiated solution regarding the anti-dumping proceeding on imports of solar panels from the People's Republic of China had been reached. The solution requires the consent of the majority of Member States, there is also the opportunity to challenge the court solution. A final assessment is not yet possible. From the management perspective, a negotiated solution with the mentioned vertices would be expected to impact positively on CENTROSOLAR.

4 Related party disclosures

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

In October CENTROTEC Sustainable AG, until then the biggest shareholder, disposed of its holding of around 26 %. This was described as the final step in a strategy launched at the end of 2011 to withdraw altogether from the solar business. Because Mr Guido Alexander Krass holds the function of Supervisory Board Chairman of both CENTROSOLAR Group AG and CENTROTEC Sustainable AG, hence has controlling influence, all companies belonging to the CENTROTEC Group are treated as related parties.

In August 2005 Ubbink B.V. and Renusol GmbH concluded a production agreement. The production agreement was concluded for a fixed period of 5 years and was terminated by mutual agreement with effect from October 31, 2009. Notwithstanding this, Ubbink B.V. supplied goods to the total value of EUR 34 thousand (previous year EUR 57 thousand) to Renusol GmbH in arm's length transactions in 2012.

From the inclusion of CENTROSOLAR Group AG in the CENTROTEC Group, management charges were passed on to the company by CENTROTEC Sustainable AG in essence for operational management services performed by employees and the management of CENTROTEC Sustainable AG. These charges were fundamentally passed on to all subsidiaries of CENTROTEC Sustainable AG and, in the case of the company, related to such services as consultancy on accounting matters, strategy, legal question, projects, communication and IT. From the 2012 financial year on, no services were used any longer (previous year EUR 14 thousand).

The CENTROSOLAR Group supplied the CENTROTEC Group with mounting materials to the value of EUR 517 thousand (previous year EUR 580 thousand) in arm's length transactions in the 2012 financial year.

Centrosolar Glas GmbH & Co. KG sold special glass to the value of EUR 572 thousand (previous year EUR 1,219 thousand) in arm's length transactions to Wolf GmbH, a subsidiary of CENTROTEC Sustainable AG, during the 2012 financial year. Centrosolar AG supplied Wolf with solar modules and integrated solar systems to the value of EUR 84 thousand (previous year EUR 450 thousand).

At the balance sheet date CENTROSOLAR had receivables amounting to EUR 5 thousand (previous year EUR 80 thousand) and liabilities of EUR 16 thousand (previous year EUR 30 thousand) in respect of Ubbink B.V. and its subsidiaries. There were no longer any liabilities in respect of CENTROTEC (previous year EUR 1 thousand). There are receivables amounting to EUR 69 thousand (previous year EUR 106 thousand) from Wolf GmbH.

Legal transactions with the Pari Group and Guido Alexander Krass

Guido Alexander Krass, the company's Supervisory Board Chairman, holds an interest in Pari Holding GmbH. Pari Holding GmbH is therefore classified as a related party.

The company conducted the following legal transactions with these companies of the Pari Group:

Pari Holding GmbH was billed the total amount of EUR 42 thousand (previous year EUR 41 thousand) for rent and administrative activities. In return Pari Capital AG invoiced a total of EUR 9 thousand (previous year EUR 0 thousand) for various bookkeeping and administrative activities. Billing reflected the expenses incurred.

At the balance sheet date CENTROSOLAR had receivables amounting to EUR 3 thousand (previous year EUR 3 thousand) and liabilities of EUR 9 thousand (previous year EUR 0 thousand) in respect of Pari Holding GmbH.

5 Management Board and Supervisory Board

Management Board

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

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

Thomas Güntzer, lawyer, Nyon, Switzerland, member with responsibility for New Markets & Major Projects, M&A and Human Resources

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

The following disclosures on Management Board remuneration are made to comply with the German Commercial Code: the total remuneration of the Management Board was EUR 1,479 thousand in the financial year (previous year EUR 1,530 thousand). Of this total remuneration, fixed and non-performance-related cash remuneration accounted for EUR 1,184 thousand (previous year EUR 1,094 thousand) and remuneration from stock options EUR 295 thousand (previous year EUR 435 thousand), the value of which was determined by analogy to the measurement rules of IFRS 2. In the 2012 financial year, 120,000 options (previous year 58,077) with a fair value of EUR 0.29 per option (previous year 1.86) were issued to the Management Board members. The remuneration from stock options (expense recognised on a time proportional basis) has not been booked as an expense in the separate financial statements of CENTROSOLAR Group AG, in a departure from the accounting practice in the IFRS financial statements. The cash remuneration includes salaries and the employer's share of social security contributions paid. The remuneration from stock options can be regarded as remuneration components with a long-term incentivising effect. No other performance-related remuneration or other benefits were paid.

Each individual received the following amounts: Dr Alexander Kirsch received fixed cash remuneration of EUR 422 thousand (previous year EUR 382 thousand) as well as remuneration of EUR 98 thousand (previous year EUR 145 thousand) in the form of stock options. Thomas Güntzer received fixed cash remuneration of EUR 375 thousand (previous year EUR 364 thousand) as well as remuneration of EUR 98 thousand (previous year EUR 145 thousand) in the form of stock options. Dr Axel Müller-Groeling received fixed cash remuneration of EUR 388 thousand (previous year EUR 348 thousand) as well as remuneration of EUR 98 thousand (previous year EUR 145 thousand) in the form of stock options.

In the year under review of 2012, the members of the Management Board belonged to the following regulatory bodies pursuant to Section 125 (1) fifth sentence of the German Stock Corporation Act:

Dr Alexander Kirsch	Centrosolar AG, Hamburg, Germany (Deputy Chairman)
Thomas Güntzer	Centrosolar AG, Hamburg, Germany iTAC Software AG, Dernbach, Germany
Dr Axel Müller-Groeling	Centrosolar AG, Hamburg, Germany (Chairman)

Supervisory Board

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

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

The total remuneration of the Supervisory Board was EUR 90 thousand in the financial year (previous year EUR 90 thousand), in accordance with the articles of incorporation. Guido A Krass received Supervisory Board remuneration of EUR 40 thousand (previous year EUR 40 thousand), Dr Bernhard Heiss EUR 30 thousand (previous year EUR 30 thousand) and Martinus Brandal EUR 20 thousand (previous year EUR 20 thousand). There exists a consultancy agreement with Dr Bernhard Heiss charged for by the hour, on the basis of which consultancy services are provided over and above the scope of the tasks of the Supervisory Board. He did not charge any fees for legal consultancy in the financial year. No loans were extended to the members of the Supervisory Board.

In the year under review of 2012, the members of the Supervisory Board belonged to the following regulatory bodies pursuant to Section 125 (1) fifth sentence of the German Stock Corporation Act:

Guido A Krass
CENTROTEC Sustainable AG, Germany (Chairman)
Medimondi AG, Munich, Germany (Chairman)
Wolf GmbH, Mainburg, Germany

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

Martinus Brandal
Polarsel AS, Torod
BE Bio Energy Group AG, Zürich
BEG AS, Oslo
BEG II AS, Oslo
BEG AB, Stockholm
Solør Bioenergi Holding AS, Kirkenær
Solør Bioenergi AS, Kirkenær
Solør Bioenergi Sverige AB, Charlottenberg
Solør Bioenergi Recycling AB, Trollhattan
Solør Bioenergy Infrastruktur Holding AS, Kirkenær
Solør Bioenergi Infrastruktur AS, Kirkenær
Solør Bioenergi Eiendom AS, Kirkenær
Impact Investment Holding AG, Pfäffikon
Impact Investment Partners AG Pfäffikon
Blue Diamond AG, Pfäffikon
Environmental Alpha AG, Pfäffikon

6 German Corporate Governance Codex

Pursuant to Section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with.

The Management Board and Supervisory Board of CENTROSOLAR Group AG have declared the extent to which the recommendations of the Government Commission on the German Corporate Governance Code are complied with. The regularly submitted declarations and explanations are permanently available on the website of CENTROSOLAR Group AG at www.centrosolar-group.com. We moreover make reference to the comments in the Annual Report.

7 Independent auditors' fees

The auditors of CENTROSOLAR Group AG are Rödl & Partner GmbH.

Expenses for auditor

[in EUR '000]	2012	2011
Expenses for auditing of the financial statements	268	235
Other certification or consultancy services	0	1
Tax consultancy services	9	9
Other services	37	56
Total expenses	**315**	**301**

8 Date and authorisation for issue of the financial statements

The financial statements were approved by the Management Board and authorised as a whole for issue on March 27, 2012. The Supervisory Board is expected to approve the financial statements on August 2, 2013.

Munich, August 2, 2013

Dr Alexander Kirsch
[Chairman and Finance]

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

Dr Axel Müller-Groeling
[Strategy and Operations Management]

Responsibility Statement

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

Munich, August 2, 2013

Dr Alexander Kirsch
[Chairman and Finance]

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

Dr Axel Müller-Groeling
[Strategy and Operations Management]

Independent auditors’ report

We have audited the consolidated financial statements of CENTROSOLAR Group AG, Munich – comprising the balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated changes in equity, consolidated cash flow statement, consolidated segment reporting and consolidated notes – and the group management report of CENTROSOLAR Group AG, Munich, for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report and the additional requirements according to § 315a paragraph 1 HGB and supplementary provisions of the articles of incorporation in accordance with the IFRS, as adopted in the EU, are the responsibility of the Company’s management. Our task is to express an opinion on the basis of our conducted audit of the consolidated financial statements and the Group management report.

We conducted our audit in accordance with § 317 HGB (German Commercial Code) and with due regard of the Institute of Auditors’ (IDW) generally accepted German standards for financial audits. It is required that the audit is planned and performed such that misstatements or infringements materially affecting the presentation of operations in the consolidated financial statements, in accordance with the applicable financial reporting framework, and in the group management report of the net assets, financial position and performance are identified with reasonable certainty. For the determination of audit procedures, knowledge of the business activities and the economic and legal circumstances of the Company and expectations as to possible errors are taken into account. During the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are assessed primarily on the basis of random samples. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the scope of consolidation, the accounting and consolidation principles and significant estimates made by legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

According to our assessment based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements according to § 315a paragraph 1 HGB and supplementary provisions of the articles and give, in accordance with these requirements, a true and accurate view of the assets, liabilities, financial position and profit or loss of the Group. The group management report is consistent with the consolidated financial statements, provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future developments.

Without qualifying our opinion, we draw attention to the fact that going concern of the Group and the CENTROSOLAR Group AG is threatened by risks. In particular it is demonstrated in the group management report in section ‘IV Risk Report’ and the ‘V forecasting report’ that the Group set up a restructuring program to reduce costs and secure revenues and to ensure liquidity and liquidity support, and that an agreement was made with the financing banks and lessors for a restructuring of the segment ‘Solar Integrated Systems’ in March 2013. A failure of individual fundamental elements or more cumulative measures of the restructuring program as well as a failure to achieve the restructuring program underlying corporate planning or extra-ordinary termination of the restructuring agreement threatens the going concern of the group. Nevertheless, the Board of CENTROSOLAR Group AG considers the going concern of the Group and the CENTROSOLAR Group AG as highly probable.

Munich, August 2, 2013

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Wolfgang Kraus — financial auditor

gez. Ronald Hager — financial auditor

CENTROSOLAR Group AG

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

Solar Integrated Systems

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

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

Project Development
Centroplan GmbH
Am Pannhaus 2 – 10
D-52511 Geilenkirchen
Phone: +49 2451 911300
Fax: +49 2451 9113015
E-mail: info@centroplan.de
www.centroplan.de

Solar Key Components

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

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

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

France
Centrosolar France SARL
Espace Européen
15, chemin du Saquin, Bâtiment G
F-69130 Ecully
Phone: +33 4 69848210
Fax: +33 4 69848216
E-mail: info,france@centrosolar.com
www.centrosolar.fr

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

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

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

Italy
Centrosolar Italia S.r.l.
V,le de Lavoro 33
I-37036 S. Martino B.A. Verona
Phone: +39 045 4937601
Fax: +39 045 8798589
E-mail: info.italia@centrosolar.com
www.centrosolar.com

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

Italy
Renusol Italia SRL
Corso Porta Nuova, 11
I-37122 Verona
Phone: +39 346 8004239
E-mail: info@renusol.com
www.renusol.com

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

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

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

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

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

USA
Centrosolar America Inc.
39465 Paeso Padre PKWY Ste 2900
Fremont, CA 94538-5377
Phone: +1 510 9336100
Fax: +1 510 9336159
E-mail: info-usa@centrosolaramerica.com
www.centrosolaramerica.com

USA
Renusol America, Inc.
1292 Logan Circle
Atlanta, GA 30318
Phone: +1 877 847 8919
E-mail: info@renusolamerica.com
www.renusolamerica.com

Canada
Centrosolar Canada Inc.
2 Bloor Street West, Suite 700
Toronto, Ontario, M4W 3R1
Phone: +1 905 6044012
Fax: +1 416 9725071
E-mail: info-can@centrosolar.com
www.centrosolarcanada.com

FINANCIAL CALENDAR
2013

May 2	1. Bondholders' Meeting
May 21	2. Bondholders' Meeting
May 22	Extraordinary Annual General Meeting
August 2	Publication Quarterly Report 1/2013
August 30	Publication Quarterly Report 2/2013
September 16	Ordinary Annual General Meeting
November 14	Publication Quarterly Report 3/2013

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Text
CENTROSOLAR Group AG

Concept
MetaCom, Hanau
Georg Biekehör
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Jens Gloger,
Michaela Schäfer

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Matthias Müller
Frank Ossenbrink
Media Group, Berlin

Print
Viaprinto

CENTROSOLAR Group AG

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

WE STAY ON!

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